



To: Trading Permit Holders
From: Trading Operations
Date: October 28, 2010
Re: SPX "Weeklys" and End of Week (i.e. "Week-End") Options

In the first week of December 2010, CBOE will transition from the current AM-settled SPX "Weeklys" product to a PM-settled SPX "Week-End" product. The last AM-settled "Weeklys" will expire on Friday, December 3, 2010. The first PM-settled SPX Week-End options will begin on Thursday, December 2, 2010 and expire on Friday, December 10, 2010, thus allowing overlap of one trading day between the two. Following this transition, no further AM-settled SPX "Weeklys" will be listed. The trading symbol for the new PM-settled SPX Week-End product will be "SPXW" which will be tied to the SPX index underlying. A separate circular defining product specifications for the new PM-settled Week-End options will be disseminated separately.

Additionally, CBOE has submitted a rule filing to enable the trading of a subset of series in an individual options class on the Hybrid platform while trading all other series of that options class on the Hybrid 3.0 platform, which currently supports the SPX. As proposed, CBOE would be able to trade some SPX options series using the Hybrid platform, which allows Market-Makers to submit competing individual electronic quotes in their appointed class, while leaving other series on the current Hybrid 3.0 platform, which allows appointed LMMs to submit electronic quotes that represent the aggregate Market-Maker quoting interest for the trading crowd.

Once the rule change is effective, it is the intention of the Exchange to launch the new SPX Week-End options, and only that sub-set of the SPX option class, on the Hybrid platform. CBOE expects the rule to become effective in the fourth quarter of 2010, allowing for a launch of the Week-End options on the Hybrid platform on December 2, 2010.

Related points of interest are as follows:

- 1) The Market-Maker appointment cost for SPX will change from .95 to 1.0, effective December 1.
- 2) Only those Market-Maker Trading Permit Holders (TPHs) with an SPX appointment will be able to stream electronic quotes in the Week-End options.
- 3) Market-Maker TPHs with an SPX appointment will not be able to have other class appointments under the same trading acronym. Quote bandwidth associated with such a Trading Permit can only be used for quoting SPX (LMMs only) and SPXW.
- 4) A Market-Maker TPH with an SPX appointment will incur an obligation to provide electronic quotes in 60% of the End of Week option series if, during any calendar quarter, the Market-Maker TPH trades more than 20% of its Week-End options contract volume electronically. The obligation will begin the quarter following the quarter in which the 20% threshold was reached.

To prepare any interested and existing TPHs for this initiative, CBOE will conduct education sessions the weeks of November 1, 2010 and November 8, 2010. At these sessions, an overview of the Hybrid platform will be presented, with Market-Makers and Floor Brokers assigned to separate sessions. Third-party vendors that provide Market-Maker technology will be invited to attend the Market-Maker sessions. Over the upcoming weeks, as the anticipated launch date approaches, additional individual training sessions will be held in the CBOE test lab with each brokerage group. The schedule for the training sessions is as follows:

- November 2, 2010, 3:30 – 4th floor conference room 4B (Market-Maker session)
- November 3, 2010, 3:30 – 4th floor conference room 4B (Floor Broker session)
- November 4, 2010, 3:30 – 4th floor conference room 4B (Market-Maker session)
- November 9, 2010, 3:30 – 4th floor Auditorium (Market-Maker session)
- November 10, 2010, 3:30 – 4th floor conference room 4B (Floor Broker session)
- November 11, 2010, 3:30 – 4th floor conference room 4B (Market-Maker session)

The matching algorithm and other Hybrid platform settings for the Week-End options will be announced by circular prior to the start-date of December 2, 2010.

Questions regarding this matter may be directed to Anthony Montesano at (312) 786-7365 or montesan@cboe.com, or to Eric Frait at (312) 786-7747 or frait@cboe.com.