CBOE

CHICAGO BOARD OPTIONS EXCHANGE

Regulatory Circular RG06-48

Date: May 25, 2006
To: Members, Member Firms and Member Organizations
From: Trading Operations
Re: Hitting COB with IOC Orders In Appointed Classes

Under Rule 6.53C, *Complex Orders on the Hybrid System,* only complex orders with origin codes CUSTOMER, FIRM and BD are currently eligible to route to and rest in the complex order book (COB). In addition, market participants, including CBOE Market-Makers that hold appointments in a class, may submit orders to trade against orders resting in the COB.

The Exchange is introducing new functionality so that Market-Makers may use Immediate-Or-Cancel (IOC) orders in their appointed classes to trade against orders resting in the COB in accordance with Rule 6.53C(c)(iii)(3). This functionality will be available in all Hybrid classes where COB is active, effective **May 31, 2006**.

Prior to this change, appointed Market-Makers could only trade against orders resting in COB by entering an order with an origin of "I". Since I orders cannot contain a contingency, the additional step of canceling any remaining volume after the I order trades against an order resting in the COB is necessary. With this change, appointed Market-Makers may now use IOCs with origin M (rather than I) to trade against orders resting in COB. Any unexecuted portion will be cancelled electronically.

Please Note: As with I orders, M orders are not allowed to rest in COB. Therefore, a contingency of IOC MUST be specified by the appointed Market-Maker when using M orders to trade against orders resting in the COB.

Hybrid market participants who use third party auto-quote systems should contact their vendor regarding this functionality.

Questions regarding this matter may be directed to Anthony Montesano at x7365, Greg Burkhardt at x7531or the Help Desk at 1-800-405-3277.