

OMB APPROVAL

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hours per response.....38

Page 1 of 60

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2007 - 120

Amendment No. 1

Proposed Rule Change by Chicago Board Options Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action <input type="checkbox"/>	Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 256 characters)

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Patrick Last Name Sexton
Title Associate General Counsel
E-mail sexton@cboe.com
Telephone (312) 786-7467 Fax (312) 786-7919

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 02/13/2008

By Patrick Sexton

(Name)

Associate General Counsel

(Title)

NOTE: Clicking the button at right will digitally sign and lock
this form. A digital signature is as legally binding as a physical
signature, and once signed, this form cannot be changed.

Patrick Sexton, sexton@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of Proposed Rule Change

- (a) The Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") proposes to amend CBOE rules relating Market-Makers and Remote Maker-Makers ("RMMs"). The text of the proposed rule change is attached as Exhibit 5.
- (b) Inapplicable
- (c) Inapplicable

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Exchange's Office of the Chairman pursuant to delegated authority on September 10, 2007.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Amendment No. 1 replaces the original filing in its entirety. CBOE proposes to amend CBOE rules relating Market-Makers and RMMs. In particular, CBOE proposes to (i) delete reference to RMMs in its rules; (ii) amend Rule 8.3 and Rule 8.7 relating to the appointment of Market-Makers and Market-Maker obligations, respectively; and (iii) update or delete outdated provisions in other rules, including Rule 8.3A relating to Class Quoting Limits ("CQLs").

CBOE proposes to delete Rule 8.4 and, as a result, individuals and member organizations that are registered as RMMs would be considered Market-Makers under CBOE's rules.¹ RMMs were established in 2005 to allow market participants the ability to stream electronic quotations from a location outside of the physical trading station for an option class. At the time, Market-Makers were restricted from submitting electronic quotations from a location outside of the physical trading station. Over time, CBOE has amended its rules to permit Market-Makers to create a virtual trading crowd appointment and submit electronic quotations away from CBOE's trading floor in a Market-Maker's appointed classes. While on the trading floor, a Market-Maker is not required to be present in the trading station where a class is located in order to stream electronic quotations into the class. (See Rule 8.3(c)(vi).)

The obligations of Market-Makers and RMMs are generally the same, and Market-Makers in Hybrid and Hybrid 2.0 option classes can function remotely if they choose. Additionally, the "appointment costs" and transaction fees of RMMs and Market-Makers are identical. Accordingly, CBOE does not see any reason to continue to maintain a category of market participant called RMM.

In connection with the deletion of the reference to RMMs, CBOE proposes to amend the definition of Market-Maker to include member organizations. Currently, an RMM can be either an individual or a member organization. Under Rule 8.1, however, a Market-Maker is defined as

¹ In connection with this change, CBOE proposes to make related changes to Rules 3.2, 3.3, 6.45A, 6.45B, 8.7, 8.13, 8.85, and 8.92 which reference the term RMM, and delete Rule 8.61 which pertains to the evaluation of RMMs.

an individual (either a member or a nominee of a member organization) registered with CBOE for the purpose of making transactions as dealer-specialist on CBOE in accordance with the provisions of Chapter VIII. Therefore, CBOE proposes to amend the definition of Market-Maker to include member organizations. CBOE also proposes to amend Rule 3.3 to clarify that the member organization membership statuses that are approved by the Membership Committee include Market-Maker.²

CBOE also proposes to delete Interpretation and Policy .02 to Rule 3.8, and amend Rule 3.8(a)(ii) to allow any member organization that is the owner or lessee of more than one membership to designate one individual to be the nominee for all memberships utilized by the organization. However, for each membership utilized for trading in open outcry on the trading floor, the organization must designate a different individual to be the nominee for each of the memberships. Currently, only RMMs, e-DPMs and Off-Floor DPMs are permitted to designate one individual to be the nominee for all memberships utilized by the organization. CBOE believes it is appropriate to allow any member organization to designate one individual to be the nominee for all memberships utilized by the organization, and if any of the memberships are utilized for trading in open outcry on the trading floor, the organization must designate a different individual to be the nominee for each of the memberships.

CBOE also proposes to update and amend Rule 8.3 pertaining to the appointment of Market-Makers. First, CBOE proposes to amend paragraph (a) of Rule 8.3 to provide that appointments can be selected by Market-Makers or made by CBOE consistent with the factors set forth in paragraph (a). Second, CBOE proposes to amend paragraph (c)(ii) to delete the requirement that a Market-Maker may hold an appointment in an appropriate number of Hybrid option classes that are located at one trading station. This limitation which requires that appointments in Hybrid option classes must be located at one trading station is not necessary. Moreover, since all option classes are either Hybrid 2.0 option classes or Hybrid 3.0 option classes, it is irrelevant.

Third, CBOE proposes to amend and reorganize paragraph (c)(vii) of Rule 8.3 pertaining to the two current pilot programs that are in effect, and also to extend for an additional year the pilot programs. Specifically,

- Proposed new subparagraph (1) of Rule 8.3(c)(vii) describes the existing pilot program which allows an e-DPM or Off-Floor DPM to have one affiliated Market-Maker trade on CBOE's trading floor and submit electronic quotations in any specific option class allocated to the e-DPM or Off-Floor DPM, provided such affiliated Market-Maker trades on a separate membership and is present in the trading crowd (*see* Rules 8.85(a)(v) and 8.93(vii)). As noted above, CBOE also proposes to extend for an additional year, until March 14, 2009, this pilot program as it believes that the pilot program has been successful, and CBOE has not experienced any negative effects with respect to the pilot program;
- Proposed new subparagraph (2) of Rule 8.3(c)(vii) maintains the existing pilot program which permits an RMM to have one affiliated Market-Maker trade in open outcry and submit electronic quotations in any specific option class in which the Market-Maker holds an appointment, provided such affiliated Market-Maker trades on a separate membership (*see* Rule 8.4(c)(i)). However, because CBOE is deleting reference to RMMs, subparagraph (2) of Rule 8.3(c)(vii) states that a Market-Maker in a class may

² Interpretation .02 of Rule 3.3 is also proposed to be amended to include reference to Lead Market-Maker.

have one affiliated Market-Maker trade in open outcry and submit electronic quotations in any specific option class in which the Market-Maker holds an appointment, provided such affiliated Market-Maker trades on a separate membership and is present in the trading crowd. As noted above, CBOE proposes to extend for an additional year, until March 14, 2009, the pilot program, as CBOE believes that it has been successful, and CBOE has not experienced any negative effects with respect to the pilot program.

- Proposed new subparagraph (3) of Rule 8.3(c)(vii) provides that there is no restriction on (A) affiliated Market-Makers holding an appointment and submitting electronic quotations in the same class provided CBOE uses an allocation algorithm in the class that does not allocate electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer; or (B) affiliated Market-Makers holding an appointment in the same class for purposes of trading in open outcry.
- Proposed new subparagraph (4) of Rule 8.3(c)(vii) simply restates the multiple aggregation unit pilot program currently applicable to RMMs (*see* Rule 8.4(c)(ii)) and Market-Makers (*see* Rule 8.3(c)(viii)). CBOE also proposes to extend for an additional year, until March 14, 2009, the pilot program. CBOE believes that the pilot program has been successful, and CBOE has not experienced any negative effects with respect to the pilot program.

With regard to the obligations of Market-Makers, CBOE proposes to amend Rule 8.7 to delete references to RMMs and other outdated references to appointed trading stations. Additionally, CBOE proposes to delete reference to DPMs representing orders as agent in Rule 8.7(d)(i)(C), as DPMs cannot act as an agent for orders (*see* Rule 8.85(c)).

CBOE also proposes to update Rule 8.3A pertaining to CQLs. CBOE proposes to amend paragraph (a) to state that the DPM and e-DPMs (if applicable) assigned to a product and Market-Makers who hold an appointment in the product are entitled to quote electronically in the product for as long as they maintain an appointment in the product. CBOE proposes to amend paragraphs (b) and (c) to delete reference to March 18, 2005, and also to provide that any Market-Maker holding an appointment in a product prior to its addition to the Hybrid 2.0 Platform or Hybrid Trading System, respectively, will be entitled to quote electronically in the product. Finally, CBOE proposes to delete existing Interpretation .02 as it is outdated.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) Act³ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

³ 15 U.S.C. 78f(b)(5).

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

Item 6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission consideration of the proposed rule change.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or the Commission

This proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

Item 9. Exhibits

- | | |
|-----------|---|
| Exhibit 1 | Form of Notice of Proposed Rule Change for Publication in the <u>Federal Register</u> . |
| Exhibit 4 | Marked Copy of the Text of the Proposed Rule Change, as Amended |
| Exhibit 5 | Text of the Proposed Rule Change. |

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-CBOE-2007-120)

Dated: _____

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice
of Filing of a Proposed Rule Change Relating Market-Makers and Remote Maker-
Makers

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the
“Exchange Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____,
the Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed
with the Securities and Exchange Commission (the “Commission”) the proposed rule
change as described in Items I, II, and III below, which Items have been prepared by the
Exchange. The Commission is publishing this notice to solicit comments on the proposed
rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the
Proposed Rule Change

CBOE proposes to amend CBOE rules relating Market-Makers and Remote
Market-Makers (“RMMs”). The text of the proposed rule change is available on the
Exchange’s Web site (<http://www.cboe.com>), at the Office of the Secretary, CBOE and at
the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis
for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included
statements concerning the purpose of and basis for the proposed rule change and discussed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

Amendment No. 1 replaces the original filing in its entirety. CBOE proposes to amend CBOE rules relating Market-Makers and RMMs. In particular, CBOE proposes to (i) delete reference to RMMs in its rules; (ii) amend Rule 8.3 and Rule 8.7 relating to the appointment of Market-Makers and Market-Maker obligations, respectively; and (iii) update or delete outdated provisions in other rules, including Rule 8.3A relating to Class Quoting Limits ("CQLs").

CBOE proposes to delete Rule 8.4 and, as a result, individuals and member organizations that are registered as RMMs would be considered Market-Makers under CBOE's rules.³ RMMs were established in 2005 to allow market participants the ability to stream electronic quotations from a location outside of the physical trading station for an option class. At the time, Market-Makers were restricted from submitting electronic quotations from a location outside of the physical trading station. Over time, CBOE has amended its rules to permit Market-Makers to create a virtual trading crowd appointment and submit electronic quotations away from CBOE's trading floor in a Market-Maker's appointed classes. While on the trading floor, a Market-Maker is not required to be present

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in the trading station where a class is located in order to stream electronic quotations into the class. (See Rule 8.3(c)(vi).)

The obligations of Market-Makers and RMMs are generally the same, and Market-Makers in Hybrid and Hybrid 2.0 option classes can function remotely if they choose. Additionally, the “appointment costs” and transaction fees of RMMs and Market-Makers are identical. Accordingly, CBOE does not see any reason to continue to maintain a category of market participant called RMM.

In connection with the deletion of the reference to RMMs, CBOE proposes to amend the definition of Market-Maker to include member organizations. Currently, an RMM can be either an individual or a member organization. Under Rule 8.1, however, a Market-Maker is defined as an individual (either a member or a nominee of a member organization) registered with CBOE for the purpose of making transactions as dealer-specialist on CBOE in accordance with the provisions of Chapter VIII. Therefore, CBOE proposes to amend the definition of Market-Maker to include member organizations. CBOE also proposes to amend Rule 3.3 to clarify that the member organization membership statuses that are approved by the Membership Committee include Market-Maker.⁴

CBOE also proposes to delete Interpretation and Policy .02 to Rule 3.8, and amend Rule 3.8(a)(ii) to allow any member organization that is the owner or lessee of more than one membership to designate one individual to be the nominee for all memberships utilized by the organization. However, for each membership utilized for trading in open outcry on the trading floor, the organization must designate a different individual to be the nominee for each of the memberships. Currently, only RMMs, e-DPMs and Off-Floor DPMs are permitted to designate one individual to be the nominee for all memberships utilized by the

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organization. CBOE believes it is appropriate to allow any member organization to designate one individual to be the nominee for all memberships utilized by the organization, and if any of the memberships are utilized for trading in open outcry on the trading floor, the organization must designate a different individual to be the nominee for each of the memberships.

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- Proposed new subparagraph (1) of Rule 8.3(c)(vii) describes the existing pilot program which allows an e-DPM or Off-Floor DPM to have one affiliated Market-Maker trade on CBOE's trading floor and submit electronic quotations in any specific option class allocated to the e-DPM or Off-Floor DPM, provided such affiliated Market-Maker trades on a separate membership and is present in the trading crowd (*see* Rules 8.85(a)(v) and 8.93(vii)). As noted above, CBOE

also proposes to extend for an additional year, until March 14, 2009, this pilot program as it believes that the pilot program has been successful, and CBOE has not experienced any negative effects with respect to the pilot program;

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- Proposed new subparagraph (3) of Rule 8.3(c)(vii) provides that there is no restriction on (A) affiliated Market-Makers holding an appointment and submitting electronic quotations in the same class provided CBOE uses an allocation algorithm in the class that does not allocate electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer; or (B) affiliated Market-Makers holding an appointment in the same class for purposes of trading in open outcry.

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2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act⁵ in general and furthers the objectives of Section 6(b)(5) of the Act⁶ in particular

⁵ 15 U.S.C. 78f(b).

in that it is designed to promote just and equitable principles of trade, serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

⁶ 15 U.S.C. 78f(b)(5).

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2007-120 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2007-120. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2007-120 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Dated: _____

Nancy M. Morris
Secretary

⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 4

Additions set forth in the proposed rule text of original SR-CBOE-2007-120 are underlined and deletions are [bracketed]. Additions being made pursuant to Amendment No. 1 to SR-CBOE-2007-120 are double underlined and deletions are ~~struck through~~.

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 3.2 - Qualifications and Membership Statuses of Individual Members

Rule 3.2. (a) No change.

(b) The individual membership statuses that are approved by the Membership Committee (along with the primary Exchange Rule that provides for such approval if it is not Rule 3.9) include: (i) owner; (ii) lessor; (iii) lessee; (iv) Chicago Board of Trade exerciser; (v) sole proprietor; (vi) individual with a membership that has been registered for a member organization; (vii) nominee of a member organization; (viii) Market-Maker (Rule 8.2); (ix) Floor Broker (Rule 6.71); (x) member eligible to trade securities traded pursuant to Chapter XXX (Rule 30.2); (xi) member eligible to trade securities traded pursuant to Chapter L (Rule 50.2); and (xii) Trust Member (Rule 3.25)[; and (xiii) Remote Market-Maker ("RMM")(Rule 8.4)].

(c) Every individual member who is a lessee, a Chicago Board of Trade exerciser, or an owner (who is not a lessor) must have an authorized trading function. An individual member is deemed to have an authorized trading function if the member is approved by the Membership Committee to act as a Market-Maker, Floor Broker, [RMM,] or nominee or person registered for {an [RMM or] e-DPM organization.

* * * * *

Rule 3.3 - Qualifications and Membership Statuses of Member Organizations

Rule 3.3. (a) No change.

(b) The member organization membership statuses that are approved by the Membership Committee (along with the primary Exchange Rule that provides for such approval if it is not Rule 3.9) include: (i) owner; (ii) lessor; (iii) lessee; (iv) member organization for which an individual member has registered his or her membership; (v) member organization approved to transact business with the public (Rule 9.1); (vi) Clearing Member; (vii) order service firm (Rule 6.77); and (viii) [Remote Market-Maker (Rule 8.4)]Market-Maker (Rule 8.1).

(c) No change.

(d) No change.

... Interpretations and Policies:

~~.01 – .02 No change. No change.~~

.02. Member organization membership statuses that are approved by Exchange bodies other than the Membership Committee (along with the primary Exchange Rule that provides for such approval) include: Lead Market-Maker (Rules 8.15 and 8.15A); Designated Primary Market-Maker (Rule 8.83), Electronic DPMs (Rule 8.92), SBT Designated Primary Market-Makers and SBT Lead Market-Makers (Rule 42.1).

* * * * *

Rule 3.8. Nominees and Members Who Register Their Memberships for Member Organizations

Rule 3.8. (a) Each member organization that is the owner of a membership for which the member organization will not be acting as a lessor and each member organization that is a lessee of a membership shall be subject to the following provisions:

(i) the member organization must designate an individual nominee to represent the organization with respect to that membership in all matters relating to the Exchange;

(ii) if the member organization is the owner or lessee of more than one such membership, the member organization may designate one individual to be the nominee for all memberships utilized by the organization. However, for each membership utilized for trading in open outcry on the trading floor, the organization must designate a different individual to be the nominee for each of the memberships [(subject to the exceptions set forth in Interpretations and Policies .02 to this Rule)];

(iii) each nominee of a member organization designated pursuant to subparagraph (a)(i) of this Rule, except for a nominee of a member organization approved solely as a Clearing Member and/or to transact business with the public pursuant to Rule 9.1, is required to have an authorized trading function;

(iv) each nominee of a member organization designated pursuant to subparagraph (a)(i) of this Rule must be approved for membership in accordance with the Rules; and

(v) each nominee of a member organization designated pursuant to subparagraph (a)(i) of this Rule who is approved for membership shall be deemed to be an individual member.

(b) – (g) No change.

. . . Interpretations and Policies:

.01 No change.

[.02 The following are exceptions to the subparagraph (a)(ii) of this Rule: (i) A member organization may designate one individual to be the nominee for all memberships utilized by the organization in an RMM capacity, in an e-DPM capacity, and in an Off-Floor DPM capacity provided, however, that a member organization may not have more than one RMM appointment in an option class (except to the extent provided in Rule 8.4(c)) and may not have an RMM appointment in an option class in which the organization serves as a DPM, e-DPM, or Market-

Maker on the Exchange (except to the extent provided in Rule 8.4(c)); (ii) An individual may act as a nominee of an organization with respect to one membership utilized in an RMM capacity and a membership not utilized in an RMM or e-DPM capacity in order to allow the nominee to use those memberships to simultaneously trade as an in-crowd Market-Maker and in an RMM capacity (but not in the same class), provided that the RMM trading activity of the nominee is from a location other than the physical trading station for any of the classes traded by the nominee in an RMM capacity.]

* * * * *

Rule 6.45A - Priority and Allocation of Equity Option Trades and the CBOE Hybrid System

Rule 6.45A. *Generally:* The rules of priority and order allocation procedures set forth in this rule shall apply only to equity option classes designated by the Exchange to be traded on the CBOE Hybrid System and has no applicability to index option and options on ETF classes. The term "market participant" as used throughout this rule refers to a Market-Maker, a DPM, an e-DPM, [a Remote Market-Maker,] and a floor broker or a PAR Official representing orders in the trading crowd. The term "in-crowd market participant" only includes an in-crowd Market-Maker, in-crowd DPM, and floor broker or PAR Official representing orders in the trading crowd.

(a) – (e) No change.

... Interpretations and Policies:

.01 - .02 No change.

* * * * *

Rule 6.45B - Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System

Rule 6.45A. *Generally:* The rules of priority and order allocation procedures set forth in this rule shall apply only to index options and options on ETFs that have been designated for trading on the CBOE Hybrid System. The term "market participant" as used throughout this rule refers to a Market-Maker, [a Remote Market-Maker,] an in-crowd DPM or LMM, an e-DPM with an appointment in the subject class, and a floor broker or PAR Official representing orders in the trading crowd. The term "in-crowd market participant" only includes an in-crowd Market-Maker, in-crowd DPM or LMM, and floor broker or PAR Official representing orders in the trading crowd.

(a) – (d) No change.

... Interpretations and Policies:

.01 - .02 No change.

* * * * *

Rule 8.1 – Market-Maker Defined

Rule 8.1. A Market-Maker ("Market-Maker" or "market maker") is an individual [(either a] member [or nominee of a member organization)] or a member organization that[who] is registered with the Exchange for the purpose of making transactions as dealer-specialist on the Exchange in accordance with the provisions of this Chapter. Registered Market-Makers are designated as specialists on the Exchange for all purposes under the Securities Exchange Act of 1934 and the Rules and Regulations thereunder. Only transactions that are effected in accordance with Interpretation and Policy .03 under Rule 8.7 shall count as Market-Maker transactions for the purposes of this Chapter and Rules 3.1 and 12.3(f). [The term Market-Maker includes Remote Market-Makers (as defined in Rule 8.4).]

* * * * *

Rule 8.2 – Registration of Market-Makers

Rule 8.2. (a) An applicant for registration as a Market-Maker shall file [his]an application in writing with the Membership Department on such form or forms as the Exchange may prescribe. Applications shall be reviewed by the Membership Committee, which shall consider an applicant's ability as demonstrated by [his] passing a member's examination prescribed by the Exchange, and such other factors as the Committee deems appropriate. After reviewing the application, the Committee shall either approve or disapprove the applicant's registration as a Market-Maker.

(b) The registration of [any person as] a Market-Maker may be suspended or terminated by the appropriate Market Performance Committee upon a determination that [such person]the Market-Maker has failed to properly perform as a Market-Maker.

(c) No change.

* * * * *

Rule 8.3 – Appointment of Market-Makers

Rule 8.3. [This Rule governs the appointment of Market-Makers other than Remote Market-Makers. Rule 8.4 governs the appointment of Remote Market-Makers.]

(a)(i) [On a form or forms]In a manner prescribed by the Exchange, a registered Market-Maker may [apply]select [for] an Appointment (having the obligations of Rule 8.7(b) or Rule 30.40, as appropriate) [in] one or more classes of option contracts or [in] securities traded subject to the rules in Chapter XXX. [From among those Market-Makers registered, the Exchange shall ordinarily make two or more Appointments for each class of option contracts or other securities.] The Exchange may also appoint a registered Market-Maker in one or more classes of option contracts or securities traded subject to the rules in Chapter XXX. In making such Appointments, the Exchange shall give attention to (a) the preference of registrants; (b) the maintenance and enhancement of competition among Market-Makers in each class of contracts; (c) assuring that financial resources available to a Market-Maker enable him to satisfy the obligations set forth in Rule 8.7 or Rule 30.40 with respect to each class of option contracts to which he is appointed; and (d) the impact additional Market-Makers will have on Exchange systems capacity. Limitations on appointments due to Exchange systems capacity shall be in accordance with Interpretations and Policies .01 to Rule 8.3A. The Exchange may arrange two or more classes of contracts into groupings based on, among other things, similar trading locations on the floor, and may make Appointments to those groupings rather than to individual classes. The Exchange may suspend or

terminate any Appointment of a Market-Maker under this rule and may make additional Appointments whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.

(ii) In the event a Market-Maker is a nominee of a member organization or has registered the Market-Maker's membership for a member organization, the member organization with which the Market-Maker is associated can request that the Exchange deem all class appointments be made to the member organization instead of to the individual Market-Maker. If such a request is made, the individual Market-Maker will continue to have all of the obligations of a Market-Maker under Exchange rules, except that the submission of electronic quotations and orders will be made by and on behalf of the member organization with which the individual Market-Maker is associated.

(b) No Appointment of a Market-Maker shall be made without the Market-Maker's consent to such Appointment, provided that refusal to accept an Appointment may be deemed a sufficient cause for termination or suspension of a Market-Maker's registration.

(c) Market-Maker Appointments. Absent an exemption by the Exchange, an appointment of a Market-Maker confers the right to quote electronically [or]and in open outcry in [its] the Market-Maker's appointed classes as described below. {A Market-Maker may [only] change its appointed classes upon advance notification to [with the prior approval of] the Exchange[. Such requests must be made] in a form and manner prescribed by the Exchange. [In determining whether to approve such requests, the Exchange shall consider the factors contained in paragraph (a).]

(i) Hybrid 2.0 Classes. Subject to paragraph (v) below, a Market-Maker can create a Virtual Trading Crowd ("VTC") appointment, which confers the right to quote electronically in an appropriate number of Hybrid 2.0 Classes (as defined in Rule 1.1(aaa)) selected from "tiers" that have been structured according to trading volume statistics. All classes within a specific tier will be assigned an "appointment cost" depending upon its tier location. The following table sets forth the tiers and related appointment costs.

Tier	Hybrid 2.0 Option Classes	Appointment Cost
AA	<ul style="list-style-type: none"> Options on the CBOE Volatility Index (VIX) Options on the iShares Russell 2000 Index Fund (IWM) Options on the NASDAQ 100 Index (NDX) 	.50
A+	<ul style="list-style-type: none"> Options on Standard & Poor's Depositary Receipts Options on the Russell 2000 Index (RUT) Options on the S&P 100 (XEO) 	.25
A*	Hybrid 2.0 Classes 1 – 60	.10
B*	Hybrid 2.0 Classes 61 – 120	.05
C*	Hybrid 2.0 Classes 121 – 345	.04
D*	Hybrid 2.0 Classes 346 – 570	.02
E*	Hybrid 2.0 Classes 571 - 999	.01

Tier	Hybrid 2.0 Option Classes	Appointment Cost
F*	All Remaining Hybrid 2.0 Classes	.001

* Excludes Tiers AA and A+ Classes.

(ii) Hybrid Classes. Subject to paragraph (v) below, a Market-Maker can quote electronically in an appropriate number of Hybrid Classes [that are located at one trading station]. The appointment cost of each Hybrid Class is .01.

(iii) Open Outcry. A Market-Maker has an appointment to trade open outcry in all Hybrid and Hybrid 2.0 Classes traded on the Exchange. A member organization that is registered as a Market-Maker may only trade in open outcry through one of its nominees. A Market-Maker must be physically present in the trading crowd to trade in open outcry.

(iv) Hybrid 3.0, Non-Hybrid and Non-Hybrid 2.0 Classes (collectively "Non-Hybrid Classes"). In addition to paragraphs (i) through (iii) above, and subject to paragraph (v) below, a Market-Maker can select as [his]the Market-Maker's appointment one or more Non-Hybrid Classes traded on the Exchange, which confers the right to trade in open outcry in an appropriate number of Non-Hybrid Classes as described below. Each Non-Hybrid Class will be assigned an "appointment cost", which are set forth below.

Non-Hybrid Classes	Appointment Cost
Options on the Standard & Poor's 500 (SPX)	1.0
Options on the S&P 100 (OEX)	.75
Morgan Stanley Retail Index Options (MVR)	.25

(v) Each membership owned or leased by a Market-Maker has an appointment credit of 1.0. A Market-Maker may select for each Exchange membership [it]the Market-Maker owns or leases any combination of Hybrid 2.0 Classes, Hybrid Classes [which are located at one trading station], and Non-Hybrid Classes, whose aggregate appointment cost does not exceed 1.0. The Exchange will rebalance the tiers (excluding the "AA" and "A+" tiers) set forth in subparagraph (i) above once each calendar quarter, which may result in additions or deletions to their composition. When a class changes tiers it will be assigned the appointment cost of that tier. Upon rebalancing, each Market-Maker with a VTC appointment will be required to own or lease the appropriate number of Exchange memberships reflecting the revised appointment costs of the Hybrid and Hybrid 2.0 Classes constituting [its]the Market-Maker's appointment.

(vi) A Market-Maker may submit electronic quotations away from CBOE's trading floor in [his/her] the Market-Maker's appointed Hybrid Classes and Hybrid 2.0 Classes. While on the trading floor, a Market-Maker is not required to be present in the trading station where a class is located in order to stream electronic quotations into the class.

(vii) [In connection with the Pilot Programs set forth in Rule 8.4(c)(i) and Rule 8.93(vii), a Market-Maker affiliated with an e-DPM or RMM can only submit electronic quotations in any class in which the affiliated e-DPM or RMM has an appointment if the Market-Maker is present in the trading station where the class is located, unless the Market-Maker and the affiliated e-

DPM or affiliated RMM operate as multiple aggregation units under the criteria set forth in Rule 8.4(c)(ii) pursuant to a Pilot Program that expires on March 14, 2008.] Except as provided below, a Market-Maker may not hold an appointment and submit electronic quotations in any class in which the Market-Maker or its member organization serves as an affiliated DPM or e-DPM is appointed, or in which an affiliated Market-Maker holds an appointment and submits electronic quotations.

- (1) As part of a pilot program until March 14, 2008-2009, an e-DPM or Off-Floor DPM can have one affiliated Market-Maker trade on CBOE's trading floor and submit electronic quotations in any specific option class allocated to the e-DPM or Off-Floor DPM, provided such affiliated Market-Maker trades on a separate membership (see and is present in the trading crowd (see Rule 8.85(a)(v) and Rule 8.93(vii));
- (2) As part of a pilot program until March 14, 2008-2009, a Market-Maker in a class may have one affiliated Market-Maker trade in open outcry and submit electronic quotations in any specific option class in which the Market-Maker holds an appointment, provided such affiliated Market-Maker trades on a separate membership and is present in the trading crowd;
- (3) There is no restriction on (A) affiliated Market-Makers, or Market-Maker(s) affiliated with an e-DPM, holding an appointment and submitting electronic quotations in the same class provided CBOE uses an allocation algorithm in the class that does not allocate electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer; or (B) affiliated Market-Makers holding an appointment in the same class for purposes of trading in open outcry; and
- (4) A CBOE member or member firm may have, as part of a pilot program until March 14, 2008-2009, multiple aggregation units operating as separate Market-Makers within the same class provided:

(A) The member or member firm has a written plan of organization that identifies each aggregation unit, specifies its trading objective(s), and supports its independent identity. The independence of aggregation units may be evidenced by separate management structures, location, business purpose, or separate profit-and-loss treatment within the member firm. Each aggregation unit must maintain all trading activity of that aggregation unit in a segregated account, which shall be reported to the Exchange as such.

(B) Each aggregation unit must operate independently of other aggregation units of the member or member firm. Moreover, all traders in an aggregation unit may pursue only the trading objectives or strategies of that aggregation unit and may not transmit or otherwise share information relating to those trading objectives or strategies to the member's or member firm's other aggregation units. The member or member firm may have risk management personnel outside of the Market-Maker aggregation units view the positions of the multiple Market-Makers within the entity and direct position adjustments for risk management purposes. However, such persons may not transmit information to traders in an Market-Maker aggregation unit about the trading strategies, objectives, or positions of another Market-Maker aggregation unit.

Senior risk management personnel are prohibited from engaging in any of the following activities with respect to the Aggregation Units for which they oversee: (i) establishing quoting parameters for any trader including but not limited to delta and volatility values; (ii) directing the submission of specific quotes by any trader; or (iii) directing the timing of a trader's trading activities with anything other than general, nonspecific timeframes. Prior to being approved in a Market-Maker capacity, each member or member organization operating multiple Aggregation Units will be required to certify that it is aware of these prohibitions, that it will comply with these prohibitions, and that it will ensure continued compliance with these prohibitions.

(C) Individual traders are assigned to only one aggregation unit at any time.

(D) The member or member firm as part of its compliance and/or internal audit routines establishes and maintains surveillance and audit procedures that facilitate the review and surveillance programs of the firm and CBOE to ensure the independent operation of the separate aggregation units operating as Market-Makers. As part of these routines, the member or member firm must retain written records of information concerning the aggregation units, including, but not limited to, trading personnel, names of personnel making trading decisions, unusual trading activities, disciplinary action resulting from a breach of the member or member firm's systems firewalls and information-sharing policies, and the transfer of securities between the members or member firm's aggregation units, which information shall be promptly made available to the Exchange upon its request. The member or member firm must promptly provide to the Exchange a written report at such time there is any material change with respect to the aggregation units, at which point the Exchange will reexamine its status.

[(viii) Pursuant to a Pilot Program that expires on March 14, 2008, two affiliated Market-Makers can hold an appointment in the same class provided both Market-Makers operate as multiple aggregation units under the criteria set forth in Rule 8.4(c)(ii).]

(d) A member or prospective member adversely affected by a determination made by the Exchange under this Rule, including the denial of an appointment in a particular class, may obtain a review thereof in accordance with the provisions of Chapter XIX.

[. . . Interpretations and Policies:

.01 In the event the aggregate appointment cost for all of the Hybrid 2.0 Classes, Hybrid Classes, and/or Non-Hybrid Classes, constituting a Market-Maker's appointment on 7/20/06 exceeds 1.0, then the Market-Maker shall be granted six months from the date of the approval of this rule change, until 1/22/07, to comply with the provisions of paragraph (c)(v) of this Rule that provide a Market-Maker's appointed classes shall not have an aggregate appointment cost in excess of 1.0. During these six months, any Market-Maker whose aggregate appointment cost exceeds 1.0 is ineligible to request an appointment in any other option class until the Market-Maker's aggregate appointment cost is less than 1.0. The preceding limited exemption to Rule 8.3(c)(v) is only available to a Market-Maker whose aggregate appointment cost for all of the Hybrid 2.0 Classes, Hybrid Classes, and/or Non-Hybrid Classes, constituting the Market-Maker's appointment would have exceeded 1.0 on April 24, 2006, if the rule had been in effect on that date.]

* * * * *

**Rule 8.3A. Maximum Number of Market Participants
Quoting Electronically per Product**

Rule 8.3A. With respect to products trading on the Hybrid Trading System or on the Hybrid 2.0 Platform, the Exchange will impose an upper limit on the aggregate number of members that may quote electronically in each product ("Class Quoting Limit" or "CQL"). (For purposes of this Rule, the term "product" refers to all options of the same single underlying security/value.) Interpretations and Policies .01 specifies the Class Quoting Limits for all products trading on Hybrid and the Hybrid 2.0 Platform.

When a CQL is established for each product, the following criteria govern which members are entitled to quote electronically in that subject product. A Market-Maker (excluding an [RMM and] e-DPM) that is not eligible to quote electronically in a product may quote in open outcry in that product.

(a) Products Trading on the Hybrid 2.0 Platform [as of March 18, 2005] and [Products Trading on] the Hybrid Trading System [as of March 18, 2005]

The DPM or LMM(s) and e-DPMs (if applicable) assigned to the product [on March 18, 2005,] and Market-Makers who hold an appointment in the product [: (1) are in good standing with the Exchange; and (2) (i) have transacted at least 80% of their Market-Maker contracts and transactions in-person in each of the three immediately preceding calendar months prior to March 18, 2005 in option products traded in the trading station; or (ii) were physically present in the trading station acting in the capacity of a Market-Maker on March 18, 2005,] are entitled to quote electronically in those products for as long as they maintain an appointment in those products.

All other Market-Makers[, RMMs,] and approved e-DPMs that request the ability to submit quotes electronically in the subject product will be entitled to quote electronically in that product in the order in which they so request provided the number of members quoting electronically in the product does not exceed the CQL. When the number of members in the product quoting electronically equals the CQL, all other members requesting the ability to quote electronically in that product will be wait-listed in the order in which they submitted the request.

The waiting list operates based on time priority. When the product can accommodate another electronic quoter (whether due to attrition or an increase in the CQL), the member at the "top" of the list (*i.e.*, the member that has been on the waiting list the longest amount of time) has priority. Once a member is wait-listed, the Exchange may not alter his/her position on the wait-list other than to improve such position (*i.e.*, the Exchange may not place other members ahead of a previously wait-listed member). If a wait-listed member is offered, yet refuses, the ability to quote electronically in the subject product, the member will be removed from that waiting list.

(b) Products Added to the Hybrid 2.0 Platform [After March 18, 2005]: With respect to a product that is added to the Hybrid 2.0 Platform [after March 18, 2005], the DPM or LMM(s) and e-DPMs appointed to the product will be entitled to quote electronically. All Market-Makers holding an appointment [quoting] in the product prior to its addition to the Hybrid 2.0 Platform will be entitled to quote electronically [provided that: (i) they have transacted at least 80% of their Market-Maker contracts and transactions in-person in each of the three immediately preceding calendar months prior to the product being added to the Hybrid 2.0 Platform in option products traded in the trading station; or (ii) they were physically present in the trading station acting in the capacity of a Market-Maker on the day prior to the product being added to the Hybrid 2.0

Platform]. If at the time a product is added to the Hybrid 2.0 Platform the aggregate number of DPMs or LMMs, e-DPMs, and Market-Makers entitled to quote electronically in the product exceeds the CQL, then the product will have an "increased CQL," as described in Interpretations and Policies .01[(a)]. Reduction of any "increased CQL" will be in accordance with the procedures described in Interpretations and Policies .01[(a)].

All other members will be entitled to quote electronically in that product in the order in which they so request provided the number of members quoting electronically in the product does not exceed the CQL. When the number of members quoting electronically in the product equals the CQL, all other members will be wait-listed in the order in which they request the ability to quote electronically. The wait-list will operate as described above in paragraph (a).

(c) Products Added to the Hybrid Trading System [After March 18, 2005]: With respect to a [new] product that commences trading on the Hybrid Trading System [after March 18, 2005], the assigned DPM will be entitled to quote electronically. All Market-Makers holding an appointment in the product prior to it trading on the Hybrid Trading System will be entitled to quote electronically. [Thereafter, a] All other members will be entitled to quote electronically in that product in the order in which they so request provided the number of members quoting electronically does not exceed the CQL. When the number of members quoting electronically in the product equals the CQL, all other members will be wait-listed in the order in which they request the ability to quote electronically. The wait-list will operate as described above in paragraph (a).

... Interpretations and Policies:

~~.01 Establishing the Class Quoting Limits:~~

~~(a) Existing Products [Trading on the Exchange as of March 18, 2005]:~~

~~The CQL for all products trading on the Hybrid Trading System is twenty-five (25). The CQLs for products trading on the Hybrid 2.0 Platform are as follows: 40 for the 20% most actively traded products over the preceding quarter, excluding "AA" and "A+" tier products; 35 for the next 20% most actively traded products; 30 for the next 20% most actively traded products; and 25 for all other Hybrid 2.0 Platform products. (For purposes of this Rule, the term "product" refers to all options of the same single underlying security/value.) With respect to products designated as "AA" and "A+" tier products, as defined in Rule 8.4(d), the CQL is 40.~~

~~At the end of each calendar quarter, products (excluding "AA" and "A+" tier products) will be assigned a different CQL based on the revised trading volume statistics ("new CQL"). The following rules apply to those products for which the new CQL decreases:~~

~~(i) If the number of members quoting electronically in the product on the last day of the quarter equals or is less than the new CQL, then the previous CQL is reduced immediately to the new CQL.~~

~~(ii) If the number of members quoting electronically in the product on the last day of the quarter is greater than the new CQL, then that product will have an "increased" CQL. The "increased" CQL will equal the number of members quoting electronically in the product on the last day of the quarter. If a member changes his/her appointment and ceases quoting electronically in that class, the "increased" CQL will decrease by one until such time that the number of remaining members quoting electronically in the product equals the new CQL. From~~

that point forward, the number of members quoting electronically in the product may not exceed the new CQL.

(b) New Products [Not Traded on the Exchange as of March 18, 2005]:

The CQL for all products newly listed on the Exchange [after March 18, 2005] will be 25 until such time that the CQL increases in accordance with this Interpretation[s] and Policy[ies].01.

(c) Increasing the Class Quoting Limit in Exceptional Circumstances: When exceptional circumstances warrant, the President of the Exchange (or in his absence his designee, who must be a Senior Vice President of the Exchange or higher) may increase the CQL for an existing or new product. "Exceptional circumstances" refers to substantial trading volume, whether actual or expected (e.g., in the case of a new product or a major news announcement). When the CQL increases pursuant to the President exercising his authority in accordance with this paragraph, members on the wait list for that product (if applicable) have first priority and remaining capacity will be filled on a time priority basis. Upon cessation of the exceptional circumstances, the President (or his designee), in his discretion, may determine to reduce the CQL, provided, however, that any reduction must be undertaken in accordance with the procedure established in paragraph .01(a)(ii) above with respect to lowering the "increased CQL." Any actions taken by the President of the Exchange pursuant to this paragraph will be submitted to the SEC in a rule filing pursuant to Section 19(b)(3)(A) of the Exchange Act.

(d) Announcements Regarding, or Changes to, Class Quoting Limits: The Exchange will announce all changes regarding Class Quoting Limits to the membership via Information Circular. The Exchange may increase the CQL levels established in paragraphs .01(a) and (b) by submitting to the SEC a rule filing pursuant to Section 19(b)(3)(A) of the Exchange Act. The Exchange may decrease the CQL levels established above upon SEC approval of a rule filing submitted pursuant to Section 19(b)(2) of the Exchange Act.

.01 No change.

[.02 "Temporary Appointments" for the Period from March 21, 2005 through the end of the Initial RMM Appointment Process

The following procedures apply to Market-Makers' requests to change their appointed trading stations during the period commencing March 21, 2005, and lasting until the termination of the Initial Remote Market-Maker ("RMM") Appointment Process ("IRAP"). The IRAP is the mechanism by which electronic appointments will be granted to RMMs and other Market-Makers during the initial allocation process, which is expected to occur during the week of April 18, 2005.

1. Beginning March 21, 2005, until the termination of the IRAP, all Market-Maker requests to change their appointed trading stations will be granted on a temporary basis ("temporary appointment"), provided the CQL for the requisite product has not been met (i.e., on a space-available basis, as described in Rule 8.3A.01). Each temporary appointment terminates at 3:15 p.m. (CT) on the last day of the IRAP, at which point all Market-Makers' appointed trading stations will revert to the appointed trading station the Market-Maker held on March 18, 2005.

2. In order to receive a permanent appointment in a product in which a Market-Maker previously held a temporary appointment, a Market-Maker must participate in the IRAP and be allocated such product.

3. Upon termination of the IRAP, all Market-Maker (including RMM) requests for appointments and/or appointed trading stations will be handled subject to the requirements of Rule 8.3A (Class Quoting Limits) and in accordance with the appointment procedures of Rules 8.3 (Market-Maker appointments) and 8.4 (RMM appointments), as applicable.]

[.03].02 In the event a Market-Maker, who holds an appointment in an option class traded on the Hybrid Trading System or the Hybrid 2.0 Platform pursuant to Rule 8.3, elects not to quote electronically in that option class under the provisions of Rule 8.7(d)(i), then the Market-Maker will not count towards the CQL in that option class. In the event the Market-Maker later determines to quote electronically in that option class, the Market-Maker may do so and would count towards the CQL for that option class. If the total number of members quoting electronically exceeds the CQL for that option class, the option class would have an "increased CQL" as described in Interpretations and Policies .01[(a)]. Reduction in any "increased CQL" will be in accordance with the procedures described in Interpretations and Policies .01[(a)](b).

[04].03 The following Interpretation and Policy only applies to those option classes traded on the Hybrid Trading System or the Hybrid 2.0 Platform in which the CQL for the option class is full and there is a waiting list of member(s) requesting the ability to quote electronically in the option class. In the event a Market-Maker [or RMM], who holds an appointment in an option class traded on the Hybrid Trading System or the Hybrid 2.0 Platform, has not submitted any electronic quotations in that option class during the preceding 30 calendar days (measured on a rolling basis), then the Market-Maker's [or RMM's] appointment in that option class will be terminated effective immediately. The Market-Maker [or RMM] can subsequently request an appointment in the option class. If there is a wait-list of members requesting the ability to quote electronically, then Market-Maker [or RMM] will be placed on the wait-list for the option class. The Exchange will notify the Market-Maker [or RMM] prior to terminating its appointment, and the Exchange can make exceptions to this Interpretation and Policy in unusual circumstances.

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Rule 8.4[– Remote Market-Makers]

Rule 8.4. Reserved. [(a) Definition: A Remote Market-Maker ("RMM") is an individual member or member organization registered with the Exchange that makes transactions as a dealer-specialist from a location other than the physical trading station for the subject class. Transactions of RMMs that are executed on the Exchange are deemed Market-Maker transactions for purposes of this Chapter and Rules 3.1 and 12.3(f).

(b) Registration and Approval of RMMs: The registration and approval of RMMs shall be in accordance with Rule 8.2. An RMM shall retain its approval to act as an RMM until the RMM requests the Exchange to relieve it of its approval to act as an RMM and the Exchange grants such approval or until the Exchange terminates its approval to act as an RMM pursuant to Exchange Rules. An RMM may not transfer its approval to act as an RMM unless approved by the Exchange.

(c) Affiliation Limitations: Except as provided in subparagraphs (i) or (ii), an RMM may not have an appointment as an RMM in any class in which it or its member organization serves as DPM, e-DPM, RMM, or Market-Maker on CBOE.

(i) A CBOE Member or Member Firm operating as an RMM in a class may have, as part of a pilot program until March 14, 2008, one Market-Maker affiliated with the RMM organization

trading in open outcry in any specific option class allocated to the RMM, provided such Market-Maker trades on a separate membership.

(ii) A CBOE Member or Member Firm may have, as part of a pilot program until March 14, 2008, multiple aggregation units operating as separate RMMs within the same class provided:

(A) The member or member firm has a written plan of organization that identifies each aggregation unit, specifies its trading objective(s), and supports its independent identity. The independence of aggregation units may be evidenced by separate management structures, location, business purpose, or separate profit-and-loss treatment within the member firm. Each aggregation unit must maintain all trading activity of that aggregation unit in a segregated account, which shall be reported to the Exchange as such.

(B) Each aggregation unit must operate independently of other aggregation units of the member or member firm. Moreover, all traders in an aggregation unit may pursue only the trading objectives or strategy(ies) of that aggregation unit and may not transmit or otherwise share information relating to those trading objectives or strategies to the member's or member firm's other aggregation units. The member or member firm may have risk management personnel outside of the RMM aggregation units view the positions of the multiple RMMs within the entity and direct position adjustments for risk management purposes. However, such persons may not transmit information to traders in an RMM aggregation unit about the trading strategies, objectives, or positions of another RMM aggregation unit.

Senior risk management personnel are prohibited from engaging in any of the following activities with respect to the Aggregation Units for which they oversee: (i) establishing quoting parameters for any trader including but not limited to delta and volatility values; (ii) directing the submission of specific quotes by any trader; or (iii) directing the timing of a trader's trading activities with anything other than general, nonspecific timeframes. Prior to being approved in an RMM capacity, each member or member organization operating multiple Aggregation Units will be required to certify that it is aware of these prohibitions, that it will comply with these prohibitions, and that it will ensure continued compliance with these prohibitions.

(C) Individual traders are assigned to only one aggregation unit at any time.

(D) The member or member firm as part of its compliance and/or internal audit routines establishes and maintains surveillance and audit procedures that facilitate the review and surveillance programs of the firm and CBOE to ensure the independent operation of the separate aggregation units operating as RMMs. As part of these routines, the member or member firm must retain written records of information concerning the aggregation units, including, but not limited to, trading personnel, names of personnel making trading decisions, unusual trading activities, disciplinary action resulting from a breach of the member or member firm's systems firewalls and information-sharing policies, and the transfer of securities between the members or member firm's aggregation units, which information shall be promptly made available to the Exchange upon its request. The member or member firm must promptly provide to the Exchange a written report at such time there is any material change with respect to the aggregation units, at which point the Exchange will reexamine its status.

(d) Appointment of RMMs: An RMM will have a Virtual Trading Crowd ("VTC") Appointment, which confers the right to quote electronically (and not in open outcry) an appropriate number of Hybrid 2.0 Classes selected from "tiers" that have been structured according to trading volume statistics. All Hybrid 2.0 Classes within a specific tier will be assigned an "appointment cost" depending upon its tier location. The following table sets forth the tiers and related appointment costs.

Tier	Hybrid 2.0 Option Classes	Appointment Cost
AA	<ul style="list-style-type: none"> Options on the CBOE Volatility Index (VIX) Options on the iShares Russell 2000 Index Fund (IWM) Options on the NASDAQ 100 Index (NDX) 	.50
A+	<ul style="list-style-type: none"> Options on Standard & Poor's Depository Receipts Options on the Russell 2000 Index (RUT) Options on the S&P 100 (XEO) 	.25
A*	Hybrid 2.0 Classes 1 – 60	.10
B*	Hybrid 2.0 Classes 61 – 120	.05
C*	Hybrid 2.0 Classes 121 – 345	.04
D*	Hybrid 2.0 Classes 346 – 570	.02
E*	Hybrid 2.0 Classes 571 - 999	.01
F*	All Remaining Hybrid 2.0 Classes	.001

* Excludes Tiers AA and A+ Classes.

An RMM as part of its VTC appointment may select for each Exchange membership it owns or leases any combination of Hybrid 2.0 Classes whose aggregate "appointment cost" does not exceed 1.0. For example, an RMM could request five "A Tier" products (5x.10), five "C Tier" products (5x.04), ten "D Tier" products (10x.02) and ten "E Tier" products (10x.01) to constitute its VTC appointment.

The Exchange will rebalance the "tiers" (excluding the "AA" and "A+" tiers) once each calendar quarter, which may result in additions or deletions to their composition. When a Hybrid 2.0 Class changes "tiers" it will be assigned the "appointment cost" of that tier. Upon rebalancing, each RMM with a VTC appointment will be required to own or lease the appropriate number of Exchange memberships reflecting the revised "appointment costs" of the Hybrid 2.0 Classes constituting its appointment.

An RMM may only change its appointment upon advance notification to the Exchange in a form and manner prescribed by the Exchange.

Exchange memberships used to satisfy membership requirements to possess an RMM PTC or VTC appointment may not be used for any other purpose while being used in an RMM capacity, including being leased to another member or for trading on the trading floor. For purposes of this Rule, an Exchange membership shall include a transferable regular membership or a Chicago

Board of Trade full membership that has effectively been exercised pursuant to Article Fifth(b) of the Certificate of Incorporation.

(e) The Exchange may suspend or terminate any appointment of an RMM in one or more classes under this Rule whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action. An RMM may seek review of any action taken by the Exchange pursuant to this Rule in accordance with Chapter XIX.

(f) RMMs are subject to Rule 8.7.03A with respect to trading in appointed classes. RMMs may not enter quotations in option classes that are not included within their appointment. RMMs may submit orders in classes that are not included within their appointment.]

* * * * *

Rule 8.7 = Obligations of Market-Makers

Rule 8.7. (a) No change.

(b) *Appointment.* With respect to each class of option contracts for which [he]a Market-Maker holds an Appointment under Rule 8.3, a Market-Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for [his]the Market-Maker's own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a Market-Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i) To compete with other Market-Makers to improve markets in all series of options classes comprising the Market-Maker's appointment at the trading station where a Market-Maker is physically present or into which a Market-Maker is quoting electronically;

(ii) No change.

(iii) To update market quotations in response to changed market conditions in [his/her]the Market-Maker's appointed options classes {at the trading station where a Market-Maker is present or at the trading station into which a Market-Maker quotes electronically} and to assure that any market quote it causes to be disseminated is accurate.

A. With respect to trading in appointed classes:

(1) Market-Makers who are physically present in [their appointed]a trading station may enter quotes and orders in their appointed classes by public outcry in response to a request for a quote or, in classes in which Hybrid or Hybrid 2.0 is implemented, through an Exchange-approved electronic interface via an Exchange-approved quote generation device.

(2) Market-Makers may also enter quotes and orders in their appointed Hybrid and Hybrid 2.0 classes [from outside of their appointed trading stations (pursuant to Rule 8.3)] through an Exchange-approved electronic interface via an Exchange-approved quote generation device.

(3) Market-Makers[, whether in their appointed trading stations or not,] may also submit orders for automatic execution in accordance with the requirements of Rules 6.8 or 6.13.

B. No change.

[C. RMMs may enter quotes and orders remotely (*i.e.*, from outside of the physical trading station for the subject class) through an Exchange-approved electronic interface. RMMs may not quote in open outcry.]

(iv) No change.

(c) *Classes of Option Contracts other than those to which appointed.* With respect to classes of option contracts in which [he]a Market-Maker does not hold an Appointment, a Market-Maker should not engage in transactions for an account in which [he]the Market-Maker has an interest which are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in paragraph (b) of this Rule with respect to those classes of option contracts to which [he]the Market-Maker does hold Appointments. Whenever a Market-Maker enters the trading station for a class of option contracts [located away from his appointed trading station] in other than a floor brokerage capacity, [he]the Market-Maker shall fulfill the obligations established by paragraph (b) of this Rule and, for the rest of the trading day, such Market-Maker may be required to undertake the obligations specified in paragraph (b) of this Rule upon determination by the Order Book Official in accordance with Rule 7.5. Furthermore, Market-Makers should not:

(i) No change.

(ii) No change.

(iii) No change.

(d) *Market-Making Obligations in Applicable Hybrid and Hybrid 2.0 Classes*

The following obligations in this paragraph (d) are only applicable to Market-Makers trading classes on the CBOE Hybrid System and only in those Hybrid classes and Hybrid 2.0 Classes. As such, this paragraph has no applicability to non-Hybrid classes. [This paragraph is not applicable to Remote Market-Makers, who instead will be subject to the obligations imposed by Rule 8.7(e).] Unless otherwise provided in this Rule, Market-Makers trading classes on the Hybrid System remain subject to all obligations imposed by CBOE Rule 8.7. To the extent another obligation contained elsewhere in Rule 8.7 is inconsistent with an obligation contained in paragraph (d) of Rule 8.7 with respect to a class trading on Hybrid, this paragraph (d) shall govern trading in the Hybrid class.

These requirements are applicable on a per class basis depending upon the percentage of volume a Market-Maker transacts electronically versus in open outcry. With respect to making this determination, the Exchange will monitor Market-Makers' trading activity every calendar quarter to determine whether they exceed the thresholds established in this paragraph (d). If a Market-Maker exceeds the threshold established below, the obligations contained in (d)(ii) will be effective the next calendar quarter.

For a period of ninety (90) days commencing immediately after a class begins trading on the Hybrid system, the provisions of paragraph (d)(i) shall govern trading in that class

(i) Market-Maker Trades Less Than 20% Contract Volume Electronically:

If a Market-Maker on the CBOE Hybrid System never transacts more than 20% (*i.e.*, [he] trades 20% or less) of [his]the Market-Maker's contract volume electronically in an appointed Hybrid class during any calendar quarter, the following provisions shall apply to that Market-Maker with respect to that class:

(A) Quote Widths: With respect to electronic quoting, the Market-Maker will not be required to comply with the quote width requirements of CBOE Rule 8.7(b)(iv) in that class. The effectiveness of this subparagraph (i)(A) shall be in effect in each Hybrid for a period of one year commencing with the date the class begins trading on the Hybrid System.

(B) Continuous Electronic Quoting Obligation: The Market-Maker will not be obligated to quote electronically in any designated percentage of series within that class. If a Market-Maker quotes electronically, its undecrement quote must be for at least ten contracts ("10-up"), unless the underlying primary market disseminates a 100-share quote, in which case the Market-Maker's undecrement quote may be for as low as 1-contract ("1-up"). The ability to quote 1-up when the underlying primary quotes 100 shares is expressly conditioned on the process being automated (*i.e.*, a Market-Maker may not manually adjust [his]the Market-Maker's quotes to reflect 1-up sizes). Quotes must automatically return to at least 10-up when the underlying primary market no longer disseminates a 100-share quote. Market-Makers that have not automated this process may not avail themselves of the relief provided herein.

(C) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a floor broker [or DPM representing an order as agent], in-crowd Market-Makers must provide a two-sided market complying with the quote width requirements contained in Rule 8.7(b)(iv) for a minimum of ten contracts for non-broker-dealer orders and one contract for broker-dealer orders.

[(D) In-Person Quoting Requirement: Any volume transacted electronically will not count towards the Market-Maker's in-person requirement contained in Rule 8.7.03(B).]

(ii) Market-Maker Trades More Than 20% Contract Volume Electronically:

If a Market-Maker on the CBOE Hybrid System transacts more than 20% of [his]the Market-Maker's contract volume electronically in an appointed Hybrid class during any calendar quarter, commencing the next calendar quarter [he]the Market-Maker will be subject to the following quoting obligations in that class for as long as he remains in that class:

(A) Quote Widths: The Market-Maker must comply with the quote width requirements contained in Rule 8.7(b)(iv).

(B) Continuous Quoting Obligation: A Market-Maker will be required to maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in 60% of the series of [his/her] the Market-Maker's appointed class that have a time to expiration of less than nine months. The initial size of a Market-Maker's quote must be for at least ten contracts (undecrement size). If the underlying primary market disseminates a 100-share quote, a Market-Maker's undecrement quote may be for as low as 1-contract ("1-up"), however, this ability is expressly conditioned on the process being automated (*i.e.*, a Market-Maker may not manually adjust [his]the Market-Maker's quotes to reflect 1-up sizes). Quotes

must automatically return to at least 10-up when the underlying primary market no longer disseminates a 100-share quote. Market-Makers that have not automated this process may not avail themselves of the relief provided herein.

(C) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a member or PAR Official, in-crowd Market-Makers must provide a two-sided market complying with the current quote width requirements contained in Rule 8.7(b)(iv) for a minimum of ten contracts for non-broker-dealer orders and one contract for broker-dealer orders.

(iii) The obligations and duties of Market-Makers set forth in paragraphs (d)(i) and (d)(ii) apply to a Market-Maker on a per class basis and only when the Market-Maker is quoting in a particular class on a given trading day (*e.g.*, if on a given trading day a Market-Maker is quoting in 1 of his/her 10 appointed classes, the Market-Maker has quote width, continuous electronic quoting and, to the extent the Market-Maker is present in the trading crowd, continuous open outcry quoting obligations in that class; the continuous electronic quoting obligation in subparagraph (d)(ii)(B) applies to 60% of the series of that class that have a time to expiration of less than nine months while the Market-Maker is quoting). The obligations and duties are not applicable to an appointed class if a Market-Maker is not quoting in that appointed class.

(iv) A Market-Maker that is in the trading crowd but that is not quoting electronically or in open outcry in an appointed class must provide an open outcry two-sided market complying with the current quote width requirements contained in Rule 8.7(b)(iv) for a minimum of ten contracts for non-broker-dealer orders and one contract for broker-dealer orders in response to a request for quote by a member or PAR Official directed at that Market-Maker or when, in response to a general request for a quote by a member of PAR Official, a market is not then being vocalized by a reasonable number of Market-Makers. A Market-Maker may also be called upon by an Exchange official designated by the Board of Directors to submit a single quote or maintain continuous quotes in one or more series of a class to which the Market-Maker is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of maintaining a fair and orderly market.

[(e) Obligations of Remote Market-Makers (RMMs): The following obligations apply only to RMMs:

(i) An RMM must provide legal-width, continuous electronic quotes (as defined in Rule 1.1 (ccc)) in 60% of the series of its appointed class that have a time to expiration of less than nine months. The initial size of an RMM's quote must be for at least ten contracts (undecrement size).

If the underlying primary market disseminates a 100-share quote, an RMM's undecrement quote may be for as low as 1-contract ("1-up"), however, this ability is expressly conditioned on the process being automated (*i.e.*, an RMM may not manually adjust its quotes to reflect 1-up sizes). Quotes must automatically return to at least 10-up when the underlying primary market no longer disseminates a 100-share quote. RMMs that have not automated this process may not avail themselves of the relief provided herein.

The obligations and duties of an RMM set forth in this paragraph (e)(i) apply to an RMM on a per class basis and only when the RMM is logged on to the CBOE Hybrid system and quoting electronically in a particular class on a given trading day (*e.g.*, if on a given trading day

an RMM is logged in and quoting electronically in 1 of its 10 appointed classes, the RMM has quote width and continuous electronic quoting obligations in that class; the continuous electronic quoting obligation applies to 60% of the series of that class that have a time to expiration of less than nine months while the RMM is logged on to the CBOE Hybrid system and quoting electronically in that class). The obligations and duties are not applicable to an appointed class if an RMM is not logged in and quoting electronically in that appointed class.

(ii) An RMM may be called upon by an Exchange official designated by the Board of Directors to submit a single electronic quote or maintain continuous electronic quotes in one or more series of a class to which the RMM is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of maintaining a fair and orderly market.

(iii) All Exchange rules applicable to Market-Makers will also apply to RMMs unless otherwise provided or unless the context clearly indicates otherwise. RMMs are not considered trading crowd members, except as provided in Rule 8.60 (Evaluation of Trading Crowd Performance) or unless the context clearly indicates otherwise.

(iv) The evaluation of RMM performance shall be pursuant to Rule 8.61.

(v) Failure by an RMM to engage in a course of dealings as specified above will subject the RMM to disciplinary action or suspension or revocation of registration by the Exchange in one or more of the option classes in which the RMM holds an appointment.

(vi) RMMs shall maintain information barriers that are reasonably designed to prevent the misuse of material, non-public information with any affiliates that may conduct a brokerage business in option classes allocated to the RMM or that may act as specialist or Market-Maker in any security underlying options allocated to the RMM, and otherwise comply with the requirements of Rule 4.18 regarding the misuse of material non-public information.]

. . . Interpretations and Policies:

.01 - .02 No change.

.03 For purposes of Rule 8.7, the following percentage requirements apply to Market-Maker trading activity for each quarter of a calendar year, except for unusual circumstances as determined by the appropriate Market Performance Committee. The appropriate Market Performance Committee may assign a weighting factor based on volume to one or more classes or series of option contracts in connection with these requirements.

A. Trading in Appointed Classes: Respecting distribution of trading activity, at least 75 percent of a Market-Maker's total contract volume must be in option classes to which [he]the Market-Maker has been appointed pursuant to Rule 8.3. Trading in nonappointed classes of options at the request of a Floor Official, Order Book Official, Board Broker or DPM shall be deemed to be trading in appointed classes for purposes of this Interpretation.

B. In-Person Requirements for Market-Makers in non-Hybrid and Hybrid 3.0 Classes: Respecting the manner in which Market-Maker transactions may be executed in non-Hybrid and Hybrid 3.0 classes, a Market-Maker must execute in person, and not through the use of orders, at least 25 percent of [his]the Market-Maker's total transactions, provided, however, that for any calendar quarter in which a Market-Maker receives Market-Maker treatment for off-floor orders in accordance with Rule 8.1, in addition to satisfying the requirements of paragraph A of this

Interpretation .03, the Market-Maker must execute in person, and not through the use of orders, at least 80 percent of [his]the Market-Maker's total transactions. The off-floor orders for which a Market-Maker receives Market-Maker treatment shall be subject to the obligations of Rule 8.7(a) and in general shall be effected for the purpose of hedging, reducing risk of, rebalancing or liquidating open positions of the Market-Maker. The appropriate Market Performance Committee may exempt one or more options classes from this calculation.

04. The obligations of a Market-Maker with respect to those classes of option contracts to which [he]the Market-Maker holds an Appointment shall take precedence over his other Market-Maker obligations.

.05 - .08 No change.

.09 The obligations and duties of Market-Makers set forth in Rule 8.7 paragraphs (a) and (b) apply to an in-crowd Market-Maker only when the in-crowd Market-Maker is present in the trading crowd and to a Market-Maker electronically quoting [from outside of his/her appointed trading station (in accordance with Rule 8.3(c)) or to an RMM] only when the Market-Maker [or RMM] is logged on to the CBOE Hybrid system. Market-Makers remain subject to Rule 7.5 while on the floor of the Exchange.

.10 - .12 No change.

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Rule ~~8.13~~8.13 - Preferred Market-Maker Program

Rule 8.13. (a) *Generally.* The Exchange may allow, on a class-by-class basis, for the receipt of marketable orders, through the Exchange's Order Routing System when the Exchange's disseminated quote is the NBBO, that carry a designation from the member transmitting the order that specifies a Market-Maker in that class as the "Preferred Market-Maker" for that order. A qualifying recipient of a Preferred Market-Maker order shall be afforded a participation entitlement as set forth in subparagraph (c) below. ~~The Preferred Market-Maker Program shall be in effect until June 2, 2007 on a pilot basis.~~

(b) *Eligibility.* Any Exchange Market-Maker type (e.g. [Remote Market-Maker,] Lead Market-Maker, and Designated Primary Market-Maker) may be designated as a Preferred Market-Maker, however, a recipient of a Preferred Market-Maker order will only receive a participation entitlement for such order if the following provisions are met:

(i) – (iii) No change.

(c) No change.

* * * * *

Rule ~~8.61~~8.61 [Evaluation of Remote Market-Makers]

Rule 8.61. Reserved. [a. Review: The appropriate Market Performance Committee ("MPC") will periodically conduct an evaluation of Remote Market-Makers to determine whether they have fulfilled performance standards relating to, among other things, quality of markets, competition among Market-Makers, observance of ethical standards, and administrative factors. The appropriate MPC may consider any relevant information including, but not limited to, the

results of a Remote Market-Maker evaluation, trading data, a Remote Market-Maker's regulatory history and such other factors and data as may be pertinent in the circumstances.

b. Termination and other limitations. The appropriate MPC may terminate, place conditions upon, or otherwise limit a member's approval to act as an RMM on the same basis that Market-Maker privileges may be terminated and/or conditioned under Rules 8.60. If a member's approval to act as an RMM is terminated, conditioned, or otherwise limited by the appropriate MPC pursuant to this Rule, the member may seek review of that decision under Chapter XIX of the Rules.]

* * * * *

Rule 8.85 – DPM Obligations

Rule 8.85.

(a)(i) – (iv) No change.

(v) trade in all securities allocated to the DPM only in the capacity of a DPM and not in any other capacity; except that as part of a pilot program until March 14, 200[8]9, not allow more than one Market-Maker affiliated with an Off-Floor DPM to trade on CBOE's trading floor in any specific option class allocated to the Off-Floor DPM and provided such Market-Maker is trading on a separate membership (absent the pilot program, an Off-Floor DPM may not allow any Market-Makers affiliated with the Off-Floor DPM to trade on CBOE's trading floor in any class allocated to the Off-Floor DPM) and provided the Off-Floor DPM does not have a DPM Designee trading in open outcry in the option classes allocated to the Off-Floor DPM;

(vi) – (xii) No change.

(b) – (d) No change.

(e) *Requirement to Own Membership.* Each DPM organization shall own one Exchange membership, and own or lease such additional Exchange memberships as may be necessary based on the aggregate "appointment cost" for the classes allocated to the DPM organization. Each membership owned or leased by the DPM organization has an appointment credit of 1.0. The appointment costs for the classes allocated to the DPM organization are:

(i) – (iii) No change;

For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the DPM organization would be required to own at least one Exchange membership, and own or lease one additional Exchange membership. The Exchange will rebalance the "tiers" set forth in Rule 8.3(c)(i), excluding the "AA" and "A+" tiers, once each calendar quarter, which may result in additions or deletions to their composition. When a class changes "tiers" it will be assigned the "appointment cost" of that tier. Upon rebalancing, each DPM organization will be required to own or lease the appropriate number of Exchange memberships reflecting the revised "appointment costs" of the classes that have been allocated to it. Additionally, a DPM organization is required to own or lease the appropriate number of Exchange memberships at the time a new option class allocated to it pursuant to Rule 8.95 begins trading.

An Exchange membership shall include a transferable regular membership or a Chicago Board of Trade full membership that has effectively been exercised pursuant to Article Fifth(b) of the Certificate of Incorporation. The same Exchange membership(s) may not be used to satisfy this ownership requirement for different DPM organizations. In the event the member organization approved as the DPM organization is also approved to act as [an RMM]Market-Maker and/or e-DPM, and has excess membership capacity above the aggregate appointment cost for the classes allocated to it as the DPM, the member organization may utilize the excess membership capacity to quote electronically in an appropriate number of Hybrid 2.0 Classes in the capacity of a [RMM]Market-Maker and not trade in open outcry, or to quote electronically in the Hybrid 2.0 Classes in which it is appointed an e-DPM. For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the member organization could request an appointment as [an RMM]a Market-Maker in any combination of Hybrid 2.0 Classes whose aggregate "appointment cost" does not exceed .40. The member organization will not function as a DPM in any of these additional classes. In the event the member organization utilizes any excess membership capacity to quote electronically in some additional Hybrid 2.0 Classes as a Market-Maker [an RMM] or e-DPM, it must comply with the provisions of Rules [8.4(c)]8.3 and Rule 8.93(vii), respectively.

* * * * *

Rule ~~8.92~~8.92 - Electronic DPM Program

Rule 8.92. (a) – (c) No change.

(d) *Membership Requirement.* Each e-DPM organization is required to (i) own one Exchange membership, and (ii) own or lease such additional Exchange memberships as may be necessary based on the aggregate "appointment cost" for the classes allocated to the e-DPM organization. Each membership owned or leased by the e-DPM organization has an appointment credit of 1.0. The appointment costs for Hybrid 2.0 Classes allocated to e-DPMs are categorized by "tiers" and are set forth in Rule 8.3(c)(i) [and Rule 8.4(d)]. For example, if the e-DPM organization has been allocated such number of option classes that its aggregate appointment cost is 6.6, the e-DPM organization would be required to own at least one Exchange membership, and own or lease six additional Exchange memberships.

As noted in Rule 8.3(c) [and Rule 8.4(d)], the Exchange will rebalance the "tiers" (excluding the "AA" and "A+" tiers) once each calendar quarter, which may result in additions or deletions to their composition. When a class changes "tiers" it will be assigned the "appointment cost" of that tier. Upon rebalancing, each e-DPM organization will be required to own or lease the appropriate number of Exchange memberships reflecting the revised "appointment costs" of the classes that have been allocated to it.

An Exchange membership shall include a transferable regular membership or a Chicago Board of Trade full membership that has effectively been exercised pursuant to Article Fifth(b) of the Certificate of Incorporation. Except as provided below, memberships used to satisfy this requirement may not be used for any other purpose including being leased to another member or for trading on the trading floor. For purposes of this Rule, the term "product" refers to all options of the same single underlying security/value. An e-DPM organization shall be deemed to own or lease an Exchange membership for purposes of this paragraph (d) if its parent company owns or leases seats that are used solely for the e-DPM organization's e-DPM activities. However, in the event the member organization approved as the e-DPM organization is also approved to act as [an RMM]a Market-Maker and/or DPM, and has excess membership capacity above the aggregate appointment cost for the classes allocated to it as the e-DPM, the member organization may

utilize the excess membership capacity to quote electronically in an appropriate number of Hybrid 2.0 Classes in the capacity of a [Remote] Market-Maker [("RMM")] and not trade in open outcry, and/or to quote electronically and trade in open outcry in the classes in which it is appointed a DPM. For example, if the member organization has been allocated such number of option classes that its aggregate appointment cost is 6.6, the member organization could request an appointment as [an RMM]a Market-Maker in any combination of Hybrid 2.0 Classes whose aggregate "appointment cost" does not exceed .40. The member organization will not function as an e-DPM in any of these additional classes. In the event the member organization utilizes any excess membership capacity to quote electronically in some additional Hybrid 2.0 Classes as [an RMM]a Market-Maker or DPM, it must comply with the provisions of Rules [8.4(c)]8.3 and Rule 8.85(a)(v), respectively.

* * * * *

Rule 8.93 – e-DPM Obligations

Rule 8.93. Each e-DPM shall fulfill all of the obligations of a Market-Maker and of a DPM under the Rules (except those contained in Rules 8.85(a)(i), (iv), (v), (vii)- (x), and (xii), 8.85(c)(i) and (v), and 8.85(e)), and shall satisfy each of the following requirements.

(i) – (vi) No change.

(vii) as part of a pilot program until March 14, 200[8]9, not allow more than one Market-Maker affiliated with the e-DPM organization to trade on CBOE's trading floor in any specific option class allocated to the e-DPM and provided such Market-Maker is trading on a separate membership (absent the pilot program, an e-DPM may not allow any Market-Makers affiliated with the e-DPM organization to trade on CBOE's trading floor in any class allocated to the e-DPM);

(viii) – (ix) No change.

* * * * *

Exhibit 5

(Additions are underlined and deletions are in [brackets])

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 3.2 - Qualifications and Membership Statuses of Individual Members

Rule 3.2. (a) No change.

(b) The individual membership statuses that are approved by the Membership Committee (along with the primary Exchange Rule that provides for such approval if it is not Rule 3.9) include: (i) owner; (ii) lessor; (iii) lessee; (iv) Chicago Board of Trade exerciser; (v) sole proprietor; (vi) individual with a membership that has been registered for a member organization; (vii) nominee of a member organization; (viii) Market-Maker (Rule 8.2); (ix) Floor Broker (Rule 6.71); (x) member eligible to trade securities traded pursuant to Chapter XXX (Rule 30.2); (xi) member eligible to trade securities traded pursuant to Chapter L (Rule 50.2); and (xii) Trust Member (Rule 3.25)[; and (xiii) Remote Market-Maker ("RMM")(Rule 8.4)].

(c) Every individual member who is a lessee, a Chicago Board of Trade exerciser, or an owner (who is not a lessor) must have an authorized trading function. An individual member is deemed to have an authorized trading function if the member is approved by the Membership Committee to act as a Market-Maker, Floor Broker, [RMM,] or nominee or person registered for an [RMM or] e-DPM organization.

* * * * *

Rule 3.3 - Qualifications and Membership Statuses of Member Organizations

Rule 3.3. (a) No change.

(b) The member organization membership statuses that are approved by the Membership Committee (along with the primary Exchange Rule that provides for such approval if it is not Rule 3.9) include: (i) owner; (ii) lessor; (iii) lessee; (iv) member organization for which an individual member has registered his or her membership; (v) member organization approved to transact business with the public (Rule 9.1); (vi) Clearing Member; (vii) order service firm (Rule 6.77); and (viii) [Remote Market-Maker (Rule 8.4)]Market-Maker (Rule 8.1).

(c) No change.

(d) No change.

. . . Interpretations and Policies:

.01 No change.

.02. Member organization membership statuses that are approved by Exchange bodies other than the Membership Committee (along with the primary Exchange Rule that provides for such approval) include: Lead Market-Maker (Rules 8.15 and 8.15A); Designated Primary Market-

Maker (Rule 8.83), Electronic DPMs (Rule 8.92), SBT Designated Primary Market-Makers and SBT Lead Market-Makers (Rule 42.1).

* * * * *

Rule 3.8. Nominees and Members Who Register Their Memberships for Member Organizations

Rule 3.8. (a) Each member organization that is the owner of a membership for which the member organization will not be acting as a lessor and each member organization that is a lessee of a membership shall be subject to the following provisions:

(i) the member organization must designate an individual nominee to represent the organization with respect to that membership in all matters relating to the Exchange;

(ii) if the member organization is the owner or lessee of more than one such membership, the member organization may designate one individual to be the nominee for all memberships utilized by the organization. However, for each membership utilized for trading in open outcry on the trading floor, the organization must designate a different individual to be the nominee for each of the memberships [(subject to the exceptions set forth in Interpretations and Policies .02 to this Rule)];

(iii) each nominee of a member organization designated pursuant to subparagraph (a)(i) of this Rule, except for a nominee of a member organization approved solely as a Clearing Member and/or to transact business with the public pursuant to Rule 9.1, is required to have an authorized trading function;

(iv) each nominee of a member organization designated pursuant to subparagraph (a)(i) of this Rule must be approved for membership in accordance with the Rules; and

(v) each nominee of a member organization designated pursuant to subparagraph (a)(i) of this Rule who is approved for membership shall be deemed to be an individual member.

(b) – (g) No change.

... Interpretations and Policies:

.01 No change.

[.02 The following are exceptions to the subparagraph (a)(ii) of this Rule: (i) A member organization may designate one individual to be the nominee for all memberships utilized by the organization in an RMM capacity, in an e-DPM capacity, and in an Off-Floor DPM capacity provided, however, that a member organization may not have more than one RMM appointment in an option class (except to the extent provided in Rule 8.4(c)) and may not have an RMM appointment in an option class in which the organization serves as a DPM, e-DPM, or Market-Maker on the Exchange (except to the extent provided in Rule 8.4(c)); (ii) An individual may act as a nominee of an organization with respect to one membership utilized in an RMM capacity and a membership not utilized in an RMM or e-DPM capacity in order to allow the nominee to use those memberships to simultaneously trade as an in-crowd Market-Maker and in an RMM capacity (but not in the same class), provided that the RMM trading activity of the nominee is

from a location other than the physical trading station for any of the classes traded by the nominee in an RMM capacity.]

* * * * *

Rule 6.45A - Priority and Allocation of Equity Option Trades and the CBOE Hybrid System

Rule 6.45A. *Generally:* The rules of priority and order allocation procedures set forth in this rule shall apply only to equity option classes designated by the Exchange to be traded on the CBOE Hybrid System and has no applicability to index option and options on ETF classes. The term "market participant" as used throughout this rule refers to a Market-Maker, a DPM, an e-DPM, [a Remote Market-Maker,] and a floor broker or a PAR Official representing orders in the trading crowd. The term "in-crowd market participant" only includes an in-crowd Market-Maker, in-crowd DPM, and floor broker or PAR Official representing orders in the trading crowd.

(a) – (e) No change.

... Interpretations and Policies:

.01 - .02 No change.

* * * * *

Rule 6.45B - Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System

Rule 6.45A. *Generally:* The rules of priority and order allocation procedures set forth in this rule shall apply only to index options and options on ETFs that have been designated for trading on the CBOE Hybrid System. The term "market participant" as used throughout this rule refers to a Market-Maker, [a Remote Market-Maker,] an in-crowd DPM or LMM, an e-DPM with an appointment in the subject class, and a floor broker or PAR Official representing orders in the trading crowd. The term "in-crowd market participant" only includes an in-crowd Market-Maker, in-crowd DPM or LMM, and floor broker or PAR Official representing orders in the trading crowd.

(a) – (d) No change.

... Interpretations and Policies:

.01 - .02 No change.

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Rule 8.1 – Market-Maker Defined

Rule 8.1. A Market-Maker ("Market-Maker" or "market maker") is an individual [(either a] member [or nominee of a member organization)] or a member organization that[who] is registered with the Exchange for the purpose of making transactions as dealer-specialist on the Exchange in accordance with the provisions of this Chapter. Registered Market-Makers are designated as specialists on the Exchange for all purposes under the Securities Exchange Act of 1934 and the Rules and Regulations thereunder. Only transactions that are effected in accordance

with Interpretation and Policy .03 under Rule 8.7 shall count as Market-Maker transactions for the purposes of this Chapter and Rules 3.1 and 12.3(f). [The term Market-Maker includes Remote Market-Makers (as defined in Rule 8.4).]

* * * * *

Rule 8.2 – Registration of Market-Makers

Rule 8.2. (a) An applicant for registration as a Market-Maker shall file [his]an application in writing with the Membership Department on such form or forms as the Exchange may prescribe. Applications shall be reviewed by the Membership Committee, which shall consider an applicant's ability as demonstrated by [his] passing a member's examination prescribed by the Exchange, and such other factors as the Committee deems appropriate. After reviewing the application, the Committee shall either approve or disapprove the applicant's registration as a Market-Maker.

(b) The registration of [any person as] a Market-Maker may be suspended or terminated by the appropriate Market Performance Committee upon a determination that [such person]the Market-Maker has failed to properly perform as a Market-Maker.

(c) No change.

* * * * *

Rule 8.3 – Appointment of Market-Makers

Rule 8.3. [This Rule governs the appointment of Market-Makers other than Remote Market-Makers. Rule 8.4 governs the appointment of Remote Market-Makers.]

(a)(i) [On a form or forms]In a manner prescribed by the Exchange, a registered Market-Maker may [apply]select [for] an Appointment (having the obligations of Rule 8.7(b) or Rule 30.40, as appropriate) in one or more classes of option contracts or [in] securities traded subject to the rules in Chapter XXX. [From among those Market-Makers registered, the Exchange shall ordinarily make two or more Appointments for each class of option contracts or other securities.] The Exchange may also appoint a registered Market-Maker in one or more classes of option contracts or securities traded subject to the rules in Chapter XXX. In making such Appointments, the Exchange shall give attention to (a) the preference of registrants; (b) the maintenance and enhancement of competition among Market-Makers in each class of contracts; (c) assuring that financial resources available to a Market-Maker enable him to satisfy the obligations set forth in Rule 8.7 or Rule 30.40 with respect to each class of option contracts to which he is appointed; and (d) the impact additional Market-Makers will have on Exchange systems capacity. Limitations on appointments due to Exchange systems capacity shall be in accordance with Interpretations and Policies .01 to Rule 8.3A. The Exchange may arrange two or more classes of contracts into groupings based on, among other things, similar trading locations on the floor, and may make Appointments to those groupings rather than to individual classes. The Exchange may suspend or terminate any Appointment of a Market-Maker under this rule and may make additional Appointments whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.

(ii) In the event a Market-Maker is a nominee of a member organization or has registered the Market-Maker's membership for a member organization, the member organization with which the

Market-Maker is associated can request that the Exchange deem all class appointments be made to the member organization instead of to the individual Market-Maker. If such a request is made, the individual Market-Maker will continue to have all of the obligations of a Market-Maker under Exchange rules, except that the submission of electronic quotations and orders will be made by and on behalf of the member organization with which the individual Market-Maker is associated.

(b) No Appointment of a Market-Maker shall be made without the Market-Maker's consent to such Appointment, provided that refusal to accept an Appointment may be deemed a sufficient cause for termination or suspension of a Market-Maker's registration.

(c) Market-Maker Appointments. Absent an exemption by the Exchange, an appointment of a Market-Maker confers the right to quote electronically [or]and in open outcry in [its] the Market-Maker's appointed classes as described below. A Market-Maker may [only] change its appointed classes upon advance notification to [with the prior approval of] the Exchange[. Such requests must be made] in a form and manner prescribed by the Exchange. [In determining whether to approve such requests, the Exchange shall consider the factors contained in paragraph (a).]

(i) Hybrid 2.0 Classes. Subject to paragraph (v) below, a Market-Maker can create a Virtual Trading Crowd ("VTC") appointment, which confers the right to quote electronically in an appropriate number of Hybrid 2.0 Classes (as defined in Rule 1.1(aaa)) selected from "tiers" that have been structured according to trading volume statistics. All classes within a specific tier will be assigned an "appointment cost" depending upon its tier location. The following table sets forth the tiers and related appointment costs.

Tier	Hybrid 2.0 Option Classes	Appointment Cost
AA	<ul style="list-style-type: none"> Options on the CBOE Volatility Index (VIX) Options on the iShares Russell 2000 Index Fund (IWM) Options on the NASDAQ 100 Index (NDX) 	.50
A+	<ul style="list-style-type: none"> Options on Standard & Poor's Depositary Receipts Options on the Russell 2000 Index (RUT) Options on the S&P 100 (XEO) 	.25
A*	Hybrid 2.0 Classes 1 – 60	.10
B*	Hybrid 2.0 Classes 61 – 120	.05
C*	Hybrid 2.0 Classes 121 – 345	.04
D*	Hybrid 2.0 Classes 346 – 570	.02
E*	Hybrid 2.0 Classes 571 - 999	.01
F*	All Remaining Hybrid 2.0 Classes	.001

* Excludes Tiers AA and A+ Classes.

(ii) Hybrid Classes. Subject to paragraph (v) below, a Market-Maker can quote electronically in an appropriate number of Hybrid Classes [that are located at one trading station]. The appointment cost of each Hybrid Class is .01.

(iii) Open Outcry. A Market-Maker has an appointment to trade open outcry in all Hybrid and Hybrid 2.0 Classes traded on the Exchange. A member organization that is registered as a Market-Maker may only trade in open outcry through one of its nominees. A Market-Maker must be physically present in the trading crowd to trade in open outcry.

(iv) Hybrid 3.0, Non-Hybrid and Non-Hybrid 2.0 Classes (collectively "Non-Hybrid Classes"). In addition to paragraphs (i) through (iii) above, and subject to paragraph (v) below, a Market-Maker can select as [his]the Market-Maker's appointment one or more Non-Hybrid Classes traded on the Exchange, which confers the right to trade in open outcry in an appropriate number of Non-Hybrid Classes as described below. Each Non-Hybrid Class will be assigned an "appointment cost", which are set forth below.

Non-Hybrid Classes	Appointment Cost
Options on the Standard & Poor's 500 (SPX)	1.0
Options on the S&P 100 (OEX)	.75
Morgan Stanley Retail Index Options (MVR)	.25

(v) Each membership owned or leased by a Market-Maker has an appointment credit of 1.0. A Market-Maker may select for each Exchange membership [if]the Market-Maker owns or leases any combination of Hybrid 2.0 Classes, Hybrid Classes [which are located at one trading station], and Non-Hybrid Classes, whose aggregate appointment cost does not exceed 1.0. The Exchange will rebalance the tiers (excluding the "AA" and "A+" tiers) set forth in subparagraph (i) above once each calendar quarter, which may result in additions or deletions to their composition. When a class changes tiers it will be assigned the appointment cost of that tier. Upon rebalancing, each Market-Maker with a VTC appointment will be required to own or lease the appropriate number of Exchange memberships reflecting the revised appointment costs of the Hybrid and Hybrid 2.0 Classes constituting [its]the Market-Maker's appointment.

(vi) A Market-Maker may submit electronic quotations away from CBOE's trading floor in [his/her] the Market-Maker's appointed Hybrid Classes and Hybrid 2.0 Classes. While on the trading floor, a Market-Maker is not required to be present in the trading station where a class is located in order to stream electronic quotations into the class.

(vii) [In connection with the Pilot Programs set forth in Rule 8.4(c)(i) and Rule 8.93(vii), a Market-Maker affiliated with an e-DPM or RMM can only submit electronic quotations in any class in which the affiliated e-DPM or RMM has an appointment if the Market-Maker is present in the trading station where the class is located, unless the Market-Maker and the affiliated e-DPM or affiliated RMM operate as multiple aggregation units under the criteria set forth in Rule 8.4(c)(ii) pursuant to a Pilot Program that expires on March 14, 2008.] Except as provided below, a Market-Maker may not hold an appointment and submit electronic quotations in any class in which an affiliated DPM or e-DPM is appointed, or in which an affiliated Market-Maker holds an appointment and submits electronic quotations.

- (1) As part of a pilot program until March 14, 2009, an e-DPM or Off-Floor DPM can have one affiliated Market-Maker trade on CBOE's trading floor and submit electronic quotations in any specific option class allocated to the e-DPM or Off-Floor DPM, provided such affiliated Market-Maker trades on a separate membership and is present in the trading crowd (see Rule 8.85(a)(v) and Rule 8.93(vii));
- (2) As part of a pilot program until March 14, 2009, a Market-Maker may have one affiliated Market-Maker trade in open outcry and submit electronic quotations in any specific option class in which the Market-Maker holds an appointment, provided such affiliated Market-Maker trades on a separate membership and is present in the trading crowd;
- (3) There is no restriction on (A) affiliated Market-Makers, or Market-Maker(s) affiliated with an e-DPM, holding an appointment and submitting electronic quotations in the same class provided CBOE uses an allocation algorithm in the class that does not allocate electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer; or (B) affiliated Market-Makers holding an appointment in the same class for purposes of trading in open outcry; and
- (4) A CBOE member or member firm may have, as part of a pilot program until March 14, 2009, multiple aggregation units operating as separate Market-Makers within the same class provided:

(A) The member or member firm has a written plan of organization that identifies each aggregation unit, specifies its trading objective(s), and supports its independent identity. The independence of aggregation units may be evidenced by separate management structures, location, business purpose, or separate profit-and-loss treatment within the member firm. Each aggregation unit must maintain all trading activity of that aggregation unit in a segregated account, which shall be reported to the Exchange as such.

(B) Each aggregation unit must operate independently of other aggregation units of the member or member firm. Moreover, all traders in an aggregation unit may pursue only the trading objectives or strategies of that aggregation unit and may not transmit or otherwise share information relating to those trading objectives or strategies to the member's or member firm's other aggregation units. The member or member firm may have risk management personnel outside of the Market-Maker aggregation units view the positions of the multiple Market-Makers within the entity and direct position adjustments for risk management purposes. However, such persons may not transmit information to traders in an Market-Maker aggregation unit about the trading strategies, objectives, or positions of another Market-Maker aggregation unit.

Senior risk management personnel are prohibited from engaging in any of the following activities with respect to the Aggregation Units for which they oversee: (i) establishing quoting parameters for any trader including but not limited to delta and volatility values; (ii) directing the submission of specific quotes by any trader; or (iii) directing the timing of a trader's trading activities with anything

other than general, nonspecific timeframes. Prior to being approved in a Market-Maker capacity, each member or member organization operating multiple Aggregation Units will be required to certify that it is aware of these prohibitions, that it will comply with these prohibitions, and that it will ensure continued compliance with these prohibitions.

(C) Individual traders are assigned to only one aggregation unit at any time.

(D) The member or member firm as part of its compliance and/or internal audit routines establishes and maintains surveillance and audit procedures that facilitate the review and surveillance programs of the firm and CBOE to ensure the independent operation of the separate aggregation units operating as Market-Makers. As part of these routines, the member or member firm must retain written records of information concerning the aggregation units, including, but not limited to, trading personnel, names of personnel making trading decisions, unusual trading activities, disciplinary action resulting from a breach of the member or member firm's systems firewalls and information-sharing policies, and the transfer of securities between the members or member firm's aggregation units, which information shall be promptly made available to the Exchange upon its request. The member or member firm must promptly provide to the Exchange a written report at such time there is any material change with respect to the aggregation units, at which point the Exchange will reexamine its status.

[(viii) Pursuant to a Pilot Program that expires on March 14, 2008, two affiliated Market-Makers can hold an appointment in the same class provided both Market-Makers operate as multiple aggregation units under the criteria set forth in Rule 8.4(c)(ii).]

(d) A member or prospective member adversely affected by a determination made by the Exchange under this Rule, including the denial of an appointment in a particular class, may obtain a review thereof in accordance with the provisions of Chapter XIX.

[. . . Interpretations and Policies:

.01 In the event the aggregate appointment cost for all of the Hybrid 2.0 Classes, Hybrid Classes, and/or Non-Hybrid Classes, constituting a Market-Maker's appointment on 7/20/06 exceeds 1.0, then the Market-Maker shall be granted six months from the date of the approval of this rule change, until 1/22/07, to comply with the provisions of paragraph (c)(v) of this Rule that provide a Market-Maker's appointed classes shall not have an aggregate appointment cost in excess of 1.0. During these six months, any Market-Maker whose aggregate appointment cost exceeds 1.0 is ineligible to request an appointment in any other option class until the Market-Maker's aggregate appointment cost is less than 1.0. The preceding limited exemption to Rule 8.3(c)(v) is only available to a Market-Maker whose aggregate appointment cost for all of the Hybrid 2.0 Classes, Hybrid Classes, and/or Non-Hybrid Classes, constituting the Market-Maker's appointment would have exceeded 1.0 on April 24, 2006, if the rule had been in effect on that date.]

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**Rule 8.3A. Maximum Number of Market Participants
Quoting Electronically per Product**

Rule 8.3A. With respect to products trading on the Hybrid Trading System or on the Hybrid 2.0 Platform, the Exchange will impose an upper limit on the aggregate number of members that

may quote electronically in each product ("Class Quoting Limit" or "CQL"). (For purposes of this Rule, the term "product" refers to all options of the same single underlying security/value.) Interpretations and Policies .01 specifies the Class Quoting Limits for all products trading on Hybrid and the Hybrid 2.0 Platform.

When a CQL is established for each product, the following criteria govern which members are entitled to quote electronically in that subject product. A Market-Maker (excluding an [RMM and] e-DPM) that is not eligible to quote electronically in a product may quote in open outcry in that product.

(a) Products Trading on the Hybrid 2.0 Platform [as of March 18, 2005] and [Products Trading on] the Hybrid Trading System [as of March 18, 2005]

The DPM or LMM(s) and e-DPMs (if applicable) assigned to the product [on March 18, 2005,] and Market-Makers who hold an appointment in the product [: (1) are in good standing with the Exchange; and (2) (i) have transacted at least 80% of their Market-Maker contracts and transactions in-person in each of the three immediately preceding calendar months prior to March 18, 2005 in option products traded in the trading station; or (ii) were physically present in the trading station acting in the capacity of a Market-Maker on March 18, 2005,] are entitled to quote electronically in those products for as long as they maintain an appointment in those products.

All other Market-Makers[, RMMs,] and approved e-DPMs that request the ability to submit quotes electronically in the subject product will be entitled to quote electronically in that product in the order in which they so request provided the number of members quoting electronically in the product does not exceed the CQL. When the number of members in the product quoting electronically equals the CQL, all other members requesting the ability to quote electronically in that product will be wait-listed in the order in which they submitted the request.

The waiting list operates based on time priority. When the product can accommodate another electronic quoter (whether due to attrition or an increase in the CQL), the member at the "top" of the list (*i.e.*, the member that has been on the waiting list the longest amount of time) has priority. Once a member is wait-listed, the Exchange may not alter his/her position on the wait-list other than to improve such position (*i.e.*, the Exchange may not place other members ahead of a previously wait-listed member). If a wait-listed member is offered, yet refuses, the ability to quote electronically in the subject product, the member will be removed from that waiting list.

(b) Products Added to the Hybrid 2.0 Platform [After March 18, 2005]: With respect to a product that is added to the Hybrid 2.0 Platform [after March 18, 2005], the DPM or LMM(s) and e-DPMs appointed to the product will be entitled to quote electronically. All Market-Makers holding an appointment [quoting] in the product prior to its addition to the Hybrid 2.0 Platform will be entitled to quote electronically [provided that: (i) they have transacted at least 80% of their Market-Maker contracts and transactions in-person in each of the three immediately preceding calendar months prior to the product being added to the Hybrid 2.0 Platform in option products traded in the trading station; or (ii) they were physically present in the trading station acting in the capacity of a Market-Maker on the day prior to the product being added to the Hybrid 2.0 Platform]. If at the time a product is added to the Hybrid 2.0 Platform the aggregate number of DPMs or LMMs, e-DPMs, and Market-Makers entitled to quote electronically in the product exceeds the CQL, then the product will have an "increased CQL," as described in Interpretations and Policies .01[(a)]. Reduction of any "increased CQL" will be in accordance with the procedures described in Interpretations and Policies .01[(a)].

All other members will be entitled to quote electronically in that product in the order in which they so request provided the number of members quoting electronically in the product does not exceed the CQL. When the number of members quoting electronically in the product equals the CQL, all other members will be wait-listed in the order in which they request the ability to quote electronically. The wait-list will operate as described above in paragraph (a).

(c) Products Added to the Hybrid Trading System [After March 18, 2005]: With respect to a [new] product that commences trading on the Hybrid Trading System [after March 18, 2005], the assigned DPM will be entitled to quote electronically. All Market-Makers holding an appointment in the product prior to it trading on the Hybrid Trading System will be entitled to quote electronically. [Thereafter, a] All other members will be entitled to quote electronically in that product in the order in which they so request provided the number of members quoting electronically does not exceed the CQL. When the number of members quoting electronically in the product equals the CQL, all other members will be wait-listed in the order in which they request the ability to quote electronically. The wait-list will operate as described above in paragraph (a).

. . . Interpretations and Policies:

.01 No change.

[.02 "Temporary Appointments" for the Period from March 21, 2005 through the end of the Initial RMM Appointment Process

The following procedures apply to Market-Makers' requests to change their appointed trading stations during the period commencing March 21, 2005, and lasting until the termination of the Initial Remote Market-Maker ("RMM") Appointment Process ("IRAP"). The IRAP is the mechanism by which electronic appointments will be granted to RMMs and other Market-Makers during the initial allocation process, which is expected to occur during the week of April 18, 2005.

1. Beginning March 21, 2005, until the termination of the IRAP, all Market-Maker requests to change their appointed trading stations will be granted on a temporary basis ("temporary appointment"), provided the CQL for the requisite product has not been met (*i.e.*, on a space-available basis, as described in Rule 8.3A.01). Each temporary appointment terminates at 3:15 p.m. (CT) on the last day of the IRAP, at which point all Market-Makers' appointed trading stations will revert to the appointed trading station the Market-Maker held on March 18, 2005.

2. In order to receive a permanent appointment in a product in which a Market-Maker previously held a temporary appointment, a Market-Maker must participate in the IRAP and be allocated such product.

3. Upon termination of the IRAP, all Market-Maker (including RMM) requests for appointments and/or appointed trading stations will be handled subject to the requirements of Rule 8.3A (Class Quoting Limits) and in accordance with the appointment procedures of Rules 8.3 (Market-Maker appointments) and 8.4 (RMM appointments), as applicable.]

[.03].02 In the event a Market-Maker, who holds an appointment in an option class traded on the Hybrid Trading System or the Hybrid 2.0 Platform pursuant to Rule 8.3, elects not to quote electronically in that option class under the provisions of Rule 8.7(d)(i), then the Market-Maker will not count towards the CQL in that option class. In the event the Market-Maker later

determines to quote electronically in that option class, the Market-Maker may do so and would count towards the CQL for that option class. If the total number of members quoting electronically exceeds the CQL for that option class, the option class would have an "increased CQL" as described in Interpretations and Policies .01[(a)]. Reduction in any "increased CQL" will be in accordance with the procedures described in Interpretations and Policies .01[(a)](b).

[04.]03 The following Interpretation and Policy only applies to those option classes traded on the Hybrid Trading System or the Hybrid 2.0 Platform in which the CQL for the option class is full and there is a waiting list of member(s) requesting the ability to quote electronically in the option class. In the event a Market-Maker [or RMM], who holds an appointment in an option class traded on the Hybrid Trading System or the Hybrid 2.0 Platform, has not submitted any electronic quotations in that option class during the preceding 30 calendar days (measured on a rolling basis), then the Market-Maker's [or RMM's] appointment in that option class will be terminated effective immediately. The Market-Maker [or RMM] can subsequently request an appointment in the option class. If there is a wait-list of members requesting the ability to quote electronically, then Market-Maker [or RMM] will be placed on the wait-list for the option class. The Exchange will notify the Market-Maker [or RMM] prior to terminating its appointment, and the Exchange can make exceptions to this Interpretation and Policy in unusual circumstances.

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Rule 8.4[– Remote Market-Makers]

Rule 8.4. Reserved. [(a) Definition: A Remote Market-Maker ("RMM") is an individual member or member organization registered with the Exchange that makes transactions as a dealer-specialist from a location other than the physical trading station for the subject class. Transactions of RMMs that are executed on the Exchange are deemed Market-Maker transactions for purposes of this Chapter and Rules 3.1 and 12.3(f).

(b) Registration and Approval of RMMs: The registration and approval of RMMs shall be in accordance with Rule 8.2. An RMM shall retain its approval to act as an RMM until the RMM requests the Exchange to relieve it of its approval to act as an RMM and the Exchange grants such approval or until the Exchange terminates its approval to act as an RMM pursuant to Exchange Rules. An RMM may not transfer its approval to act as an RMM unless approved by the Exchange.

(c) Affiliation Limitations: Except as provided in subparagraphs (i) or (ii), an RMM may not have an appointment as an RMM in any class in which it or its member organization serves as DPM, e-DPM, RMM, or Market-Maker on CBOE.

(i) A CBOE Member or Member Firm operating as an RMM in a class may have, as part of a pilot program until March 14, 2008, one Market-Maker affiliated with the RMM organization trading in open outcry in any specific option class allocated to the RMM, provided such Market-Maker trades on a separate membership.

(ii) A CBOE Member or Member Firm may have, as part of a pilot program until March 14, 2008, multiple aggregation units operating as separate RMMs within the same class provided:

(A) The member or member firm has a written plan of organization that identifies each aggregation unit, specifies its trading objective(s), and supports its independent identity. The independence of aggregation units may be evidenced by separate management structures, location, business purpose, or separate profit-and-loss treatment within the

member firm. Each aggregation unit must maintain all trading activity of that aggregation unit in a segregated account, which shall be reported to the Exchange as such.

(B) Each aggregation unit must operate independently of other aggregation units of the member or member firm. Moreover, all traders in an aggregation unit may pursue only the trading objectives or strategy(ies) of that aggregation unit and may not transmit or otherwise share information relating to those trading objectives or strategies to the member's or member firm's other aggregation units. The member or member firm may have risk management personnel outside of the RMM aggregation units view the positions of the multiple RMMs within the entity and direct position adjustments for risk management purposes. However, such persons may not transmit information to traders in an RMM aggregation unit about the trading strategies, objectives, or positions of another RMM aggregation unit.

Senior risk management personnel are prohibited from engaging in any of the following activities with respect to the Aggregation Units for which they oversee: (i) establishing quoting parameters for any trader including but not limited to delta and volatility values; (ii) directing the submission of specific quotes by any trader; or (iii) directing the timing of a trader's trading activities with anything other than general, nonspecific timeframes. Prior to being approved in an RMM capacity, each member or member organization operating multiple Aggregation Units will be required to certify that it is aware of these prohibitions, that it will comply with these prohibitions, and that it will ensure continued compliance with these prohibitions.

(C) Individual traders are assigned to only one aggregation unit at any time.

(D) The member or member firm as part of its compliance and/or internal audit routines establishes and maintains surveillance and audit procedures that facilitate the review and surveillance programs of the firm and CBOE to ensure the independent operation of the separate aggregation units operating as RMMs. As part of these routines, the member or member firm must retain written records of information concerning the aggregation units, including, but not limited to, trading personnel, names of personnel making trading decisions, unusual trading activities, disciplinary action resulting from a breach of the member or member firm's systems firewalls and information-sharing policies, and the transfer of securities between the members or member firm's aggregation units, which information shall be promptly made available to the Exchange upon its request. The member or member firm must promptly provide to the Exchange a written report at such time there is any material change with respect to the aggregation units, at which point the Exchange will reexamine its status.

(d) Appointment of RMMs: An RMM will have a Virtual Trading Crowd ("VTC") Appointment, which confers the right to quote electronically (and not in open outcry) an appropriate number of Hybrid 2.0 Classes selected from "tiers" that have been structured according to trading volume statistics. All Hybrid 2.0 Classes within a specific tier will be assigned an "appointment cost" depending upon its tier location. The following table sets forth the tiers and related appointment costs.

Tier	Hybrid 2.0 Option Classes	Appointment Cost
AA	<ul style="list-style-type: none"> Options on the CBOE Volatility Index (VIX) 	.50

Tier	Hybrid 2.0 Option Classes	Appointment Cost
	<ul style="list-style-type: none"> Options on the iShares Russell 2000 Index Fund (IWM) Options on the NASDAQ 100 Index (NDX) 	
A+	<ul style="list-style-type: none"> Options on Standard & Poor's Depositary Receipts Options on the Russell 2000 Index (RUT) Options on the S&P 100 (XEO) 	.25
A*	Hybrid 2.0 Classes 1 – 60	.10
B*	Hybrid 2.0 Classes 61 – 120	.05
C*	Hybrid 2.0 Classes 121 – 345	.04
D*	Hybrid 2.0 Classes 346 – 570	.02
E*	Hybrid 2.0 Classes 571 - 999	.01
F*	All Remaining Hybrid 2.0 Classes	.001

* Excludes Tiers AA and A+ Classes.

An RMM as part of its VTC appointment may select for each Exchange membership it owns or leases any combination of Hybrid 2.0 Classes whose aggregate "appointment cost" does not exceed 1.0. For example, an RMM could request five "A Tier" products (5x.10), five "C Tier" products (5x.04), ten "D Tier" products (10x.02) and ten "E Tier" products (10x.01) to constitute its VTC appointment.

The Exchange will rebalance the "tiers" (excluding the "AA" and "A+" tiers) once each calendar quarter, which may result in additions or deletions to their composition. When a Hybrid 2.0 Class changes "tiers" it will be assigned the "appointment cost" of that tier. Upon rebalancing, each RMM with a VTC appointment will be required to own or lease the appropriate number of Exchange memberships reflecting the revised "appointment costs" of the Hybrid 2.0 Classes constituting its appointment.

An RMM may only change its appointment upon advance notification to the Exchange in a form and manner prescribed by the Exchange.

Exchange memberships used to satisfy membership requirements to possess an RMM PTC or VTC appointment may not be used for any other purpose while being used in an RMM capacity, including being leased to another member or for trading on the trading floor. For purposes of this Rule, an Exchange membership shall include a transferable regular membership or a Chicago Board of Trade full membership that has effectively been exercised pursuant to Article Fifth(b) of the Certificate of Incorporation.

(e) The Exchange may suspend or terminate any appointment of an RMM in one or more classes under this Rule whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action. An RMM may seek review of any action taken by the Exchange pursuant to this Rule in accordance with Chapter XIX.

(f) RMMs are subject to Rule 8.7.03A with respect to trading in appointed classes. RMMs may not enter quotations in option classes that are not included within their appointment. RMMs may submit orders in classes that are not included within their appointment.]

* * * * *

Rule 8.7 - Obligations of Market-Makers

Rule 8.7. (a) No change.

(b) *Appointment.* With respect to each class of option contracts for which [he]a Market-Maker holds an Appointment under Rule 8.3, a Market-Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for [his]the Market-Maker's own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a Market-Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i) To compete with other Market-Makers to improve markets in all series of options classes comprising the Market-Maker's appointment at the trading station where a Market-Maker is physically present or into which a Market-Maker is quoting electronically;

(ii) No change.

(iii) To update market quotations in response to changed market conditions in [his/her]the Market-Maker's appointed options classes at the trading station where a Market-Maker is present or at the trading station into which a Market-Maker quotes electronically and to assure that any market quote it causes to be disseminated is accurate.

A. With respect to trading in appointed classes:

(1) Market-Makers who are physically present in [their appointed]a trading station may enter quotes and orders in their appointed classes by public outcry in response to a request for a quote or, in classes in which Hybrid or Hybrid 2.0 is implemented, through an Exchange-approved electronic interface via an Exchange-approved quote generation device.

(2) Market-Makers may also enter quotes and orders in their appointed Hybrid and Hybrid 2.0 classes [from outside of their appointed trading stations (pursuant to Rule 8.3)] through an Exchange-approved electronic interface via an Exchange-approved quote generation device.

(3) Market-Makers[, whether in their appointed trading stations or not,] may also submit orders for automatic execution in accordance with the requirements of Rules 6.8 or 6.13.

B. No change.

[C. RMMs may enter quotes and orders remotely (*i.e.*, from outside of the physical trading station for the subject class) through an Exchange-approved electronic interface. RMMs may not quote in open outcry.]

(iv) No change.

(c) *Classes of Option Contracts other than those to which appointed.* With respect to classes of option contracts in which [he]a Market-Maker does not hold an Appointment, a Market-Maker should not engage in transactions for an account in which [he]the Market-Maker has an interest which are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in paragraph (b) of this Rule with respect to those classes of option contracts to which [he]the Market-Maker does hold Appointments. Whenever a Market-Maker enters the trading station for a class of option contracts [located away from his appointed trading station] in other than a floor brokerage capacity, [he]the Market-Maker shall fulfill the obligations established by paragraph (b) of this Rule and, for the rest of the trading day, such Market-Maker may be required to undertake the obligations specified in paragraph (b) of this Rule upon determination by the Order Book Official in accordance with Rule 7.5. Furthermore, Market-Makers should not:

(i) No change.

(ii) No change.

(iii) No change.

(d) *Market-Making Obligations in Applicable Hybrid and Hybrid 2.0 Classes*

The following obligations in this paragraph (d) are only applicable to Market-Makers trading classes on the CBOE Hybrid System and only in those Hybrid classes and Hybrid 2.0 Classes. As such, this paragraph has no applicability to non-Hybrid classes. [This paragraph is not applicable to Remote Market-Makers, who instead will be subject to the obligations imposed by Rule 8.7(e).] Unless otherwise provided in this Rule, Market-Makers trading classes on the Hybrid System remain subject to all obligations imposed by CBOE Rule 8.7. To the extent another obligation contained elsewhere in Rule 8.7 is inconsistent with an obligation contained in paragraph (d) of Rule 8.7 with respect to a class trading on Hybrid, this paragraph (d) shall govern trading in the Hybrid class.

These requirements are applicable on a per class basis depending upon the percentage of volume a Market-Maker transacts electronically versus in open outcry. With respect to making this determination, the Exchange will monitor Market-Makers' trading activity every calendar quarter to determine whether they exceed the thresholds established in this paragraph (d). If a Market-Maker exceeds the threshold established below, the obligations contained in (d)(ii) will be effective the next calendar quarter.

For a period of ninety (90) days commencing immediately after a class begins trading on the Hybrid system, the provisions of paragraph (d)(i) shall govern trading in that class

(i) Market-Maker Trades Less Than 20% Contract Volume Electronically:

If a Market-Maker on the CBOE Hybrid System never transacts more than 20% (i.e., [he] trades 20% or less) of [his]the Market-Maker's contract volume electronically in an appointed Hybrid class during any calendar quarter, the following provisions shall apply to that Market-Maker with respect to that class:

(A) Quote Widths: With respect to electronic quoting, the Market-Maker will not be required to comply with the quote width requirements of CBOE Rule 8.7(b)(iv) in that class. The effectiveness of this subparagraph (i)(A) shall be in effect in each Hybrid for a period of one year commencing with the date the class begins trading on the Hybrid System.

(B) Continuous Electronic Quoting Obligation: The Market-Maker will not be obligated to quote electronically in any designated percentage of series within that class. If a Market-Maker quotes electronically, its undecrement quote must be for at least ten contracts ("10-up"), unless the underlying primary market disseminates a 100-share quote, in which case the Market-Maker's undecrement quote may be for as low as 1-contract ("1-up"). The ability to quote 1-up when the underlying primary quotes 100 shares is expressly conditioned on the process being automated (*i.e.*, a Market-Maker may not manually adjust [his]the Market-Maker's quotes to reflect 1-up sizes). Quotes must automatically return to at least 10-up when the underlying primary market no longer disseminates a 100-share quote. Market-Makers that have not automated this process may not avail themselves of the relief provided herein.

(C) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a floor broker [or DPM representing an order as agent], in-crowd Market-Makers must provide a two-sided market complying with the quote width requirements contained in Rule 8.7(b)(iv) for a minimum of ten contracts for non-broker-dealer orders and one contract for broker-dealer orders.

[(D) In-Person Quoting Requirement: Any volume transacted electronically will not count towards the Market-Maker's in-person requirement contained in Rule 8.7.03(B).]

(ii) Market-Maker Trades More Than 20% Contract Volume Electronically:

If a Market-Maker on the CBOE Hybrid System transacts more than 20% of [his]the Market-Maker's contract volume electronically in an appointed Hybrid class during any calendar quarter, commencing the next calendar quarter [he]the Market-Maker will be subject to the following quoting obligations in that class for as long as he remains in that class:

(A) Quote Widths: The Market-Maker must comply with the quote width requirements contained in Rule 8.7(b)(iv).

(B) Continuous Quoting Obligation: A Market-Maker will be required to maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in 60% of the series of [his/her] the Market-Maker's appointed class that have a time to expiration of less than nine months. The initial size of a Market-Maker's quote must be for at least ten contracts (undecrement size). If the underlying primary market disseminates a 100-share quote, a Market-Maker's undecrement quote may be for as low as 1-contract ("1-up"), however, this ability is expressly conditioned on the process being automated (*i.e.*, a Market-Maker may not manually adjust [his]the Market-Maker's quotes to reflect 1-up sizes). Quotes must automatically return to at least 10-up when the underlying primary market no longer disseminates a 100-share quote. Market-Makers that have not automated this process may not avail themselves of the relief provided herein.

(C) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a member or PAR Official, in-crowd Market-Makers must provide a two-sided

market complying with the current quote width requirements contained in Rule 8.7(b)(iv) for a minimum of ten contracts for non-broker-dealer orders and one contract for broker-dealer orders.

(iii) The obligations and duties of Market-Makers set forth in paragraphs (d)(i) and (d)(ii) apply to a Market-Maker on a per class basis and only when the Market-Maker is quoting in a particular class on a given trading day (*e.g.*, if on a given trading day a Market-Maker is quoting in 1 of his/her 10 appointed classes, the Market-Maker has quote width, continuous electronic quoting and, to the extent the Market-Maker is present in the trading crowd, continuous open outcry quoting obligations in that class; the continuous electronic quoting obligation in subparagraph (d)(ii)(B) applies to 60% of the series of that class that have a time to expiration of less than nine months while the Market-Maker is quoting). The obligations and duties are not applicable to an appointed class if a Market-Maker is not quoting in that appointed class.

(iv) A Market-Maker that is in the trading crowd but that is not quoting electronically or in open outcry in an appointed class must provide an open outcry two-sided market complying with the current quote width requirements contained in Rule 8.7(b)(iv) for a minimum of ten contracts for non-broker-dealer orders and one contract for broker-dealer orders in response to a request for quote by a member or PAR Official directed at that Market-Maker or when, in response to a general request for a quote by a member of PAR Official, a market is not then being vocalized by a reasonable number of Market-Makers. A Market-Maker may also be called upon by an Exchange official designated by the Board of Directors to submit a single quote or maintain continuous quotes in one or more series of a class to which the Market-Maker is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of maintaining a fair and orderly market.

[(e) Obligations of Remote Market-Makers (RMMs): The following obligations apply only to RMMs:

(i) An RMM must provide legal-width, continuous electronic quotes (as defined in Rule 1.1 (ccc)) in 60% of the series of its appointed class that have a time to expiration of less than nine months. The initial size of an RMM's quote must be for at least ten contracts (undecrement size).

If the underlying primary market disseminates a 100-share quote, an RMM's undecrement quote may be for as low as 1-contract ("1-up"), however, this ability is expressly conditioned on the process being automated (*i.e.*, an RMM may not manually adjust its quotes to reflect 1-up sizes). Quotes must automatically return to at least 10-up when the underlying primary market no longer disseminates a 100-share quote. RMMs that have not automated this process may not avail themselves of the relief provided herein.

The obligations and duties of an RMM set forth in this paragraph (e)(i) apply to an RMM on a per class basis and only when the RMM is logged on to the CBOE Hybrid system and quoting electronically in a particular class on a given trading day (*e.g.*, if on a given trading day an RMM is logged in and quoting electronically in 1 of its 10 appointed classes, the RMM has quote width and continuous electronic quoting obligations in that class; the continuous electronic quoting obligation applies to 60% of the series of that class that have a time to expiration of less than nine months while the RMM is logged on to the CBOE Hybrid system and quoting electronically in that class). The obligations and duties are not applicable to an appointed class if an RMM is not logged in and quoting electronically in that appointed class.

(ii) An RMM may be called upon by an Exchange official designated by the Board of Directors to submit a single electronic quote or maintain continuous electronic quotes in one or more series of a class to which the RMM is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of maintaining a fair and orderly market.

(iii) All Exchange rules applicable to Market-Makers will also apply to RMMs unless otherwise provided or unless the context clearly indicates otherwise. RMMs are not considered trading crowd members, except as provided in Rule 8.60 (Evaluation of Trading Crowd Performance) or unless the context clearly indicates otherwise.

(iv) The evaluation of RMM performance shall be pursuant to Rule 8.61.

(v) Failure by an RMM to engage in a course of dealings as specified above will subject the RMM to disciplinary action or suspension or revocation of registration by the Exchange in one or more of the option classes in which the RMM holds an appointment.

(vi) RMMs shall maintain information barriers that are reasonably designed to prevent the misuse of material, non-public information with any affiliates that may conduct a brokerage business in option classes allocated to the RMM or that may act as specialist or Market-Maker in any security underlying options allocated to the RMM, and otherwise comply with the requirements of Rule 4.18 regarding the misuse of material non-public information.]

. . . Interpretations and Policies:

.01 - .02 No change.

.03 For purposes of Rule 8.7, the following percentage requirements apply to Market-Maker trading activity for each quarter of a calendar year, except for unusual circumstances as determined by the appropriate Market Performance Committee. The appropriate Market Performance Committee may assign a weighting factor based on volume to one or more classes or series of option contracts in connection with these requirements.

A. Trading in Appointed Classes: Respecting distribution of trading activity, at least 75 percent of a Market-Maker's total contract volume must be in option classes to which [he]the Market-Maker has been appointed pursuant to Rule 8.3. Trading in nonappointed classes of options at the request of a Floor Official, Order Book Official, Board Broker or DPM shall be deemed to be trading in appointed classes for purposes of this Interpretation.

B. In-Person Requirements for Market-Makers in non-Hybrid and Hybrid 3.0 Classes: Respecting the manner in which Market-Maker transactions may be executed in non-Hybrid and Hybrid 3.0 classes, a Market-Maker must execute in person, and not through the use of orders, at least 25 percent of [his]the Market-Maker's total transactions, provided, however, that for any calendar quarter in which a Market-Maker receives Market-Maker treatment for off-floor orders in accordance with Rule 8.1, in addition to satisfying the requirements of paragraph A of this Interpretation .03, the Market-Maker must execute in person, and not through the use of orders, at least 80 percent of [his]the Market-Maker's total transactions. The off-floor orders for which a Market-Maker receives Market-Maker treatment shall be subject to the obligations of Rule 8.7(a) and in general shall be effected for the purpose of hedging, reducing risk of, rebalancing or liquidating open positions of the Market-Maker. The appropriate Market Performance Committee may exempt one or more options classes from this calculation.

04. The obligations of a Market-Maker with respect to those classes of option contracts to which [he]the Market-Maker holds an Appointment shall take precedence over his other Market-Maker obligations.

.05 - .08 No change.

.09 The obligations and duties of Market-Makers set forth in Rule 8.7 paragraphs (a) and (b) apply to an in-crowd Market-Maker only when the in-crowd Market-Maker is present in the trading crowd and to a Market-Maker electronically quoting [from outside of his/her appointed trading station (in accordance with Rule 8.3(c)) or to an RMM] only when the Market-Maker [or RMM] is logged on to the CBOE Hybrid system. Market-Makers remain subject to Rule 7.5 while on the floor of the Exchange.

.10 - .12 No change.

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Rule 8.13 - Preferred Market-Maker Program

Rule 8.13. (a) *Generally*. The Exchange may allow, on a class-by-class basis, for the receipt of marketable orders, through the Exchange's Order Routing System when the Exchange's disseminated quote is the NBBO, that carry a designation from the member transmitting the order that specifies a Market-Maker in that class as the "Preferred Market-Maker" for that order. A qualifying recipient of a Preferred Market-Maker order shall be afforded a participation entitlement as set forth in subparagraph (c) below.

(b) *Eligibility*. Any Exchange Market-Maker type (e.g. [Remote Market-Maker,] Lead Market-Maker, and Designated Primary Market-Maker) may be designated as a Preferred Market-Maker, however, a recipient of a Preferred Market-Maker order will only receive a participation entitlement for such order if the following provisions are met:

(i) – (iii) No change.

(c) No change.

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Rule 8.61 [Evaluation of Remote Market-Makers]

Rule 8.61. Reserved. [a. Review: The appropriate Market Performance Committee ("MPC") will periodically conduct an evaluation of Remote Market-Makers to determine whether they have fulfilled performance standards relating to, among other things, quality of markets, competition among Market-Makers, observance of ethical standards, and administrative factors. The appropriate MPC may consider any relevant information including, but not limited to, the results of a Remote Market-Maker evaluation, trading data, a Remote Market-Maker's regulatory history and such other factors and data as may be pertinent in the circumstances.

b. Termination and other limitations. The appropriate MPC may terminate, place conditions upon, or otherwise limit a member's approval to act as an RMM on the same basis that Market-Maker privileges may be terminated and/or conditioned under Rules 8.60. If a member's approval to act as an RMM is terminated, conditioned, or otherwise limited by the appropriate MPC

pursuant to this Rule, the member may seek review of that decision under Chapter XIX of the Rules.]

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Rule 8.85 – DPM Obligations

Rule 8.85.

(a)(i) – (iv) No change.

(v) trade in all securities allocated to the DPM only in the capacity of a DPM and not in any other capacity; except that as part of a pilot program until March 14, 200[8]9, not allow more than one Market-Maker affiliated with an Off-Floor DPM to trade on CBOE's trading floor in any specific option class allocated to the Off-Floor DPM and provided such Market-Maker is trading on a separate membership (absent the pilot program, an Off-Floor DPM may not allow any Market-Makers affiliated with the Off-Floor DPM to trade on CBOE's trading floor in any class allocated to the Off-Floor DPM) and provided the Off-Floor DPM does not have a DPM Designee trading in open outcry in the option classes allocated to the Off-Floor DPM;

(vi) – (xii) No change.

(b) - (d) No change.

(e) *Requirement to Own Membership.* Each DPM organization shall own one Exchange membership, and own or lease such additional Exchange memberships as may be necessary based on the aggregate "appointment cost" for the classes allocated to the DPM organization. Each membership owned or leased by the DPM organization has an appointment credit of 1.0. The appointment costs for the classes allocated to the DPM organization are:

(i) – (iii) No change;

For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the DPM organization would be required to own at least one Exchange membership, and own or lease one additional Exchange membership. The Exchange will rebalance the "tiers" set forth in Rule 8.3(c)(i), excluding the "AA" and "A+" tiers, once each calendar quarter, which may result in additions or deletions to their composition. When a class changes "tiers" it will be assigned the "appointment cost" of that tier. Upon rebalancing, each DPM organization will be required to own or lease the appropriate number of Exchange memberships reflecting the revised "appointment costs" of the classes that have been allocated to it. Additionally, a DPM organization is required to own or lease the appropriate number of Exchange memberships at the time a new option class allocated to it pursuant to Rule 8.95 begins trading.

An Exchange membership shall include a transferable regular membership or a Chicago Board of Trade full membership that has effectively been exercised pursuant to Article Fifth(b) of the Certificate of Incorporation. The same Exchange membership(s) may not be used to satisfy this ownership requirement for different DPM organizations. In the event the member organization approved as the DPM organization is also approved to act as [an RMM] Market-Maker and/or e-DPM, and has excess membership capacity above the aggregate appointment cost for the classes allocated to it as the DPM, the member organization may utilize the excess membership capacity to quote electronically in an appropriate number of Hybrid 2.0 Classes in

the capacity of a [RMM]~~Market-Maker~~ and not trade in open outcry, or to quote electronically in the Hybrid 2.0 Classes in which it is appointed an e-DPM. For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the member organization could request an appointment as [an RMM]a ~~Market-Maker~~ in any combination of Hybrid 2.0 Classes whose aggregate "appointment cost" does not exceed .40. The member organization will not function as a DPM in any of these additional classes. In the event the member organization utilizes any excess membership capacity to quote electronically in some additional Hybrid 2.0 Classes as a ~~Market-Maker~~ [an RMM] or e-DPM, it must comply with the provisions of Rules [8.4(c)]~~8.3~~ and Rule 8.93(vii), respectively.

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Rule 8.92 - Electronic DPM Program

Rule 8.92. (a) – (c) No change.

(d) *Membership Requirement.* Each e-DPM organization is required to (i) own one Exchange membership, and (ii) own or lease such additional Exchange memberships as may be necessary based on the aggregate "appointment cost" for the classes allocated to the e-DPM organization. Each membership owned or leased by the e-DPM organization has an appointment credit of 1.0. The appointment costs for Hybrid 2.0 Classes allocated to e-DPMs are categorized by "tiers" and are set forth in Rule 8.3(c)(i) [and Rule 8.4(d)]. For example, if the e-DPM organization has been allocated such number of option classes that its aggregate appointment cost is 6.6, the e-DPM organization would be required to own at least one Exchange membership, and own or lease six additional Exchange memberships.

As noted in Rule 8.3(c) [and Rule 8.4(d)], the Exchange will rebalance the "tiers" (excluding the "AA" and "A+" tiers) once each calendar quarter, which may result in additions or deletions to their composition. When a class changes "tiers" it will be assigned the "appointment cost" of that tier. Upon rebalancing, each e-DPM organization will be required to own or lease the appropriate number of Exchange memberships reflecting the revised "appointment costs" of the classes that have been allocated to it.

An Exchange membership shall include a transferable regular membership or a Chicago Board of Trade full membership that has effectively been exercised pursuant to Article Fifth(b) of the Certificate of Incorporation. Except as provided below, memberships used to satisfy this requirement may not be used for any other purpose including being leased to another member or for trading on the trading floor. For purposes of this Rule, the term "product" refers to all options of the same single underlying security/value. An e-DPM organization shall be deemed to own or lease an Exchange membership for purposes of this paragraph (d) if its parent company owns or leases seats that are used solely for the e-DPM organization's e-DPM activities. However, in the event the member organization approved as the e-DPM organization is also approved to act as [an RMM]a ~~Market-Maker~~ and/or DPM, and has excess membership capacity above the aggregate appointment cost for the classes allocated to it as the e-DPM, the member organization may utilize the excess membership capacity to quote electronically in an appropriate number of Hybrid 2.0 Classes in the capacity of a [Remote] Market-Maker [("RMM")] and not trade in open outcry, and/or to quote electronically and trade in open outcry in the classes in which it is appointed a DPM. For example, if the member organization has been allocated such number of option classes that its aggregate appointment cost is 6.6, the member organization could request an appointment as [an RMM]a ~~Market-Maker~~ in any combination of Hybrid 2.0 Classes whose aggregate "appointment cost" does not exceed .40. The member organization will not function as an e-DPM in any of these additional classes. In the event the member organization utilizes any

excess membership capacity to quote electronically in some additional Hybrid 2.0 Classes as [an RMM]a Market-Maker or DPM, it must comply with the provisions of Rules [8.4(c)]8.3 and Rule 8.85(a)(v), respectively.

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Rule 8.93 – e-DPM Obligations

Rule 8.93. Each e-DPM shall fulfill all of the obligations of a Market-Maker and of a DPM under the Rules (except those contained in Rules 8.85(a)(i), (iv), (v), (vii)- (x), and (xii), 8.85(c)(i) and (v), and 8.85(e)), and shall satisfy each of the following requirements.

(i) – (vi) No change.

(vii) as part of a pilot program until March 14, 200[8]9, not allow more than one Market-Maker affiliated with the e-DPM organization to trade on CBOE's trading floor in any specific option class allocated to the e-DPM and provided such Market-Maker is trading on a separate membership (absent the pilot program, an e-DPM may not allow any Market-Makers affiliated with the e-DPM organization to trade on CBOE's trading floor in any class allocated to the e-DPM);

(viii) – (ix) No change.

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