CBOE®

Regulatory Circular RG11-052

To: Trading Permit Holders
From: Trading Operations
Date: April 28, 2011
Re: Market Order Price Protection Levels (updates RG10-54)

CBOE provides a protection feature designed to reduce the risk of extreme and potentially erroneous executions of simple market orders. Market orders that require fills at multiple prices will initiate a HAL once the next available price is more than a specified level beyond the NBBO that existed when the order was first received. If the HAL exposure does not result in a fill, the remainder of the order will route to PAR rather than being allowed to automatically execute at the extreme price. Effective May 2, 2011, CBOE will update these price protection levels as follows:

New Settings (as of May 2, 2011):

Initial NBBO	**Permissible execution beyond initial NBBO**	
	Penny classes	Non-Penny classes
0 – .14 =	.02	.10
.15 – .49 =	.03	.10
.50 – .99 =	.04	.10
1.00 – 2.99 =	.05	.10
3.00 – 9.99 =	.10	.20
10.00 – 19.99 =	.15	.20
20.00 – 29.99 =	.20	.20
30.00 and above =	.25	.30

Example:
In a penny class, CBOE has offers at $1.00 for 10; $1.01 for 10; and $1.06 for 100. The best away market is offered at $1.06. An order is received to buy 50 MKT. 10 would execute at $1.00 and 10 at $1.01. The next price of $1.06 is more than $0.05 above the initial best offer of $1.00. Thus, HAL is initiated for 30 contracts at $1.05. Executions would occur at the conclusion of the HAL auction against any responses of $1.05 or lower. Any un-filled remainder would route to PAR.

Questions regarding this functionality may be directed to Anthony Montesano at (312)786-7365 or montesan@cboe.com or the CBOE Help Desk at (866)728-2263 or helpdesk@cboe.com.