



Regulatory Circular RG 05-81

Date: September 29, 2005

To: Members and Member Organizations

From: Allocation Committee
Index Market Performance Committee
Equity Market Performance Committee
Modified Trading Systems (MTS) Appointments Committee

Subject: Short Term Option Quoting Obligations

The Securities and Exchange Commission (SEC) has recently approved (on July 12, 2005) a rule change enabling the CBOE to list and trade Short Term Option Series, which will expire one week after the date on which a series is opened (see SR-CBOE-2004-63). Established as a one-year pilot program, the CBOE is allowed to select up to five approved option classes on which Short Term Option Series can be opened. A series can be opened on any Friday that is a business day and will expire at the close of business on the next Friday that is a business day*. Under the pilot program, the CBOE also can list and trade Short Term Option Series on any option class that is selected by another exchange that employs a similar pilot program.

The Exchange intends to consider Short Term Options as an additional series on an underlying product, and therefore the continuous quoting obligations of DPMs, EDPMM, MMs and RMMs, as defined in CBOE Rules 8.85, 8.93, 8.7 and 8.4 respectively, will apply to Short Term Options.

Failure to comply with the requirements set forth in CBOE Rules 8.4, 8.7, 8.85 and 8.93 may result in remedial market performance action and/or disciplinary action.

A copy of this approved rule change is available on the Exchange's website at www.cboe.com.

For questions regarding quoting obligations, please contact Allison Kile (312) 786-7210 or Angela Redell (312) 786-7559. For general questions regarding Short Term Options, please contact Jim Flynn (312) 786-7070.

* If a Friday were not a business day, the series could be opened (or would expire) on the first business day immediately prior to Friday.