



400 S. La Salle  
Chicago, IL 60605

Regulatory Circular RG10-37

To: Members  
From: Trading Operations &  
Department of Market Regulation  
Date: March 11, 2010  
Re: Preferred Allocation for Complex Orders

CBOE is pleased to announce that, effective immediately, preferred trade allocation has been implemented for complex (multi-leg) orders, including the option leg(s) of stock/option orders. Previously, only simple (single-leg) orders were eligible for preferred allocation. Note that the marketing fee was previously and continues to be assessed for preferred complex orders under the terms of the marketing fee program.

The following eligibility requirements apply.

1. At the end of a COA, the PMM will receive an entitlement on auction responses if the PMM was on the BBO in at least one leg of the strategy at the START of the COA.
2. At the end of a COA, if any quantity trades against the legs (i.e., because there were no auction responses or the responses were for insufficient size), the PMM will receive an entitlement on any leg(s) where the PMM was on the BBO at the START of the auction. The PMM will not receive an entitlement on any leg(s) where the PMM joins the BBO DURING the auction.
3. On COB orders that execute against the legs, the PMM will receive an entitlement on any leg(s) where the PMM is part of the BBO. Since there's no auction in these cases, there is no requirement to be quoting at the BBO other than at the time of execution.
4. In all cases, the entitlement applies only to the remainder after public customers are filled.

For information about PMM eligibility requirements and quoting obligations, please refer to Rule 8.13, *Preferred Market-Maker Program*. Please also note, order flow providers are prohibited from notifying a PMM regarding their intention to submit a preferenced complex order so that such PMM could change its quotation to match the NBBO immediately prior to submission of the preferenced order, and then fade its quote. Rule 4.18, *Prevention of the Misuse of Material, Nonpublic Information*, prohibits this sort of misuse of material, non-public information. Further, CBOE conducts surveillance for, and enforces against, such violations. For additional information, please refer to Regulatory Circular RG09-146, *Prearranged Trades*.

Questions regarding this functionality may be directed to Anthony Montesano at 312-786-7365/montesan@cboe.com; or the CBOE Help Desk at 866-728-2263/helpdesk@cboe.com. Questions about rule requirements may be directed to the Department of Market Regulation at (312) 786-8460.