OMB APPROVAL	
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Page 1 of 398

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

File No. SR - 2010 - 058
Amendment No.

Proposed Rule Change by Chicago Board Options Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial	Amendment	Withdrawal	Section 19(b)(2)	Section 19(b)(3)(A)	Section 19(b)(3)(B)
☑	☐	☐	☐	☑	☐

Pilot	Extension of Time Period for Commission Action	Date Expires
☐	☐	

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 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 250 characters).

Proposed Rule Change Relating to Conforming Changes in Connection with Demutualization

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	Arthur	Last Name	Reinstein
Title	Deputy General Counsel		
E-mail	reinstei@cboe.com		
Telephone	(312) 786-7570	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 06/18/2010

By Kerry Ann P. Adler (Name)

Assistant Secretary (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.

Kerry Ann Adler, adler@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

1. Text of Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") is filing this proposed rule change to make certain conforming and technical changes to Chapters IV – LIV of CBOE's rules, to the CBOE Fee Schedule, to CBOE's circular regarding membership application and other membership fees ("CBOE Membership Fee Circular"), and to the CBOE Stock Exchange, LLC ("CBSX") Fee Schedule in connection with the restructuring of CBOE from a non-stock corporation to a stock corporation and wholly-owned subsidiary of CBOE Holdings, Inc. ("CBOE Holdings"). The proposed amendments to the rules are included in Exhibit 5a, the proposed amendments to the CBOE Fee Schedule are included in Exhibit 5b, the proposed amendments to the CBOE Membership Fee Circular are included in Exhibit 5c, and the proposed amendments to the CBSX Fee Schedule are included in Exhibit 5d.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The CBOE's Office of the Chairman pursuant to delegated authority approved the proposed rule change on June 18, 2010. No further action is required.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel and Corporate Secretary, Chicago Board Options Exchange, Incorporated, 400 South LaSalle Street, Chicago, IL 60605, (312) 786-7462.

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

(a) Purpose

The Securities and Exchange Commission ("Commission") has approved a rule filing ("Demutualization Filing") by the Exchange to adopt a new Certificate of Incorporation and Bylaws for CBOE Holdings and to replace the Exchange's Certificate of Incorporation and Constitution with a new Certificate of Incorporation and Bylaws in connection with the restructuring of the Exchange from a non-stock corporation to a stock corporation and wholly-owned subsidiary of CBOE Holdings ("Restructuring Transaction").[1] In general, these changes are designed to restructure the Exchange in the manner described in the preceding sentence and to address the operation of the Exchange as a self-regulatory organization in this new structure.

[1] Securities Exchange Act Release No. 62158 (May 24, 2010), 75 FR 30082 (May 28, 2010) (SR-CBOE-2008-88).

As part of the Demutualization Filing, the Exchange amended Chapters I-III of its rules to provide for the use of Trading Permits to access the Exchange and to make certain technical and conforming changes. These changes became effective upon the consummation of the Restructuring Transaction on June 18, 2010. Accordingly, as indicated in the Demutualization Filing, the Exchange now is submitting this companion filing to make the changes proposed in Chapters I-III to the remaining chapters of the Exchange's rules (Chapters IV – LIV).[2] This companion filing also proposes to make corollary changes to the CBOE Fee Schedule, the Membership Fee Circular, and the CBSX Fee Schedule. The Exchange decided to make the changes in this manner because of the length of the Demutualization Filing and the fact that the substantive changes to Exchange's rules regarding trading access were subject to notice and comment as part of the Demutualization Filing.

Listed below are the changes to the rules in Chapters I-III made by the Demutualization Filing that will be made to the rules in the remaining chapters and to the Fee Schedule by this filing:

- The Exchange is proposing to change references to the term "member" in the rules in Chapters IV – LIV, the CBOE Fee Schedule, and the CBOE Membership Fee Circular to "Trading Permit Holder."[3] As part of this change, references to an "individual member" will be changed to an "individual Trading Permit Holder" and references to a "member organization" will be changed to a "TPH organization."

- The Exchange is proposing to change references to the term "membership" in the rules in Chapters IV – LIV, the CBOE Fee Schedule, and the CBOE Membership Fee Circular to either "Trading Permit" or "Trading Permit Holder" depending on the circumstances of its usage. In certain circumstances, the term "membership"

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[2] The Exchange also amended CBOE Rule 8.3 in the Demutualization Filing.

[3] The term "Trading Permit Holder" is defined in Section 1.1(f) of the CBOE Bylaws as:

> any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit. If a Trading Permit Holder is an individual, the Trading Permit Holder may also be referred to as an "individual Trading Permit Holder." If a Trading Permit Holder is not an individual, the Trading Permit Holder may also be referred to as a "TPH organization." A Trading Permit Holder is a "member" solely for purposes of the Act; however, one's status as a Trading Permit Holder does not confer on that Person any ownership interest in the Exchange.

CBOE Rule 1.1(gg) also defines the term "Trading Permit Holder" by cross-referencing this definition in the CBOE Bylaws.

is used to refer to the possession of the right to trade on the Exchange.[4] In those circumstances, the term will be changed to "Trading Permit." In addition, because a Trading Permit will be a license issued by the Exchange, references in those circumstances related to "owning" or "leasing" a membership will be changed to "holding" a Trading Permit. In other circumstances, the term "membership" is used to refer to the members of the Exchange.[5] In those circumstances, the term will be changed to "Trading Permit Holders." In still other circumstances, the term "membership" is used to refer to being or becoming a member of the Exchange.[6] In those circumstances, the term will be changed to "Trading Permit Holder."

- In connection with the change of the term "member" to "Trading Permit Holder," the Exchange is proposing to change references to the term "Clearing Member" in the rules in Chapters IV – LIV and the CBOE Fee Schedule to "Clearing Trading Permit Holder."[7] The Exchange is also proposing to change certain references to the term "member firm" in the CBOE Fee Schedule to "Clearing Trading Permit Holder" (as the term "member firm" has also been used to refer to a CBOE Clearing Member because Clearing Members utilize the "F" (or "Firm") order origin code). Similarly, the Exchange is proposing to change references to the term "Person Associated with a Member" in the rules in Chapters IV – LIV, the CBOE Fee Schedule, and the CBOE Membership Fee Circular to "Person Associated with a Trading Permit Holder."[8] In addition, the Exchange is

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[4] For example, the number of "memberships" owned or leased by a Market Maker serves as the basis in CBOE Rule 8.3 for determining the number of options classes that the Market Maker can trade. The term "membership" when used in this manner will be changed to "Trading Permit."

[5] For example, the Exchange is required in CBOE Rule 6.2B(a) to provide notice to the "membership" of the period of time before the opening of trading in the underlying security when the Hybrid System will accept orders and quotes. The term "membership" when used in this manner will be changed to "Trading Permit Holders."

[6] For example, CBOE Rule 4.6 in part prohibits members, persons associated with members and applicants for "membership" from making any willful or material misrepresentation, including a misstatement or false statement, or omission in any application, report or other communication to the Exchange. This provision will be amended to prohibit Trading Permit Holders, persons associated with Trading Permit Holders and applicants to be Trading Permit Holders from making any willful or material misrepresentation, including a misstatement or false statement, or omission in any application, report or other communication to the Exchange.

[7] See CBOE Rule 1.1(f) (amended in the Demutualization Filing to change the defined term "Clearing Member" to "Clearing Trading Permit Holder"). The substance of the definition of "Clearing Member" is unchanged.

proposing to change references to the "Membership Department" in the rules in Chapters IV – LIV to "TPH Department."[9]

- The Exchange is proposing to change references to the term "Constitution" in the rules in Chapters IV – LIV to "Bylaws." [10] The Exchange is making this change because it now has "Bylaws" rather than a "Constitution" following the restructuring of the Exchange to a for-profit stock corporation.

- The Exchange is proposing to delete the reference to the term "lessor" and the related language in CBOE Rule 4.18 because the concept of leasing memberships no longer exists after the restructuring of the Exchange.[11]

- The Exchange is proposing to delete references to the concept of registering a membership for a member organization because that concept does not exist now that Trading Permits are used to provide trading access to the Exchange.[12]

- The Exchange is proposing to delete references relating to the requirement to post notices of proposed actions on the Exchange Bulletin Board.[13] As noted in the

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[8] See CBOE Rule 1.1(qq) (amended in the Demutualization Filing to change the defined term "Person Associated with a Member" to "Person Associated with a Trading Permit Holder"). The substance of the definition of "Person Associated with a Member" is unchanged.

[9] See CBOE Rule 1.1(iii) (amended in the Demutualization Filing to define the term "TPH Department"). This provision defines the term as the department or division of the Exchange (which may be referred to by the Exchange from time to time by a name other than the TPH Department) that has the functions set forth in the Rules for the TPH Department. The Exchange initially plans to refer to the department of the Exchange that has the functions set forth in the Rules for the TPH Department as the "Registration Services Department" and uses that term in reference to the TPH Department in the revised CBOE Fee Schedule and CBOE Membership Fee Circular.

[10] See CBOE Rule 1.1(b) (amended in the Demutualization Filing to change the defined term "Constitution" to "Bylaws").

[11] See CBOE Rule 1.1(ff) (amended in the Demutualization Filing to delete the defined term "Lessor" and replace it with the defined term "Person"). The Exchange also deleted the term "Lessee" in the Demutualization Filing. See CBOE Rule 1.1(gg) (amended in the Demutualization Filing to delete the defined term "Lessee" and replace it with the defined term "Trading Permit Holder").

[12] See, e.g., CBOE Rule 3.8 as amended in the Demutualization Filing.

[13] See CBOE Rule 3.9(e) as amended in the Demutualization Filing.

Demutualization Filing, the use of a physical bulletin board at the Exchange has become outdated as trading on the Exchange has become more electronic and remote from the Exchange. Despite this change, the Exchange will still be required to provide persons with notice of proposed actions. The Exchange will also continue to provide notice of proposed actions via electronic means, such as through its website.

In addition to these changes, the Exchange is proposing to make technical, non-substantive changes to clarify its regulatory authority to revoke Trading Permits when a Trading Permit Holder experiences operational or financial difficulty, as well as its regulatory authority to suspend or revoke Trading Permits when a Trading Permit Holder is disciplined by the Exchange. For example, the Exchange is proposing to amend CBOE Rule 16.4 to provide that the Exchange can revoke a Trading Permit of a Trading Permit Holder who has been suspended for operational or financial difficulty in the event the holder does not apply for reinstatement (or does not obtain reinstatement) in accordance with CBOE Rule 16.3. In addition, the Exchange is proposing to amend Rule 17.1 to provide the Exchange with the authority to suspend or revoke one or more Trading Permits of a Trading Permit Holder in the event the holder has been disciplined by the Exchange. The proposed changes to Rules 16.4 and 17.1 apply the new terminology without altering the existing revocation and suspension authority.

The Exchange is also proposing to make technical, non-substantive changes to a few rules in Chapters IV – LIV to make certain corrections to them. For example, the Exchange is updating a cross-reference in CBOE Rule 6.7. In general, this provision limits the liability of the Exchange, its directors, officers and employees, and provides that this limitation of liability is in addition to the limitation of liability provided in Article Thirteenth of the Exchange's Certificate of Incorporation.[14] As a result of the replacement of the Exchange's Certificate of Incorporation as mentioned above, the substance of current Article Thirteenth has been moved to Article Eighth in the Exchange's new Certificate of Incorporation. Accordingly, this cross-reference in CBOE Rule 6.7 is being updated to refer to Article Eighth of the Exchange's Certificate of Incorporation.

Finally, in addition to updating the provisions of the CBOE Fee Schedule and the CBOE Membership Fee Circular to reflect the new terminology and Trading Permit structure that will be in place following the restructuring of the Exchange, the Exchange is proposing to revise the CBOE Fee Schedule and the CBOE Membership Fee Circular to eliminate certain fees that will no longer be in place as a result of the restructuring. The eliminated fees include: (i) the member dues monthly fee, which is being terminated in connection with the demutualization of the Exchange; (ii) the lessor firm application fee, which is being eliminated because the Exchange no longer has lessor members; (iii) the post-demutualization trading permit application fee, which terminated by its terms upon the effective date of the demutualization of the Exchange (and which is also being

[14] Article Thirteenth generally limits the fiduciary liability of directors to the fullest extent permitted by the General Corporation Law of Delaware.

deleted from the CBSX Fee Schedule); (iv) the fee to transfer a membership into trust, because the Exchange no longer has memberships that are owned by members and that can be transferred into trust; (v) the member death benefit fee, because the Exchange has eliminated the member death benefit through the deletion of previous CBOE Rule 3.24 in the Demutualization Filing; (vi) the temporary membership status access fee, which is being eliminated because the Exchange no longer has temporary members; and (vii) the Interim Trading Permit access fee, which is being eliminated because the Exchange no longer has an Interim Trading Permit program. In conjunction with the elimination of the Interim Trading Permit program and because the Exchange no longer has lessors or member dues, the Exchange is also proposing to delete the dues waiver that was provided to lessors with open leases under the Interim Trading Permit program.

(b) Statutory Basis

The proposed rule change updates references in the Exchange's rules, eliminates potential uncertainty about the application of various rules following the Exchange's demutualization by removing obsolete terminology from the rules, and does not change the substantive application of the Exchange's rules. Accordingly, the Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Securities Exchange Act of 1934, as amended ("Act"),[15] in general, and with Section 6(b)(5) of the Act,[16] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. In addition, the fee changes provided for in the proposed rule change eliminate obsolete fees from the CBOE Fee Schedule, the CBOE Membership Fee Circular, and the CBSX Fee Schedule and will not have an impact on Trading Permit Holders. Therefore, the Exchange believes that the proposed rule change also furthers the objections of Section 6(b)(4) of the Act[17] in that it is designed to provide for the equitable allocation of reasonable fees and charges among persons using Exchange facilities.

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

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

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[15] 15 U.S.C. 78f.

[16] 15 U.S.C. 78f(b)(5).

[17] 15 U.S.C. 78f(b)(4).

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.

6. Extension of Time Period for Commission Action

Not applicable.

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

The Exchange believes that this proposed rule change qualifies for effectiveness upon filing pursuant to Rule 19b-4(f)(6) under the Act[18] (a "non-controversial" rule change) because it (i) does not significantly affect the protection of investors or the public interest, and (ii) does not impose any significant burden on competition. In this regard, as discussed above, the proposed rule change merely implements the changes to the rules in Chapters I-III proposed by the Demutualization Filing to the remaining rules in Chapters IV – LIV and to the CBOE Fee Schedule, the CBOE Membership Fee Circular, and the CBSX Fee Schedule and makes other technical, non-substantive changes to the rules. Additionally, the Exchange provided a copy of this rule filing to the Commission at least five days prior to the filing of the proposed rule change.

Rule 19b-4(f)(6)[19] also requires a non-controversial rule change to not become operative for 30 days after the date of the filing of the rule change, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive this 30 day period so that the Exchange is in a position to implement this proposal now that the Demutualization Filing has become effective. Waiver of the operative delay will allow the Exchange to promptly update its rulebook and to avoid potential confusion by deleting obsolete terminology and amending the Exchange's rulebook to reflect post-demutualization terminology. The Exchange also believes that this waiver is appropriate because the proposed changes in this filing do not affect the protection of investors or the public interest.

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

Not applicable.

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[18] C.F.R. 240.19b-4(f)(6).

[19] C.F.R. 240.19b-4(f)(6).

9. Exhibits

Exhibit 1. Notice of the proposed rule change for publication in the Federal Register.

Exhibit 5a. Text of the Proposed Amendments to the Exchange's rules.

Exhibit 5b. Text of the Proposed Amendments to the CBOE Fee Schedule.

Exhibit 5c. Text of the Proposed Amendments to the CBOE Membership Fee Circular.

Exhibit 5d. Text of the Proposed Amendments to the CBSX Fee Schedule.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-CBOE-2010-058)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by Chicago Board Options Exchange, Incorporated Relating to Conforming Changes in Connection with Demutualization.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on _____, the Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. CBOE has filed the proposal pursuant to Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(6) thereunder,[4] which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

CBOE is filing this proposed rule change to make certain conforming and technical changes to Chapters IV – LIV of CBOE's rules, to the CBOE Fee Schedule, to CBOE's circular regarding membership application and other membership fees ("CBOE

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

[3] 15 U.S.C. 78s(b)(3)(A).

[4] 17 CFR 240.19b-4(f)(6).

Membership Fee Circular"), and to the CBOE Stock Exchange, LLC ("CBSX") Fee Schedule in connection with the restructuring of CBOE from a non-stock corporation to a stock corporation and wholly-owned subsidiary of CBOE Holdings, Inc. ("CBOE Holdings").

The text of the proposed amendments to CBOE's rules, the proposed amendments to the CBOE Fee Schedule, the proposed amendments to the CBOE Membership Fee Circular, and the proposed amendments to the CBSX Fee Schedule is available on the Exchange's website (http://www.cboe.org/Legal/), at the Exchange's Office of the Secretary, 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, CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

(a) Purpose

The Commission has approved a rule filing ("Demutualization Filing") by the Exchange to adopt a new Certificate of Incorporation and Bylaws for CBOE Holdings and to replace the Exchange's Certificate of Incorporation and Constitution with a new Certificate of Incorporation and Bylaws in connection with the restructuring of the Exchange from a non-stock corporation to a stock corporation and wholly-owned

subsidiary of CBOE Holdings ("Restructuring Transaction").[5] In general, these changes are designed to restructure the Exchange in the manner described in the preceding sentence and to address the operation of the Exchange as a self-regulatory organization in this new structure.

As part of the Demutualization Filing, the Exchange amended Chapters I-III of its rules to provide for the use of Trading Permits to access the Exchange and to make certain technical and conforming changes. These changes became effective upon the consummation of the Restructuring Transaction on June 18, 2010. Accordingly, as indicated in the Demutualization Filing, the Exchange now is submitting this companion filing to make the changes proposed in Chapters I-III to the remaining chapters of the Exchange's rules (Chapters IV – LIV).[6] This companion filing also proposes to make corollary changes to the CBOE Fee Schedule, the Membership Fee Circular, and the CBSX Fee Schedule. The Exchange decided to make the changes in this manner because of the length of the Demutualization Filing and the fact that the substantive changes to Exchange's rules regarding trading access were subject to notice and comment as part of the Demutualization Filing.

Listed below are the changes to the rules in Chapters I-III made by the Demutualization Filing that will be made to the rules in the remaining chapters and to the Fee Schedule by this filing:

- The Exchange is proposing to change references to the term "member" in the rules

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[5] Securities Exchange Act Release No. 62158 (May 24, 2010), 75 FR 30082 (May 28, 2010) (SR-CBOE-2008-88).

[6] The Exchange also amended CBOE Rule 8.3 in the Demutualization Filing.

in Chapters IV – LIV, the CBOE Fee Schedule, and the CBOE Membership Fee Circular to "Trading Permit Holder."[7] As part of this change, references to an "individual member" will be changed to an "individual Trading Permit Holder" and references to a "member organization" will be changed to a "TPH organization."

- The Exchange is proposing to change references to the term "membership" in the rules in Chapters IV – LIV, the CBOE Fee Schedule, and the CBOE Membership Fee Circular to either "Trading Permit" or "Trading Permit Holder" depending on the circumstances of its usage. In certain circumstances, the term "membership" is used to refer to the possession of the right to trade on the Exchange.[8] In those circumstances, the term will be changed to "Trading Permit." In addition, because a Trading Permit will be a license issued by the Exchange, references in those circumstances related to "owning" or "leasing" a membership will be

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[7] The term "Trading Permit Holder" is defined in Section 1.1(f) of the CBOE Bylaws as:

> any individual, corporation, partnership, limited liability company or other entity authorized by the Rules that holds a Trading Permit. If a Trading Permit Holder is an individual, the Trading Permit Holder may also be referred to as an "individual Trading Permit Holder." If a Trading Permit Holder is not an individual, the Trading Permit Holder may also be referred to as a "TPH organization." A Trading Permit Holder is a "member" solely for purposes of the Act; however, one's status as a Trading Permit Holder does not confer on that Person any ownership interest in the Exchange.

CBOE Rule 1.1(gg) also defines the term "Trading Permit Holder" by cross-referencing this definition in the CBOE Bylaws.

[8] For example, the number of "memberships" owned or leased by a Market Maker serves as the basis in CBOE Rule 8.3 for determining the number of options classes that the Market Maker can trade. The term "membership" when used in this manner will be changed to "Trading Permit."

changed to "holding" a Trading Permit. In other circumstances, the term "membership" is used to refer to the members of the Exchange.[9] In those circumstances, the term will be changed to "Trading Permit Holders." In still other circumstances, the term "membership" is used to refer to being or becoming a member of the Exchange.[10] In those circumstances, the term will be changed to "Trading Permit Holder."

- In connection with the change of the term "member" to "Trading Permit Holder," the Exchange is proposing to change references to the term "Clearing Member" in the rules in Chapters IV – LIV and the CBOE Fee Schedule to "Clearing Trading Permit Holder."[11] The Exchange is also proposing to change certain references to the term "member firm" in the CBOE Fee Schedule to "Clearing Trading Permit Holder" (as the term "member firm" has also been used to refer to a CBOE Clearing Member because Clearing Members utilize the "F" (or "Firm") order origin code). Similarly, the Exchange is proposing to change references to the

[9] For example, the Exchange is required in CBOE Rule 6.2B(a) to provide notice to the "membership" of the period of time before the opening of trading in the underlying security when the Hybrid System will accept orders and quotes. The term "membership" when used in this manner will be changed to "Trading Permit Holders."

[10] For example, CBOE Rule 4.6 in part prohibits members, persons associated with members and applicants for "membership" from making any willful or material misrepresentation, including a misstatement or false statement, or omission in any application, report or other communication to the Exchange. This provision will be amended to prohibit Trading Permit Holders, persons associated with Trading Permit Holders and applicants to be Trading Permit Holders from making any willful or material misrepresentation, including a misstatement or false statement, or omission in any application, report or other communication to the Exchange.

[11] See CBOE Rule 1.1(f) (amended in the Demutualization Filing to change the defined term "Clearing Member" to "Clearing Trading Permit Holder"). The substance of the definition of "Clearing Member" is unchanged.

term "Person Associated with a Member" in the rules in Chapters IV – LIV, the CBOE Fee Schedule, and the CBOE Membership Fee Circular to "Person Associated with a Trading Permit Holder."[12] In addition, the Exchange is proposing to change references to the "Membership Department" in the rules in Chapters IV – LIV to "TPH Department."[13]

- The Exchange is proposing to change references to the term "Constitution" in the rules in Chapters IV – LIV to "Bylaws." [14] The Exchange is making this change because it now has "Bylaws" rather than a "Constitution" following the restructuring of the Exchange to a for-profit stock corporation.
- The Exchange is proposing to delete the reference to the term "lessor" and the related language in CBOE Rule 4.18 because the concept of leasing memberships no longer exists after the restructuring of the Exchange.[15]

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[12] See CBOE Rule 1.1(qq) (amended in the Demutualization Filing to change the defined term "Person Associated with a Member" to "Person Associated with a Trading Permit Holder"). The substance of the definition of "Person Associated with a Member" is unchanged.

[13] See CBOE Rule 1.1(iii) (amended in the Demutualization Filing to define the term "TPH Department"). This provision defines the term as the department or division of the Exchange (which may be referred to by the Exchange from time to time by a name other than the TPH Department) that has the functions set forth in the Rules for the TPH Department. The Exchange initially plans to refer to the department of the Exchange that has the functions set forth in the Rules for the TPH Department as the "Registration Services Department" and uses that term in reference to the TPH Department in the revised CBOE Fee Schedule and CBOE Membership Fee Circular.

[14] See CBOE Rule 1.1(b) (amended in the Demutualization Filing to change the defined term "Constitution" to "Bylaws").

[15] See CBOE Rule 1.1(ff) (amended in the Demutualization Filing to delete the defined term "Lessor" and replace it with the defined term "Person"). The Exchange also deleted the term "Lessee" in the Demutualization Filing. See CBOE Rule 1.1(gg) (amended in

- The Exchange is proposing to delete references to the concept of registering a membership for a member organization because that concept does not exist now that Trading Permits are used to provide trading access to the Exchange.[16]
- The Exchange is proposing to delete references relating to the requirement to post notices of proposed actions on the Exchange Bulletin Board.[17] As noted in the Demutualization Filing, the use of a physical bulletin board at the Exchange has become outdated as trading on the Exchange has become more electronic and remote from the Exchange. Despite this change, the Exchange will still be required to provide persons with notice of proposed actions. The Exchange will also continue to provide notice of proposed actions via electronic means, such as through its website.

In addition to these changes, the Exchange is proposing to make technical, non-substantive changes to clarify its regulatory authority to revoke Trading Permits when a Trading Permit Holder experiences operational or financial difficulty, as well as its regulatory authority to suspend or revoke Trading Permits when a Trading Permit Holder is disciplined by the Exchange. For example, the Exchange is proposing to amend CBOE Rule 16.4 to provide that the Exchange can revoke a Trading Permit of a Trading Permit Holder who has been suspended for operational or financial difficulty in the event the holder does not apply for reinstatement (or does not obtain reinstatement) in accordance with CBOE Rule 16.3. In addition, the Exchange is proposing to amend Rule 17.1 to

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the Demutualization Filing to delete the defined term "Lessee" and replace it with the defined term "Trading Permit Holder").

[16] See, e.g., CBOE Rule 3.8 as amended in the Demutualization Filing.

[17] See CBOE Rule 3.9(e) as amended in the Demutualization Filing.

provide the Exchange with the authority to suspend or revoke one or more Trading Permits of a Trading Permit Holder in the event the holder has been disciplined by the Exchange. The proposed changes to Rules 16.4 and 17.1 apply the new terminology without altering the existing revocation and suspension authority.

The Exchange is also proposing to make technical, non-substantive changes to a few rules in Chapters IV – LIV to make certain corrections to them. For example, the Exchange is updating a cross-reference in CBOE Rule 6.7. In general, this provision limits the liability of the Exchange, its directors, officers and employees, and provides that this limitation of liability is in addition to the limitation of liability provided in Article Thirteenth of the Exchange's Certificate of Incorporation.[18] As a result of the replacement of the Exchange's Certificate of Incorporation as mentioned above, the substance of current Article Thirteenth has been moved to Article Eighth in the Exchange's new Certificate of Incorporation. Accordingly, this cross-reference in CBOE Rule 6.7 is being updated to refer to Article Eighth of the Exchange's Certificate of Incorporation.

Finally, in addition to updating the provisions of the CBOE Fee Schedule and the CBOE Membership Fee Circular to reflect the new terminology and Trading Permit structure that will be in place following the restructuring of the Exchange, the Exchange is proposing to revise the CBOE Fee Schedule and the CBOE Membership Fee Circular to eliminate certain fees that will no longer be in place as a result of the restructuring. The eliminated fees include: (i) the member dues monthly fee, which is being terminated

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[18] Article Thirteenth generally limits the fiduciary liability of directors to the fullest extent permitted by the General Corporation Law of Delaware.

in connection with the demutualization of the Exchange; (ii) the lessor firm application fee, which is being eliminated because the Exchange no longer has lessor members; (iii) the post-demutualization trading permit application fee, which terminated by its terms upon the effective date of the demutualization of the Exchange (and which is also being deleted from the CBSX Fee Schedule); (iv) the fee to transfer a membership into trust, because the Exchange no longer has memberships that are owned by members and that can be transferred into trust; (v) the member death benefit fee, because the Exchange has eliminated the member death benefit through the deletion of previous CBOE Rule 3.24 in the Demutualization Filing; (vi) the temporary membership status access fee, which is being eliminated because the Exchange no longer has temporary members; and (vii) the Interim Trading Permit access fee, which is being eliminated because the Exchange no longer has an Interim Trading Permit program. In conjunction with the elimination of the Interim Trading Permit program and because the Exchange no longer has lessors or member dues, the Exchange is also proposing to delete the dues waiver that was provided to lessors with open leases under the Interim Trading Permit program.

(b) Statutory Basis

The proposed rule change updates references in the Exchange's rules, eliminates potential uncertainty about the application of various rules following the Exchange's demutualization by removing obsolete terminology from the rules, and does not change the substantive application of the Exchange's rules. Accordingly, the Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,[19]

[19] 15 U.S.C. 78f.

in general, and with Section 6(b)(5) of the Act,[20] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. In addition, the fee changes provided for in the proposed rule change eliminate obsolete fees from the CBOE Fee Schedule, the CBOE Membership Fee Circular, and the CBSX Fee Schedule and will not have an impact on Trading Permit Holders. Therefore, the Exchange believes that the proposed rule change also furthers the objections of Section 6(b)(4) of the Act[21] in that it is designed to provide for the equitable allocation of reasonable fees and charges among persons using Exchange facilities.

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 that is not necessary or appropriate in furtherance of 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

The Exchange believes that this proposed rule change qualifies for effectiveness upon filing pursuant to Rule 19b-4(f)(6) under the Act[22] (a "non-controversial" rule

[20] 15 U.S.C. 78f(b)(5).

[21] 15 U.S.C. 78f(b)(4).

[22] C.F.R. 240.19b-4(f)(6).

change) because it (i) does not significantly affect the protection of investors or the public interest, and (ii) does not impose any significant burden on competition. In this regard, as discussed above, the proposed rule change merely implements the changes to the rules in Chapters I-III proposed by the Demutualization Filing to the remaining rules in Chapters IV – LIV and to the CBOE Fee Schedule, the CBOE Membership Fee Circular, and the CBSX Fee Schedule and makes other technical, non-substantive changes to the rules. Additionally, the Exchange provided a copy of this rule filing to the Commission at least five days prior to the filing of the proposed rule change.

Rule 19b-4(f)(6)[23] also requires a non-controversial rule change to not become operative for 30 days after the date of the filing of the rule change, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive this 30 day period so that the Exchange is in a position to implement this proposal now that the Demutualization Filing has become effective. Waiver of the operative delay will allow the Exchange to promptly update its rulebook and to avoid potential confusion by deleting obsolete terminology and amending the Exchange's rulebook to reflect post-demutualization terminology. The Exchange also believes that this waiver is appropriate because the proposed changes in this filing do not affect the protection of investors or the public interest. Accordingly, the Commission designates the proposed rule change operative upon filing with the Commission.[24]

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[23] C.F.R. 240.19b-4(f)(6).

[24] For the purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate the rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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:

- 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-2010-058 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-CBOE-2010-058. 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. 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-2010-058 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[25]

Secretary

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[25] 17 C.F.R. 200.30-3(a)(12).

Exhibit 5a to SR-CBOE-2010-058

Additions underlined
Deletions [bracketed]

CBOE Rules—Chapters III – XXVII

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CHAPTER IV Business Conduct (Rules 4.1-4.23)

Rule 4.1. Just and Equitable Principles of Trade

No Trading Permit Holder **[**member**]** shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Trading Permit Holders **[**members**]** shall have the same duties and obligations as Trading Permit Holders **[**members**]** under the Rules of this Chapter.

Rule 4.2. Adherence to Law

No Trading Permit Holder **[**member**]** shall engage in conduct in violation of the Securities Exchange Act of 1934, as amended, rules or regulations thereunder, the Bylaws **[**Constitution**]** or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Trading Permit Holder **[**member**]** shall so supervise persons associated with the Trading Permit Holder **[**member**]** as to assure compliance therewith.

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Rule 4.4. Gratuities

No Trading Permit Holder **[**member**]** shall give any compensation or gratuity in any one year in excess of $50.00 to any employee of the Exchange or in excess of $100.00 to any employee of any other Trading Permit Holder **[**member**]** or of any non-Trading Permit Holder **[**member**]** broker, dealer, bank or institution, without the prior consent of the employer and of the Exchange.

Rule 4.5. Nominal Employment

No Trading Permit Holder **[**member**]** may employ any person in a nominal position on account of business obtained by such person.

Rule 4.6. False Statements

No Trading Permit Holder **[**member**]**, person associated with a Trading Permit Holder **[**member**]** or applicant to be a Trading Permit Holder **[**for membership**]** shall make any willful or material misrepresentation, including a misstatement or false statement, or omission in any application, report or other communication to the Exchange, or to the Clearing Corporation with respect to the reporting or clearance of any Exchange transaction, or willfully or materially adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or of transferring the position to another account.

. . . Interpretations and Policies:

.01 No Trading Permit Holder **[**member**]**, person associated with a Trading Permit Holder **[**member**]** or applicant to be a Trading Permit Holder **[**for membership**]** shall be considered to be in violation of CBOE Rule 4.6 due to misrepresentations or omissions resulting from causes, such as systems malfunctions, which are outside the control of the Trading Permit Holder **[**member**]**, associated person or applicant and could not be avoided by the exercise of due care.

Rule 4.7. Manipulation

(a) No Trading Permit Holder **[**member**]** shall effect or induce the purchase, sale or exercise of any security for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such security or in the underlying security, or for the purpose of unduly or improperly influencing the market price of such security or of the underlying security or for the purpose of making a price which does not reflect the true state of the market in such security or in the underlying security.

(b) No Trading Permit Holder **[**member**]** or any other person or organization subject to the jurisdiction of the Exchange shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. For the purpose of this paragraph but without limitation, (i) any pool, syndicate or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any security by means of options or otherwise and for the purpose of making a profit thereby shall be deemed to be a manipulative operation; (ii) the

soliciting of subscriptions to any such pool syndicate or joint account or the accepting of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation; and (iii) the carrying on margin of either a "long" or a "short" position in securities for, or the advancing of credit through loans of money or of securities to, any such pool syndicate or joint account shall be deemed to be financing a manipulative operation.

Rule 4.8. Rumors

No Trading Permit Holder **[**member**]** shall circulate, in any manner, rumors of a character which might affect market conditions in any option contract or underlying security or in any other security admitted to trading or unlisted trading privileges on the Exchange; provided, however, that this Rule shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.

Rule 4.9. Disciplinary Action by Other Organizations

Every Trading Permit Holder **[**member**]** shall promptly notify the Exchange in writing of any disciplinary action, including the basis therefor, taken by any national securities exchange or association, clearing corporation, commodity futures market or government regulatory body against the Trading Permit Holder **[**member**]** or its associated persons, and shall similarly notify the Exchange of any disciplinary action taken by the Trading Permit Holder **[**member**]** itself against any of its associated persons involving suspension, termination, the withholding of commissions or imposition of fines in excess of $2,500, or any other significant limitation on activities.

Rule 4.10. Other Restrictions on Trading Permit Holders [Members]

(a) In General. Whenever the Chairman or President shall find, on the basis of a report of the Department of Compliance or otherwise, that a Trading Permit Holder **[**member**]** has failed to perform his contracts or is insolvent or is in such financial or operational condition or is otherwise conducting his business in such a manner that he cannot be permitted to continue in business with safety to his customers or creditors or the Exchange, the Chairman or the President may summarily suspend the Trading Permit Holder **[**member**]** in accordance with Chapter XVI or may impose such conditions and restrictions upon his being a Trading Permit Holder **[**membership**]** as he considers reasonably necessary for the protection of the Exchange and the customers of such Trading Permit Holder **[**member**]**.

(b) Firms Clearing Market-Maker Trades.

(1) A Trading Permit Holder **[**member**]** that clears Market-Maker trades must give fifteen (15) calendar days, prior written notice to the President of the Exchange, or his designee, concerning any proposed Significant Business Transaction ("SBT") as enumerated in this subsection (b)(1)(i) through (iii). Notification of any SBT as enumerated in this subsection (b)(1)(iv) through (vii) shall be made in writing to the President of the Exchange, or his designee, not later than five (5) business days from the date on which the SBT becomes effective. A SBT shall mean:

(i) the combination, merger or consolidation between the Trading Permit Holder **[**member**]** and another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products,

(ii) the transfer from another person of Market-Maker, broker dealer, or customer securities or futures accounts which are significant in size or number to the business of the Trading Permit Holder **[**member**]**,

(iii) the assumption or guarantee by the Trading Permit Holder **[**member**]** of liabilities, of another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products, in connection with a direct or indirect acquisition of all or substantially all of that person's assets,

(iv) the sale by the Trading Permit Holder **[**member**]** of a significant part of its assets to another person,

(v) a change in the identity of any general partner or a change in the beneficial ownership of 10% of any class of the outstanding stock of any corporate general partner (if the Trading Permit Holder **[**member**]** is a partnership),

(vi) a change in the beneficial ownership of 20% of any class of the outstanding stock of the Trading Permit Holder **[**member**]** or the issuance of any capital stock of the Trading Permit Holder **[**member**]** (if the Trading Permit Holder **[**member**]** is a corporation), or

(vii) the acquisition by the Trading Permit Holder **[**member**]** of assets of another person that would constitute a "business" that is "significant," as those terms are defined in Section 11-01 of Regulation S-X.

(2) A proposed SBT of a Trading Permit Holder **[**member**]** as enumerated in subsection (b)(1)(i) through (iii) is subject to the prior approval of the Exchange's Office of the Chairman ("OOC") when the Trading Permit Holder's **[**member's**]** Market-Maker clearance activities exceed, or would exceed as a result of the proposed SBT, any of the following parameters:

(i) – (ii) No change.

(iii) 25% of Market-Maker gross deductions (haircuts) defined by SEC Rule 15c3-1 (a)(6) or (c)(2)(x) carried by the C**[**c**]**learing Trading Permit Holder(s) **[**member(s)**]** in relation to the aggregate of such haircuts carried by all other Market-Maker clearing organizations for any month end within the most recent three (3) months.

The Exchange shall notify in writing each Trading Permit Holder **[**member**]** that clears Market-Maker trades within ten (10) business days from the close of each month of that Trading Permit Holder's **[**member's**]** proportion of the market making clearing business, whether or not such business exceeds the parameters described in (i), (ii), and (iii) of this subsection (b)(2). Trading Permit Holders **[**Members**]** subject to this subsection (b)(2) must provide thirty (30) calendar days notice of the proposed SBT, as enumerated in subsection (b)(1)(i) through (iii), to the President or his designee. The OOC may disapprove a Trading Permit Holder's **[**member's**]** proposed SBT, or approve such SBT subject to certain conditions, within the thirty (30) day period. The OOC may disapprove or condition a Trading Permit Holder's **[**member's**]** SBT within the thirty (30) day period if the OOC determines that such SBT has the potential to threaten the financial or operational integrity of Exchange Market-Maker transactions.

(3) In addition, at any time, the OOC may impose additional financial and/or operational requirements on a Trading Permit Holder **[**member**]** that clears Market-Maker trades when the OOC determines that the Trading Permit Holder's **[**member's**]** continuance in business without such requirements has the potential to threaten the financial or operational integrity of Exchange Market-Maker transactions.

(4) A Trading Permit Holder **[**member**]** that clears Market-Maker trades must give fifteen (15) calendar days, written notice to the President of the Exchange, or his designee, of any proposal to terminate such business or any material part thereof.

(5) A Trading Permit Holder **[**member**]** subject to this rule must provide promptly, in writing, all information reasonably requested by the Exchange. Until such information, and any other information provided pursuant to this subsection (b), is otherwise publicly disclosed, the information shall be kept confidential, except that such information may be disclosed to members of the staff and other agents of the Exchange who are engaged in reviewing the proposed transaction, but such employees and agents shall keep such information confidential and use it only for purposes of reviewing the proposal.

(6) In considering a proposed SBT, the OOC may consider, among other relevant matters, the following criteria:

(a) The effect of the proposed SBT on (i) the capital size and structure of the resulting clearing TPH **[**member**]** organization(s); (ii) the potential for financial failure, and the consequences of any such failure on the Market-Maker system as a whole; and (iii) the potential for increased or decreased operational efficiencies arising from the proposed transaction.

(b) The effect of the proposed SBT upon overall concentration of options Market-Makers, including a comparison of the following measures before and after the proposed transaction:

(i) proportion of exchange Market-Makers cleared; (ii) proportion of exchange Market-Maker contract volume cleared; and (iii) proportion of Market-Maker gross deductions (haircuts) as defined by SEC Rule 15c3-1(a)(6) or (c)(2)(x) carried by the C**[**c**]**learing Trading Permit Holder(s) **[**member(s)**]** in relation to the aggregate of such deductions carried by other Market-Maker clearing organizations.

(c) The regulatory history of the affected TPH **[**member**]** organization(s), specifically as it may indicate a tendency to financial/operational weakness.

(d) The history of the affected TPH **[**member**]** organization(s) with respect to late trade match input or other operational deficiencies as determined by the Exchange.

(7) In the event the OOC determines, prior to the expiration of the thirty (30) day period set forth in subsection (1) hereof, that a proposed SBT may be approved without conditions, the OOC shall promptly so advise the Trading Permit Holder **[**member**]**. All OOC decisions to disapprove or condition a proposed SBT pursuant to subsection (b)(2) hereof or to impose extraordinary requirements pursuant to subsection (b)(3) hereof shall be in writing, shall include a statement setting forth the grounds for the OOC's decision, and shall be served on the Trading Permit Holder **[**member**]**. Notwithstanding any other provisions of the Rules of the Exchange, the Trading Permit Holder **[**member**]** may appeal such decision directly to the Board of Directors of the Exchange by filing an application for review with the Secretary of the Exchange within fifteen (15) days of the date of service of the decision. The application for review shall be in the form prescribed by Rule 19.5(a), and the Board's review shall be conducted in the manner prescribed by Rule 19.5(b), except that the Trading Permit Holder **[**member**]** may waive the making of a record. Review by the Board shall be the exclusive method of reviewing a decision of the OOC pursuant to this subsection (b). The appeal to the Board of a decision of the OOC shall not operate as a stay of that decision during the pendency of the appeal. The Exchange shall file notice with the SEC in accordance with the provisions of Section 19(d)(1) of the Securities Exchange Act of all final decisions to disapprove or condition a proposed SBT pursuant to subsection (b)(2) hereof, or to impose extraordinary requirements pursuant to subsection (b)(3) hereof.

(8) No change.

(9) The OOC may exempt a Trading Permit Holder **[**member**]** from the requirements of subsection (b)(1) hereof, either generally or in respect of specific types of transactions, based on the limited proportion of Market-Maker trades on the Exchange that are cleared by the Trading Permit Holder **[**member**]** or on the limited importance that the clearing of Market-Maker trades bears to the total business of the Trading Permit Holder **[**member**]**.

Rule 4.11. Position Limits

Except with the prior permission of the President or his designee, to be confirmed in writing, no Trading Permit Holder **[**member**]** shall make, for any account in which it has an interest or for the account of any customer, an opening transaction on any exchange if the Trading Permit Holder **[**member**]** has reason to believe that as a result of such transaction the Trading Permit Holder **[**member**]** or its customer would, acting alone or in concert with others, directly or indirectly, (a) control an aggregate position in an option contract dealt in on the Exchange in excess of 25,000 or 50,000 or 75,000 or 200,000 or 250,000 option contracts (whether long or short) of the put type and the call type on the same side of the market respecting the same underlying security, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other number of option contracts as may be fixed from time to time by the Exchange as the position limit for one or more classes or series of options, or (b) exceed the applicable position limit fixed from time to time by another exchange for an option contract not dealt in on the Exchange, when the Trading Permit Holder **[**member**]** is not a member of the other exchange on which the transaction was effected. In addition, should a Trading Permit Holder **[**member**]** have reason to believe that a position in any account in which it has an interest or for the account of any customer is in excess of the applicable limit, such Trading Permit Holder **[**member**]** shall promptly take the action necessary to bring the position into compliance. Reasonable notice shall be given of each new position limit fixed by the Exchange, by publicly posting notice thereof. Limits shall be determined in the manner described in Interpretations .02 and .04 below.

. . . Interpretations and Policies:

.01 – **.02** No change.

.03 (a) – (c) No change.

(d) Initial determinations under this Interpretation shall be made by the Market Regulation Department of the Exchange. The initial determination may be reviewed by the President of the Exchange or his designee, based upon a report by the Market Regulation Department of the Exchange. A Trading Permit Holder **[**member**]** or customer directly affected by such a determination may ask the President of the Exchange or his designee to reconsider but may not request any other review or appeal, except in the context of a disciplinary proceeding. The

decision to grant non-aggregation under this Interpretation shall not be retroactive. The presumption of control shall exist until determined, as provided above, to not exist.

.04 Equity Hedge Exemption

(a) – (b) No change.

(c) Delta-Based Equity Hedge Exemption

* Note: The Delta-Based Equity Hedge Exemption for customers is not currently available and customers may not seek to rely on the Delta-Based Equity Hedge Exemption. The Exchange will issue a Regulatory Circular to announce when the Delta-Based Equity Hedge Exemption is available to customers.

The Delta-Based Equity Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies. An equity option position of a Trading Permit Holder **[**member**],** non-Trading Permit Holder **[**member**]** affiliate of a Trading Permit Holder **[**member**]** or customer that is delta neutral shall be exempt from established position limits as prescribed under Interpretation .02 above, subject to the following:

(A) – (B) No change.

(C) A "permitted pricing model" means -

(1) OCC Model;

(2) A pricing model maintained and used by a Trading Permit Holder **[**member**]** subject to consolidated supervision by the Commission pursuant to Appendix E of Commission Rule 15c3-1, or by an affiliate that is part of such Trading Permit Holder's **[**member's**]** consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with the requirements of Appendices E or G, as applicable, to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital or capital allowances for market risk thereunder, provided that the Trading Permit Holder **[**member**]** or affiliate of a Trading Permit Holder **[**member**]** relying on this exemption in connection with the use of such model is an entity that is part of such Trading Permit Holder's **[**member's**]** consolidated supervised holding company group;

(3) A pricing model maintained and used by a financial holding company or a company treated as a financial holding company under the Bank Holding Company Act of 1956, or by an affiliate

that is part of either such company's consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with:

(i) the requirements of the Board of Governors of the Federal Reserve System, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Board of Governors of the Federal Reserve System, provided that the Trading Permit Holder **[**member**]** or affiliate of a Trading Permit Holder **[**member**]** relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group; or

(ii) the standards published by the Basel Committee on Banking Supervision, as amended from time to time and as implemented by such company's principal regulator, in connection with the calculation of risk-based deductions or adjustments to or allowances for the market risk capital requirements of such principal regulator applicable to such company - where "principal regulator" means a member of the Basel Committee on Banking Supervision that is the home country consolidated supervisor of such company - provided that the Trading Permit Holder **[**member**]** or affiliate of a Trading Permit Holder **[**member**]** relying on this exemption in connection with the use of such model is an entity that is part of such company's consolidated supervised holding company group;

(4) A pricing model maintained and used by an OTC derivatives dealer registered with the SEC pursuant to SEC Rule 15c3-1(a)(5) in accordance with its internal risk management control system and consistent with the requirements of Appendix F to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital for market risk thereunder, provided that only such OTC derivatives dealer and no other affiliated entity (including a Trading Permit Holder **[**member**]**) may rely on this subparagraph (C)(4); or

(5) A pricing model used by a national bank under the National Bank Act maintained and used in accordance with its internal risk management control system and consistent with the requirements of the Office of the Comptroller of the Currency, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Office of the Comptroller of the Currency, provided that only such national bank and no other affiliated entity (including a Trading Permit Holder **[**member**]**) may rely on this subparagraph (C)(5).

(D) Effect on Aggregation of Accounts

(1) Trading Permit Holders **[**Members**],** non-Trading Permit Holder **[**member**]** affiliates and customers who rely on this exemption must ensure that the permitted pricing model is applied to all positions in or relating to the security underlying the relevant option position that are owned

or controlled by such Trading Permit Holder **[**member**],** non-Trading Permit Holder **[**member**]** affiliate or customer.

(2) Notwithstanding subparagraph (D)(1), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in or relating to the security underlying the option position held by an affiliated entity or by another trading unit within the same entity, provided that:

(i) No change.

(ii) the entity has provided (by the Trading Permit Holder **[**member**]** carrying the account as applicable) the Exchange written notice in advance that it intends to be considered separate and distinct from any affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

(3) Notwithstanding subparagraph (D)(1) or (D)(2), a Trading Permit Holder **[**member**],** non-Trading Permit Holder **[**member**]** affiliate or customer who relies on this exemption shall designate, by prior written notice to the Exchange (to be obtained and provided by the Trading Permit Holder **[**member**]** carrying the account as applicable), each trading unit or entity whose option positions are required under Exchange Rules to be aggregated with the option positions of such Trading Permit Holder **[**member**]**, non-Trading Permit Holder **[**member**]** affiliate or customer that is relying on this exemption for purposes of compliance with Exchange position limits or exercise limits. In any such case:

(i) the permitted pricing model shall be applied, for purposes of calculating such Trading Permit Holder's **[**member's**],** affiliate's or customer's net delta, only to the positions in or relating to the security underlying any relevant option position owned and controlled by those entities and trading units who are relying on this exemption; and

(ii) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the non-exempt option positions of all other entities and trading units whose options positions are required under Exchange Rules to be aggregated with the option positions of such Trading Permit Holder **[**member**],** affiliate or customer.

(E) Obligations of Trading Permit Holders **[**Members**]**

(1) A Trading Permit Holder **[**member**]** that relies on this exemption for a proprietary equity options position:

(i) No change.

(ii) by such reliance authorizes any other person carrying for such Trading Permit Holder **[**member**]** an account including, or with whom such Trading Permit Holder **[**member**]** has entered into, a position in or relating to a security underlying the relevant option position to provide to the Exchange or the Clearing Corporation such information regarding such account or position as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption.

(2) The equity option positions of a non-Trading Permit Holder **[**member**]** relying on this exemption must be carried by a Trading Permit Holder **[**member**]** with which it is affiliated.

(3) A Trading Permit Holder **[**member**]** carrying an account that includes an equity option position for a non-Trading Permit Holder **[**member**]** affiliate that intends to rely on this exemption must obtain from such non-Trading Permit Holder **[**member**]** affiliate and must provide to the Exchange:

(i) a written certification to the Exchange that the non-Trading Permit Holder [member] affiliate is using a permitted pricing model pursuant to subparagraph (C) above; and

(ii) a written statement confirming that such non-Trading Permit Holder **[**member**]** affiliate:

(a) – (b) No change.

(c) will promptly notify the Trading Permit Holder **[**member**]** if it ceases to rely on this exemption;

(d) authorizes the Trading Permit Holder **[**member**]** to provide to the Exchange or the Clearing Corporation such information regarding positions of the non-Trading Permit Holder **[**member**]** affiliate as the Exchange or Clearing Corporation may request as part of the Exchange's confirmation or verification of the accuracy of any net delta calculation under this exemption; and

(e) if the non-Trading Permit Holder **[**member**]** affiliate is using the OCC Model, has duly executed and delivered to the Trading Permit Holder **[**member**]** such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(4) A Trading Permit Holder **[**member**]** carrying an account that includes an equity option position for a customer who intends to rely on this exemption must obtain from such customer and provide to the Exchange:

(i) a written certification to the Exchange that the customer is using the OCC Model pursuant to paragraph (C)(1) above; and

(ii) a written statement confirming that such customer:

(a) is relying on this exemption;

(b) will use only the OCC Model for purposes of calculating the net delta of the customer's option positions for purposes of this exemption;

(c) will promptly notify the Trading Permit Holder **[**member**]** if the customer ceases to rely on this exemption;

(d) in connection with using the OCC Model, has duly executed and delivered to the Trading Permit Holder **[**member**]** such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(F) Reporting.

Each Trading Permit Holder **[**member**]** that holds or carries an account that relies on this exemption shall report, in accordance with Rule 4.13, all equity option positions (including those that are delta neutral) that are reportable thereunder. Each such Trading Permit Holder **[**member**]** on its own behalf or on behalf of a designated aggregation unit pursuant to Rule 4.11.04(c)(D) shall also report, in accordance with Rule 4.13, for each such account that holds an equity option position subject to this exemption in excess of the levels specified in this Rule 4.11, the net delta and the options contract equivalent of the net delta of such position.

(G) Records.

Each Trading Permit Holder **[**member**]** relying on this exemption shall: (i) retain, and undertake reasonable efforts to ensure that any non-Trading Permit Holder **[**member**]** affiliate of the Trading Permit Holder **[**member**]** or customer relying on this exemption retains, a list of the options, securities and other instruments underlying each option position net delta calculation reported to the Exchange hereunder, and (ii) produce such information to the Exchange upon request.

.05 No change.

.06 Firm Facilitation Exemption

To the extent that the following procedures and criteria are satisfied, a TPH **[**member**]** organization may receive and maintain for its proprietary account an exemption ("facilitation exemption") from the applicable standard position limit in non-multiply-listed Exchange options for the purpose of facilitating, pursuant to the provisions of Rule 6.74(b), (a) orders for its own customer (one that will have the resulting position carried with the firm) or (b) orders received from or on behalf of a customer for execution only against the TPH **[**member**]** firm's proprietary account.

(a) The TPH **[**member**]** organization must receive approval from the Exchange prior to executing facilitating trades. The facilitation exemption shall be granted to the TPH **[**member**]** organization owning or controlling the account in which the exempt option positions are held. For purposes of this Interpretation .06, control shall be determined in accordance with the provision of Interpretation .03 to Rule 4.11. Exchange approval may be given on the basis of verbal representations, in which event the TPH **[**member**]** organization shall, within a period of time to be designated by the Exchange, furnish the Department of Market Regulation with appropriate forms and documentation substantiating the basis for the exemption. The approval for the facilitation exemption will specify the maximum number of contracts that may be exempt under this Interpretation. In no event may the aggregate exempted position under this Interpretation and Policy .06 exceed the number of contracts specified in the table as follows:

* * * * *

The facilitation exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies. A TPH **[**member**]** organization so approved is hereinafter referred to as a "facilitation firm".

(b) – (f) No change.

.07 No change.

Rule 4.12. Exercise Limits

Except with the prior permission of the President or his designee, to be confirmed in writing, no Trading Permit Holder **[**member**]** shall exercise, for any account in which it has an interest or for the account of any customer, a long position in any option contract where such Trading Permit Holder **[**member**]** or customer, acting alone or in concert with others, directly or indirectly, (a) has or will have exercised within any five consecutive business days aggregate long positions in any class of options dealt in on the Exchange in excess of 25,000 or 50,000 or 75,000 or 200,000, or 250,000 option contracts or such other number of options contracts as may be fixed from time to time by the Exchange as the exercise limit for that class of options, or (b) has or will have exceeded the applicable exercise limit fixed from time to time by another exchange for an option class not dealt in on the Exchange, when the Trading Permit Holder **[**member**]** is not a

member of the other exchange which lists the option class. (c) Reasonable notice shall be given of each new exercise limit fixed by the Exchange by publicly posting notice thereof. Limits shall be determined in the manner described in Interpretation .02 or in the case of a hedged position Interpretation .04 to Rule 4.11 or in the case of facilitation exempted position in accordance with Interpretation .06 to Rule 4.11. Whether option positions should be aggregated under this rule shall be determined in the manner described in Interpretation .03 to Exchange Rule 4.11.

. . . Interpretations and Policies:

.01 - .02 No change.

Rule 4.13. Reports Related to Position Limits

(a) In a manner and form prescribed by the Exchange, each Trading Permit Holder **[**member**]** shall report to the Exchange, the name, address, and social security or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of option contracts dealt in on the Exchange. The report shall indicate for each such class of options, the number of option contracts comprising each such position and, in the case of short positions, whether covered or uncovered.

(b) In addition to the reporting requirement described in paragraph (a) of this Rule, each Trading Permit Holder **[**member**]** (other than an Exchange market-maker or DPM) that maintains a position in excess of 10,000 non-FLEX equity option contracts on the same side of the market on behalf of its own account or for the account of a customer, shall report information as to whether such positions are hedged, and provide documentation to as to how such contracts are hedged, in a manner and form prescribed by the Exchange. In addition, whenever the Exchange determines based on a report to the Department of Market Regulation or otherwise, that a higher margin requirement is necessary in light of the risks associated with an under-hedged Non-FLEX equity option position in excess of 10,000 contracts on the same side of the market, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.

(c) In addition to the reports required by paragraph (a) of this Rule, each Trading Permit Holder **[**member**]** shall report promptly to the Department of Market Regulation any instance in which the Trading Permit Holder **[**member**]** has reason to believe that a customer, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established pursuant to Rule 4.11.

(d) For purposes of this rule, the term "customer" in respect of any Trading Permit Holder **[**member**]** shall include the Trading Permit Holder **[**member**]**, any general or special partner of the Trading Permit Holder **[**member**]**, any officer or director of the Trading Permit Holder **[**member**]**, or any participant, as such, in any joint, group or syndicate account with the Trading Permit Holder **[**member**]** or with any partner, officer or director thereof.

Rule 4.14. Liquidation of Positions

Whenever the President shall find, on the basis of a report of the Department of Market Regulation or otherwise, that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all option contracts of one or more classes or series dealt in on the Exchange in excess of the applicable position limit established pursuant to Rule 4.11, he may order all Trading Permit Holders **[**members**]** carrying a position in option contracts of such classes or series for such person or persons to liquidate such position as expeditiously as possible consistent with the maintenance of an orderly market. Whenever such an order is given by the President, no Trading Permit Holder **[**member**]** shall accept any order to purchase, sell or exercise any option contract for the account of the person or persons named in the order, unless and until the President expressly approves such person or persons for options transactions.

* * * * *

Rule 4.16. Other Restrictions on Options Transactions and Exercises

(a) The Board shall be empowered to impose such restrictions on transactions or exercises in one or more series of options of any class dealt in on the Exchange as the Board in its judgment deems advisable in the interests of maintaining a fair and orderly market in option contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors. During the effectiveness of any such restriction, no Trading Permit Holder **[**member**]** shall, for any account in which it has an interest or for the account of any customer, engage in any transaction or exercise in contravention of such restriction. Notwithstanding the foregoing, during the ten business days prior to the expiration date of a given series of options, other than index options, no restriction on exercise may be in effect with respect to that series of options. With respect to index options, restrictions on exercise may be in effect until the opening of business on the last business day before the expiration date.

(b) No change.

. . . Interpretations and Policies:

.01 - .02 No change.

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Rule 4.18. Prevention of the Misuse of Material, Nonpublic Information

Every Trading Permit Holder **[**member, other than a lessor that is neither registered, nor required to be registered, as a broker-dealer under Section 15 of the Exchange Act,**]** shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of such Trading Permit Holder's **[**member's**]** business, to prevent the misuse, in violation of the Exchange Act and Exchange Rules, of material, nonpublic information by such Trading Permit Holder **[**member**]** or persons associated with such Trading Permit Holder **[**member**]**. Trading Permit Holders **[**Members**]** that are required, pursuant to Exchange Rule 15.5, to file SEC Form X-17A-5 with the Exchange on an annual basis only, shall, contemporaneously with those submissions, file attestations signed by such Trading Permit Holders **[**members**]** stating that the procedures mandated by this Rule have been established, enforced and maintained. Any Trading Permit Holder **[**member**]** or associated person who becomes aware of a possible misuse of material, nonpublic information must promptly notify the Exchange's Department of Market Surveillance.

. . . Interpretations and Policies:

.01 No change.

.02 Rule 4.18 requires that each Trading Permit Holder **[**member**]** establish, maintain, and enforce the following policies and procedures:

(1) All associated persons must be advised in writing of the prohibition against the misuse of material, nonpublic information;

(2) Signed attestations from the Trading Permit Holder **[**member**]** and all associated persons affirming their awareness of, and agreement to abide by, the aforementioned prohibitions must be maintained for at least 3 years, the first 2 years in an easily accessible place;

(3) records of all brokerage accounts maintained by the Trading Permit Holder **[**member**]** and all associated persons must be acquired and maintained for at least 3 years, the first 2 years in an easily accessible place;

(4) such brokerage accounts must be reviewed periodically by the Trading Permit Holder **[**member**]** for the purpose of detecting the possible misuse of material, nonpublic information; and

(5) any business dealings the Trading Permit Holder **[**member**]** may have with any corporation whose securities are publicly traded, or any other circumstances that may result in the Trading Permit Holder **[**member**]** receiving, in the ordinary course of business, material, nonpublic information concerning any such corporation, must be identified and documented.

Maintenance of the foregoing policies and procedures will not, in all cases, satisfy the requirements of Rule 4.18; the adequacy of each Trading Permit Holder's **[**member's**]** policies and procedures will depend upon the nature of such Trading Permit Holder's **[**member's**]** business. The Exchange may determine that policies and procedures less burdensome than those set forth herein would be appropriate for certain Trading Permit Holders **[**members**]**, given the nature of such Trading Permit Holders' **[**members'**]** business.

.03 The Exchange has developed a form, denominated OE-418, that may be used by certain individual Trading Permit Holders **[**members**]** and small TPH **[**member**]** organizations to satisfy the filing and record-keeping requirements of Rule 4.18. Qualified Trading Permit Holders **[**members**]** that file the form in an accurate and timely manner and comply with the policies and procedures mandated by that form will be deemed to be in compliance with the filing and record-keeping requirements of the Rule. The Exchange will issue regulatory circulars from time to time setting forth the criteria that must be met by individual Trading Permit Holders **[**members**]** and small TPH **[**member**]** organizations seeking to rely on the form, and describing the policies and procedures mandated by that form.

Rule 4.19. Prohibition Against Harassment

Practices involving harassment, threats, intimidation, collusion, refusals to deal, or retaliation that have the intended purpose or effect of discouraging a Trading Permit Holder **[**member**]** or other market participant from acting, or seeking to act, competitively are prohibited under this Rule and shall be deemed conduct inconsistent with just and equitable principles of trade under Rule 4.1.

. . . Interpretations and Policies:

.01 No change.

Rule 4.20. Anti-Money Laundering Compliance Program

Each TPH **[**member**]** organization and each Trading Permit Holder **[**member**]** not associated with a TPH **[**member**]** organization shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each TPH **[**member**]** organization's anti-money laundering program must be approved, in writing, by a member of senior management.

The anti-money laundering programs required by this Rule shall, at a minimum:

(1) – (2) No change.

(3) Provide for annual (on a calendar-year basis) independent testing for compliance to be conducted by Trading Permit Holder **[**member**]** or TPH **[**member**]** organization personnel or by a qualified outside party, unless the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (*e.g.*, engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis);

(4) Designate, and identify to the Exchange (by name, title, mailing address, e-mail address, telephone number, and facsimile number) a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program (such individual or individuals must be an associated person of the Trading Permit Holder **[**member**]**) and provide prompt notification to the Exchange regarding any change in such designation(s); and

(5) No change.

. . . Interpretations and Policies:

.01 Independent Testing Requirements

(a) All Trading Permit Holders **[**members**]** should undertake more frequent testing than required by this rule if circumstances warrant.

(b) No change.

(c) Independent testing may not be conducted by:

(1) a person who performs the functions being tested, or

(2) the designated anti-money laundering compliance person, or

(3) a person who reports to a person described in either (1) or (2) above.

Rule 4.21. Third Party Deposits Prohibited

TPH **[**Member**]** organizations engaged in the business of clearing and carrying the accounts of options Market-Makers ("Clearing Firms") registered to conduct business on the Exchange are subject to the following prohibitions:

(1) – (2) No change.

. . . Interpretations and Policies:

.01 - .06 No change.

Rule 4.22. Communications to the Exchange or the Clearing Corporation

No Trading Permit Holder **[**member**]**, person associated with a Trading Permit Holder **[**member**]** or applicant to be a Trading Permit Holder **[**for membership**]** shall make any misrepresentation or omission in any application, report or other communication to the Exchange, or to the Clearing Corporation with respect to the reporting or clearance of any Exchange transaction, or adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or of transferring the position to another account. Violations of this Rule may be subject to summary fine under Exchange Rule 17.50(g)(11).

. . . Interpretations and Policies:

.01 No change.

Rule 4.23. Unbundling of Orders to Maximize Rebates of Fees

No Trading Permit Holder **[**member**]** shall divide an order into multiple smaller orders for the primary purpose of maximizing rebates of fees resulting from the execution of such orders, or any other similar payment of value to the Trading Permit Holder **[**member**]**.

CHAPTER V Securities Dealt in (5.1-5.8)

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Rule 5.3. Criteria for Underlying Securities

(a) – (b) No change.

. . . Interpretations and Policies:

.01 - .07 No change.

.08 A Trading Permit Holder **[**member**]** may submit to the Secretary of the Exchange a written request that the Exchange list a particular option class whether or not the option class is traded on any other exchange or market. The request shall specify the reasons why the Trading Permit Holder **[**member**]** believes the Exchange should list the option class. The Exchange shall make every reasonable effort to consider and make a decision regarding the request and in any event shall consider and make a decision regarding the request within 35 days of its receipt. If the Exchange denies the request or approves the request subject to conditions or limitations, the Exchange shall provide the Trading Permit Holder **[**member**]** that submitted the request with a written response setting forth the rationale for its decision within 10 days of making the decision. If, in denying a request or approving a request subject to conditions or limitations, the Exchange relies upon a factor of other bona fide business considerations, the Exchange shall, in addition to providing the Trading Permit Holder **[**member**]** with a written response specifying that the Exchange has relied upon other bona fide business considerations, maintain a record of the bona fide business considerations supporting its decision. In the event the Exchange determines to list an option class requested to be listed pursuant to this paragraph, the allocation of the option class shall be governed by Rule 8.95.

.09 In deciding whether or not to list an option class, or to place any conditions or limitations on such listing, the Exchange will consider one or more of the following factors: (i) whether the proposed option class satisfies applicable listing criteria; (ii) processing capacity; (iii) cost to the Exchange of listing the option class; (iv) legal or regulatory impediments to listing the option class; (v) the anticipated level of Exchange contract volume and market share in the option class; (vi) Trading Permit Holder **[**member**]** and customer interest in trading the option class; (vii) operational factors; and (viii) other bona fide business considerations. These criteria shall apply

to all option classes considered by the Exchange for listing, whether based on a Trading Permit Holder **[**member**]** request or otherwise.

.10 - .13 No change.

Rule 5.4. Withdrawal of Approval of Underlying Securities

Whenever the Exchange determines that an underlying security previously approved for Exchange option transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange will not open for trading any additional series of options of the class covering that underlying security and therefore two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may prohibit any opening purchase or sale transactions in series of options of that class previously opened (except that (i) opening transactions by Market-Makers executed to accommodate closing transactions of other market participants and (ii) opening transactions by TPH **[**CBOE member**]** organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with CBOE Rule 6.74(b) or (d) may be permitted), to the extent it deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange's current approval maintenance requirements, regarding number of publicly held shares or publicly held principal amount, number of shareholders, trading volume or market price the Exchange, in the interest of maintaining a fair and orderly market or for the protection of investors, may determine to continue to open additional series of option contracts of the class covering that underlying security. When all option contracts in respect of any underlying security that is no longer approved have expired, the Exchange may make application to the Securities and Exchange Commission to strike from trading and listing all such option contracts.

. . . Interpretations and Policies:

.01 - .05 No change.

.06 Whenever the Exchange shall announce that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Trading Permit Holder **[**member**]** and TPH **[**member**]** organization shall, prior to effecting any transaction in option contracts in respect of such underlying security for a customer, inform such customer of such fact and of the fact that the Exchange may prohibit further transactions in such option contracts to the extent it shall deem such action necessary and appropriate.

.07 - .11 No change.

.12 (a) When there is no open interest in a series the Exchange may delist such series. Delisting shall be preceded by a notice to TPH **[**member**]** organizations concerning the delisting.

(b) No change.

.13 If an option class is open for trading on another national securities exchange, the Exchange may delist such option class immediately. If an option class is open for trading solely on the Exchange, the Exchange may determine to not open for trading any additional series in that option class, and may delist the option class when all series within that class have expired. In all instances, delisting shall be preceded by a notice to TPH **[**member**]** organizations concerning the delisting.

.14 - .15 No change.

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CHAPTER VI Doing Business on the Exchange Floor (Rules 6.1-6.85)

Section A: General

Rule 6.1. Days and Hours of Business

The Board shall determine by resolution the days the Exchange shall be open for business (referred to as "business days") and the hours of such days during which transactions may be made on the Exchange. No Trading Permit Holder **[**member**]**[*] shall make any bid, offer, or transaction on the Exchange before or after these hours.

. . . Interpretations and Policies:

.01 - .04 No change.

[*] The term "Trading Permit Holder" **[**"member"**]** as defined in the Bylaws **[**Constitution**]** and used in the Rules includes a nominee of a TPH **[**member**]** organization unless the context otherwise requires.

.05 For those option classes and within such time periods as the Exchange may designate, Trading Permit Holders **[**members**]** may, prior to the scheduled opening rotation, enter option market quote indications based upon the anticipated opening price of the security underlying such designated option class. This interpretation will not impose upon Trading Permit Holders **[**members**]** an affirmative responsibility to provide and post pre-opening option market quote indicators. Generally, pre-opening option market quote indications would be provided by Trading Permit Holders **[**members**]** for options classes whose underlying security is sold over-the-counter and those option classes whose underlying security shows little market volatility.

The following procedures shall be followed by Trading Permit Holders **[**members**]** and the Order Book Official, DPM, or LMM when posting pre-opening option market quote indications.

(a) For those options classes designated as eligible for pre-opening option market quote indications the OBO, DPM, or LMM shall, no earlier than 8:15 a.m. (CT), request market quote indications from the Trading Permit Holders **[**members**]** present in the trading crowd.

(b) The Trading Permit Holders **[**members**]** and DPM or LLM may then provide pre-opening option market quote indications at which time the OBO, DPM, or LMM shall post these indications. Upon the opening of the underlying security and in no case earlier than 8:30 a.m. (CT) the OBO, DPM, or LMM shall request verbal confirmation from the trading crowd that such pre-opening option market quote indications reflect the actual market and constitute valid opening quotations. If the crowd indicates that such pre-opening option market quote indications reflect the actual market and constitute valid opening quotations, the OBO, DPM, or LMM shall determine that a simultaneous opening rotation has occurred. If they do not confirm the indications, an opening rotation in accordance with applicable Exchange Rules for all series in which floor brokers in the crowd or the Book hold executable limit or market orders will be held. After such orders have been executed, the OBO, DPM, or LMM shall declare the option class open and the series subject to applicable Exchange Rules.

(c) No change.

Rule 6.2. Trading Rotations

No change.

. . . Interpretations and Policies:

.01 - .04 No change.

.05 A closing rotation shall be employed for each series of options traded on the Exchange on the last business day of each calendar quarter. Unless otherwise directed by Floor Officials or the Exchange the only orders which may participate in the closing rotation are those that are received before the normal close of the trading day, *i.e.* generally 3:00 p.m. or 3:15 p.m. (CT), as appropriate. The Exchange's Retail Automatic Execution System ("RAES") will not be available during the closing rotation. The Exchange may determine not to hold a closing rotation for a particular class of options for a calendar quarter, in which case prior notice will be provided to the Trading Permit Holders **[**Exchange's membership**]**. The OBO, with the approval of two Floor Officials, may deviate from the rotation policy or procedures for quarterly closing rotations as provided for in this Rule.

Rule 6.2A. Rapid Opening System

This rule has no applicability to series trading on the CBOE Hybrid Opening System. Such series will be governed by Rule 6.2B.

(a) – (b) No change.

(c) *Obligations and Eligibility of Market-Makers*

(i) – (iv) No change.

(v) Trading Permit Holders **[**Members**]** who fail to abide by the foregoing requirements may be subject to disciplinary action under, among others, Rule 6.20 and Chapter XVII of the Exchange Rules. Such failure may also be the subject of remedial action by the Exchange, including but not limited to suspending a Trading Permit Holder's **[**member's**]** eligibility for participation on ROS and such other remedies as may be appropriate and allowed under Chapter VIII of the Exchange Rules.

. . . Interpretation and Policies:

.01 - .02 No change.

.03 Modified ROS Opening Procedure For Calculation of Settlement Prices of Volatility Indexes.

All provisions set forth in Rule 6.2A and the accompanying interpretations and policies shall remain in effect unless superseded or modified by this Rule 6.2A.03. To facilitate the calculation of a settlement price for futures and options contracts on volatility indexes, the Exchange shall utilize a modified ROS opening procedure for any index option series with respect to which a

volatility index is calculated (including any index option series opened under Rule 6.2A.01). This modified ROS opening procedure will be utilized only on the final settlement date of the options and futures contracts on the applicable volatility index in each expiration month.

The following provisions shall be applicable when the modified ROS opening procedure set forth in this Rule 6.2A.03 is in effect for an index option with respect to which a volatility index is calculated:

(i) – (iv) No change.

(v) All index option orders for participation in the modified ROS opening procedure that are related to positions in, or a trading strategy involving, volatility index options or futures, and any change to or cancellation of any such order:

(A) must be received prior to 8:00 a.m. (CT), and

(B) may not be cancelled or changed after 8:00 a.m. (CT), unless the order is not executed in the modified ROS opening procedure and the cancellation or change is submitted after the modified ROS opening procedure is concluded (provided that any such order may be changed or cancelled after 8:00 a.m. (CT) and prior to applicable cut-off time established in accordance with paragraph (vi) in order to correct a legitimate error, in which case the Trading Permit Holder **[**member**]** submitting the change or cancellation shall prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and shall file a copy of the memorandum with the Exchange no later than the next business day in a form and manner prescribed by the Exchange).

In general, the Exchange shall consider index option orders to be related to positions in, or a trading strategy involving, volatility index options or futures for purposes of this Rule 6.2A.03(v) if the orders possess the following three characteristics:

(i) – (iii) No change.

(vi) All other index option orders for participation in the modified ROS opening procedure, and any change to or cancellation of any such order, must be received prior to the applicable cut-off time in order to participate at the ROS opening price for the applicable index option series. The applicable cut-off time for the affected index option series will be established by the appropriate Procedure Committee on a class-by-class basis, provided the cut-off time will be no earlier than 8:25 a.m. (CT) and no later than 8:30 a.m. (CT). All pronouncements regarding changes to the applicable cut-off time will be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular that is issued at least one day prior to implementation.

(vii) – (ix) No change.

Rule 6.2B. Hybrid Opening System ("HOSS")

(a) For a period of time before the opening of trading in the underlying security (or in the case of index options, prior to 8:30 a.m. (CT)), as determined by the Exchange and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular, the Hybrid System will accept orders and quotes. At specified intervals of time that will be announced to the Trading Permit Holders **[**membership**]**, the Hybrid System will disseminate to market participants (as defined in Rule 6.45A or 6.45B) information about resting orders in the Book that remain from the prior business day and any orders and quotes submitted before the opening, including the expected opening price ("EOP") and expected opening size ("EOS") given the current resting orders and quotes. The EOP is the price at which the greatest number of orders and quotes in the Book are expected to trade. An EOP may only be calculated if: (i) there are market orders in the Book, or the Book is crossed (highest bid is higher than the lowest offer) or locked (highest bid equals the lowest offer), and (ii) at least one quote is present. Spread orders and contingency orders do not participate in the opening trade or in the determination of the opening price, EOP or EOS.

(b) Unless unusual circumstances exists, at a randomly selected time within a number of seconds after the opening trade and/or the opening quote is disseminated in the market for the underlying security (or after 8:30 a.m. for index options), the System initiates the opening rotation procedure and sends a notice ("Rotation Notice") to market participants. For purposes of this paragraph, the "market for the underlying security" shall be either the primary listing market, the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), or the first market to open the underlying security, as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

(i) Whether the Rotation Notice will be sent following the opening trade and/or opening quote (or whichever occurs first) will be determined on a class basis by the Exchange and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

(ii) No change.

(c) After the Rotation Notice is sent, the System will enter into a Rotation Period, during which the opening price will be established for each series.

(i) No change.

(ii) The System will process the series of a class in a random order and the series will begin opening after a period following the Rotation Notice. This period, which shall not exceed sixty seconds, will be established on a class basis by the Exchange and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

(iii) Prior to the expiration of this period, the System will not open a series unless opening quotes that comply with the bid/ask differential requirements determined by the Exchange on a class by class basis have been entered by at least one Maker-Maker appointed to the class (or by the DPM or LMM, as determined on a class-by-class basis by the Exchange and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular).

(iv) No change.

(d) No change.

(e) The System will not open a series if one of the following conditions is met:

(i) No change.

(ii) The opening price is not within an acceptable range (as determined by the Exchange and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular) compared to the lowest quote offer and the highest quote bid; or

(iii) No change.

(f) – (i) No change.

. . . Interpretations and Policies:

.01 Not withstanding Paragraph (a), for purposes of Hybrid 3.0 Classes, the following shall apply:

(a) – (b) No change.

(c) All provisions set forth in Rule 6.2B shall remain in effect unless superseded or modified by this Rule 6.2B.01. To facilitate the calculation of a settlement price for futures and options contracts on volatility indexes, the Exchange shall utilize a modified HOSS opening procedure for any Hybrid 3.0 index option series with respect to which a volatility index is calculated. This

modified HOSS opening procedure will be utilized only on the final settlement date of the options and futures contracts on the applicable volatility index in each expiration month.

On the final settlement day for options and futures on a volatility index, public customers, broker-dealers, Exchange Market-Makers, away Marker-Makers and Specialists may enter orders in any index options series used to calculate the final settlement price of that volatility index ("modified HOSS opening procedures"). The following provisions shall be applicable for an index option with respect to which a volatility index is calculated:

(i) – (ii) No change.

(iii) All index option orders for participation in the modified HOSS opening procedure that are related to positions in, or a trading strategy involving, volatility index options or futures, and any change to or cancellation of any such order:

(A) must be received prior to the applicable strategy order cut-off time for the affected index option series established by the Exchange on a class-by-class basis, provided that the strategy order cut-off time will be no earlier than 8:00 a.m. (CT) and no later than the opening of trading in the option series. All pronouncements regarding changes to the applicable strategy order cut-off time will be announced to the Trading Permit Holders [membership] via Regulatory Circular that is issued at least one day prior to implementation.

(B) may not be cancelled or changed after the applicable strategy order cut-off time established in accordance with paragraph (A), unless the order is not executed in the modified HOSS opening procedure and the cancellation or change is submitted after the modified HOSS opening procedure is concluded (provided that any such order may be changed or cancelled after the applicable strategy order cut-off time established in accordance with paragraph (A) and prior to applicable cut-off time established in accordance with paragraph (iv) in order to correct a legitimate error, in which case the Trading Permit Holder **[**member**]** submitting the change or cancellation shall prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and shall file a copy of the memorandum with the Exchange no later than the next business day in a form and manner prescribed by the Exchange).

In general, the Exchange shall consider index option orders to be related to positions in, or a trading strategy involving, volatility index options or futures for purposes of this Rule 6.2B.01(c) if the orders possess the following three characteristics:

(1) – (3) No change.

Whether index option orders are related to positions in, or a trading strategy involving, volatility index options or futures for purposes of this Rule 6.2B.01(c) depends upon specific facts and

circumstances. Order types other than those provided above may also be deemed by the Exchange to fall within this category of orders if the Exchange determines that to be the case based upon the applicable facts and circumstances.

The provisions of this Rule 6.2B.01(c) may be suspended by two Floor Officials in the event of unusual market conditions.

(iv) All other index option orders for participation in the modified HOSS opening procedures, and any change to or cancellation of any such order, must be received prior to the applicable cut-off time in order to participate at the opening price for the applicable index option series. The applicable cut-off time for the affected index option series will be established by the Exchange on a class-by-class basis, provided the cut-off time will be no earlier than 8:25 a.m. (CT) and no later than the opening of trading in the option series. All pronouncements regarding changes to the applicable cut-off time will be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular that is issued at least one day prior to implementation.

(v) – (vi) No change.

.02 No change.

.03 No change.

(a) Subject to paragraph (b) below, the System will not open a series if one of the following conditions is met:

(i) No change.

(ii) The opening price is not within an acceptable range (as determined by the Exchange and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular) compared to the lowest quote offer and the highest quote bid;

(iii) – (iv) No change.

(b) – (c) No change.

Rule 6.3. Trading Halts

(a) – (b) No change.

. . . Interpretations and Policies:

.01 - .02 No change.

.03 No Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** shall effect a trade in any option class in which trading has been suspended or halted under the provisions of this Rule and its Interpretation and Policies during the time in which the suspension or halt remains in effect.

.04 - .06 No change.

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Rule 6.5. Limitation on Dealings

No regular Trading Permit Holder **[**member**]** shall bid, offer, purchase or write (sell) on the Exchange any security other than an option contract that is currently open for trading in accordance with the provisions of Chapter V.

. . . Interpretations and Policies:

.01 No change.

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Rule 6.7. Exchange Liability

(a) Except to the extent provided in paragraph (b) of this Rule, and except as otherwise expressly provided in the Rules, neither the Exchange nor its directors, officers, committee members, employees or agents shall be liable to the Trading Permit Holders **[**members of the Exchange**]** or to persons associated therewith for any loss, expense, damages or claims that arise out of the use or enjoyment of the facilities or services afforded by the Exchange, any interruption in or failure or unavailability of any such facilities or services, or any action taken or omitted to be taken in respect to the business of the Exchange except to the extent such loss, expense, damages or claims are attributable to the willful misconduct, gross negligence, bad faith or fraudulent or

criminal acts of the Exchange or its officers, employees or agents acting within the scope of their authority. Without limiting the generality of the foregoing and subject to the same exception, the Exchange shall have no liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value, any current or closing value of interest rate options, or any reports of transactions in or quotations for options or other securities, including underlying securities. The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use of any data transmitted or disseminated by or on behalf of the Exchange or any reporting authority designated by the Exchange, including but not limited to reports of transactions in or quotations for securities traded on the Exchange or underlying securities, or reports of interest rate measures or index values or related data, and the Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data. The foregoing limitations of liability and disclaimers shall be in addition to, and not in limitation of, the provisions of Article Eighth **[**Thirteenth**]** of the Exchange's Certificate of Incorporation.

(b) Whenever custody of an unexecuted order is transmitted by a Trading Permit Holder **[**member**]** to or through the Exchange's Order Routing System, Electronic Book, Retail Automatic Execution System, Hybrid System, or to any other automated facility of the Exchange whereby the Exchange assumes responsibility for the transmission or execution of the order, provided that the Exchange has acknowledged receipt of such order, the Exchange's liability for the negligent acts or omissions of its employees or for the failure of its systems or facilities shall not exceed the limits provided in this paragraph (b), and no assets of the Exchange shall be applied or shall be subject to such liability in excess of the following limits:

(i) As to any one or more claims made by a single Trading Permit Holder **[**member**]** growing out of the use or enjoyment of the facilities afforded by the Exchange on a single trading day, the Exchange shall not be liable in excess of the larger of $100,000 or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;

(ii) As to the aggregate of all claims made by all Trading Permit Holders **[**members**]** growing out of the use or enjoyment of the facilities afforded by the Exchange on a single trading day, the Exchange shall not be liable in excess of the larger of $250,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;

(iii) As to the aggregate of all claims made by all Trading Permit Holders **[**members**]** growing out of the use or enjoyment of the facilities afforded by the Exchange during a single calendar month, the Exchange shall not be liable in excess of the larger of $500,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

(c) No change.

. . . Interpretations and Policies

.01 - .02 No change.

.03 In the case of orders routed through the Exchange's Order Routing System ("ORS") or Electronic Book ("E-Book"), once the order has been printed at an ORS printer on the Exchange floor (including such printers located at Trading Permit Holders' **[**members'**]** booths), the provisions of paragraph (b) of Rule 6.7 shall not apply, and the Exchange shall have no liability except as provided in paragraph (a) of Rule 6.7. Similarly, the Exchange shall have no liability except as provided in paragraph (a) of Rule 6.7 in respect of an order routed through ORS to a "PAR" terminal once the order appears on the terminal screen, provided that in the event an order is dropped from a terminal screen due to an Exchange system malfunction, the Exchange shall have no liability in respect of the order except as provided in paragraph (a) of Rule 6.7 if, within five (5) minutes of the time the order was dropped from the screen, it is either restored to the screen or is printed at an ORS printer.

.04 The Clearing Corporation shall have no liability to Trading Permit Holders **[**members of the Exchange**]** or to their associated persons with respect to the use, non-use or inability to use the Linkage, including, without limitation, the content of orders, trades, or other business facilitated through the Linkage, the truth or accuracy of the content of messages or other information transmitted through the Linkage, or otherwise.

Rule 6.7A. Legal Proceedings Against the Exchange and its Directors, Officers, Employees, Contractors or Agents

No Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** shall institute a lawsuit or other legal proceeding against the Exchange or any director, officer, employee, contractor, agent or other official of the Exchange or any subsidiary of the Exchange, for actions taken or omitted to be taken in connection with the official business of the Exchange or any subsidiary, except to the extent such actions or omissions constitute violations of the federal securities laws for which a private right of action exists. This provision shall not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.

Rule 6.8. RAES Operations

No change.

(a) No change.

(b) *Definitions.* For purposes of this Rule 6.8:

(i) – (ii) No change.

(iii) The term "Order Entry Firm" means a TPH **[**member**]** organization **[**of the Exchange**]** that is able to route orders to the Exchange's ORS.

(iv) No change.

(c) *Eligible Orders*

An order must meet the following criteria to be eligible for RAES:

(i) No change.

(ii) Orders are not eligible for execution on the RAES system if they are orders for accounts in which a Trading Permit Holder **[**member**]**, non-Trading Permit Holder **[**member**]** participant in a joint-venture with a Trading Permit Holder **[**member**]**, or any non-Trading Permit Holder **[**member**]** broker-dealer has an interest.

(iii) – (vii) No change.

(d) *Execution on RAES.*

(i) – (iv) No change.

(v) Notwithstanding sub-paragraph (d)(iv), for classes of options as determined by the Exchange, for any series of options where the bid or offer generated by AutoQuote (Exchange or proprietary) is equal to or crosses the Exchange's best bid or offer as established by an order in the Exchange's limit order book, orders in the book for options of that series will be automatically executed against participants on RAES ("Trigger") up to a size not to exceed the number of contracts equal to the applicable maximum size of RAES-eligible orders for that series of options ("Trigger Volume"). The Exchange is responsible for determining the Trigger Volume for a particular series of options. In the event a Trading Permit Holder **[**member**]** in the trading crowd verbally initiates a trade with a book order prior to the time the book staff announces to the trading crowd that the order has been removed from the book by Trigger, the book staff will manually endorse the book order to that Trading Permit Holder(s) **[**member(s)**]**. In the event the order in the book is for a larger number of contracts than the applicable Trigger

Volume, the balance of the book order may be executed manually by the trading crowd. In the limited circumstance where contracts remain in the book after an execution (or partial execution) of a book order up to the applicable Trigger Volume, the bid or offer generated by AutoQuote will be one-tick inferior to the price of the book order such that the disseminated quote will not cross or lock with the AutoQuote bid or offer. In these instances, or for any series where Trigger has not yet been implemented by the Exchange, orders in RAES for options of that series may either be automatically executed or be rerouted on ORS to the crowd PAR terminal or to another location in the event of system problems or contrary firm routing instructions, as determined by the Exchange.

(vi) RAES orders will not execute against manual quotes (as defined in Rule 6.43). When a manual quote is the disseminated quote, orders submitted for automatic execution in that series shall be automatically routed to PAR, BART, or Live Ammo. When orders route to PAR or Live Ammo as a result of a manual quote, PAR Officials will use their best efforts to attempt to ensure that the Trading Permit Holder **[**member**]** will receive an allocation of incoming order(s) for up to his/her disseminated size.

(e) – (g) No change.

. . . Interpretations and Policies

.01 (a) – (c) No change.

(d) Notwithstanding the provisions of Rule 6.74, in classes where broker-dealer orders are permitted to be automatically executed against orders in the limit order book pursuant to paragraph (b)(1) above, neither proprietary orders of an Order Entry Firm that submitted a customer order for placement on the limit order book, orders from any firm affiliated with the Order Entry Firm, or orders solicited by the Order Entry Firm from Trading Permit Holders **[**members**]** or non-Trading Permit Holder **[**member**]** broker-dealers, may execute (automatically or otherwise) against the customer limit order unless the customer limit order is exposed on the book for at least thirty (30) seconds. Further, it shall be a violation of this Rule for any Trading Permit Holder **[**Exchange member**]** or TPH **[**member**]** organization to be a party to any arrangement designed to circumvent this Rule by providing an opportunity for a customer, Trading Permit Holder **[**member**]**, TPH **[**member**]** organization, or non-Trading Permit Holder **[**member**]** broker-dealer to execute immediately against agency orders delivered to the Exchange, whether such orders are delivered via ORS or represented in the trading crowd by a Trading Permit Holder **[**member**]** or a TPH **[**member**]** organization.

.02 (a) No change.

I. No change.

II. In all cases where floor officials exclude a market or any of its quotes from the RAES determination of the NBBO due to quote unreliability, the Exchange Control Room will promptly notify the market of the action, continue to monitor the reliability of the excluded quotes in consultation with Floor Officials, and maintain records showing the date, time, duration, and reasons for each such action, as well as the identity of the Floor Officials who authorized the action. Any determination to exclude a market or any of its quotes from the RAES determination of the NBBO pursuant to I(a) and (b) above will expire at the end of the trading day, or a such time as the quotes are confirmed by the market to be reliable again—whichever occurs first. Exclusion of a market or its quotes from the RAES determination of the NBBO will be reported to TPH organizations **[**Exchange member firms**]**.

(b) – (c) No change.

.03 - .05 No change.

.06 (a) In determining the procedure for assigning RAES-eligible orders to Participating Market-Makers for execution, the Exchange has determined that in the absence of any specified alternative assignment methodology, an assigned Participating Market-Maker is required to buy/sell the entirety of each RAES order assigned to him up to the maximum size of RAES-eligible orders in that class of options. Alternatively, the Exchange may specify that some or all options classes are subject to "Variable RAES," the "100 Spoke RAES Wheel," or with respect to index option classes only, the "1000 Spoke RAES Wheel." Other than immediately after the Commission initially approves the Exchange to use Variable RAES (in which case Variable RAES may be implemented without the requisite notice), any time the Exchange intends to consider a change related to the RAES allocation method the Exchange must provide at least three days' advance notice to the Trading Permit Holders **[**Exchange's members**]** and must provide Trading Permit Holders **[**members**]** with either the opportunity to provide written comments or the opportunity to appear before the Exchange at a meeting, or both regarding the proposed change.

(b) Under Variable RAES, each Participating Market-Maker is required to designate the maximum number of contracts in a class that he is willing to buy or sell each time he is assigned a RAES order. The designated maximum may not be less than the minimum number of contracts for that class as specified by the Exchange. An assigned Market-Maker is required to buy or sell all or a portion of each assigned RAES order up to his designated maximum. If the number of unassigned contracts in a RAES order is less than or equal to the assigned Market-Maker's designated limit, the Market-Maker is obligated to buy or sell all of the unassigned contracts in the order, and the next RAES order will be assigned to the next Market-Maker on the RAES assignment rotation. If the number of unassigned contracts in an order exceeds the specified limit, the first assigned Market-Maker is obligated to buy or sell the number of contracts equal to his designated limit, and the remainder of the order is assigned to the next Market-Maker on the RAES assignment rotation, who is obligated to buy or sell the number of remaining unassigned contracts in the order up to that Market-Maker's specified limit. The assignment rotation continues in this manner until all of the contracts in the order have been assigned to one or more

Market-Makers, even if this necessitates making more than one assignment to the same Market-Maker as the assignment rotation continues. The Exchange will notify the Trading Permit Holders **[**membership**]** of each class of options that is subject to Variable RAES.

(c) Under the "100 Spoke RAES Wheel," RAES orders would be assigned to logged-in Market-Makers based on the percentage of their in-person agency contracts traded in that class (excluding RAES contracts traded) compared to all of the Market-Maker in-person agency contracts traded (excluding RAES contracts) during the review period. The review period will be determined by the Exchange and may be for any period not in excess of 10 trading days within the previous 30 calendar days. The trading days within the review period may be for non-consecutive trading days. The percentage distribution will be calculated at the conclusion of each trading day and will be applied to the 100 Spoke RAES Wheel distribution on the following trading day. On each revolution of the RAES wheel, subject to the exceptions described below, each participating Market-Maker (who is logged onto RAES at the time) will be assigned enough contracts to replicate his percentage of contracts on RAES that he traded in-person in that class during the review period. A participation percentage will be calculated for each Market-Maker for each class that the Market-Maker trades. For this purpose all DPM Designees of the same DPM unit will have their percentage aggregated into a single percentage for the DPM unit.

Once a Market-Maker has logged onto RAES, he will be assigned contracts on the RAES Wheel until his Market-Maker participation percentage has been met. This may mean that multiple orders (or an order and a part of the succeeding order) will be assigned to the same Market-Maker on the Wheel. To understand how the RAES orders will actually be allocated to Market-Makers to meet those percentages, one must understand the concepts of "spokes" and "wedges." A "spoke" is 1% of the RAES wheel and often may be equal to one contract. The Exchange may determine the number of contracts that make up one spoke. Each Market-Maker logged onto RAES for that class, regardless of his participation percentage, is entitled to be assigned at least one spoke on every revolution of the RAES wheel. For example, if a spoke equals one contract then there will be 100 contracts that will be assigned to Market-Makers on every revolution of the RAES wheel. If a spoke is defined as five contracts then there will be 500 RAES contracts assigned to the participating Market-Makers before the RAES wheel completes one revolution. Generally, the RAES Wheel will consist of the number of spokes replicating the cumulative percentage of all Market-Makers logged onto the system who have a participation percentage plus one spoke for each Market-Maker that does not have a specific participation percentage.

A "wedge" is the maximum number of spokes that a Market-Maker may be consecutively assigned at any one time on the RAES wheel. Because the size of the wedge may be smaller than the number of contracts to which a particular Market-Maker is entitled during one revolution of the RAES Wheel, that Market-Maker will receive more than one turn during one revolution of the RAES wheel. The wedge size will be variable, at the discretion of the Exchange and may be different for different classes or the same for all classes.

The Exchange will notify the Trading Permit Holders **[**membership**]** of each class of options that is subject to the "100 Spoke RAES Wheel".

(d) Under the "1000 Spoke RAES Wheel", which may only be implemented in index option classes, all of the terms and provisions set forth in CBOE Rule 6.8.06(c) with respect to the 100 Spoke RAES Wheel shall apply to the 1000 Spoke RAES Wheel, except that (i) the 1000 Spoke RAES Wheel is comprised of 1000 spokes, each of which generally represents .1% of the 1000 Spoke RAES Wheel, and (ii) the Exchange shall determine on a class-by-class basis whether the assignment of RAES orders to logged-in Market-Makers is based on the percentage of a Market-Maker's contracts traded in that index option class (excluding RAES contracts traded) compared to all Market-Maker contracts traded (excluding RAES contracts) during the review period, or the percentage of the Market-Maker's in-person agency contracts traded in that class (excluding RAES contracts traded) compared to all Market-Maker in-person agency contracts traded (excluding RAES contracts) during the review period.

The Exchange will notify the Trading Permit Holders **[**membership**]** of each class of options that is subject to the "1000 Spoke RAES Wheel" and the method of allocation for RAES orders under the 1000 Spoke RAES Wheel.

(e) No change.

.07 - .09 No change.

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Rule 6.8C. Prohibition Against Customers Functioning as Market-Makers

(a) TPH organizations **[**Member firms**]**, acting as either principal or agent, may neither enter nor permit the entry of orders into the Exchange's electronic Order Routing System if (i) the orders are limit orders for the account or accounts of the same beneficial owner(s) and (ii) the limit orders are entered in such a manner that the beneficial owner(s) effectively is operating as a market maker by holding itself out as willing to buy and sell such securities on a regular or continuous basis.

(b) No change.

Rule 6.9. Solicited Transactions

A Trading Permit Holder **[**member**]** or TPH **[**member**]** organization representing an order respecting an option traded on the Exchange (an "original order"), including a spread, combination, or straddle order as defined in Rule 6.53, a stock-option order as defined in Rule 1.1(ii), a security future-option order as defined in Rule 1.1(zz), or any other complex order as

defined in Rule 6.53C, may solicit a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization or a non-Trading Permit Holder **[**member**]** customer or broker-dealer (the "solicited person") to transact in-person or by order (a "solicited order") with the original order. In addition, whenever a floor broker who is aware of, but does not represent, an original order solicits one or more persons or orders in response to an original order, the persons solicited and any resulting orders are solicited persons or solicited orders subject to this Rule. Original orders and solicited orders are subject to the following conditions.

(a) No change.

(b) *Disclosed original order that is later modified to meet a solicited order improving the market.* If the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process, and if the solicited person or the solicited order improves the best bid or offer in the crowd but does not match the original order's limit, and if thereafter the original order is modified to match the solicited order's bid or offer, then the following principles apply:

(i) prior to executing the modified original order with the solicited person or solicited order or crossing the modified original order with the solicited order, the Trading Permit Holder **[**member**]** initiating the original order must announce to the trading crowd all the terms and conditions of the original order as modified, and

(ii) No change.

(c) No change.

(d) *Undisclosed original order.* If the terms and conditions of the original order are not disclosed to the trading crowd prior to the solicitation, then, prior to crossing the original order with the solicited order or executing the original order with the solicited person or his agent, the Trading Permit Holder **[**member**]** initiating the original order or his agent must disclose all the terms and conditions of the original order to the trading crowd. Non-solicited market-makers and floor brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order to trade with the original order at the best bid or offered price subject to customer limit order book priorities set forth in Rule 6.45.

(e) *Trading based on knowledge of imminent undisclosed solicited transaction.* It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 for any Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]**, who has knowledge of all material terms and conditions of an original order and a solicited order, including a facilitation order, that matches the original order's limit, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an

option of the same class as an option that is the subject of the original order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until either (i) all the terms and conditions of the original order and any changes in the terms and conditions of the original order of which that Trading Permit Holder **[**member**]** or associated person has knowledge are disclosed to the trading crowd or (ii) the solicited trade can no longer reasonably be considered imminent in view of the passage of time since the solicitation. For purposes of this paragraph (e), an order to buy or sell a "related instrument," means, in reference to an index option, an order to buy or sell securities comprising ten percent or more of the component securities in the index or an order to buy or sell a futures contract on any economically equivalent index. With respect to an SPX option, an OEX option is a related instrument, and vice versa.

(f) No change.

. . . Interpretations and Policies:

.01 This Rule applies to all solicited orders, including, but not limited to, facilitation orders and orders resulting from solicitations of customers, non-Trading Permit Holder **[**member**]** broker-dealers, Trading Permit Holders **[**members**]** and TPH organizations **[**member firms**]**, and market-makers.

.02 A Trading Permit Holder **[**member**]** initiating an original order is not required to announce to the trading crowd that another person has been solicited to participate in the order. The initiating Trading Permit Holder **[**member**]**, however, must disclose to the trading crowd all the terms and conditions of the original order, and any modifications, as prescribed in this Rule.

.03 - .07 No change.

Rule 6.10. LOU System Operations

This Rule governs the operation of the Large Order Utility ("LOU") system.

(a) No change.

(b) *LOU Eligibility.*

The following criteria must be met for an order to be eligible for LOU:

(i) The order must be a market order or marketable limit order that is not for an account in which a Trading Permit Holder **[**member**]**, or any non-Trading Permit Holder **[**member**]** broker-dealer (including foreign broker-dealer) has an interest except as provided under Interpretation .02 of this Rule;

(ii) – (vii) No change.

The senior person then in charge of the Exchange's Control Room shall have the authority to turn off LOU with respect to a class of options if there is a system malfunction that affects the Exchange's ability to disseminate or update market quotes.

(c) – (e) No change.

. . . Interpretations and Policies

.01 - .02 No change.

* * * * *

Rule 6.13. CBOE Hybrid System's Automatic Execution Feature

(a) No change.

(b) Automatic Execution

(i) No change.

(A) – (B) No change.

(C) Access:

(i) – (ii) No change.

(iii) 15-Second Limitation: With respect to orders eligible for submission pursuant to paragraph (b)(i)(C)(ii), Trading Permit Holders **[**members**]** shall neither enter nor permit the entry of multiple orders on the same side of the market in an option class within any 15-second period for

an account or accounts of the same beneficial owner. The Exchange may shorten the duration of this 15-second period by providing notice to the Trading Permit Holders **[**membership**]** via a Regulatory Circular that is issued at least one day prior to implementation.

For purposes of this rule, orders will be presumed to be for the account(s) of the same beneficial owner if they are not independently originated by separate Market-Makers (or stock exchange specialists) and such orders clear into the same account or accounts with common ownership. The term "independently originated" means that a Market-Maker (or stock exchange specialist) makes an individual determination to trade and directly communicates its trading determination (*i.e.* order) to the Exchange.

(ii) – (iv) No change.

(v) Price Check Parameter: In classes in which HAL2 (Rule 6.14A) is activated, and when the system in subparagraph (vi) below is enabled, see subparagraph (vi) below, otherwise: the CBOE Hybrid System will not automatically execute eligible orders that are market orders if the width between the Exchange's best bid and best offer is not within an acceptable price range (as determined by the Exchange on a series by series basis and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular). For purposes of this subparagraph:

(A) No change.

(B) The senior official in the Control Room or two Floor Officials may grant intra-day relief by widening the acceptable price range for one or more option series. Notification of intra-day relief will be announced via verbal message to the trading crowd, printer message to TPH **[**member**]** organizations on the trading floor, and electronic message to Trading Permit Holders **[**members**]** that request to receive such messages.

Such orders will be routed on a class-by-class basis to PAR, BART, or at the order entry firm's discretion to the order entry firm's booth printer pursuant to subparagraph (b)(i)(B) above.

(vi) Price Check Parameter for HAL2 Classes: Once this feature is enabled, the CBOE Hybrid System, for classes eligible for HAL2 processing pursuant to Rule 6.14A, will not automatically execute eligible orders that are marketable if (1) the width between the national best bid and national best offer is not within an acceptable price range (as determined by the Exchange on a series by series basis and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular), or (2) the execution would follow an initial partial execution on the Exchange and would be at a subsequent price that is not within an acceptable tick distance from the initial execution (as determined by the Exchange on a series by series and premium basis and

announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular). For purposes of this subparagraph:

(A) An "acceptable price range" ("APR") shall be no less than 1.5 times the corresponding bid/ask differential requirements determined by the Exchange on a class by class basis. An "acceptable tick distance" ("ATD") shall be no less than 2 minimum increment ticks.

(B) The senior official in the Control Room or two Floor Officials may grant intra-day relief by widening the APR and ATD for one or more option series. Notification of intra-day relief will be announced via verbal message to the trading crowd, printer message to TPH **[**member**]** organizations on the trading floor, and electronic message to Trading Permit Holders **[**members**]** that request to receive such messages.

If an execution is suspended because the APR has not been met, the order will be routed to PAR, BART, or at the order entry firm's discretion, to the order entry firm's booth printer pursuant to subparagraph (b)(i)(B) above.

If an execution is suspended because executing the remaining portion of an order would exceed the ATD, then such remaining portion will be exposed pursuant to the HAL2 process in Rule 6.14A using the ATD as the exposure price. If a quantity remains at the conclusion of the HAL2 process, the remaining quantity will be routed to PAR, BART, or at the order entry firm's discretion, to the order entry firm's booth printer pursuant to subparagraph (b)(i)(B) above.

(c) Users, Order Entry Firms, and Prohibited Practices

For purposes of this rule, the term "User" means any person or firm that obtains electronic access to the automatic execution feature of the CBOE Hybrid System through an Order Entry Firm. The term "Order Entry Firm" means a TPH **[**member**]** organization **[**of the Exchange**]** that is able to route orders to the Exchange's Order Routing System.

(i) – (ii) No change.

(d) No change.

Rule 6.13A. Simple Auction Liaison (SAL)

This Rule governs the operation of the SAL system. SAL is a feature within the Hybrid System that auctions marketable orders for price improvement over the NBBO.

(a) No change.

(b) *SAL Auction.* Prior to commencing the auction, SAL shall stop the Agency Order at the NBBO against Market-Maker quotations displayed at the NBBO on the opposite side of the market as the Agency Order. SAL will not allow such quotations to be cancelled or to move to an inferior price or size throughout the duration of the auction. The auction will last for a period of time not to exceed two (2) seconds as determined by the Exchange on a class-by-class basis. Auction responses may be submitted by Market-Makers with an appointment in the relevant option class and Trading Permit Holders **[**Members**]** acting as agent for orders resting at the top of the Exchange's book opposite the Agency Order. With respect to responses, the following shall apply:

(i) – (v) No change.

(c) – (d) No change.

. . . Interpretations and Policies

.01 - .04 No change.

.05 In lieu of permitting Auction responses by Market-Makers with an appointment in the relevant option class and Trading Permit Holders **[**Members**]** acting as agent for orders resting at the top of the Exchange's book opposite the Agency Order ("Qualifying Trading Permit Holders **[**Members**]**") as provided in paragraph (b) above, the Exchange may determine on a class-by-class basis to permit SAL responses by all CBOE Market-Makers and Qualifying Trading Permit Holders **[**Members**]**. All other provisions of the Rule shall apply unchanged.

Rule 6.13B. Penny Price Improvement

No change.

(a) – (b) No change.

(c) Prior to effecting any transactions in open outcry in one-cent increments, Trading Permit Holders **[**Exchange members**]** must electronically "sweep" any Penny Pricing interest in the Hybrid System so as not to violate the priority of such Penny Pricing.

(d) All pronouncements regarding the applicability of this rule will be announced to the Trading Permit Holders **[**membership**]** via Regulator Circular.

Rule 6.14 Hybrid Agency Liaison (HAL)

This Rule governs the operation of the Hybrid Agency Liaison ("HAL") system. HAL is a feature within the Hybrid System that provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed by the Hybrid System.

(a) No change.

(b) *HAL Order Handling.* Orders that are received by HAL pursuant to subparagraph (a) above shall immediately upon receipt be electronically exposed to all Market-Makers appointed to the relevant option class as well as all Trading Permit Holders **[**members**]** acting as agent for orders at the top of the Exchange's book ("Qualifying Trading Permit Holders **[**Members**]**") in the relevant option series. The exposure shall be for a period of time determined by the Exchange on a class-by-class basis, which period of time shall not exceed 1.5 seconds. If during the exposure period, a Market-Maker or Qualifying Trading Permit Holder **[**Member**]** (on behalf of the order it is representing) commits to trade with any portion of the order, then the exposure period shall end and an allocation period shall commence. The allocation period shall be a period of time determined by the Exchange on a class-by-class basis, which period of time, when combined with the designated exposure period time (as opposed to an exposure period that is terminated early), shall not exceed a total of three (3) seconds. Allocation of the order shall be pursuant to subparagraph (c) below. If no responses are received during the exposure period or if there remains an unexecuted portion of an order at the conclusion of the allocation period, then the order (the "Remaining Order") shall be processed as follows:

(i) – (iii) No change.

(c) *Allocation of Exposed Orders.* Each Market-Maker or Qualifying Trading Permit Holder **[**Member**]** that submits an order or quote to trade with an order during the exposure or allocation periods shall be entitled to receive an allocation of the order in accordance with the allocation algorithm in effect for the option class pursuant to Rule 6.45A or 6.45B. There is no participation entitlement applicable to exposed orders, and response sizes are limited to the size of the exposed order for allocation purposes.

(d) No change.

. . . Interpretations and Policies

.01 - .02 No change.

.03 In lieu of electronically exposing orders received by HAL to all Market-Makers appointed to the relevant options class and Qualifying Trading Permit Holders **[**Members**]** as provided in paragraph (b) above, the Exchange may determine on a class-by-class basis to permit orders received by HAL to be electronically exposed to all Trading Permit Holders **[**members**]** that have elected to receive HAL messages. Such Trading Permit Holders **[**members**]** would be permitted to submit responses on a proprietary or agency basis. All other provisions of the Rule shall apply unchanged except:

(a) The allocation procedures in paragraph (c) shall not apply. Instead, each Trading Permit Holder **[**member**]** that submits a response to trade with an order during the exposure or allocation periods shall be entitled to receive an allocation of the order in accordance with the allocation algorithm in effect for the option class pursuant to Rule 6.45A or 6.45B. There shall be no participation entitlement applicable to exposed orders and, if the allocation algorithm in effect for the option class is price-time or pro-rata, no public customer priority overlay will be in effect. Response sizes are limited to the size of the exposed order for allocation purposes.

(b) No change.

.04 In lieu of electronically exposing orders received by HAL to all Market-Makers appointed to the relevant options class and Qualifying Trading Permit Holders **[**Members**]** as provided in paragraph (b) above, the Exchange may determine on a class-by-class basis to permit orders received by HAL to be electronically exposed to, and responses to be submitted by, all CBOE Market-Makers and Qualifying Trading Permit Holders **[**Members**]**. All other provisions of the Rule shall apply unchanged.

Rule 6.14A Hybrid Agency Liaison 2 (HAL2)

This Rule governs the operation of the Hybrid Agency Liaison 2 ("HAL2") system. HAL2 is a feature within the Hybrid System that provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed by the Hybrid System.

(a) No change.

(b) *Order Handling and Flash Responses.* Orders that are received by HAL2 pursuant to subparagraph (a) above shall immediately upon receipt be electronically exposed at the NBBO price. The exposure shall be for a period of time determined by the Exchange on a class-by-class basis, which period of time shall not exceed 1 second.

The exposure message shall be made available to all Market-Makers appointed to the relevant option class and all Trading Permit Holders **[**members**]** acting as agent for orders at the top of the Exchange's book in the relevant option series. Alternatively, the Exchange may allow, on a class-by-class basis, the exposure message to be made available to all Market-Maker or all Trading Permit Holders **[**members**]** in place of all Market-Makers appointed to the class.

Responses (i) must be priced equal to or better than the Exchange's best bid/offer; (ii) must be limited to the size of the order being flashed; and (iii) may be cancelled and/or replaced any time during the exposure period.

(c) – (d) No change.

. . . Interpretations and Policies:

.01 – **.02** No change.

Rule 6.14B Order Routing to Other Exchanges

The Exchange may automatically route intermarket sweep orders to other exchanges under certain circumstances, including pursuant to Rule 6.14A ("Routing Services"). In connection with such services, the following shall apply:

(a) – (c) No change.

(d) The Exchange will provide its Routing Services in compliance with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders **[**members**]** and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

(e) – (f) No change.

(g) Any bid or offer entered on the Exchange routed to another exchange via a routing broker that results in an execution shall be binding on the Trading Permit Holder **[**member**]** that entered such bid/offer.

Rule 6.16. Back-up Trading Arrangements

(a) *CBOE is Disabled Exchange.*

(1) CBOE Exclusively Listed Options.

A. No change.

B. The Exchange ("CBOE") may enter into arrangements with one or more other exchanges (each a "Back-up Exchange") to permit CBOE and its Trading Permit Holders **[**members**]** to use a portion of the Back-up Exchange's facilities to conduct the trading of some or all of CBOE's exclusively listed options in the event that the functions of CBOE are severely and adversely affected by an emergency or extraordinary circumstances (a "Disabling Event"). Such option

classes shall trade as listings of CBOE. The facility of the Back-up Exchange used by CBOE for this purpose will be deemed to be a facility of CBOE.

C. Trading of CBOE exclusively listed options on CBOE's facility at the Back-up Exchange shall be conducted in accordance with the rules of the Back-up Exchange, except that (i) such trading shall be subject to CBOE rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, (ii) CBOE Trading Permit Holders **[**members**]** that are trading on CBOE's facility at the Back-up Exchange (not including members of the Back-up Exchange who become temporary Trading Permit Holders **[**members**]** of CBOE pursuant to paragraph (a)(1)(F)) will be subject to CBOE rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder **[**member**]** of CBOE, and (iii) CBOE Rule 8.87.01 may be utilized to establish a lower DPM participation rate applicable to trading on CBOE's facility on the Back-up Exchange than the rate that is applicable under the rules of the Back-up Exchange if agreed to by CBOE and the Back-up Exchange. In addition, CBOE and the Back-up Exchange may agree that other CBOE rules will apply to such trading. CBOE and the Back-up Exchange have agreed to communicate to their **[**respective**]** Trading Permit Holders and members, respectively, which rules apply in advance of trading. The Back-up Exchange rules that govern trading on CBOE's facility at the Back-up Exchange shall be deemed to be CBOE rules for purposes of such trading

D. No change.

E. CBOE shall have the right to designate its Trading Permit Holders **[**members**]** that will be authorized to trade CBOE exclusively listed options on CBOE's facility at the Back-up Exchange and, if applicable, its Trading Permit Holder(s) **[**member(s)**]** that will be an LMM or DPM in those options. If the Back-up Exchange is unable to accommodate all CBOE Trading Permit Holders **[**members**]** that desire to trade on CBOE's facility at the Back-up Exchange, CBOE may determine which Trading Permit Holders **[**members**]** shall be eligible to trade at that facility. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder **[**member**]** is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder **[**member**]** in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's **[**member's**]** contribution to the market in the applicable product(s).

F. Members of the Back-up Exchange shall not be authorized to trade in any CBOE exclusively listed options, except that (i) CBOE may deputize willing floor brokers of the Back-up Exchange as temporary CBOE Trading Permit Holders **[**members**]** to permit them to execute orders as brokers in CBOE exclusively listed options traded on CBOE's facility at the Back-up Exchange, and (ii) the Back-up Exchange has agreed that it will, at the instruction of CBOE, select members of the Back-up Exchange that are willing to be deputized by CBOE as temporary CBOE Trading Permit Holders **[**members**]** authorized to trade CBOE exclusively listed options on CBOE's facility at the Back-up Exchange for such period of time following a Disabling Event as CBOE determines to be appropriate, and CBOE may deputize such members of the Back-up Exchange as temporary CBOE Trading Permit Holders **[**members**]** for that purpose.

(2) CBOE Singly Listed Options.

A. No change.

B. CBOE may enter into arrangements with a Back-up Exchange under which the Back-up Exchange will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by CBOE and not by the Back-up Exchange. Any such option classes listed by the Back-up Exchange shall trade on the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such option classes shall be traded by members of the Back-up Exchange and by CBOE Trading Permit Holders **[**members**]** selected by CBOE to the extent the Back-up Exchange can accommodate CBOE Trading Permit Holders **[**members**]** in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all CBOE Trading Permit Holders **[**members**]** that desire to trade singly listed options at the Back-up Exchange, CBOE may determine which Trading Permit Holders **[**members**]** shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder **[**member**]** is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder **[**member**]** in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's **[**member's**]** contribution to the market in the applicable product(s).

C. No change.

(3) Multiply Listed Options.

CBOE may enter into arrangements with a Back-up Exchange to permit CBOE Trading Permit Holders **[**members**]** to conduct trading on a Back-up Exchange of some or all of CBOE's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such options shall be traded by members of the Back-up Exchange and by CBOE Trading Permit Holders **[**members**]** selected by CBOE to the extent the Back-up Exchange can accommodate CBOE Trading Permit Holders **[**members**]** in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all CBOE Trading Permit Holders **[**members**]** that desire to trade multiply listed options at the Back-up Exchange, CBOE may determine which Trading Permit Holders **[**members**]** shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder **[**member**]** is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder **[**member**]** in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder's **[**member's**]** contribution to the market in the applicable product(s).

(b) *CBOE is Back-up Exchange.*

(1) Disabled Exchange Exclusively Listed Options.

A. No change.

B. Trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at CBOE shall be conducted in accordance with CBOE rules, except that (i) such trading shall be subject to the Disabled Exchange's rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, and (ii) members of the Disabled Exchange that are trading on the Disabled Exchange's facility at CBOE (not including CBOE Trading Permit Holders **[**members**]** who become temporary members of the Disabled Exchange pursuant to paragraph (b)(1)(D)) will be subject to the rules of the Disabled Exchange governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange. In addition, the Disabled Exchange and CBOE may agree that other Disabled Exchange rules will apply to such trading. The Disabled Exchange and CBOE have agreed to communicate to their **[**respective**]** members and Trading Permit Holders, respectively, which rules apply in advance of trading.

C. No change.

D. CBOE Trading Permit Holders **[**members**]** shall not be authorized to trade in any exclusively listed options of the Disabled Exchange, except (i) that the Disabled Exchange may deputize willing CBOE floor brokers as temporary members of the Disabled Exchange to permit them to execute orders as brokers in exclusively listed options of the Disabled Exchange traded on the facility of the Disabled Exchange at CBOE, and (ii) at the instruction of the Disabled Exchange, CBOE shall select CBOE Trading Permit Holders **[**members**]** that are willing to be deputized by the Disabled Exchange as temporary members of the Disabled Exchange authorized to trade the Disabled Exchange's exclusively listed options on the facility of the Disabled Exchange at CBOE for such period of time following a Disabling Event as the Disabled Exchange determines to be appropriate, and the Disabled Exchange may deputize such CBOE Trading Permit Holders **[**members**]** as temporary members of the Disabled Exchange for that purpose.

(2) Disabled Exchange Singly Listed Options.

A. CBOE may enter into arrangements with a Disabled Exchange under which CBOE will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by the Disabled Exchange and not by CBOE. Any such option classes listed by CBOE shall trade on CBOE and in accordance with CBOE rules. Such option classes shall be traded by CBOE Trading Permit Holders **[**members**]** and by members of the Disabled Exchange selected by the Disabled Exchange to the extent CBOE can accommodate members of the

Disabled Exchange in the capacity of temporary Trading Permit Holders **[**members**]** of CBOE. CBOE may allocate such option classes to a CBOE DPM in advance of a Disabling Event, without utilizing the allocation process under CBOE Rule 8.95, to enable CBOE to quickly list such option classes upon the occurrence of a Disabling Event.

B. No change.

(3) Multiply Listed Options.

CBOE may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange's members to conduct trading on CBOE of some or all of the Disabled Exchange's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of CBOE and in accordance with CBOE rules. Such options shall be traded by CBOE Trading Permit Holders **[**members**]** and by members of the Disabled Exchange to the extent CBOE can accommodate members of the Disabled Exchange in the capacity of temporary Trading Permit Holders **[**members**]** of CBOE.

(c) *Member Obligations.*

(1) Temporary Members of the Disabled Exchange

A. A CBOE Trading Permit Holder **[**member**]** acting in the capacity of a temporary member of the Disabled Exchange pursuant to paragraph (b)(1)(D) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of the Disabled Exchange at CBOE, including the rules of the Disabled Exchange to the extent applicable during the period of such trading. Additionally, (i) such CBOE Trading Permit Holder **[**member**]** shall be deemed to have satisfied, and the Disabled Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange, including all dues, fees and charges imposed generally upon members of the Disabled Exchange based on their status as such, (ii) such CBOE Trading Permit Holder **[**member**]** shall have none of the rights of a member of the Disabled Exchange except the right to conduct business on the facility of the Disabled Exchange at CBOE to the extent described in this Rule, (iii) the TPH **[**member**]** organization associated with such CBOE Trading Permit Holder **[**member**]**, if any, shall be responsible for all obligations arising out of that CBOE Trading Permit Holder's **[**member's**]** activities on or relating to the Disabled Exchange, and (iv) the Clearing Trading Permit Holder **[**Member**]** of such CBOE Trading Permit Holder **[**member**]** shall guarantee and clear the transactions of such CBOE Trading Permit Holder **[**member**]** on the Disabled Exchange.

B. A member of a Back-up Exchange acting in the capacity of a temporary Trading Permit Holder **[**member**]** of CBOE pursuant to paragraph (a)(1)(F) shall be subject to, and obligated to

comply with, the rules that govern the operation of the facility of CBOE at the Back-up Exchange, including CBOE rules to the extent applicable during the period of such trading. Additionally, (i) such temporary Trading Permit Holder **[**member**]** shall be deemed to have satisfied, and CBOE will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder **[**member**]** of CBOE, including all dues, fees and charges imposed generally upon CBOE Trading Permit Holders **[**members**]** based on their status as such, (ii) such temporary Trading Permit Holder **[**member**]** shall have none of the rights of a CBOE Trading Permit Holder **[**member**]** except the right to conduct business on the facility of CBOE at the Back-up Exchange to the extent described in this Rule, (iii) the member organization associated with such temporary Trading Permit Holder **[**member**]**, if any, shall be responsible for all obligations arising out of that temporary Trading Permit Holder's **[**member's**]** activities on or relating to CBOE, and (iv) the Clearing Trading Permit Holder **[**Member**]** of such temporary Trading Permit Holder **[**member**]** shall guarantee and clear the transactions on CBOE of such temporary Trading Permit Holder **[**member**]**.

(2) Temporary Members of the Back-up Exchange

A. A CBOE Trading Permit Holder **[**member**]** acting in the capacity of a temporary member of the Back-up Exchange pursuant to paragraphs (a)(2)(B) or (a)(3) shall be subject to, and obligated to comply with, the rules of the Back-up Exchange that are applicable to the Back-up Exchange's own members. Additionally, (i) such CBOE Trading Permit Holder **[**member**]** shall be deemed to have satisfied, and the Back-up Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Back-up Exchange, including all dues, fees and charges imposed generally upon members of the Back-up Exchange based on their status as such, (ii) such CBOE Trading Permit Holder **[**member**]** shall have none of the rights of a member of the Back-up Exchange except the right to conduct business on the Back-up Exchange to the extent described in this Rule, (iii) the TPH **[**member**]** organization associated with such CBOE Trading Permit Holder **[**member**]**, if any, shall be responsible for all obligations arising out of that CBOE Trading Permit Holder's **[**member's**]** activities on or relating to the Back-up Exchange, (iv) the Clearing Trading Permit Holder **[**Member**]** of such CBOE Trading Permit Holder **[**member**]** shall guarantee and clear the transactions of such CBOE Trading Permit Holder **[**member**]** on the Back-up Exchange, and (v) such CBOE Trading Permit Holder **[**member**]** shall only be permitted (x) to act in those capacities on the Back-up Exchange that are authorized by the Back-up Exchange and that are comparable to capacities in which the CBOE Trading Permit Holder **[**member**]** has been authorized to act on CBOE, and (y) to trade in those option classes in which the CBOE Trading Permit Holder **[**member**]** is authorized to trade on CBOE.

B. A member of a Disabled Exchange acting in the capacity of a temporary Trading Permit Holder **[**member**]** of CBOE pursuant to paragraphs (b)(2)(A) or (b)(3) shall be subject to, and obligated to comply with, CBOE rules that are applicable to CBOE's own Trading Permit Holders **[**members**]**. Additionally, (i) such temporary Trading Permit Holder **[**member**]** shall be deemed to have satisfied, and CBOE will waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a Trading Permit Holder **[**member**]**

of CBOE, including all dues, fees and charges imposed generally upon CBOE Trading Permit Holders **[**members**]** based on their status as such, (ii) such temporary Trading Permit Holder **[**member**]** shall have none of the rights of a CBOE Trading Permit Holder **[**member**]** except the right to conduct business on CBOE to the extent described in this Rule, (iii) the member organization associated with such temporary Trading Permit Holder **[**member**]**, if any, shall be responsible for all obligations arising out of that temporary Trading Permit Holder's **[**member's**]** activities on or relating to CBOE, (iv) the Clearing Trading Permit Holder **[**Member**]** of such temporary Trading Permit Holder **[**member**]** shall guarantee and clear the transactions of such temporary Trading Permit Holder **[**member**]** on the CBOE, and (v) such temporary Trading Permit Holder **[**member**]** shall only be permitted (x) to act in those CBOE capacities that are authorized by CBOE and that are comparable to capacities in which the temporary Trading Permit Holder **[**member**]** has been authorized to act on the Disabled Exchange, and (y) to trade in those option classes in which the temporary Trading Permit Holder **[**member**]** is authorized to trade on the Disabled Exchange.

(d) *Member Proceedings.*

(1) If CBOE initiates an enforcement proceeding with respect to the trading during a back-up period of the singly or multiply listed options of the Disabled Exchange by a temporary Trading Permit Holder **[**member**]** of CBOE or the exclusively listed options of the Disabled Exchange by a member of the Disabled Exchange (other than a CBOE Trading Permit Holder **[**member**]** who is a temporary member of the Disabled Exchange), and such proceeding is in process upon the conclusion of the back-up period, CBOE may transfer responsibility for such proceeding to the Disabled Exchange following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of singly or multiply listed options of the Disabled Exchange or of exclusively listed options of the Disabled Exchange on the Disabled Exchange's facility at CBOE will be conducted in accordance with CBOE rules, unless the parties to an arbitration agree that it shall be conducted in accordance with the rules of the Disabled Exchange.

(2) If the Back-up Exchange initiates an enforcement proceeding with respect to the trading during a back-up period of CBOE singly or multiply listed options by a temporary member of the Back-up Exchange or CBOE exclusively listed options by a CBOE Trading Permit Holder **[**member**]** (other than a member of the Back-up Exchange who is a temporary Trading Permit Holder **[**member**]** of CBOE), and such proceeding is in process upon the conclusion of the back-up period, the Back-up Exchange may transfer responsibility for such proceeding to CBOE following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of CBOE singly or multiply listed options on the Back-up Exchange or of CBOE exclusively listed options on the facility of CBOE at the Back-up Exchange will be conducted in accordance with the rules of the Back-up Exchange, unless the parties to an arbitration agree that it shall be conducted in accordance with CBOE rules.

(e) *Trading Permit Holder **[**Member**]** Preparations.*

CBOE Trading Permit Holders **[**members**]** are required to take appropriate actions as instructed by CBOE to accommodate CBOE's back-up trading arrangements with other exchanges and CBOE's own back-up trading arrangements.

. . . Interpretations and Policies

.01 No change.

* * * * *

Rule 6.18. Disaster Recovery Facility

(a) – (b) No change.

(c) *Applicable Rules.* All classes traded on the DRF will trade using the electronic component of the Exchange's Hybrid System platform pursuant to all applicable Hybrid System rules except that open-outcry rules shall not be in force. A non-exclusive list of trading rules that will *not* apply include: Rules 6.2 (Trading Rotations), 6.2A (Rapid Opening System), 6.8 (RAES Operations), 6.8B (Automatic ORS Order Execution Against Booked Orders), 6.9 (Solicited Orders), 6.19 (LOU System Operations), Section B under Chapter 6 (Trading Permit Holder **[**Member**]** Activities on the Floor), 6.20 (Admission to and Conduct on the Trading Floor; Trading Permit Holder **[**Member**]** Education), 6.23 (Trading Permit Holder **[**Member**]** Wires From Floor), 6.45 (Priority of Bids and Offers - Allocation of Trades), 6.47 (Priority on Split-Price Transactions Occurring in Open Outcry), 6.54 (Accommodation Liquidations), 6.74 ("Crossing" Orders), and 8.17 (Stopping of Option Orders). Only conduct permissible pursuant to trading rules that are in force shall be allowed via the DRF. All non-trading rules of the Exchange shall continue to apply.

(d) *Trading Permit Holder **[**Member**]** Preparations.* Trading Permit Holders **[**Members**]** are required to take appropriate actions as instructed by the Exchange to accommodate the Exchange's ability to trade options via the DRF.

(e) *Quotation Capacity.* To the extent system capacity restricts the ability of all Trading Permit Holders **[**members**]** to quote on the DRF, the Exchange shall have authority to designate the Trading Permit Holders **[**members**]** that will be allowed to submit quotations on the DRF. In such cases, priority shall be afforded to Trading Permit Holders **[**members**]** that made markets in the products trading on the DRF throughout the calendar quarter preceding the use of the DRF. Additional Trading Permit Holders **[**members**]** and/or TPH **[**member**]** organizations shall be allowed to make markets on the DRF based upon their total contract volume effected on the Exchange during the preceding calendar quarter. Unless otherwise authorized by the Exchange,

there will be a one streaming quotation per product limit for each TPH **[**member**]** organization quoting on the system and its associated persons.

(f) No change.

Section B: Trading Permit Holder [Member] Activities on the Floor

Rule 6.20. Admission to and Conduct on the Trading Floor; Trading Permit Holder [Member] Education

(a) *Admission to Trading Floor.* Unless otherwise provided in the Rules, no one but a Trading Permit Holder **[**member**]**, an Order Book Official designated by the Exchange pursuant to Rule 7.3, or PAR Official designated by the Exchange pursuant to Rule 7.12 shall make any transaction on the floor of the Exchange. Admission to the floor shall be limited to Trading Permit Holders **[**members**]**, employees of the Exchange, clerks employed by Trading Permit Holders **[**members**]** and registered with the Exchange, service personnel and Exchange visitors authorized admission to the floor pursuant to Exchange policy, and such other persons permitted admission to the floor by the President of the Exchange.

(b) *Conduct on the Exchange.* Trading Permit Holders **[**Members**]** and persons employed by or associated with any Trading Permit Holder **[**member**]**, while on any premises of the Exchange, including the trading floor of the Exchange, shall not engage in conduct (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; (iii) inconsistent with the ordinary and efficient conduct of business; or (iv) detrimental to the safety or welfare of any other person.

(c) *Fines Imposed by Floor Officials.* The Exchange shall periodically issue fine schedules setting forth which violations of the Exchange's trading conduct and decorum policies are subject to fines pursuant to Rule 17.50 and the specific dollar amounts of such fines. Floor Officials may (i) fine Trading Permit Holders **[**members**]** and persons employed by or associated with Trading Permit Holders **[**members**]** pursuant to Rule 17.50 for trading conduct and decorum violations which are subject to fine under such fine schedules, (ii) direct Trading Permit Holders **[**members**]** and persons employed by or associated with Trading Permit Holders **[**members**]** to act or cease to act in a manner to ensure compliance with Exchange Rules and accepted and established standards of trading conduct and decorum and/or (iii) refer violations of the foregoing for disciplinary action pursuant to Chapter XVII of the Rules. In addition, two Floor Officials in consultation with a designated senior executive officer of the Exchange, may summarily exclude a Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** from the Exchange premises for not longer than the remainder of the trading day for any violation of the Exchange's trading conduct and decorum policies that is classified as a Class A offense, except for those Class A offenses specified by Exchange Regulatory Circulars as not qualifying the offender for summary exclusion. Any action taken by Floor Officials under this

paragraph (c) shall not preclude additional disciplinary action under Chapter XVII of the Rules. Any application or interpretation of Rules, and any decision to impose a fine under this paragraph (c), shall be agreed upon by at least two Floor Officials. Floor Officials shall file with the Exchange a written report of any action taken pursuant to authority specifically granted them by the Rules and of any interpretation of the Rules.

(d) *Clerks of Trading Permit Holders **[**Members**]***. While on the trading floor, clerks shall display at all times the badge(s) supplied to them by the Exchange. Any Market-Maker clerk who writes up an option or stock order must give his employer a copy of that order before it is delivered; the employer must retain the copy on his person until it is executed. A clerk receiving a phone order must initial, must mark as opening or closing, and must time-stamp the order. A clerk shall remain at a booth assigned to his employer or assigned to his employer's clearing firm unless he is (i) entering or leaving the trading floor, (ii) transmitting or checking the status of an order or reporting a fill, (iii) standing in the same crowd as his employer who is a Market-Maker or Floor Broker, (iv) supervising his firm's clerks if he is a floor manager or (v) acting as a clerk for an order service firm. Only order service firm clerks and Market-Maker or Floor-Broker clerks may stand in or near a trading crowd; in the latter case, the Market-Maker or Floor Broker must be present in the same trading crowd. Quote terminals on the trading floor (except those located in booths) may not be used by a clerk unless his employer is a Market-Maker or Floor Broker who is standing near the quote terminal.

(e) *Educational Classes.* Trading Permit Holders **[**Members**]** and persons associated with Trading Permit Holders **[**members**]** are required to attend such educational classes as the Exchange may require from time to time. Failure to attend Exchange mandated continuing educational classes may subject Trading Permit Holders **[**members**]** and persons associated with Trading Permit Holders **[**members**]** to sanctions pursuant to the Exchange's Minor Rule Violation Plan provided in Exchange Rule 17.50. Any action taken by Floor Officials hereunder shall not preclude further disciplinary action under Chapter XVII of the Rules.

. . . Interpretations and Policies:

.01 Only those Trading Permit Holders **[**members**]** who have been approved to perform a floor function are authorized to enter into transactions on the floor. Such Trading Permit Holders **[**members**]** include Floor Brokers who are registered pursuant to Rule 6.71, Board Brokers who are registered pursuant to Rules 7.2 and 7.3 and Market-Makers registered pursuant to Rules 8.2 and 8.3. While on the floor such floor Trading Permit Holders **[**members**]** shall at all times display a floor Trading Permit Holder's **[**member's**]** badge.

.02 - .03 No change.

.04 Activities which may violate the provisions of Rule 6.20(b) include, but are not limited to, the following:

(i) – (iii) No change.

(iv) Failure of a Trading Permit Holder **[**member**]** or an associated person of a Trading Permit Holder **[**member**]** in a supervisory capacity to adequately supervise a person employed by or associated with such Trading Permit Holder **[**member**]** to ensure that person's compliance with the provisions of Exchange Rules 6.20(a), (b), (c), and (d);

(v) – (vii) No change.

.05 - .09 No change.

.10 Where a Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** is summarily excluded from the trading floor pursuant to Rule 6.20(c), that Trading Permit Holder **[**member**]** or associated person shall have the right to request reinstatement from Floor Officials after a sufficient "cooling-off" period has elapsed. If, in the judgment of two Floor Officials, the Trading Permit Holder **[**member**]** or associated person no longer poses an immediate threat to the safety of persons or property, the Trading Permit Holder **[**member**]** or associated person shall be permitted to return to the trading floor.

Rule 6.20A. Sponsored Users

(a) General. This Rule governs electronic access for the entry and execution of orders by Sponsored Users with authorized access to the facilities and products specified below (referred to herein as the "Exchange System(s)") and the applicable requirements that Sponsored Users and Sponsoring Trading Permit Holders **[**Members**]** are required to satisfy in order to engage in a Sponsoring Trading Permit Holder **[**Member**]**/Sponsored User relationship. For purposes of this Rule, a "Sponsored User" is a person or entity that has entered into a sponsorship arrangement with a Sponsoring Trading Permit Holder **[**Member**]** for purposes of receiving electronic access to the Exchange System(s).

(b) Sponsored User. A Sponsored User may obtain and maintain authorized electronic access to the Exchange System(s), only if such access is authorized in advance by one or more Sponsoring Trading Permit Holders **[**Members**]** as follows:

(1) A Sponsored User must enter into a sponsorship arrangement with a "Sponsoring Trading Permit Holder **[**Member**]**," which is defined as a TPH **[**member**]** organization that agrees to sponsor the Sponsored User's access to the Exchange System(s). The sponsorship arrangement consists of three separate components:

(i) The Sponsored User must enter into and maintain a customer agreement(s) with its Sponsoring Trading Permit Holder(s) **[**Member(s)**]**, establishing a proper relationship(s) and account(s) through which the Sponsored User will be permitted to trade on the Exchange System(s).

(ii) For a Sponsored User to obtain and maintain authorized access to the Exchange System(s), the Sponsored User and its Sponsoring Trading Permit Holder **[**Member**]** must enter into a written agreement that incorporates the following sponsorship provisions:

(A) The Sponsored User and its Sponsoring Trading Permit Holder **[**Member**]** must have entered into and maintained a Sponsored User Agreement with the Exchange.

(B) The Sponsoring Trading Permit Holder **[**Member**]** acknowledges and agrees that:

(I) all orders entered by its Sponsored User, any person acting on behalf of such Sponsored User (*e.g.*, employees or agents of the Sponsored User), or any person acting in the name of such Sponsored User (*e.g.*, customers of the Sponsored User) and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Trading Permit Holder **[**Member**]**; and

(II) the Sponsoring Trading Permit Holder **[**Member**]** is responsible for any and all actions taken by such Sponsored User and any person acting on behalf of or in the name of such Sponsored User.

(C) The Sponsoring Trading Permit Holder **[**Member**]** agrees that it will be bound by and comply with the Exchange's Certificate of Incorporation, Bylaws **[**Constitution**]**, Rules and procedures, as well as any other equivalent documents pertaining to the Exchange System(s) (the "Exchange Rules"), and the Sponsored User agrees that it will be bound by and comply with the Exchange Rules as if the Sponsored User were a Trading Permit Holder **[**an Exchange member**]**.

(D) The Sponsored User agrees that it will maintain, keep current and provide to the Sponsoring Trading Permit Holder **[**Member**]** a list of persons who have been granted access to the Exchange System(s) on behalf of the Sponsored User ("Authorized Traders").

(E) – (H) No change.

(I) The Sponsored User agrees that it will pay when due all amounts, if any, payable to the Sponsoring Trading Permit Holder **[**Member**]**, the Exchange or any other third parties that arise from the Sponsored User's use of or access to the Exchange System(s). Such amounts include, but are not limited to, applicable Exchange and regulatory fees.

(iii) The Sponsored User and Sponsoring Trading Permit Holder **[**Member**]** must provide the Exchange with a Sponsored User Agreement acknowledging and agreeing to the requirements of this Rule, including an acknowledgement by the Sponsoring Trading Permit Holder **[**Member**]** of its responsibility for the orders, executions and actions of its Sponsored User. To the extent the Sponsoring Trading Permit Holder **[**Member**]** is not a clearing firm, the Sponsoring Trading Permit Holder's **[**Member's**]** clearing firm, which must be a TPH **[**an Exchange member**]** organization, must provide the Exchange with a Letter of Authorization, which specifically accepts responsibility for the clearance of the Sponsored User's transactions. Upon approval by the Clearing Corporation, if applicable, and filing with the Exchange, an existing Letter of Authorization may be amended to include the Sponsoring Trading Permit Holder **[**Member**]**/Sponsored User relationship. Sponsored User Agreements and Letters of Authorization filed with the Exchange will remain in effect until a written notice of revocation has been filed with the TPH **[**Membership**]** Department. If such a written notice of revocation has not been filed with the TPH **[**Membership**]** Department at least one hour prior to the opening of trading on the particular business day, such revocation shall not become effective until the close of trading on such day. A revocation shall in no way relieve the Sponsoring Trading Permit Holder **[**Member**]** or, if applicable, the Sponsoring Trading Permit Holder's [Sponsored Member's] clearing firm of responsibility for transactions guaranteed prior to the effective date of the revocation.

(2) Each Sponsoring Trading Permit Holder **[**Member**]** must maintain an up-to-date list of persons who may obtain access to the Exchange System(s) on behalf of its Sponsored Users (*i.e.*, Authorized Traders) and must provide that list to the Exchange upon request. In addition, each Sponsoring Trading Permit Holder **[**Member**]** must have reasonable procedures to ensure that Sponsored User and all of its Sponsored Users' Authorized Traders: (i) maintain the physical security of the Exchange and the System, which includes, but is not limited to, the equipment for accessing the facilities of the Exchange and the Exchange System(s), to prevent the unauthorized use or access to the Exchange or the Exchange System(s), including the unauthorized entry of information into the Exchange or the Exchange System(s), or the information and data made available therein; and (ii) otherwise comply with the Exchange Rules. If the Exchange determines that a Sponsored User or an Authorized Trader has caused a Sponsoring Trading Permit Holder **[**Member**]** to violate the Exchange Rules, the Exchange may direct the Sponsoring Trading Permit Holder **[**Member**]** to suspend or withdraw the Sponsored User's status as a Sponsored User or the person's status as an Authorized Trader and, if so directed, the Sponsoring Trading Permit Holder **[**Member**]** must suspend or withdraw such status.

. . . Interpretations and Policies:

.01 Sponsored Users shall be permitted for the following Exchange Systems: the FLEX Hybrid Trading System ("FLEX"), CBSX and CBOE. For FLEX and CBSX, the number of Sponsored Users shall be unlimited. Except for FLEX and CBSX, the number of Sponsored Users having electronic access to CBOE shall be limited to a total of 15 persons/entities ("Sponsored User Slots"). Sponsored User applications for the CBOE Sponsored User Slots shall be submitted to the Exchange's TPH **[**Membership**]** Department in a manner acceptable to the Exchange and will

be processed in the order they are received on a time-stamped basis. For applications received via facsimile or email the time-stamp shall be the time the email/facsimile is received by the TPH **[**Membership**]** Department. If there are more Sponsored User applications than Sponsored User Slots, the Exchange will maintain a waitlist and use a First In, First Out ("FIFO") method for filling the 15 Sponsored User Slots. In the event a Sponsored User application is determined by the TPH **[**Membership**]** Department to be incomplete, the application will not be considered to have been submitted under the FIFO method until a completed application is submitted.

Rule 6.21. Must Give Up Clearing Trading Permit Holder [Member]

For each transaction in which he participates, a Trading Permit Holder **[**member**]** must immediately give up the name of the Clearing Trading Permit Holder **[**Member**]** through whom the transaction will be cleared. If there is a subsequent change in identity of the Clearing Trading Permit Holder **[**Member**]** through whom a transaction will be cleared, the Trading Permit Holder **[**member**]** must, as promptly as possible, report such change to the Clearing Trading Permit Holder **[**Member**]** on the other side of the transaction.

. . . Interpretations and Policies:

.01 Nothing herein shall be deemed to preclude the clearance of Exchange transactions by a non-Trading Permit Holder **[**member of the Exchange**]** pursuant to the By-Laws of the Clearing Corporation so long as a Clearing Trading Permit Holder **[**Member**]** who is a Trading Permit Holder **[**member of the Exchange**]** is also designated as having responsibility under these Rules for the clearance and comparison of such transactions.

Rule 6.22. Trading by Trading Permit Holders [Members] on the Floor

No Trading Permit Holder **[**member**]** shall initiate a transaction, while on the floor, for an account in which he has an interest unless such Trading Permit Holder **[**member**]** is registered with the Exchange as a Market-Maker and is acting in accordance with Chapter VIII of these Rules; however, a Trading Permit Holder **[**member**]** may take into his own account, and subsequently liquidate, any position that results from an error made while attempting to execute, as Floor Broker, an order for a customer.

Rule 6.23. Trading Permit Holder [Member] Wires from Floor

(a) No Trading Permit Holder **[**member**]** shall establish or maintain any telephone or other wire communications between his or its office and the Exchange without prior approval by the Exchange. The Exchange may direct discontinuance of any communication facility terminating on the floor of the Exchange.

(b) *Equity Option Telephone Policy.* Persons in the equity option trading crowds (including DPM crowds which trade equity options) may have access to outside telephone lines and may receive telephone orders directly at equity options posts from locations outside the Exchange, subject to certain requirements. The Exchange will review and may approve any applications to install or to use telephones in the equity option crowds.

(1) Requirements and conditions that apply to the use of telephone services at the equity option posts shall include the following:

(A) No change.

(B) Trading Permit Holders **[**Members**]** may give their clerks their PIN access code. Although both Trading Permit Holders **[**members**]** and clerks may use telephones, Trading Permit Holders **[**members**]** will have priority. Each Trading Permit Holder **[**member**]** will be responsible for all calls made using that Trading Permit Holder's **[**member's**]** PIN access code.

(C) Clerks will not be permitted to establish a base of operation utilizing general use telephones at the equity option posts. This means, for example, that a clerk may not monopolize the use of a telephone receiver on a telephone that has multiple lines if all of those lines are not dedicated to the Trading Permit Holder **[**Member**]** for whom the clerk works.

(D) The Exchange may provide for the taping of any telephone line into the equity option posts or may require Trading Permit Holders **[**Members**]** to provide for the tape recording of a dedicated line at the equity option posts at any time. Trading Permit Holders **[**Members**]** and their clerks using the telephones consent to the Exchange tape recording any telephone or line.

(E) – (H) No change.

. . . Interpretations and Policies:

.01 A Trading Permit Holder **[**member**]** or TPH **[**member**]** organization which has been granted approval of any means of communication under this rule shall be responsible for assuring compliance with all Exchange rules and requirements in connection with any business conducted by means of such electronic or telephonic communication.

Rule 6.23A. Trading Permit Holder [Member] Electronic Connectivity

(a) The Exchange may limit the number of messages sent by Trading Permit Holders **[**members**]** accessing the Exchange electronically in order to protect the integrity of the Hybrid trading

system. In addition, the Exchange may impose restrictions on the use of a computer connected through an API if it believes such restrictions are necessary to ensure the proper performance of the system. Any such restrictions shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

(b) No change.

Rule 6.24. Required Order Information

(a) Orders Must Be Systematized. The Exchange has undertaken with the other options exchanges to develop a Consolidated Options Audit Trail System ("COATS"), which when fully developed and implemented, will provide an accurate, time-sequenced record of electronic and other orders, quotations, and transactions in certain option classes listed on the Exchange. Unless otherwise provided, the requirements of this Rule shall commence on January 10, 2005. In connection with the implementation of COATS:

(1) No change.

(2) Market and Marketable Orders. With respect to non-electronic, market and marketable orders sent to the Exchange, the Trading Permit Holder **[**member**]** responsible for systematizing the order shall input into the Exchange's systems at least the following specific information with respect to the order prior to the representation of the order: (i) the option symbol; (ii) the expiration month; (iii) the expiration year; (iv) the strike price; (v) buy or sell; (vi) call or put; (vii) the number of contracts; and (viii) the Clearing Trading Permit Holder **[**Member**]**. Any additional information with respect to the order shall be input into the Exchange's systems contemporaneously upon receipt, which may occur after the representation and execution of the order.

(3) No change.

(4) In the event of a malfunction or disruption of the Exchange's systems such that a Trading Permit Holder **[**member**]** is unable to systematize an order, the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall follow the procedures as described in paragraph (b) of this Rule during the time period that the malfunction or disruption occurs. Upon the cessation of the malfunction or disruption, the Trading Permit Holder **[**member**]** shall immediately resume systematizing orders. In addition, the Trading Permit Holder **[**member**]** shall exert best efforts to input electronically into the Exchange's systems all relevant order information received during the time period when there was a malfunction or disruption of the Exchange's systems as soon as possible, and in any event shall input such data electronically into the Exchange's systems not later than the close of business on the day that the malfunction or disruption ceases. If, following

a malfunction or disruption, the Exchange's systems were to become available for the systemization of orders after the close of business, the Trading Permit Holder **[**member**]** would be expected to input electronically into the Exchange's systems all relevant order information received during the malfunction or disruption on the next business day.

(b) With respect to orders received during a malfunction or disruption of the Exchange's systems under paragraph (a)(4) above:

(1) *Transmitted to the Floor.* Each order transmitted to the Exchange must be recorded legibly in a written form that has been approved by the Exchange, and the Trading Permit Holder **[**member**]** receiving such order must record the time of its receipt on the floor and legibly record the terms of the order, in written form.

(2) *Cancellations and Changes.* Each cancellation of, or change to, an order that has been transmitted to the floor must be recorded legibly in a written form that has been approved by the Exchange, and the Trading Permit Holder **[**member**]** receiving such cancellation or change must record the time of its receipt on the floor.

(c) *Executions.* A Trading Permit Holder **[**member**]** transmitting from the floor a report of the execution of an order must record the time at which a report of such execution is received by such Trading Permit Holder **[**member**]**.

. . . Interpretations and Policies:

.01 Any Trading Permit Holder **[**member**]** desiring to use an order form other than those provided by the Exchange must submit such form to the Exchange and obtain its approval prior to using such form on the Floor. When approving an order form other than those provided by the Exchange, the Exchange shall ensure that the form complies with COATS.

.02 (a) The use of hand signal communications on the floor of the Exchange may be used to initiate an order, to increase or decrease the size of an order, to change an order's limit, to cancel an order, or to activate a market order. Any initiation, cancellation, or change of an order relayed to a floor broker through the use of hand signals also must be systematized in accordance with paragraph (a) of this Rule. All other rules applicable to order preparation and retention, and reporting duties are applicable to orders under this Interpretation, except that the record-keeping obligation lies with the Trading Permit Holder **[**member**]** signaling the order where a hand signal is used. All cancellations and changes of orders held by the Order Book Official must be provided in written form or electronically, and also must be systematized in accordance with paragraph (a) of this Rule.

.03 - .07 No change.

Rule 6.25. Nullification and Adjustment of Equity Options Transactions

No change.

(a) Trades Subject to Review

A Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** may have a trade adjusted or nullified if, in addition to satisfying the procedural requirements of paragraph (b) below, one of the following conditions is satisfied:

(1) – (3) No change.

(4) Erroneous Print in Underlying or Related Instrument: A trade resulting from an erroneous print disseminated in a designated underlying or related instrument which is later cancelled or corrected may be adjusted or nullified as set forth in paragraph (a)(1) above. In order to be adjusted or nullified, however, the trade must be the result of an erroneous print that is higher or lower than the average trade in the instrument during a two-minute period before and after the erroneous print by an amount at least five times greater than the average quote width for such instrument during the same period.
For purposes of this paragraph (4):

(i) The underlying or related instrument(s) (which may include the underlying or related ETF(s), HOLDRS(s) and/or index value(s), and/or related futures product(s)) and the relevant market(s) will be designated by the Exchange and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular. To qualify for consideration as a "related instrument:" (A) the ETF, HOLDRS or index option class and related instrument must be derived from or designed to track the same underlying index; or (B) in the case of S&P 100-related options, the options class and related instrument must be derived from or designed to track the S&P 100 Index or the S&P 500 Index.

(ii) – (iii) No change.

(5) Erroneous Quote in Underlying or Related Instrument: A trade resulting from an erroneous quote in a designated underlying or related instrument may be adjusted or nullified as set forth in paragraph (a)(1) above. An erroneous quote occurs when the underlying or related instrument has a width of at least $1.00 and has a width at least five times greater than the average quote width for such underlying security or related instrument on the relevant market during the time period encompassing two minutes before and after the dissemination of such quote.
For purposes of this paragraph (5):

(i) The underlying or related instrument(s) (which may include the underlying or related ETF(s), HOLDRS(s) and/or index value(s), and/or related futures product(s)) and the relevant market(s) will be designated by the Exchange and announced to the Trading

Permit Holders **[**membership**]** via Regulatory Circular. To qualify for consideration as a "related instrument:" (A) the ETF, HOLDRS or index option class and related instrument must be derived from or designed to track the same underlying index; or (B) in the case of S&P 100-related options, the options class and related instrument must be derived from or designed to track the S&P 100 Index or the S&P 500 Index.

(ii) – No change.

(6) No change.

(b) Procedures for Reviewing Transactions

(1) Notification: Any Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** that believes it participated in a transaction that may be adjusted or nullified in accordance with paragraph (a) must notify any Trading Official or designated personnel in the control room promptly but not later than fifteen (15) minutes after the execution in question, except for the time frame set forth in paragraphs (a)(1)(ii) or (a) (1)(iii). Absent unusual circumstances, relief shall not be granted under this Rule unless notification is made within the prescribed time periods.

In the absence of unusual circumstances, (i) Trading Officials (either on their own motion or upon request of a Trading Permit Holder **[**member**]**) must initiate action pursuant to paragraph (a)(3) above within sixty (60) minutes of the occurrence of the verifiable disruption or malfunction; and (ii) designated personnel in the control room (either on their own motion or upon request of a Trading Permit Holder **[**member**]**) must initiate action pursuant to paragraph (a)(6) within sixty (60) minutes of the occurrence of the opening transaction in a Rule 5.4 restricted series. When action is taken pursuant to paragraphs (a)(3) or (6), the Trading Permit Holders **[**members**]** involved in the transaction(s) shall receive verbal notification as soon as is practicable.

(2) Review and Determination: Once a party to a transaction has applied for review, the transaction shall be reviewed and a determination rendered, unless both parties to the transaction agree to withdraw the application for review prior to the time a decision is rendered. All transactions shall be reviewed and determinations rendered by Trading Officials, except that actions pursuant to paragraph (a)(6) shall be reviewed and determinations rendered by the senior official in the control room.

Absent unusual circumstances (*e.g.*, a large number of disputed transactions arising out of the same incident), a determination must be rendered within sixty (60) minutes of receiving notification pursuant to paragraph (b)(1) above. Verbal notification of a determination will be

promptly provided to the Trading Permit Holders **[**members**]** involved in the disputed transaction and to the control room.

(3) **Procedures for Reviewing Transactions on CBOE's Own Motion**: In the interest of maintaining a fair and orderly market and for the protection of investors, the President of CBOE or his/her designee, who shall be an officer of CBOE but may not be a Trading Permit Holder **[**member**]** ("CBOE officer"), may, on his or her own motion or upon request, determine to review any transaction occurring on CBOE that is believed to be erroneous. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the CBOE officer that the transaction is erroneous as provided in paragraphs (a)(1)-(6) of this Rule. A transaction would be adjusted or nullified in accordance with the provision under which it is deemed an erroneous transaction. The CBOE officer may be assisted by Trading Officials in reviewing a transaction (or the senior official in the control room in the case of a transaction being reviewed under Rule 6.25(a)(6)).

The CBOE officer shall act as soon as possible after receiving notification of the transaction, and ordinarily would be expected to act on the same day as the transaction occurred. In no event shall the CBOE officer act later than 8:30 a.m. (CT) on the next trading day following the date of the transaction at issue. A Trading Permit Holder **[**member**]** affected by a nullification or adjustment of a transaction reviewed pursuant to this paragraph (b)(3) may appeal such nullification or adjustment in accordance with paragraph (e) of this Rule; however, a determination by a CBOE officer not to review a transaction, or a determination by a CBOE officer not to nullify or adjust a transaction for which a review was requested or conducted, is not appealable. Transactions adjusted or nullified pursuant to this subsection cannot be reviewed by an Obvious Error Panel under paragraph (c) of this Rule. Relief shall not be granted under this paragraph (b)(3) if a transaction was reviewed and a determination rendered under paragraphs (b)(1) and (b)(2) above.

(c) Obvious Error Panel

(1) Composition. An Obvious Error Panel will be comprised of at least one (1) member of the Exchange's staff designated to perform Obvious Error Panel functions and four (4) Trading Permit Holders **[**Exchange members**]**. Fifty percent of the number of Trading Permit Holders **[**Exchange members**]** on the Obvious Error Panel must be directly engaged in market making activity and fifty percent of the number of Trading Permit Holders **[**Exchange members**]** on the Obvious Error Panel must act in the capacity of a floor broker.

(2) – (4) No change.

(d) Catastrophic Error Procedure

The Exchange shall administer the application of this provision as follows.

(1) Notification. If a Trading Permit Holder **[**member**]** believes that it participated in a transaction that qualifies as a Catastrophic Error pursuant to paragraph (a)(1) above, it must notify any Trading Official or designated personnel in the control room by 7:30 am CT on the first trading day following the date the Catastrophic Error occurred. For transactions in an expiring options series that take place on expiration Friday, notification must be made by 4:00 pm CT that same day. Relief will not be granted under this paragraph: (i) unless notification is made within the prescribed time period; and (ii) if an Obvious Error Panel has previously rendered a decision with respect to the transaction(s) in question.

(2) Composition. A Catastrophic Error Panel will be comprised of at least one (1) member of the Exchange's staff designated to perform Catastrophic Error Panel functions and four (4) Exchange Trading Permit Holders **[**members**]**, will determine whether the transaction(s) qualifies as a Catastrophic Error. Fifty percent of the number of Exchange Trading Permit Holders **[**members**]** on the Catastrophic Error Panel must be directly engaged in market making activity and fifty percent of the number of Exchange Trading Permit Holders **[**members**]** on the Catastrophic Error Panel must act in the capacity of a floor broker.

(3) Determination. If it is determined that a Catastrophic Error has occurred, the execution price of the transaction(s) will be adjusted according to paragraph (d)(4) below. If it is determined that a Catastrophic Error has not occurred, the Trading Permit Holder **[**member**]** will be subject to a charge of $5,000. All determinations by the Catastrophic Error Panel may be appealed in accordance with paragraph (e) of this Rule.

(4) No change.

(e) Review

Subject to the limitations contained in paragraph (b)(3) of this rule, a Trading Permit Holder **[**member**]** affected by a determination made under this rule may appeal such determination in accordance with Chapter XIX of the Exchange's rules. For purposes of this Rule, a Trading Permit Holder **[**member**]** must be aggrieved as described in Rule 19.1. Notwithstanding any provision in Rule 19.2 to the contrary, a request for review must be made in writing (in a form and manner prescribed by the Exchange) no later than the close of trading on the next trade date after the Trading Permit Holder **[**member**]** receives verbal notification of such determination from the Exchange.

(f) No change.

. . . Interpretations and Policies:

.01 Applicability: Trading Officials may also allow for the execution of ROS trades (and assign those trades to participating ROS Market-Makers) that were not executed on the opening but that should have been executed had ROS opened the series at the non-erroneous quote. The Exchange

will endeavor to notify its Trading Permit Holders **[**members**]** as soon as practicable after the correction of an erroneous print and will indicate that this may result in the adjustment of trades executed pursuant to ROS. The only trades that will be adjusted are those that were executed on the opening or those that should have executed on the opening. All adjustments will be made during the day when the correction of the erroneous print occurred.

.02 Trading Officials: The term "Trading Officials" means three Exchange officials designated to perform Trading Official functions, at least one of which is an Exchange Trading Permit Holder **[**member**]** designated as a Floor Official and at least one of which is a member of the Exchange's staff designated to perform Trading Official functions.

.03 -- .05 No change.

* * * * *

Rule 6.42. Minimum Increments for Bids and Offers

The Board of Directors may establish minimum increments for options traded on the Exchange. When the Board of Directors determines to change the minimum increments, the Exchange will designate such change as a stated policy, practice, or interpretation with respect to the administration of Rule 6.42 within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act and will file a rule change for effectiveness upon filing with the Commission. Until such time as the Board of Directors makes a change to the minimum increments, the following minimum increments shall apply to options traded on the Exchange:

(1) – (3) No change.

(4) Except as provided in Rule 6.53C, bids and offers on complex orders, as defined in Interpretation and Policy .01 below, may be expressed in any increment regardless of the minimum increments otherwise appropriate to the individual legs of the order. Notwithstanding the foregoing sentence, bids and offers on complex orders in options on the S&P 500 Index (SPX) or on the S&P 100 Index (OEX and XEO), except for box/roll spreads, shall be expressed in decimal increments no smaller than $0.05 or in any increment, as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular. In addition:

(a) – (b) No change.

. . . Interpretations and Policies

.01 - .03 No change.

Rule 6.43. Manner of Bidding and Offering

(a) Bids and offers to be effective must either be entered electronically in a form and manner prescribed by the Exchange via Exchange-approved quoting devices or made at the post by public outcry, except that bids and offers made by the Order Book Official shall be effective if displayed in a visible manner in accordance with Rule 7.7. All bids and offers shall be general ones and shall not be specified for acceptance by particular Trading Permit Holders **[**members**]**.

(b) No change.

* * * * *

Rule 6.45. Priority of Bids and Offers—Allocation of Trades

Except as provided by Rules, including but not limited to Rule 6.2A, 6.8, 6.9, 6.13, 6.13B, 6.45A, 6.47, 6.74, 8.87, and Exchange Regulatory Circulars approved by the Commission concerning Participation Entitlements, the following rules of priority shall be observed with respect to bids and offers:

(a) *Priority of bids.*

(i) No change.

(ii) The following applies with respect to orders being represented by a Floor Broker, PAR Official, or OBO, or with respect to bids made in response to a specific request from a Market-Maker. With respect to each of the following, the Floor Broker, DPM, OBO, PAR Official or Market-Maker shall determine the sequence in which the bids were made.

(1) – (4) No change.

The Floor Broker, DPM, OBO, PAR Official, or Market-Maker shall determine which market participants responded at the best market at the time the market was established.

(i) No change.

(ii) Whenever a Trading Permit Holder **[**member**]** requests from members of a trading crowd a single bid in excess of the RAES order eligibility size for that option class as provided for in

Interpretation .11 to Rule 8.7, each member of the trading crowd shall be apportioned a share of the executed order based on an approximate pro rata percentage, to the extent practicable, of the crowd member's portion of the size of the original single bid. The Trading Permit Holder **[**member**]** requesting the single bid shall determine what constitutes an approximate pro rata percentage of the order that is executed with respect to each member of the trading crowd who participated in making the single bid.

(b) No change.

(c) *Openings.* Notwithstanding anything in paragraphs (a) and (b) to the contrary, where necessary to achieve a single-priced opening, market orders in which no Trading Permit Holder **[**member**]** or any non-Trading Permit Holder **[**member**]** broker/dealer has an interest shall have priority over limit orders at the same opening price in the customer limit order book. The cut-off time for orders entitled to participate in the opening is set forth in Interpretation .02 to Rule 7.4.

(d) No change.

(e) *Complex Order Priority Exception:* A complex order as defined in Rule 6.42.01 may be executed at a net debit or credit price with another Trading Permit Holder **[**member**]** without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the public customer limit order book provided at least one leg of the order betters the corresponding bid (offer) in the public customer limit order book by at least one minimum trading increment as defined in Rule 6.42 (i.e., $0.10 or $0.05 or $0.01, as applicable) or a $0.01 increment, which increment shall be determined by the Exchange on a class-by-class basis. Stock-option orders and security future-option orders, as defined in Rule 1.1(ii)(a) and Rule 1.1(zz)(a), respectively, have priority over bids (offers) of the trading crowd but not over bids (offers) in the public customer limit order book.

. . . Interpretations and Policies:

.01 When the customer limit order book is displaying, pursuant to Rule 7.7 or Rule 7.12(b), limit orders to sell at the minimum increment which have priority pursuant to Rule 6.45, no Trading Permit Holder **[**member**]**, PAR Official, or Order Book Official shall hold a market order to sell that series. Whenever this condition occurs, any such market order held by a Trading Permit Holder **[**member**]**, PAR Official, or Order Book Official shall be considered a limit order to sell at a price at the minimum increment, and the Trading Permit Holder **[**member**]**, PAR Official, or Order Book Official shall change the market sell order to reflect a limit price at the minimum increment.

.02 No change.

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

Generally: No change.

(a) Allocation of Incoming Electronic Orders: The Exchange will determine to apply, for each class of options, one of the following rules of trading priority described in paragraphs (i) or (ii). The Exchange will issue a Regulatory Circular periodically specifying which priority rules will govern which classes of options any time the Exchange changes the priority.

(i) Ultimate Matching Algorithm ("UMA"): Under this method, a market participant who enters a quotation or order and whose quote or order is represented by the disseminated CBOE best bid or offer ("BBO") shall be eligible to receive allocations of incoming electronic orders for up to the size of its quote or order, in accordance with the principles described below. As an initial matter, if the number of contracts represented in the disseminated quote is less than the number of contracts in an incoming electronic order(s), the incoming electronic order(s) shall only be entitled to receive a number of contracts up to the size of the disseminated quote, in accordance with Rule 6.45A(a)(i)(B). The balance of the electronic order will be eligible to be filled at the refreshed quote either electronically (in accordance with paragraph (a)(i)(B) below) or manually (in accordance with Rule 6.45A(b)) and, as such, may receive a split price execution.

(A) - (B) No change.

(C) Participation Entitlement: If a Market-Maker is eligible for an allocation pursuant to the operation of the Algorithm described in paragraph (a) of Rule 6.45A and is also eligible for an allocation pursuant to a participation entitlement under Rules 8.13, 8.15B, or 8.87, the Market-Maker shall be entitled to receive an allocation (not to exceed the size of its quote) equal to either:

(1) the greater of the amount the Market-Maker would be entitled to pursuant to the participation entitlement or the amount it would otherwise receive pursuant to the operation of the Algorithm described above provided, however, that in calculating an On-Floor DPM's allocation under the Algorithm, an On-Floor DPM may choose to count as two market participants for purposes of Component A of the Algorithm if the On-Floor DPM exclusively uses the portion of a Trading Permit(s) **[**membership(s)**]** representing one-half the total appointment cost of the classes allocated to the On-Floor DPM at a particular trading station in order to count as two market participants, and not for any other purpose. For example, if an On-Floor DPM's appointment cost is 2.2 for the classes allocated to it at a particular trading station, pursuant to Rule 8.85(e) the On-Floor DPM would be required to hold **[**own**]** one Trading Permit **[**membership**]** and hold **[**own or lease**]** two additional Trading Permits **[**memberships**]**. In addition, the On-Floor DPM may choose to count as two market participants for purposes of Component A of the Algorithm

if the On-Floor DPM exclusively utilizes 1.1 (one-half of 2.2) of the Trading Permit(s) **[**membership(s)**]** it holds **[**owns or leases**]** in order to count as two market participants, and not utilize the 1.1 of the Trading Permits **[**memberships**]** for any other purpose. In this example, to comply with the Trading Permit **[**membership ownership**]** requirements and to count as two market participants for purposes of Component A, the On-Floor DPM would be required to hold four **[**own one**]** Trading Permits **[**membership, and own or lease three additional memberships**]** to satisfy its total cost of 3.3 (2.2 + 1.1); or

(2) No change.

(ii) Price-Time or Pro-Rata Priority

Price-Time Priority: Under this method, resting quotes and orders in the book are prioritized according to price and time. If there are two or more quotes or orders at the best price then priority is afforded among these quotes or orders in the order in which they were received by the Hybrid System; or

Pro-Rata Priority: Under this method, resting quotes and orders in the book are prioritized according to price. If there are two or more quotes or orders at the best price then trades are allocated proportionally according to size (in a pro-rata fashion). The executable quantity is allocated to the nearest whole number, with fractions 1/2 or greater rounded up and fractions less than 1/2 rounded down. If there are two market participants that both are entitled to an additional 1/2 contract and there is only one contract remaining to be distributed, the additional contract will be distributed to the market participant whose quote or order has time priority.

Additional Priority Overlays Applicable to Price-Time or Pro-Rata Priority Methods

In addition to the base allocation methodologies set forth above, the Exchange may determine to apply, on a class-by-class basis, one or more of the following designated market participant overlay priorities in a sequence determined by the Exchange. The Exchange will issue a Regulatory Circular periodically which will specify which classes of options are subject to these additional priorities as well as any time the Exchange changes these priorities.

(1) Public Customer: When this priority overlay is in effect, the highest bid and lowest offer shall have priority except that public customer orders shall have priority over non-public customer orders at the same price. If there are two or more public customer orders for the same options series at the same price, priority shall be afforded to such public customer orders in the sequence in which they are received by the System, even if the Pro-Rata Priority allocation method is the chosen allocation method. For purposes of this Rule, a Public Customer order is an order for an account in which no Trading Permit Holder **[**member**]**, non-Trading Permit Holder

[member**]** participant in a joint-venture with a Trading Permit Holder **[**member**]**, or non- Trading Permit Holder **[**member**]** broker-dealer (including a foreign broker-dealer) has an interest.

(2) – (4) No change.

(iii) Additional Priority Overlay Applicable to Small Orders

No change.

(b) Allocation of Orders Represented in Open Outcry: The allocation of orders that are represented in open outcry by floor brokers or PAR Officials shall be as described below in subparagraph (b)(i). With respect to subparagraph (b)(i)(B), the floor broker or PAR Official representing the order shall determine the sequence in which bids (offers) are made.

(i) The highest bid (lowest offer) shall have priority, but where two or more bids (offers) for the same option contract represent the highest (lowest) price:

(A) Public customer orders in the electronic book shall have first priority. Multiple public customer orders in the electronic book at the same price are ranked based on time priority. If a public customer order(s) in the electronic book matches, or is matched by, an oral bid or offer provided by a Trading Permit Holder in **[**member of**]** the trading crowd, the public customer order(s) shall have priority and the balance of the order, if any, will be allocated in open outcry in accordance with subparagraph (B) below.

(B) Bids (offers) of in-crowd market participants shall have second priority. Priority shall be afforded to the in-crowd market participants in accordance with the allocation principles contained in Rule 6.45(a) or (b). The balance of the order, if any, will be allocated in accordance with subparagraph (C) below.

(C) Bids (offers) of broker-dealer orders in the electronic book and electronic quotes of Market-Makers shall have third priority. Priority shall be afforded to these bids (offers) in accordance with the Allocation Algorithm formula in effect pursuant to Rule 6.45A(a).

(D) Notwithstanding the priority provisions otherwise applicable under subparagraph (B) above, Trading Permit Holders **[**members**]** relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (commonly known as the "G exemption rule") as an exemption must yield priority to any bid (offer) at the same price of public customer orders and broker-dealer orders resting in the electronic book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule.

(ii) Exception: Complex Order Priority:

A complex order as defined in Rule 6.42.01 may be executed at a net debit or credit price with another Trading Permit Holder **[**member**]** without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the public customer limit order book provided at least one leg of the order betters the corresponding bid (offer) in the public customer limit order book by at least one minimum trading increment as defined in Rule 6.42 (i.e., $0.10 or $0.05 or $0.01, as applicable) or a $0.01 increment, which increment shall be determined by the Exchange on a class-by-class basis. Stock-option orders and security future-option orders, as defined in Rule 1.1(ii)(a) and Rule 1.1(zz)(a), respectively, have priority over bids (offers) of the trading crowd but not over bids (offers) in the public customer limit order book.

(c) - (e) No change.

. . . Interpretations and Policies:

.01 No change.

.02 ***Solicitation Orders.*** Order entry firms must expose orders they represent as agent for at least one (1) second before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from Trading Permit Holders **[**members**]** and non-Trading Permit Holder **[**member**]** broker-dealers to transact with such orders. This paragraph also shall apply to agency orders resting on the Hybrid System in penny increments pursuant to Rule 6.13B. In such cases, agency orders priced in penny increments are deemed "exposed" pursuant to this paragraph.

.03 No change.

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

Generally: No change.

(a) Allocation of Incoming Electronic Orders: The Exchange will determine to apply, for each class of options, one of the following rules of trading priority described in paragraphs (i) or (ii). The Exchange will issue a Regulatory Circular periodically specifying which priority rules will govern which classes of options any time the Exchange changes the priority.

(i) Price-Time or Pro-Rata Priority

Price-Time Priority: Under this method, resting quotes and orders in the book are prioritized according to price and time. If there are two or more quotes or orders at the best price then priority is afforded among these quotes or orders in the order in which they were received by the Hybrid System; or

Pro-Rata Priority: Under this method, resting quotes and orders in the book are prioritized according to price. If there are two or more quotes or orders at the best price then trades are allocated proportionally according to size (in a pro-rata fashion). The executable quantity is allocated to the nearest whole number, with fractions 1/2or greater rounded up and fractions less than 1/2rounded down. If there are two market participants that both are entitled to an additional 1/2contract and there is only one contract remaining to be distributed, the additional contract will be distributed to the market participant whose quote or order has time priority.

Additional Priority Overlays Applicable to Price-Time or Pro-Rata Priority Methods

In addition to the base allocation methodologies set forth above, the Exchange may determine to apply, on a class-by-class basis, one or more of the following designated market participant overlay priorities in a sequence determined by the Exchange. The Exchange will issue a Regulatory Circular periodically which will specify which classes of options are subject to these additional priorities as well as any time the Exchange changes these priorities.

(1) Public Customer: When this priority overlay is in effect, the highest bid and lowest offer shall have priority except that public customer orders shall have priority over non-public customer orders at the same price. If there are two or more public customer orders for the same options series at the same price, priority shall be afforded to such public customer orders in the sequence in which they are received by the System, even if the Pro-Rata Priority allocation method is the chosen allocation method. For purposes of this Rule, a Public Customer order is an order for an account in which no Trading Permit Holder **[**member**]**, non-Trading Permit Holder **[**member**]** participant in a joint-venture with a Trading Permit Holder **[**member**]**, or non-Trading Permit Holder **[**member**]** broker-dealer (including a foreign broker-dealer) has an interest.

(2) – (4) No change.

(ii) Ultimate Matching Algorithm ("UMA"): Under this method, a market participant who enters a quotation and whose quote is represented by the disseminated CBOE best bid or offer ("BBO") shall be eligible to receive allocations of incoming electronic orders for up to the size of its quote, in accordance with the principles described below. As an initial matter, if the number of contracts represented in the disseminated quote is less than the number of contracts in an incoming electronic order(s), the incoming electronic order(s) shall only be entitled to receive a

number of contracts up to the size of the disseminated quote, in accordance with Rule 6.45B(a)(ii)(B). The balance of the electronic order will be eligible to be filled at the refreshed quote either electronically (in accordance with paragraph (a)(ii)(B) below) or manually (in accordance with Rule 6.45B(b)) and, as such, may receive a split price execution.

(A) No change.

(B) Allocation

(1) No change.

(2) More than One Market Participant Quoting at BBO: When more than one market participant is quoting at the BBO, inbound electronic orders shall be allocated pursuant to the following allocation algorithm:

* * * * *

Where:

Component A: The percentage to be used for Component A shall be an equal percentage, derived by dividing 100 by the number of market participants quoting at the BBO.

Component B: Size Pro-rata Allocation. The percentage to be used for Component B of the Allocation Algorithm formula is that percentage that the size of each market participant's quote at the best price represents relative to the total number of contracts in the disseminated quote.

Final Weighting: The final weighting formula, which shall be established by the Exchange and may vary by product, shall be a weighted average of the percentages derived for Components A and B multiplied by the size of the incoming order. Changes made to the percentage weightings of Components A and B shall be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular at least one day before implementation of the change.

(C) Participation Entitlement: If a Market-Maker is eligible for an allocation pursuant to the operation of the Algorithm described in paragraph (a) of Rule 6.45B and is also eligible for an allocation pursuant to a participation entitlement under Rules 8.13, 8.15B, or 8.87, the Market-Maker may be entitled to receive an allocation (not to exceed the size of its quote) equal to either:

(1) the greater of the amount it would be entitled to pursuant to the participation entitlement or the amount it would otherwise receive pursuant to the operation of the Algorithm described

above provided, however, that in calculating an On-Floor DPM's or LMM's allocation under the Algorithm, an On-Floor DPM or an LMM may choose to count as two market participants for purposes of Component A of the Algorithm if the On-Floor DPM exclusively uses the portion of a Trading Permit(s) **[**membership(s)**]** representing one-half the total appointment cost of the classes allocated to the On-Floor DPM at a particular trading station in order to count as two market participants, and not for any other purpose; or the LMM exclusively uses the portion of a Trading Permit(s) **[**membership(s)**]** representing one-half the total appointment cost of the class(es) in which it is appointed an LMM at a particular trading station in order to count as two market participants, and not for any other purpose. For example, if an On-Floor DPM's appointment cost is 2.2 for the classes allocated to it at a particular trading station, pursuant to Rule 8.85(e) the On-Floor DPM would be required to **[**own one**]** hold three Trading Permit(s) **[**membership(s) and own or lease two additional membership(s)**]**. Additionally, the On-Floor DPM may choose to count as two market participants for purposes of Component A of the Algorithm if the On-Floor DPM exclusively utilizes 1.1 (one-half of 2.2) of the Trading Permit(s) **[**membership(s)**]** it holds **[**owns or leases**]** in order to count as two market participants, and not utilize the 1.1 of the Trading Permit(s) **[**membership(s)**]** for any other purpose. In this example, to comply with the Trading Permit **[**membership ownership**]** requirements and to count as two market participants for purposes of Component A, the On-Floor DPM would be required to **[**own one**]** hold four Trading Permits **[**membership, and own or lease three additional memberships**]** to satisfy its total cost of 3.3 (2.2 + 1.1); or

(2) the amount it would be entitled to pursuant to the participation entitlement; or

(3) The amount it would be entitled to receive pursuant to the operation of the Algorithm described above provided, however, that in calculating an On-Floor DPM's or LMM's allocation under the Algorithm, an On-Floor DPM or an LMM may choose to count as two market participants for purposes of Component A of the Algorithm if the On-Floor DPM exclusively uses the portion of a Trading Permit(s) **[**membership(s)**]** representing one-half the total appointment cost of the classes allocated to the On-Floor DPM at a particular trading station in order to count as two market participants, and not for any other purpose; or the LMM exclusively uses the portion of a Trading Permit(s) **[**membership(s)**]** representing one-half the total appointment cost of the class(es) in which it is appointed an LMM at a particular trading station in order to count as two market participants, and not for any other purpose.

The Exchange shall determine which of the preceding three entitlement formulas will be in effect on a class-by-class basis. All pronouncements regarding the entitlement formula shall be made via Regulatory Circular. The participation entitlement percentage is expressed as a percentage of the remaining quantity after all public customer orders in the electronic book have been executed.

(iii) Additional Priority Overlay Applicable to Small Orders

No change.

(b) Allocation of Orders Represented in Open Outcry: The allocation of orders that are represented in open outcry by floor brokers or PAR Officials shall be as described below in subparagraph (b)(i). With respect to subparagraph (b)(i)(B), the floor broker or PAR Official representing the order shall determine the sequence in which bids (offers) are made.

(i) The highest bid (lowest offer) shall have priority, but where two or more bids (offers) for the same option contract represent the highest (lowest) price:

(A) Public customer orders in the electronic book shall have first priority. Multiple public customer orders in the electronic book at the same price are ranked based on time priority. If a public customer order(s) in the electronic book matches, or is matched by, an oral bid or offer provided by a Trading Permit Holder in **[**member of**]** the trading crowd, the public customer order(s) shall have priority and the balance of the order, if any, will be allocated in open outcry in accordance with subparagraph (B) below.

(B) Bids (offers) of in-crowd market participants shall have second priority. Priority shall be afforded to the in-crowd market participants in accordance with the allocation principles contained in Rule 6.45(a) or (b). The balance of the order, if any, will be allocated in accordance with subparagraph (C) below.

(C) Bids (offers) of broker-dealer orders in the electronic book and electronic quotes of Market-Makers shall have third priority. Priority shall be afforded to these bids (offers) in accordance with the Allocation Algorithm formula in effect pursuant to Rule 6.45B(a).

(D) Notwithstanding the priority provisions otherwise applicable under subparagraph (B) above, Trading Permit Holders **[**members**]** relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the so called "G exemption rule") as an exemption must yield priority to any bid (offer) at the same price of public customer orders and broker-dealer orders resting in the electronic book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule.

(ii) Exception: Complex Order Priority:

A complex order as defined in Rule 6.42.01 may be executed at a net debit or credit price with another Trading Permit Holder **[**member**]** without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the public customer limit order book provided at least one leg of the order betters the corresponding bid (offer) in the public customer limit order book by at least one minimum trading increment as defined in Rule 6.42 (i.e., $0.10 or $0.05 or $0.01, as applicable) or a $0.01 increment, which increment shall be determined by the Exchange on a class-by-class basis. Stock-option orders and security future-option orders, as defined in Rule 1.1(ii)(a) and Rule 1.1(zz)(a), respectively, have priority over

bids (offers) of the trading crowd but not over bids (offers) in the public customer limit order book.

(c) Interaction of Market Participant's Quotes and/or Orders with Orders in Electronic Book

Market participants, as defined in Rule 6.45B, may submit quotes or orders electronically to trade with orders in the electronic book. A floor broker market participant may only represent as agent customer orders or orders from unaffiliated broker-dealers. When a market participant's quote or order interacts with the order in the book, a trade occurs, CBOE will disseminate a last sale report, and the size of the book order will be decremented to reflect the execution.

In the limited instance when the Exchange has determined that the allocation of incoming electronic orders shall be pursuant to price-time priority as described in Rule 6.45B(a)(i), allocation of orders in the Electronic Book pursuant to this paragraph shall be based on time-priority (i.e., allocated to the first market participant to interact with the order in the book, up to the size of that market participant's order). In all other instances, the allocation of the book order shall be as follows:

(i) No change.

(ii) Multiple Market Participant Trade with the Electronic Book: Each market participant that submits an order or quote to buy (sell) an order in the electronic book within a period of time not to exceed 5-seconds of the first market participant to submit an order ("N-second group") shall be entitled to receive an allocation of the order in the electronic book pursuant to the following allocation algorithm:

* * * * *

Where:

Component A: The percentage to be used for Component A shall be an equal percentage derived by dividing 100 by the number of market participant's in the "N-second group."

Component B: Size Pro-rata Allocation. The percentage to be used for Component B of the Allocation Algorithm formula is that percentage that each market participant of the "N-second group's" quote at the best price represents relative to the total number of contracts of all market participants of the "N-second group." The Exchange may determine that the maximum quote size to be used for each market participant in the Component B calculation shall be no greater than the cumulative size of orders resident in the electronic book at the best price at which market participants are attempting to buy (sell).

Final Weighting: The final weighting formula, which shall be established by the Exchange and may vary by product, shall be a weighted average of the percentages derived for Components A and B, multiplied by the size of the order(s) in the electronic book. Changes made to the percentage weightings of Components A and B shall be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular at least one day before implementation of the change.

Length of "N-Second Group" Timer: The Exchange will determine the length of the "N-second group" timer on a class-by-class basis provided, however, that the duration of the "N-second group" timer shall not exceed five seconds. Any changes to the duration of the "N-second group" timer shall be announced via Regulatory Circular.

(iii) Participation Entitlement: There is no DPM or LMM participation entitlement applicable to orders allocated pursuant to this paragraph (c).

(d) No change.

. . . Interpretations and Policies:

.01 No change.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least one (1) second before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from Trading Permit Holders **[**members**]** and non-Trading Permit Holders **[**member**]** broker-dealers to transact with such orders. This paragraph also shall apply to agency orders resting on the Hybrid System in penny increments pursuant to Rule 6.13B. In such cases, agency orders priced in penny increments are deemed "exposed" pursuant to this paragraph.

.03 No change.

.04 No change.

Rule 6.46. Transactions Outside Book's Last Quoted Range

If a transaction or the cancellation of an order causes the last displayed bid or last displayed offer of an Order Book Official to be removed from the market, no Trading Permit Holder **[**member**]** may participate in any transaction at a price below such last bid or above such last offer until the Order Book Official has displayed a new bid or a new offer.

Rule 6.47. Priority on Split-Price Transactions Occurring in Open Outcry

(a) *Purchase or sale priority.* If a Trading Permit Holder **[**member**]** purchases (sells) one or more option contracts of a particular series at a particular price or prices, he shall, at the next lower (higher) price at which a Trading Permit Holder **[**member**]** other than the Order Book Official is bidding (offering), have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that he purchased (sold) at the higher (lower) price or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). This paragraph only applies to transactions effected in open outcry.

(b) *Purchase or sale priority for orders of 100 contracts or more.* If a Trading Permit Holder **[**member**]** purchases (sells) fifty or more option contracts of a particular series at a particular price or prices, he shall, at the next lower (higher) price have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that he purchased (sold) at the higher (lower) price or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales). The Exchange may increase the "minimum qualifying order size" above 100 contracts on a class-by-class basis. Announcements regarding changes to the minimum qualifying order size shall be made via Regulatory Circular. This paragraph only applies to transactions effected in open outcry.

(c) *Two or more Trading Permit Holders **[**members**]** entitled to priority.* If the bids or offers of two or more Trading Permit Holders **[**members**]** are both entitled to priority in accordance with paragraph (a) or paragraph (b), it shall be afforded them insofar as practicable, on a pro-rata basis.

. . . Interpretations and Policies:

.01 Floor brokers are able to achieve split-price priority in accordance with paragraphs (a) and (b) above. Provided, however, that a floor broker who bids (offers) on behalf of a non-Market-Maker CBOE Trading Permit Holder **[**member**]** broker-dealer ("CBOE Trading Permit Holder **[**member**]** BD") must ensure that the CBOE Trading Permit Holder **[**member**]** BD qualifies for an exemption from Section 11(a)(1) of the Exchange Act or that the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T), otherwise the floor broker must yield priority to orders for the accounts of non-Trading Permit Holders **[**members**]**.

.02 No change.

Rule 6.48. Contract Made on Acceptance of Bid or Offer

(a) All bids or offers made and accepted in accordance with the Rules shall constitute binding contracts, subject to applicable requirements of the Bylaws **[**Constitution**]** and the Rules and the Rules of the Clearing Corporation.

(b) Stock-option orders and security future-option orders. (i) A bid or offer that is identified to the Exchange trading crowd as part of a stock-option order, as defined in Rule 1.1(ii), or a security future-option order, as defined in Rule 1.1(zz), is made and accepted subject to the following conditions:

(A) at the time the stock-option order or security future-option order is announced, the Trading Permit Holder **[**member**]** initiating the order must disclose to the crowd all legs of the order and must identify the specific market(s) on which and the price(s) at which the non-option leg(s) of the order is to be filled, and

(B) concurrent with execution of the options leg of the order, the initiating Trading Permit Holder **[**member**]** and each Trading Permit Holder **[**member**]** that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to the identified market(s) for execution.

(ii) A trade representing the execution of the options leg of a stock-option order or a security future-option order may be cancelled at the request of any Trading Permit Holder **[**member**]** that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

(c) No change.

Rule 6.49. Transactions Off the Exchange

(a) Except as otherwise provided by this Rule, no Trading Permit Holder **[**member**]** acting as principal or agent may effect transactions in any class of option contracts listed on the Exchange for a premium in excess of $1.00 other than (i) on the Exchange, (ii) on another exchange on which such option contracts are listed and traded, or (iii) in the over-the-counter market if the stock underlying the option class was a Tier 1 National Market System security under SEC Rule 11Aa2-1(b)(1), or in the case of an index option, if all the component stocks of an index underlying the option class were Tier 1 or Tier 2 National Market System Securities under SEC Rule 11Aa2-1(b)(1)- (2), at the time the Exchange commenced trading in that option class, unless the Trading Permit Holder **[**member**]** has attempted to execute the transaction on the floor of the Exchange and has reasonably ascertained that it may be executed at a better price off the floor.

(b) Notwithstanding the provisions of paragraph (a) of this Rule, a Trading Permit Holder **[**member**]** acting as agent may execute a customer's order off the Exchange floor with any other person (except when such Trading Permit Holder **[**member**]** also is acting as agent for such other person in such transaction) for the purchase or sale of an option contract listed on the Exchange.

(c) For each transaction in which a Trading Permit Holder **[**member**]** acting as principal or agent executes any purchase or sale of an option contract listed on the Exchange other than on the Exchange or on another exchange on which such option contracts are listed and traded, a record of such transaction shall be maintained by such Trading Permit Holder **[**member**]** and shall be available for inspection by the Exchange for a period of one year. Such record shall include the circumstances under which the transaction was executed in conformity with this Rule.

. . . Interpretations and Policies:

.01 No change.

Rule 6.49A Transfer of Positions

(a)(1) Notwithstanding the prohibition set forth in Rule 6.49(a), the following transfers involving a Trading Permit Holder's **[**an Exchange member's**]** positions may be effected off the floor: (i) the dissolution of a joint account in which the remaining Trading Permit Holder **[**member**]** assumes the positions of the joint account; (ii) the dissolution of a corporation or partnership in which a former nominee of the corporation or partnership assumes the positions; (iii) positions transferred as part of a Trading Permit Holder's **[**member's**]** capital contribution to a new joint account, partnership, or corporation; (iv) the donation of positions to a not-for-profit corporation; (v) the transfer of positions to a minor under the "Uniform Gifts to Minor" law; and (vi) a merger or acquisition where continuity of ownership or management results.

(2) Each Trading Permit Holder **[**member**]** seeking to transfer positions in any class of options listed on the Exchange as principal or agent may effect such transactions on (i) the Exchange pursuant to the procedure set forth in paragraph (c) of this Rule or on (ii) another exchange on which such option contracts are listed and traded, if the transfer results in a discontinuation of management or ownership of all or substantially all of the assets or options positions of the Transferor.

(b) No change.

(c) *Transfer Procedure.*

(1) No change.

(2) A "Transferor" is the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization submitting the Transfer Package(s) to the floor.

(3) – (4) No change.

(5) Any firm submitting a Transfer Package must designate a Trading Permit Holder **[**member of the exchange**]** or a person associated with a Trading Permit Holder **[**member**]** ("Transferor Designee") to represent the order on the floor of the exchange. The Transferor Designee must be available on the floor to answer questions regarding the Transfer Package during the entire Request Response Time.

(6) – (11) No change.

(12) In the event that a transaction in a non-CBOE listed component of the Transfer Package can not be completed in a timely manner due to a trading halt, some other operational problem outside the control of the parties, or the closing of the market before the transaction can be completed, the trade for the option portion of the trade may be canceled at the election of any Trading Permit Holder **[**member**]** that is a party to that trade.

(13) In the event that equal bids or offers are received for a Transfer Package at a price accepted by the Transferor, the Transfer Package will be split equally among all Trading Permit Holders **[**members**]** submitting such bids or offers to the extent possible or shall be split in such other manner as may be agreed upon by the parties submitting such bids or offers. Resolution of disputes in the manner of the distribution of the Transfer Package shall be determined by two Floor Officials.

(d) No change.

. . . Interpretations and Policies:

.01 - .03 No change.

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Rule 6.50. Submission for Clearance

All transactions made on the Exchange shall be submitted for clearance to the Clearing Corporation, and all such transactions shall be subject to the Rules of the Clearing Corporation.

Every Clearing Trading Permit Holder **[**Member**]** shall be responsible for the clearance of the Exchange transactions of such Clearing Trading Permit Holder **[**Member**]** and of each Trading Permit Holder **[**member**]** who gives up such Clearing Trading Permit Holder's **[**Member's**]** name pursuant to either a Letter of Authorization filed under Rule 6.72, a Letter of Guarantee filed under Rule 8.5 or other authorization given by such Clearing Trading Permit Holder **[**Member**]** to such Trading Permit Holder **[**member**]**. Each Trading Permit Holder **[**Member**]** shall file with, or at the direction of, the Exchange trade information in accordance with Rule 6.51(d) for each Exchange transaction for which such Trading Permit Holder **[**Member**]** is responsible.

Rule 6.51. Reporting Duties

(a) *Designated Trading Permit Holder **[**member**]** must report transaction.* (i) A participant in each transaction to be designated by the Exchange must report or ensure the transaction is reported to the Exchange within 90 seconds of the execution in a form and manner prescribed by the Exchange so that the trade information may be reported to time and sales reports. (ii) Transactions not reported within 90 seconds after execution in accordance with Rule 6.51(a)(i) shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trade and subject to summary fine under Rule 17.50 or to discipline under Chapter XVII of the Rules.

(b) *Reporting to Trading Permit Holder **[**member**]**.* For each transaction on the Exchange in which he participates, a Trading Permit Holder **[**member**]** shall report the transaction as promptly as possible to the Trading Permit Holder **[**member**]** for whom such transaction was made and/or to the Trading Permit Holder **[**member**]** that will clear such transaction in a form and manner prescribed by the Exchange.

(c) *Reporting transactions made off the Exchange.* For each transaction in which a Trading Permit Holder **[**member**]** participates off the Exchange in any option pertaining to an underlying security which is currently approved for Exchange transactions, such Trading Permit Holder **[**member**]** shall report the transaction to the Exchange in a form and manner prescribed by the Exchange. (With the identity of participants removed, such transactions shall be made public by the Exchange.)

(d) *Trade information.* Each Trading Permit Holder **[**Member**]** shall file with the Exchange trade information in such form as may be prescribed by the Exchange covering each Exchange transaction during each business day in order to allow the Exchange to properly match and clear trades. The trade information shall show for each transaction (a) the identity of the purchasing Clearing Trading Permit Holder **[**Member**]** and the writing Clearing Trading Permit Holder **[**Member**]**, (b) the underlying security, (c) the exercise price, (d) the expiration month, (e) the number of option contracts, (f) the premium per unit, (g) the identity of the executing brokers representing both the purchasing and writing Clearing Trading Permit Holders **[**Members**]**, (h) whether a purchase or a writing transaction, (i) except for a transaction executed by or for a Market-Maker, whether an opening or closing transaction, (j) the identity of the account of the

Clearing Trading Permit Holder **[**Member**]** in which the transaction was effected, (k) the time of purchase or sale, (l) whether a put or call, and (m) such other information as may be required by the Exchange.

. . . Interpretations and Policies:

.01 The Exchange has established the following procedure for reporting transactions pursuant to Rule 6.51(a) and (b).

For each transaction on the Exchange both the buyer and seller shall immediately record on a card or ticket, or enter in an electronic data storage medium acceptable to the Exchange, his assigned broker initial code and his clearing firm (if a Market-Maker), the symbol of the underlying security, the type, expiration month and exercise price of the option contract, the transaction price, the number of contract units comprising the transaction, the time of the transaction obtained from a source designated by the Exchange, the name of the contra Clearing Trading Permit Holder **[**clearing firm member**]** and the assigned broker initial code of the contra Trading Permit Holder **[**member**]**. Such a record shall constitute the "transaction record." The transaction record for any agency order shall also include the account origin code, as set forth in Interpretation .02 below. The seller in each transaction, or the buyer if designated by the Exchange, shall also within 90 seconds of the execution place a paper form copy of the transaction record in the price reporting belt provided at the station or, alternatively, shall provide the information provided for price reporting through an electronic data transmission link approved by the Exchange. Then, the buyer and seller in each transaction will immediately provide the transaction record to the Trading Permit Holder **[**member**]** for whom the transaction was executed and/or the Clearing Trading Permit Holder **[**clearing member**]** that will clear the transaction. Trading Permit Holders **[**Members**]** not using electronic medium to report trades are expected to provide the transaction record to the Trading Permit Holder **[**member**]** for whom the transaction was executed and/or to the Clearing Trading Permit Holder **[**clearing member**]** that will clear the trade as promptly as possible. A Trading Permit Holder **[**member**]** receiving a report of execution from another Trading Permit Holder **[**member**]** shall immediately forward the report to the Clearing Trading Permit Holder **[**clearing member**]** that will clear the transaction.

Before submitting the transaction record information for price reporting purposes in the manner prescribed above, the Trading Permit Holder **[**member**]** shall use his best efforts to make sure that the Order Book Official or Designated Primary Market-Maker ("DPM") acting in option contracts of the class involved, or the Order Book Official's clerk or the DPM's clerk, is aware of the transaction and its price. A Trading Permit Holder **[**member**]** shall also submit the transaction record information for price reporting purposes in the manner prescribed above whenever the transaction represents the partial execution of a larger order.

Any floor Trading Permit Holder **[**member**]** failing to report a transaction in accordance with Rule 6.51(b) and this interpretation may be subject to discipline under Chapter XVII of the Rules.

.02 When entering orders on the Exchange, each Trading Permit Holder **[**Member**]** shall submit trade information in such form as may be prescribed by the Exchange in order to allow the Exchange to properly prioritize and route orders pursuant to the rules of the Exchange and report resulting transactions to the Clearing Corporation.

.03 No change.

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Rule 6.53. Certain Types of Orders Defined

One or more of the following order types may be made available on a class-by-class basis. Certain order types may not be made available for all Exchange systems. The classes and/or systems for which the order types shall be available will be as provided in the Rules, as the context may indicate, or as otherwise specified via Regulatory Circular.

(a) – (l) No change.

(m) *Facilitation Order*. A facilitation order is an order which is only to be executed in whole or in part in a cross transaction with an order for a public customer of the TPH **[**member**]** organization and which is clearly designated as a facilitation order.

(n) – (p) No change.

(q) *AIM Sweep Order*. An AIM sweep order (AIM ISO) is the transmission of two orders for crossing pursuant to Rule 6.74A without regard for better priced Protected Bids/Offers (as defined in Rule 6.80) because the Trading Permit Holder **[**member**]** transmitting the AIM ISO to the Exchange has, simultaneously with the routing of the AIM ISO, routed one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid/Offer that is superior to the starting AIM auction price and has swept all interest in the Exchange's book priced better than the proposed auction starting price. Any execution(s) resulting from such sweeps shall accrue to the AIM Agency Order.

(r) – (t) No change.

Rule 6.53C. Complex Orders on the Hybrid System

(a) – (c) No change.

(d) Process for Complex Order RFR Auction: Prior to routing to the COB or once on PAR, eligible complex orders may be subject to an automated request for responses ("RFR") auction process.

(i) No change.

(ii) Initiation of a COA: On receipt of a COA-eligible order and request from the Trading Permit Holder **[**member**]** representing the order that it be COA'd, the Exchange will send an RFR message to all Trading Permit Holders **[**members**]** who have elected to receive RFR messages. The RFR message will identify the component series, the size of the COA-eligible order and any contingencies, if applicable, but will not identify the side of the market.

(iii) Bidding and Offering in Response to RFRs: Each Market-Maker with an appointment in the relevant option class, and each Trading Permit Holder **[**member**]** acting as agent for orders resting at the top of the COB in the relevant options series, may submit responses to the RFR message ("RFR Responses") during the Response Time Interval.

(1) – (2) No change.

(iv) – (viii) No change.

. . . Interpretations and Policies:

.01 All pronouncements regarding determinations by the Exchange pursuant to Rule 6.53C and the Interpretations and Policies thereunder will be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

.02 - .03 No change.

.04 With respect to the initiation of a COA (as described in Rule 6.53C(d)(ii)), Trading Permit Holders **[**members**]** routing complex orders directly to the COB may request that the complex orders be COA'd on a class-by-class basis and Trading Permit Holders **[**members**]** with resting complex orders on PAR may request that complex orders be COA'd on an order-by-order basis.

.05 - .06 No change.

.07 In lieu of permitting RFR Responses by Market-Makers with an appointment in the relevant option class and each Trading Permit Holder **[**member**]** acting as agent for orders resting at the

top of the COB in the relevant options series ("Qualifying Trading Permit Holders **[**Members**]**") as provided in subparagraph (d)(iii) above, the Exchange may determine on a class-by-class basis to permit RFR Responses by all CBOE Market-Makers and Qualifying Trading Permit Holders **[**Members**]**. All other provisions of the Rule shall apply unchanged.

.08 Price Check Parameters: On a class by class basis, the Exchange may determine (and announce to the Trading Permit Holders **[**membership**]** via Regulatory Circular) that COB will not automatically execute eligible complex orders that are: (a) Market orders if (i) the width between the Exchange's best bid and best offer in any individual series leg is not within an acceptable price range or (ii) the width between the Exchange's best net priced bid and best net priced offer in the individual series legs comprising the complex order is not within an acceptable price range. For purpose of this paragraph (a):

(1) An "acceptable price range" shall be determined by the Exchange (and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular) on a series by series basis for each series comprising the complex order (or, in the case of subparagraph (a)(ii), based on the sum of each individual series leg of a complex order) and be no less than 1.5 times the corresponding bid/ask differentials for individual series legs determined by the Exchange pursuant to Rule 8.7(b)(iv); and

(2) – (4) No change.

(b) – (c) No change.

Rule 6.54. Accommodation Liquidations (Cabinet Trades)

No change.

. . . Interpretations and Policies:

.01 Order Book Official: An Order Book Official who receives a closing buy (sell) order for $1 per option contract shall attempt to execute the order against any $1 closing sell (buy) orders in his possession. If any part of the buy (sell) order cannot be immediately executed, the Order Book Official shall display the $1 bid (offer).

The Order Book Official may accept bids or offers for opening transactions at a price of $1 per contract only to the extent that the cabinet book already contains closing orders for the contra side.

Upon execution of any $1 per contract orders, the Order Book Official shall promptly supply reports of the transaction back to the TPH organizations **[**member firms**]** involved. In accordance with (a)(vii) above, he will not report the transactions to the Exchange until after the close of each business day.

.02 - .03 No change.

Rule 6.55. Multiple Representation Prohibited

(a) No Trading Permit Holder **[**member**]**, for any account in which the Trading Permit Holder **[**member**]** has an interest or on behalf of a customer, shall maintain with more than one broker orders for the purchase or sale of the same option contract or other security, or the same combination of option contracts or other securities, with the knowledge that such orders are for the account of the same principal.

(b) No change.

. . . Interpretations and Policies:

.01 No change.

.**02** The following procedures apply to the simultaneous presence in a trading crowd of participants in and orders for the same joint account:

(a) – (e) No change.

(f) Except as otherwise permitted under Rule 6.55, Trading Permit Holders **[**members**]** are reminded that they are prohibited from entering orders for their individual or joint accounts while they are trading in-person in a trading crowd even if the orders are for an account they are not then actively trading.

(g) Trading Permit Holders **[**Members**]** must ensure that they do not trade in-person or by orders such that (i) a trade occurs between a joint account participant's individual market-maker account and the joint account of which he or she is a participant, or (ii) a trade occurs in which the buyer and seller are representing the same joint account and are on opposite sides of a transaction. It is the responsibility of a joint account participant to ascertain whether joint account orders have been entered in a crowd prior to trading the joint account in-person.

(h) No change.

(i) Trading Permit Holders **[**Members**]** may alternate trading in-person for their individual account and their joint account while in a trading crowd.

(j) No change.

Rule 6.58. Submission of Trade Information to the Exchange

(a) *Time of submission.*

(1) No change.

(2) *Submission by electronic transmission.*

(A) No change.

(B) In the event a Clearing Trading Permit Holder **[**Member**]** attempts to send trade information by electronic transmission but is unable to get through to the Exchange computer system, the Clearing Trading Permit Holder **[**Member**]** may contact the Exchange's Trade Processing Window Department to inquire if the Exchange's system is ready to receive such Clearing Trading Permit Holder's **[**Member's**]** transmission.

(i) If the Exchange determines that its system was not so ready, any trade information submitted by such Clearing Trading Permit Holder **[**Member**]** within ten (10) minutes of being informed by Trade Processing Window personnel that the Exchange's system is so ready will be considered received by the Exchange as of the time the Clearing Trading Permit Holder **[**Member**]** contacted the Trade Processing Window, based on the time recorded by the Trade Processing Window personnel handling the inquiry.

(ii) If the Exchange determines that its system was and remains so ready, it will reset the line at the Exchange's end and so inform the Clearing Trading Permit Holder **[**Member**]**. Any trade information submitted by such Clearing Trading Permit Holder **[**Member**]** within ten (10) minutes of being informed by Trade Processing Window personnel that the Exchange's system remains ready to accept such data and the line has been reset will be considered received by the Exchange as of the time the Clearing Trading Permit Holder **[**Member**]** contacted the Trade Processing Window, based on the time recorded by the Trade Processing Window personnel handling the inquiry. Such procedure shall apply only once for any given day, and repetitive use of this subparagraph by any Clearing Trading Permit Holder **[**Member**]** shall be investigated. Employing this subparagraph when no actual attempt was made to transmit trade information shall cause this subparagraph to be inapplicable and such action shall be considered conduct inconsistent with just and equitable principles of trade.

(3) *Submission on diskette or tape.*

Trade information delivered on computer diskette or tape to the Trade Processing Window shall be considered received by the Exchange within fifteen (15) minutes after the time stamped on the paper receipt given by Trade Processing Window personnel to the Clearing Trading Permit Holder's **[**Member's**]** representative who delivered such diskette or tape, provided that all trade data contained on the diskette or tape delivered, or on any backup diskette or tape delivered at

the same time, can be successfully loaded into the Exchange computer system without any difficulty.

Rule 6.60. Unmatched Trade Reports

On each business day the Exchange shall match the trade information submitted by Trading Permit Holders **[**Members**]** on that day and shall issue Unmatched Trade Reports to each Clearing Trading Permit Holder **[**Member**]**, which shall contain a list (a) of such Clearing Trading Permit Holder's **[**Member's**]** trades on such day for which the Exchange did not receive matching trade data from another Clearing Trading Permit Holder **[**Member**]** (called "unmatched trades") and (b) of all trades reported by other Clearing Trading Permit Holders **[**Members**]** for which such Clearing Trading Permit Holder **[**Member**]** submitted no matching trade data (called "advisory trades").

Rule 6.61. Reconciliation and Resolution of Unmatched Trades

Promptly upon receipt of an Unmatched Trade Notification or Report, a Trading Permit Holder **[**Member**]** shall be obligated to reconcile all unmatched trades and advisory trades shown thereon and to report all reconciliations and corrections to the Exchange or the Clearing Trading Permit Holder **[**Member**]** responsible for submission to the Exchange, in accordance with such procedures as may be established by the Exchange from time to time.

. . . Interpretations and Policies:

.01 All Trading Permit Holders **[**Members**]** and their respective representatives shall make all reasonable efforts to resolve unmatched options trades on trade day. With respect to all options transactions, the following shall apply:

(a) Every Trading Permit Holder **[**Member**]** must have a representative available to resolve unmatched trades and respond to advisory trades until the final trade transmission is sent to The Options Clearing Corporation. If a Trading Permit Holder **[**Member**]** cannot reach the opposing Trading Permit Holder **[**Member**]** or its representative at the appropriate location and published number, the Trading Permit Holder **[**Member**]** should notify the Exchange's Trade Processing Window, which will verify and record the absence.

(b) All Trading Permit Holders **[**Members**]** must submit all trades immediately upon execution, as noted under Rule 6.51. If inaccurate information is initially submitted due to an error in carding or keying a trade, the Trading Permit Holder **[**Member**]** or its representative must make all reasonable efforts to detect and correct these errors.

(c) No change.

(d) Any Trading Permit Holder **[**Member**]** who fails to observe the policies and procedures under Rule 6.61 will be responsible for any liability resulting from an unmatched transaction which should have matched.

.02 All Trading Permit Holders **[**Exchange members**]**, Clearing Trading Permit Holders **[**Members**]** and their respective representatives shall have readily available all necessary trade records for the resolution of their unmatched trades, and shall be required to produce such trade records upon request.

.03 During the trade resolution process, when a representative of a Trading Permit Holder **[**an Exchange member**]** or a representative of a Clearing Trading Permit Holder **[**Member**]**, acting on behalf of a Trading Permit Holder **[**an Exchange member**]** makes a verbal commitment to another Trading Permit Holder **[**Exchange member**]**, Clearing Trading Permit Holder **[**Member**]** or their respective representatives that commitment is binding upon both parties.

.04 It shall be inconsistent with just and equitable principles of trade for any Trading Permit Holder **[**Exchange member**]**, a Clearing Trading Permit Holder **[**Member**]**, or any person associated therewith, while engaged in the reconciliation and resolution of unmatched or matched transactions to (1) agree to accept any transaction in which the accepting party or its principal was not involved or (2) decline to accept any transaction in which the declining party or its principal was involved.

.05 In addition to the requirements set forth in Interpretation .01 above, the following provision applies to transactions in index options and in any class of options which will trade ex-dividend or ex-distribution the following day:

Trades which do not match on trade day due to a difference in premium and which cannot be resolved that day by the Trading Permit Holders **[**Members**]** or their representatives, may be resolved provisionally prior to the final trade transmission to the Options Clearing Corporation by the buying Trading Permit Holder **[**Member**]** agreeing with the premium of the selling Trading Permit Holder **[**Member**]** in order to match the trade. This will not preclude either the buyer or the seller from asserting his position as to the correct premium in attempting to finally resolve the trade the next morning. NOTE: The buying Trading Permit Holder **[**Member**]** should submit a notice to the Trade Processing Window reflecting these price changes, the transaction numbers of the unmatched trades and the opposing party that was contacted.

.06 - .07 No change.

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Rule 6.63. Reporting of Matched Trades to Clearing Corporation

(a) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, the Exchange shall furnish the Clearing Corporation a report of each Clearing Trading Permit Holder's **[**Member's**]** matched trades based on the trade information filed with the Exchange on that day. Only trades which have been matched in accordance with the provisions of these Rules shall be furnished by the Exchange to the Clearing Corporation, and the Exchange shall assume no responsibility with respect to any unmatched trade nor for any delays or errors in the reporting to it of trade information. The Exchange may delegate its responsibility in respect of trade matching to the Clearing Corporation or other facility, in which case Clearing Trading Permit Holders **[**Members**]** shall abide by the procedures established by the Clearing Corporation or other facility in the filing of trade information, the reconciliation of unmatched trades, and other actions pertinent to trade comparison.

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Rule 6.65. Written Contracts

(a) No change.

(b) Powers of Attorney to Employees. Such contracts must be signed by a Trading Permit Holder **[**member**]**, by a general partner or a duly authorized officer of a TPH **[**member**]** organization, or the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization may authorize one or more employees to sign in the name of such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization with the same effect as if the name of such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization had been signed under like circumstances by such Trading Permit Holder **[**member**]**, general partner or duly authorized officer by executing and filing with the exchange, in the form prescribed by it, a power of attorney or authorization for each person so authorized. Before the name of any TPH **[**member**]** organization is affixed to such a contract by an officer or employee thereof, the TPH **[**member**]** organization shall file with the Exchange in the form prescribed by it evidence that such officer or employee has been authorized to sign such contracts on behalf of the TPH **[**member**]** organization.

(c) Liability. When written contracts have been exchanged, only the Trading Permit Holders **[**members**]** or TPH **[**member**]** organizations whose names have been so signed thereon shall be liable.

(d) Failure or Refusal to Exchange Contracts. A Trading Permit Holder **[**member**]** or TPH **[**member**]** organization may close a contract as provided in Rule 10.13 in the event that the other party to the contract neglects or refuses to exchange written contracts as required herein.

. . . Interpretations and Policies:

.01 - .03 No change.

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Section D: Floor Brokers

Rule 6.70. Floor Broker Defined

A Floor Broker is an individual (either a Trading Permit Holder **[**member**]** or a nominee of a TPH **[**member**]** organization) who is registered with the Exchange for the purpose, while on the Exchange floor, of accepting and executing orders received from Trading Permit Holders **[**members**]** or from registered broker-dealers. A Floor Broker shall not accept an order from any other source unless he is **[**either**]** the nominee of **[**, or has registered his individual membership for,**]** a TPH **[**member**]** organization approved to transact business with the public in accordance with Rule 9.1. In the event the organization is approved pursuant to Rule 9.1, a Floor Broker who is the nominee of **[**, or who has registered his individual membership for,**]** such organization may then accept orders directly from public customers where (i) the organization clears and carries the customer account or (ii) the organization has entered into an agreement with the public customer to execute orders on its behalf. Among the requirements a Floor Broker must meet in order to register pursuant to Rule 9.1 is the successful completion of an examination for the purpose of demonstrating an adequate knowledge of the securities business.

Rule 6.71. Registration of Floor Brokers

(a) An applicant for registration as a Floor Broker shall file his application in writing with the TPH **[**Membership**]** Department of the Exchange on such form or forms as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider an applicant's ability as demonstrated by his passing a floor Trading Permit Holder's **[**member's**]** examination prescribed by the Exchange, and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove the applicant's registration as a Floor Broker.

(b) The registration of any person as a Floor Broker may be suspended or terminated by the Exchange upon a determination that such person has failed to properly perform as a Floor Broker.

(c) Any Trading Permit Holder **[**member**]** or prospective Trading Permit Holder **[**member**]** adversely affected by a determination of the Exchange under this Rule may obtain a review thereof in accordance with the provisions of Chapter XIX.

Rule 6.72. Letters of Authorization

(a) *Required of each Floor Broker*. No Floor Broker shall act as such on the Exchange unless there is in effect a Letter of Authorization that has been issued for such Floor Broker by a Clearing Trading Permit Holder **[**Member**]** and filed with the Exchange.

(b) *Terms of Letter of Authorization.* A Letter of Authorization shall be in a form prescribed by the Exchange and shall provide that the issuing Clearing Trading Permit Holder **[**Member**]** accepts financial responsibility for all Exchange transactions made by the guaranteed Floor Broker.

(c) *Revocation of Letter of Authorization.* A Letter of Authorization filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the TPH **[**Membership**]** Department. If such a written notice of revocation is not filed with the TPH **[**Membership**]** Department at least one hour prior to the opening of trading on a particular business day, such revocation shall not become effective until the close of trading on such day. Upon the request of the Clearing Trading Permit Holder **[**Member**]** that files such a written notice of revocation, the Exchange shall post notice of the revocation **[**on the Exchange Bulletin Board**]**. A revocation shall in no way relieve a Clearing Trading Permit Holder **[**Member**]** of responsibility for transactions guaranteed prior to the effective date of such revocation.

. . . Interpretations and Policies:

.01 Floor Brokers executing Government security options must have a separate Letter of Authorization issued by a Debt Securities Clearing Trading Permit Holder **[**Member**]**.

.02 No change.

Rule 6.73. Responsibilities of Floor Brokers

(a) No change.

(b) *Contingency order or one-cancels-the-other order.* A Floor Broker handling a contingency order or a one-cancels-the-other order that is dependent upon the price of the underlying security shall be responsible for satisfying the dependency requirement on the basis of the last reported

price of the underlying security in the primary market that is generally available on the floor of the Exchange at any given time. Unless mutually agreed by the Trading Permit Holders **[**members**]** involved, an execution or non-execution that results shall not be altered by the fact that such price is subsequently found to have been erroneous.

(c) No change.

. . . Interpretations and Policies:

.01 - .04 No change.

Rule 6.74. Crossing Orders

Generally. The rules of priority and order allocation procedures set forth in this Rule shall apply only to crossing orders in open outcry. The term "in-crowd market participant" ("ICMP") as used throughout this Rule only includes an in-crowd Market-Maker, in-crowd DPM or LMM, and Floor Broker or PAR Official representing orders in the trading crowd. For purposes of establishing priority for bids and offers, at the same price: (A) bids and offers of ICMPs have first priority, except as is otherwise provided in the Rule below with respect to public customer orders resting in the electronic book; and (B) all other bids and offers (including bids and offers of broker-dealer orders in the electronic book and electronic quotes of Market-Makers) have second priority.

In addition, in order to transact proprietary orders on the floor of the Exchange pursuant to this Rule, Trading Permit Holders **[**members**]** must ensure that they qualify for an exemption from Section 11(a)(1) of the Exchange Act. Notwithstanding the priority provisions otherwise applicable under this Rule, Trading Permit Holders **[**members**]** relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the "G" exemption) as an exemption must yield priority to any bid or offer at the same price of public customer orders and broker-dealer orders resting in the electronic book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule. In the event a Floor Broker that is asserting a crossing participation entitlement for its proprietary order pursuant to paragraph (d) below must yield priority in reliance on the "G" exemption and a DPM or LMM, as applicable, is asserting a participation entitlement, the Floor Broker's crossing percentage entitlement to the remaining balance of the original order, when combined with the DPM/LMM guaranteed participation, shall not exceed 40% of the order. However, provided the "G" exemption requirements are satisfied, nothing prohibits a Floor Broker or DPM/LMM from trading more than their applicable percentage entitlement if other ICMPs do not chose to trade the remaining portion of the order. For purposes of this Rule, the term "proprietary order" means an order for a Trading Permit Holder's **[**member's**]** own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion.

(a) No change.

(b) A Floor Broker who holds an order for a public customer of a TPH **[**member**]** organization and a facilitation order may cross such orders provided that he proceeds in the following manner:

(i) The TPH **[**member**]** organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities.

(ii) – (iii) No change.

(c) During the opening rotation for a class of option contracts in the interests of achieving a single price opening, an exception may be made to the requirements of subparagraphs (ii) and (iii) of paragraph (a) above, and the Floor Brokers may proceed as follows:

(i) A Floor Broker may match all market orders in his possession in which no Trading Permit Holder **[**member**]** or non-Trading Permit Holder **[**member**]** broker/dealer has an interest;

(ii) – (iii) No change.

(d) Notwithstanding the provisions of paragraphs (a) and (b) of this Rule, when a Floor Broker holds an option order for the eligible order size or greater ("original order"), the Floor Broker is entitled to cross a certain percentage of the order with other orders that he is holding or in the case of a public customer order with a facilitation order of the originating firm (*i.e.*, the firm from which the original customer order originated). The Exchange may determine on a class-by-class basis to include solicited orders within the provisions of paragraph (d) of this Rule. In addition, the Exchange may determine on a class-by-class basis the eligible size for an order that may be transacted pursuant to paragraph (d) of this Rule, however, the eligible order size may not be less than 50 contracts. In accordance with his responsibilities for due diligence, a Floor Broker representing an order of the eligible order size or greater that he wishes to cross shall request bids and offers for such option series and make all persons in the trading crowd, including the Order Book Official or the PAR Official, aware of his request.

(i) – (ii) No change.

(iii) In determining whether an order satisfies the eligible order size requirement, any multi-part or complex order (including a spread, straddle, combination, or ratio order (or a stock-option order or security future-option order, as defined in Rule 1.1(ii)(b) and Rule 1.1(zz)(b), respectively) or any other complex order defined in Rule 6.53C) must contain one leg alone which is for the eligible order size or greater. If the same TPH **[**member**]** organization is the

originating firm and also the Designated Primary Market-Maker ("DPM") or Lead Market-Maker ("LMM") for the particular class of options to which the order relates, then the DPM or LMM is not entitled to any of the DPM or LMM guaranteed participation rate with respect to the particular cross transaction.

(iv) When facilitating a customer order pursuant to paragraph (d) of this Rule, a TPH **[**member**]** organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities. The Floor Broker must disclose all securities that are components of the public customer order which is subject to facilitation before requesting bids and offers for the execution of all components of the order.

(v) – (viii) No change.

(e) – (f) No change.

. . . Interpretations and Policies:

.01 The term "public customer of a TPH **[**member**]** organization" shall mean, in connection with Rules 6.53(m) and 6.74(b), a customer that is neither a Trading Permit Holder **[**member**]** nor a broker/dealer.

.02 No change.

.03 A complex order as defined in Rule 6.42.01 or an inter-regulatory spread as defined in Rule 1.1(ll) on opposite sides of the market may be crossed, provided that the Floor Broker holding such orders proceeds in the manner described in paragraphs (a), (b), or (d) above as appropriate. Trading Permit Holders **[**Members**]** may not prevent such a cross from being completed by giving a competing bid or offer for one component of such order.

.04 Where a related order must be effected in another market, the Trading Permit Holder **[**member**]** must take steps to transmit the related order(s) concurrently with the execution of the options leg(s) of the order. A trade representing the execution of the options leg of a stock-option order or a security future-option order may be cancelled at the request of any Trading Permit Holder **[**member**]** that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

.05 - .09 No change.

.10 Rule 6.9(e) does not prohibit a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(a) No change.

(b) such a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;

(c) such hedging position is:

(i) - (iii) No change.

(iv) offered, at the execution price received by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization introducing the option, to any in-crowd market participant who has established parity or priority for the related options;

(d) – (f) No change.

(g) prior to entering tied hedge orders on behalf of customers, the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's tied hedge procedures. The written notification must disclose the terms and conditions contained in this Interpretation and Policy and be in a form approved by the Exchange.

A combination option and hedging position offered in reliance on this Interpretation and Policy .10 shall be referred to as "tied hedge" orders.

Rule 6.74A. Automated Improvement Mechanism ("AIM")

Notwithstanding the provisions of Rule 6.74, a Trading Permit Holder **[**member**]** that represents agency orders may electronically execute an order it represents as agent ("Agency Order") against principal interest or against a solicited order provided it submits the Agency Order for electronic execution into the AIM auction ("Auction") pursuant to this Rule.

(a) Auction Eligibility Requirements. A Trading Permit Holder **[**member**]** (the "Initiating Trading Permit Holder **[**Member**]**") may initiate an Auction provided all of the following are met:

(1) No change.

(2) if the Agency Order is for 50 contracts or more, the Initiating Trading Permit Holder **[**member**]** must stop the entire Agency Order as principal or with a solicited order at the better of the NBBO or the Agency Order's limit price (if the order is a limit order);

(3) if the Agency Order is for less than 50 contracts, the Initiating Trading Permit Holder **[**member**]** must stop the entire Agency Order as principal or with a solicited order at the better of (A) the NBBO price improved by one minimum price improvement increment, which increment shall be determined by the Exchange but may not be smaller than one cent; or (B) the Agency Order's limit price (if the order is a limit order); and

(4) No change.

(b) Auction Process. Only one Auction may be ongoing at any given time in a series and Auctions in the same series may not queue or overlap in any manner. The Auction may not be cancelled and shall proceed as follows:

(1) Auction Period and Request for Responses (RFRs).

(A) To initiate the Auction, the Initiating Trading Permit Holder **[**Member**]** must mark the Agency Order for Auction processing, and specify (i) a single price at which it seeks to cross the Agency Order (with principal interest or a solicited order) (a "single-price submission"), or (ii) that it is willing to automatically match as principal the price and size of all Auction responses ("auto-match") in which case the Agency Order will be stopped at the NBBO (if 50 contracts or greater) or one cent/one minimum increment better than the NBBO (if less than 50 contracts). Once the Initiating Trading Permit Holder **[**Member**]** has submitted an Agency Order for processing pursuant to this subparagraph, such submission may not be modified or cancelled.

(B) When the Exchange receives a properly designated Agency Order for Auction processing, a Request for Responses ("RFR") detailing the side and size of the order will be sent to all Trading Permit Holders **[**members**]** that have elected to receive RFRs.

(C) – (F) No change.

(G) The minimum price increment for RFR responses and for an Initiating Trading Permit Holder's **[**Member's**]** single price submission shall not be smaller than the minimum price improvement increment established pursuant to subparagraph (a)(3)(A) above.

(H) – (I) No change.

(2) No change.

(3) Order Allocation. At the conclusion of the Auction, the Agency Order will be allocated at the best price(s) pursuant to the matching algorithm in effect for the class subject to the following:

(A) – (E) No change.

(F) If the best price equals the Initiating Trading Permit Holder's **[**Member's**]** single-price submission, the Initiating Trading Permit Holder's **[**Member's**]** single-price submission shall be allocated the greater of one contract or a certain percentage of the order, which percentage will be determined by the Exchange and may not be larger than 40%. However, if only one Market-Maker matches the Initiating Trading Permit Holder's **[**Member's**]** single price submission then the Initiating Trading Permit Holder **[**Member**]** may be allocated up to 50% of the order.

(G) If the Initiating Trading Permit Holder **[**Member**]** selected the auto-match option of the Auction, the Initiating Trading Permit Holder **[**Member**]** shall be allocated its full size at each price point until a price point is reached where the balance of the order can be fully executed. At such price point, the Initiating Trading Permit Holder **[**Member**]** shall be allocated the greater of one contract or a certain percentage the remainder of the order, which percentage will be determined by the Exchange and may not be larger than 40%.

(H) If the Auction does not result in price improvement over the Exchange's disseminated price at the time the Auction began, resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any public customer order priority and the Initiating Trading Permit Holder's **[**Member's**]** priority (40%) have been satisfied. Any unexecuted balance on the Agency Order shall be allocated to RFR responses provided that those RFR responses will be capped to the size of the unexecuted balance and that the Initiating Trading Permit Holder **[**Member**]** may not participate on any such balance unless the Agency Order would otherwise go unfilled.

(I) No change.

No change.

. . . Interpretations and Policies:

.01 No change.

.02 A pattern or practice of submitting unrelated orders that cause an Auction to conclude before the end of the RFR period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 to engage in a pattern of conduct where the Initiating Trading Permit Holder **[**Member**]** breaks-up an Agency Order into separate orders for two (2) or fewer contracts for the purpose of gaining a higher allocation percentage than the Initiating Trading Permit Holder **[**Member**]** would have otherwise received in accordance with the allocation procedures contained in subparagraph (b)(3) above.

.03 No change.

.04 Any solicited orders submitted by the Initiating Trading Permit Holder **[**Member**]** to trade against the Agency Order may not be for the account of a Market-Maker assigned to the option class.

.05 - .07 No change.

.08 In lieu of the procedures in paragraphs (a) through (b) above, an Initiating Trading Permit Holder **[**Member**]** may enter an Agency Order for the account of a non-broker-dealer customer paired with a solicited order for the account of a non-broker-dealer customer and such paired orders will be automatically executed without an Auction Period provided the execution price is in the applicable standard increment and will not trade through the NBBO or at the same price as any resting customer order, and provided further that:

(a) No change.

(b) if the Exchange determines on a class-by-class basis to designate complex orders as eligible for AIM customer-to-customer immediate crosses, then the NBBO condition shall not apply to such orders and instead the execution price will not trade through the Exchange's BBO.

Rules 6.45A.01 and 6.45B.01 prevent an order entry firm from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Trading Permit Holder **[**member**]** was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a firm to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Rule 6.45A.01 or 6.45B.01, as applicable, for a firm to circumvent Rule 6.45A.01 or 6.45B.01, as applicable, by providing an opportunity for (i) a customer affiliated with the firm, or (ii) a customer with whom the firm has an arrangement that allows the firm to realize similar economic benefits from the transaction as the firm would

achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as AIM customer-to-customer immediate crosses.

Rule 6.74B. Solicitation Auction Mechanism

A Trading Permit Holder **[**member**]** that represents agency orders may electronically execute orders it represents as agent ("Agency Order") against solicited orders provided it submits the Agency Order for electronic execution into the solicitation auction mechanism (the "Auction") pursuant to this Rule.

(a) Auction Eligibility Requirements. A Trading Permit Holder **[**member**]** (the "Initiating Trading Permit Holder **[**Member**]**") may initiate an Auction provided all of the following are met:

(1) – (2) No change.

(3) The minimum price increment for an Initiating Trading Permit Holder's **[**Member's**]** single price submission shall be determined by the Exchange on a series basis and may not be smaller than one cent.

(b) Auction Process. The Auction shall proceed as follows:

(1) Auction Period and Requests for Responses.

(A) To initiate the Auction, the Initiating Trading Permit Holder **[**Member**]** must mark the Agency Order for Auction processing, and specify a single price at which it seeks to cross the Agency Order with a solicited order.

(B) When the Exchange receives a properly designated Agency Order for Auction processing, a Request for Responses message indicating the price and size will be sent to all Trading Permit Holders **[**members**]** that have elected to receive such messages.

(C) Trading Permit Holders **[**Members**]** may submit responses to the Request for Responses (specifying prices and sizes) during the response period (which shall be one (1) second), except that responses may not be entered for the account of an options market maker from another options exchange.

(D) – (G) No change.

(2) No change.

. . . Interpretations and Policies:

.01 No change.

.02 Prior to entering Agency Orders into the Auction on behalf of customers, Initiating Trading Permit Holders **[**Members**]** must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's Auction. The written notification must disclose the terms and conditions contained in this Rule 6.74B and be in a form approved by the Exchange.

.03 Under Rule 6.74B, Trading Permit Holders **[**members**]** may enter contra orders that are solicited. The Auction provides a facility for Trading Permit Holders **[**members**]** that locate liquidity for their customer orders. Trading Permit Holders **[**Members**]** may not use the Auction to circumvent Rules 6.45A.01, 6.45B.01 or 6.74A limiting principal transactions. This may include, but is not limited to, Trading Permit Holders **[**members**]** entering contra orders that are solicited from (a) affiliated broker-dealers, or (b) broker-dealers with which the Trading Permit Holder **[**member**]** has an arrangement that allows the Trading Permit Holder **[**member**]** to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, solicited contra orders entered by Trading Permit Holders **[**members**]** to trade against Agency Orders may not be for the account of a CBOE Market-Maker assigned to the options class.

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Rule 6.76. Payment for Floor Brokerage Services

When a Trading Permit Holder **[**member**]** acts as a floor broker for another Trading Permit Holder **[**member**]** and is to receive remuneration for such brokerage services, then payment of these brokerage commissions shall be made no later than the twenty-fifth day of the month, provided that an invoice detailing the brokerage charges for the services performed is delivered to the Trading Permit Holder **[**member**]** receiving such brokerage services no later than the fifth business day of that month.

. . . Interpretations and Policies:

.01 No change.

.02 Nothing in this Rule will operate to supersede any pre-existing agreement between Trading Permit Holders **[**members**]** for the payment of commissions.

Rule 6.76A. Automated Billing Process for Market-Maker Brokerage Bills

(a) The Exchange shall administer the following automated billing process for brokerage services that are provided to Market-Makers by Floor Brokers and order service firms ("OSFs"):

(i) No change.

(ii) For the purposes of this Rule, the submission of a written bill to a Market-Maker shall be deemed to include hand delivery of the bill to the Market-Maker, hand delivery of the bill to a representative of the Market-Maker such as the Market-Maker's clerk, or delivery of the bill to the Market-Maker's Clearing Trading Permit Holder **[**Member**]** with a written notation that the bill is for the Market-Maker.

(iii) – (v) No change.

(vi) The Accounting Department shall prepare a monthly Market-Maker floor brokerage billing list for each Clearing Trading Permit Holder **[**Member**]** that clears Market-Maker transactions and provide this list to each such Clearing Trading Permit Holder **[**Member**]** by the 21st day of the month. The list shall set forth the amounts Floor Brokers and OSFs have instructed the Accounting Department to bill each Market-Maker that clears through that Clearing Trading Permit Holder **[**Member**]** for brokerage fees incurred by the Market-Maker during the prior month.

(vii) A Clearing Trading Permit Holder **[**Member**]** may instruct the Accounting Department in a form and manner prescribed by the Exchange not to draft the Clearing Trading Permit Holder **[**Member**]** pursuant to this billing process for that portion of the brokerage fees billed to a Market-Maker which would cause the Market-Maker to have a negative balance in the Market-Maker's account at the Clearing Trading Permit Holder **[**Member**]**. Any such instruction must be provided to the Accounting Department by the 22nd day of the month. In determining whether a negative balance would result in a Market-Maker's account, a Clearing Trading Permit Holder **[**Member**]** may take into account deductions from the account that have been accrued but which have not yet posted to the account.

(viii) On the 25th day of the month, the Exchange will draft from each Clearing Trading Permit Holder's **[**Member's**]** account at the Clearing Corporation the total amount billed pursuant to this

Rule to Market-Makers that clear through that Clearing Trading Permit Holder **[**Member**]** (with the exception of amounts the Clearing Trading Permit Holder **[**Member**]** has instructed the Accounting Department not to draft pursuant to subparagraph (a)(vii) of this Rule). Following the draft of these funds, the Exchange shall promptly distribute the amounts drafted in a manner prescribed by the Exchange to the Floor Brokers and OSFs that provided billing instructions to the Accounting Department pursuant to this billing process.

(ix) In the event a Clearing Trading Permit Holder **[**Member**]** instructs the Accounting Department pursuant to subparagraph (a)(vii) of this Rule not to draft a portion of the brokerage fees billed to a Market-Maker:

(A) The Exchange shall, pursuant to subparagraph (a)(viii) of this Rule, distribute on a pro rata basis to the Floor Brokers and OSFs that submitted instructions to bill the Market-Maker, the portion of the brokerage fees which were drafted from the Clearing Trading Permit Holder **[**Member**]** for that Market-Maker. This pro rata distribution shall be allocated based on the amount that each Floor Broker and OSF instructed the Accounting Department to bill the Market-Maker.

(B) If the Market-Maker later has a positive balance in the Market-Maker's account at the Clearing Trading Permit Holder **[**Member**]**, the Clearing Trading Permit Holder **[**Member**]** shall deduct from the account the amount of the brokerage fees that the Clearing Trading Permit Holder **[**Member**]** previously instructed the Accounting Department not to draft. The Clearing Trading Permit Holder **[**Member**]** shall then promptly distribute to those Floor Brokers and OSFs who previously did not receive full payment the amounts which were previously billed but not drafted pursuant to this billing process. To the extent that any outstanding amounts that were not previously drafted have been paid to a Floor Broker or OSF, the Clearing Trading Permit Holder **[**Member**]** shall not be required to deduct these amounts from the Market-Maker's account and distribute them to the Floor Broker or OSF.

(x) – (xi) No change.

(b) Each Clearing Trading Permit Holder **[**Member**]** shall be authorized under this Rule (i) to deduct from a Market-Maker's account at that Clearing Trading Permit Holder **[**Member**]** amounts drafted by the Exchange from the Clearing Trading Permit Holder's **[**Member's**]** account at the Clearing Corporation pursuant to this Rule for brokerage fees billed to that Market-Maker and (ii) to make deductions from the Market-Maker's account at the Clearing Trading Permit Holder **[**Member**]** and distributions to Floor Brokers and OSFs of the deducted amounts in accordance with subparagraph (a)(ix)(B) of this Rule.

(c) The Clearing Corporation shall have no liability to Trading Permit Holders **[**members**]** or associated persons in connection with the billing process under this Rule.

(d) No change.

Rule 6.77. Order Service Firms

(a) An order service firm is a regular TPH **[**member**]** organization that is registered with the Exchange for the purpose of taking orders for the purchase or sale of stocks or commodity futures contracts (and options thereon) from market-makers on the floor of the Exchange and forwarding such orders for execution. An applicant for registration as an order service firm shall file an application with the TPH **[**Membership**]** Department in a form and manner prescribed by the Exchange. Applications shall be reviewed by the Exchange, which shall consider an applicant's financial condition, regulatory history, and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove the applicant's registration as an order service firm. Before registration, the TPH **[**Membership**]** Department, if directed by the Exchange, shall post the names of the applicant and its nominee(s) on the floor of the Exchange for at least three business days.

(b) No change.

(c) A Clearing Trading Permit Holder **[**Member**]** need not register as an order service firm in order to take orders for the purchase or sale of stocks or commodity futures contracts (and options thereon) from market-makers for which it has a currently outstanding Letter of Guarantee.

(d) No change.

Rule 6.78. Letters of Guarantee Required of Order Service Firms

(a) No change.

(b) The Order Service Firm Letter of Guarantee shall be in a form prescribed by the Exchange and shall provide that the issuing Clearing Trading Permit Holder **[**Member**]** accepts financial responsibility for all orders handled by the order service firm on the floor of the Exchange and for all financial obligations of the order service firm to the Exchange.

(c) An Order Service Firm Letter of Guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the TPH **[**Membership**]** Department. If such a written notice of revocation is not filed with the TPH **[**Membership**]** Department at least one hour prior to the opening of trading on a particular business day, such revocation shall not become effective until the close of trading on such day. Upon the request of the Clearing Trading

Permit Holder **[**Member**]** that files such a written notice of revocation, the Exchange shall post notice of the revocation **[**on the Exchange Bulletin Board**]**. A revocation shall in no way relieve a Clearing Trading Permit Holder **[**Member**]** of responsibility for transactions guaranteed prior to the effective date of such revocation.

(d) No Clearing Trading Permit Holder **[**Member**]** shall be permitted to guarantee more than three (3) order service firms without the prior written approval of the Department of Financial and Sales Practice Compliance (the "Department"). In considering a request to guarantee more than three (3) such firms, the Department shall consider the Clearing Trading Permit Holder's **[**Member's**]** level of excess net capital, additional financial resources, and such other factors as the Department deems appropriate.

Section E: Order Protection; Locked and Crossed Markets

Rule 6.80. Definitions

The following terms shall have the meaning specified in this Rule solely for the purpose of this Section E:

(1) – (7) No change.

(8) "Intermarket Sweep Order ("ISO")" means a Limit Order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO. A Trading Permit Holder **[**Member**]** may submit an ISO to the Exchange only if it has simultaneously routed one or more additional ISOs to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the ISO.

(9) – (17) No change.

Rule 6.81. Order Protection

(a) *Avoidance of Trade-Throughs.* Except as provided in paragraph (b) below, Trading Permit Holders **[**Members**]** shall not effect Trade-Throughs.

(b) *Exceptions.* The provisions of paragraph (a) pertaining to Trade-Throughs shall not apply under the following circumstances:

(1) – (7) No change.

(8) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, a Trading Permit Holder **[**Member**]** had guaranteed an execution at no worse than a specified price (a "stopped order"), where:

(i) the stopped order was for the account of a Customer;

(ii) the Customer agreed to the specified price on an order-by-order basis; and

(iii) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;

(9) – (10) No change.

Rule 6.82. Locked and Crossed Markets

(a) *Prohibition.* Except for quotations that fall within the provisions of paragraph (b) of this Rule, Trading Permit Holders **[**Members**]** shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.

(b) *Exceptions*.

(1) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;

(2) The locking or crossing quotation was displayed at a time when there is a Crossed Market;

(3) The Trading Permit Holder **[**Member**]** simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer; or

(4) The locking quotation is permissible pursuant to Rules 6.45A(d) and 6.45B(d).

Temporary Rule 6.83. Phase Out of Intermarket Linkage Rules

(a) No change.

(b) *Transmission of P and P/A Orders*. As part of the Exchange's phase out of the Intermarket Linkage Rules, Trading Permit Holders **[**members**]** may send P/A Orders and Principal Orders to other Eligible Exchange in lieu of ISOs (for those classes in which the Exchange has not activated outbound ISO routing), however P/A Orders and Principal Orders may only be sent if such orders are priced at the NBBO.

(c) No change.

(d) *Limitation of Liability.* The Options Clearing Corporation shall have no liability to Trading Permit Holders **[**members**]** with respect to the use, non-use or inability to use the OCC Hub, including without limitation the content of orders, trades, or other business facilitated through the OCC Hub, the truth or accuracy of the content of messages or other information transmitted through the OCC Hub, or otherwise.

(e) No change.

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CHAPTER VII Order Book Officials (Rules 7.1-7.50)

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Rule 7.4. Obligations for Orders

(a) *Eligibility and Acceptance:*

(1) Eligibility: Public customer orders are eligible for entry into the electronic book. Market participants, as defined in Rule 6.45A or 6.45B in Hybrid classes shall be eligible to submit orders for entry into the book. The Exchange may determine on an issue-by-issue basis that the following types of orders may also be eligible for entry into the electronic book:

(i) – (ii) No change.

(iii) Broker-dealer orders that are not for the accounts of market makers or specialists who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Exchange Act.

Trading Permit Holders **[**Members**]** submitting orders or quotes for entry into the electronic book must do so electronically and must comply with such format requirements as may be prescribed by the Exchange. Announcements regarding book eligibility or the format requirements for the entry of orders into the book shall be made via Regulatory Circular.

(2) Acceptance: An Order Book Official ("OBO")shall ordinarily be expected to accept orders for all option contracts of the class or classes to which his appointment extends that are properly submitted for entry into the electronic book. An Order Book Official shall not accept orders from any source other than a Trading Permit Holder **[**member**]** or, with respect to orders submitted through the Intermarket Options Linkage in index options and ETF option classes on the Hybrid Trading System that are not assigned to a DPM, from an exchange (other than CBOE) that is a participant in the Intermarket Options Linkage Plan. For the purposes of this rule, an order shall be deemed to be from a Trading Permit Holder **[**member**]** if the order is placed with an

Order Book Official by a person associated with a Trading Permit Holder **[**member**]** or through the telecommunications system of a TPH organization **[**member firm**]**.

For Index option and ETF option classes on the Hybrid Trading System that are not assigned a DPM, the OBO shall be responsible for (1) routing linkage Principal Acting as Agent (P/A) Orders and Satisfaction orders (utilizing the LMM's account for the benefit of an underlying order) to other markets based on prior written instructions that must be provided by the LMM to the OBO; (2) handling all linkage orders or portions of linkage orders received by the Exchange that are not automatically executed.

(b) *Types of Orders*. Orders which may be placed with an Order Book Official or directly into the electronic book, shall include the following:

(i) market orders (as defined in Rule 6.53(a)), provided however that no Trading Permit Holder **[**member**]** shall place or permit to be placed with an Order Book Official a market order in any options series after such series has been called for opening unless such market order cancels and replaces a limit order left with the Order Book Official prior to the opening of such series;

(ii) – (iv) No change.

(c) – (f) No change.

. . . Interpretations and Policies:

.01 - .06 No change.

Rule 7.5. Obligation for Fair and Orderly Market

No change.

. . . Interpretations and Policies:

.01 - .02 No change.

.03 Every Floor Broker who represents a Market-Maker with an order in any options class shall, by public outcry at the post, indicate the identity of such Market-Maker at the request of the Order Book Official or any Trading Permit Holder **[**member**]**.

.04 No change.

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Rule 7.7. Displaying Bids and Offers in the Book

No change.

. . . Interpretations and Policies:

.01 No change.

.02 In effecting a transaction with an Order Book Official, the executing Trading Permit Holder **[**member**]** must obtain an oral confirmation from the Order Book Official or his staff as to the material terms of the transaction, including the number of contracts bought or sold. Absent such oral confirmation, the Order Book Official shall not be obligated for more than 25 contracts per series in any transaction even though an indication for a greater number of contracts may be displayed.

.03 No change.

Rule 7.8. Disclosure of Orders

Equal Access to Book Depth and Size. Upon the request of a Trading Permit Holder **[**member**]**, and so long as such request does not interfere with operation of the book, an Order Book Official, or such other person designated by the Exchange, may disclose the price and number contracts bid below or offered above the book information displayed pursuant to Rule 7.7. The Exchange may, in its discretion, from time to time, establish the depth to which such information may be disclosed.

. . . Interpretations and Policies:

.01 No change.

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Rule 7.11. Liability of Exchange for Actions of Order Book Officials and PAR Officials

(a) Except to the extent provided in paragraph (b) of this Rule, the Exchange's liability to Trading Permit Holders **[**members**]** or persons associated therewith for any loss, expense, damages or claims arising out of any errors or omissions of an Order Book Official or PAR Official or the assistants or clerks of an Order Book Official or PAR Official shall be subject to the limitations set forth in paragraph (a) of Rule 6.7 and to the further limitations set forth in paragraphs (b) and (c) of this Rule.

(b)(1) As used in this paragraph (b), the term "transaction" shall mean any single order or instruction which is placed with an Order Book Official or PAR Official, or any series of orders or instructions, which is placed with an Order Book Official or a PAR Official at substantially the same time by the same Trading Permit Holder **[**member**]** and which relates to any one or more series of options of the same class. All errors and omissions made by an Order Book Official or PAR Official with respect to or arising out of any transaction shall give rise to a "single claim" against the Exchange for losses resulting therefrom as provided in this paragraph (b) and in paragraph (c), and the Exchange shall be free to assert any defense to such claim it may have. No claim shall arise as to errors or omissions which are found to have resulted from any failure by a Trading Permit Holder **[**member**]** (whether or not the Trading Permit Holder **[**member**]** is claiming against the Exchange pursuant to this paragraph (b)), or by any person acting on behalf of a Trading Permit Holder **[**member**]**, to enter or cancel an order with such Order Book Official or PAR Official on a timely basis or clearly and accurately to communicate to such Order Book Official or PAR Official:

(i) – (vi) No change.

In addition, no claim shall be allowed if, in the opinion of the arbitration panel provided for in subparagraph (3) of this paragraph (b), the Trading Permit Holder **[**member**]** or other person making such claim did not take promptly, upon discovery of the errors or omissions, all proper steps to correct such errors or omissions and to establish the loss resulting therefrom.

(2) Absent reasonable justification or excuse, any claim by Trading Permit Holders **[**members**]** or persons associated with Trading Permit Holders **[**members**]** for losses arising from errors or omissions of an Order Book Official or PAR Official, and any claim by the Exchange made pursuant to paragraph (d) of this Rule, shall be presented in writing to the opposing party within ten business days following the transaction giving rise to the claim; provided, that if an error or omission has resulted in an unmatched trade, then any claim based thereon shall be presented after the unmatched trade has been closed out in accordance with Rule 10.1 but within ten business days following such resolution of the unmatched trade.

(3) All disputed claims shall be referred for binding arbitration to an arbitration panel whose resolution of the dispute shall be final and there shall be no appeal to the Board of Directors from a decision of such panel. The arbitration panel shall be composed of an odd number of panelists who shall be selected as follows: Each of the parties to the dispute shall select one member of the Arbitration Committee to serve as panelist on the arbitration panel. The panelists so selected shall then between them agree on the selection of one or more additional panelist(s); provided that the additional panelist(s) so selected are Trading Permit Holders **[**members of the Exchange**]**, and provided further that no member of the arbitration panel may be a person with a direct or indirect financial interest in the claim. In the event that the initial panelists selected by the parties to the dispute cannot agree on the selection of the above-mentioned additional panelist or panelists, as the case may be, then in that event such additional panelist(s) shall be appointed by the Arbitration Committee, except that no member of the Committee who has a direct or indirect financial interest in the claim may participate in the selection of additional panelists. Parties (including the Exchange) interested in the proceedings before such arbitration panel may make oral and written submissions thereto:

(4) No change.

(c) Liability under this Rule 7.11 shall be limited as follows:

Should a Trading Permit Holder **[**member**]**, TPH **[**member**]** organization, or the Exchange fail to close out an uncompared trade in the period of time provided in Rule 10.1, then the opposing party's liability with respect to any claims arising from such trade shall be limited to the lesser of (1) the loss which would have been experienced by the claimant if the uncompared trade had been closed out at the opening of trading on the day provided in Rule 10.1 for the closing out of such uncompared trade; or (2) the actual loss realized by the claimant.

(d) If any damage is caused by an error or omission of an Order Book Official or PAR Official which is the result of any error or omission of a TPH **[**member**]** organization, then such TPH **[**member**]** organization shall indemnify the Exchange and hold it harmless from any claim of liability resulting from or relating to such damage.

(e) No change.

Rule 7.12. PAR Official

(a) A PAR Official is an Exchange employee or independent contractor whom the Exchange may designate as being responsible for (i) operating the PAR workstation in a DPM trading crowd with respect to the classes of options assigned to him/her; (ii) when applicable, maintaining the book with respect to the classes of options assigned to him/her; and (iii) effecting proper

executions of orders placed with him/her. The PAR Official may not be affiliated with any Trading Permit Holder **[**member**]** that is approved to act as a Market-Maker.

(b) The PAR Official shall be responsible for the following obligations with respect to the classes of options assigned to him/her:

(i) – (ii) No change.

(iii) A PAR Official shall not remove from the public order book any order placed in the book unless (A) the order is canceled, expires, transmitted through the Intermarket Options Linkage Plan, or is executed or (B) the PAR Official returns the order to the Trading Permit Holder **[**member**]** that placed the order with the PAR Official in response to a request from that Trading Permit Holder **[**member**]** to return the order;

(iv) No change.

(c) No change.

(d) Liability of Exchange for Actions of PAR Officials. The Exchange's liability to Trading Permit Holders **[**members**]** or persons associated therewith for any loss, expense, damages or claims arising out of any errors or omissions of an PAR Official or any persons providing assistance to a PAR Official shall be subject to Exchange rules, including the limitations set forth in Rule 6.7, Rule 6.7A, and Rule 7.11.

(e) No change.

. . . Interpretations and Policies:

.01 No change.

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CHAPTER VIII Market-Makers, Trading Crowds and Modified Trading Systems (Rules 8.1-8.95)

Section A: Market-Makers (Rules 8.1-8.17)

Rule 8.1. Market-Maker Defined

A Market-Maker ("Market-Maker" or "market maker") is an individual Trading Permit Holder **[**member**]** or a TPH **[**member**]** organization that 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).

Rule 8.2. Registration of Market-Makers

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

(b) No change.

(c) Any Trading Permit Holder **[**member**]** or prospective Trading Permit Holder **[**member**]** adversely affected by a determination of the Exchange under this Rule may obtain a review thereof in accordance with the provisions of Chapter XIX.

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

With respect to products trading on the Hybrid Trading System, the Exchange will impose an upper limit on the aggregate number of Trading Permit Holders **[**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.

When a CQL is established for each product, the following criteria govern which Trading Permit Holders **[**members**]** are entitled to quote electronically in that subject product. A Market-Maker (excluding an 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 Trading System

The DPM or LMM(s) and e-DPMs (if applicable) assigned to the product and Market-Makers who hold an appointment in the product are entitled to quote electronically in those products for as long as they maintain an appointment in those products.

All other Market-Makers 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 Trading Permit Holders **[**members**]** quoting electronically in the product does not exceed the CQL. When the number of Trading Permit Holders **[**members**]** in the product quoting electronically equals the CQL, all other Trading Permit Holders **[**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 Trading Permit Holder **[**member**]** at the "top" of the list (*i.e.*, the Trading Permit Holder **[**member**]** that has been on the waiting list the longest amount of time) has priority. Once a Trading Permit Holder **[**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 Trading Permit Holders **[**members**]** ahead of a previously wait-listed Trading Permit Holder **[**member**]**). If a wait-listed Trading Permit Holder **[**member**]** is offered, yet refuses, the ability to quote electronically in the subject product, the Trading Permit Holder **[**member**]** will be removed from that waiting list.

(b) Products Added to the Hybrid Trading System: With respect to a product that is added to the Hybrid Trading System, the DPM or LMM(s) and e-DPMs appointed to the product will be entitled to quote electronically. All Market-Makers holding an appointment in the product prior to its addition to the Hybrid Trading System will be entitled to quote electronically. If at the time a product is added to the Hybrid Trading System 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. Reduction of any "increased CQL" will be in accordance with the procedures described in Interpretations and Policies .01.

All other Trading Permit Holders **[**members**]** will be entitled to quote electronically in that product in the order in which they so request provided the number of Trading Permit Holders **[**members**]** quoting electronically in the product does not exceed the CQL. When the number of

Trading Permit Holders **[**members**]** quoting electronically in the product equals the CQL, all other Trading Permit Holders **[**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 Class Quoting Limits:

(a) No change.

(b) Increasing the Class Quoting Limit: 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 if the President determines that it would be appropriate. When the CQL increases pursuant to the President exercising his authority in accordance with this paragraph, Trading Permit Holders **[**members**]** on the wait-list for that product (if applicable) have first priority and remaining capacity will be filled on a time priority basis. The President (or his designee), in his discretion, may determine to reduce the CQL ("reduced CQL") if the President determines that it would be appropriate, provided, however, that any reduction must be undertaken in accordance with the following procedure. If a Trading Permit Holder **[**member**]** changes his/her appointment and ceases quoting electronically in that class after the President (or his designee) has determined to decrease the CQL, the "increased" CQL will decrease by one until such time that the number of remaining Trading Permit Holders **[**members**]** quoting electronically in the product equals the "reduced CQL." From that point forward, the number of Trading Permit Holders **[**members**]** quoting electronically in the product may not exceed the "reduced 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.

(c) Announcements Regarding, or Changes to, Class Quoting Limits: The Exchange will announce all changes regarding Class Quoting Limits to the Trading Permit Holders **[**membership**]** via Information Circular. The Exchange may increase the CQL levels established in paragraphs .01(a) 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.

.02 In the event a Market-Maker, who holds an appointment in an option class traded on the Hybrid Trading System 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 Marker-Maker may do so and would count towards the CQL for that option class. If the total number of Trading Permit Holders **[**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. Reduction in any "increased CQL" will be in accordance with the procedures described in Interpretations and Policies .01(b).

.03 The following Interpretation and Policy only applies to those option classes traded on the Hybrid Trading System in which the CQL for the option class is full and there is a waiting list of Trading Permit Holder(s) **[**member(s)**]** requesting the ability to quote electronically in the option class. In the event a Market-Maker, who holds an appointment in an option class traded on the Hybrid Trading System, 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 appointment in that option class will be terminated effective immediately. The Market-Maker can subsequently request an appointment in the option class. If there is a wait-list of Trading Permit Holders **[**members**]** requesting the ability to quote electronically, then Market-Maker will be placed on the wait-list for the option class. The Exchange will notify the Market-Maker that the Market-Maker's appointment has been terminated, and the Exchange can make exceptions to this Interpretation and Policy in unusual circumstances.

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Rule 8.5. Letters of Guarantee

(a) *Required of Each Market-Maker*. No Market-Maker shall make any transaction on the floor of the Exchange unless there is in effect a Letter of Guarantee that has been issued for such Market-Maker by a Clearing Trading Permit Holder **[**Member**]** and filed with the Exchange. If a Market-Maker desires to clear his or her transactions through more than one Clearing Trading Permit Holder **[**Member**]**, a Letter of Guarantee is required to be issued and filed with the Exchange by each such Clearing Trading Permit Holder **[**Member**]** to cover Exchange transactions executed by the Market-Maker through that Clearing Trading Permit Holder **[**Member**]**. A Market-Maker may not execute Exchange transactions through a Clearing Trading Permit Holder **[**Member**]** unless there is in effect a Letter of Guarantee that has been issued for such Market-Maker by the Clearing Trading Permit Holder **[**Member**]** and filed with the Exchange. The Exchange shall notify each issuer of a Letter of Guarantee of other outstanding Letters of Guarantee that have been issued to the same Market-Maker.

(b) *Terms of Letter of Guarantee*. A Letter of Guarantee shall be in a form prescribed by the Exchange and shall provide that the issuing Clearing Trading Permit Holder **[**Member**]** accepts financial responsibility for Exchange transactions made by the guaranteed Market-Maker when executing such transactions through the issuing Clearing Trading Permit Holder **[**Member**]**.

(c) *Revocation of Letter of Guarantee*. A Letter of Guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the TPH **[**Membership**]** Department. If such a written notice of revocation is not filed with the TPH **[**Membership**]** Department at least one hour prior to the opening of trading on a particular business day, such

revocation shall not become effective until the close of trading on such day. Upon the request of the Clearing Trading Permit Holder **[**Member**]** that files such a written notice of revocation, the Exchange shall post notice of the revocation **[**on the Exchange Bulletin Board**]**. A revocation shall in no way relieve a Clearing Trading Permit Holder **[**Member**]** of responsibility for transactions guaranteed prior to the effective date of such revocation.

. . . Interpretations and Policies:

.01 Market-Makers entering into Government securities options transactions must have a separate Letter of Guarantee issued by a Debt Securities Clearing Trading Permit Holder **[**Member**]**.

.02 - .04 No change.

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Rule 8.7. Obligations of Market-Makers

(a) – (c) No change.

(d) No change.

(i) No change.

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

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

(A) – (B) No change.

(C) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a Trading Permit Holder **[**member**]** or PAR Official, in-crowd Market-Makers must provide a two-sided market complying with the bid/ask differential requirements determined by the Exchange for a minimum number of contracts determined by the Exchange on a class by class basis, which

minimum shall be at least one contract and which minimum can vary for non-broker-dealer orders and broker-dealer orders.

(iii) No change.

(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 bid/ask differential requirements determined by the Exchange for a minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one contract and which minimum can vary for non-broker-dealer orders and broker-dealer orders in response to a request for quote by a Trading Permit Holder **[**member**]** or PAR Official directed at that Market-Maker or when, in response to a general request for a quote by a Trading Permit Holder **[**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.

. . . ***Interpretations and Policies:***

.01 - .02 No change.

.03 No change.

A. No change.

B. No change.

(i) In-Person requirements set forth in Paragraph B above may be satisfied by Market-Makers either individually or collectively with the Market-Makers of the same TPH **[**member**]** organization.

.04 - .09 No change.

.10 Market-Makers may display indicative spread prices on the websites of TPH **[**member**]** organizations through a system licensed from a third party, developed by the Exchange or otherwise. Such indicative prices shall not be regarded as firm quotes, and a Market-Maker shall not be obligated to execute at the indicative prices spread orders that are entered into the market.

.11 (a) In classes in which CBOE Rule 6.8 is applicable, the obligation of Market-Makers to make competitive markets under Rule 8.7 does not preclude Trading Permit Holders **[**members**]** in a trading crowd from discussing a request for a market that is greater than the RAES order eligibility size for that option class, for the purpose of making a single bid (offer) based upon the aggregate of individual bids (offers) by Trading Permit Holders **[**members**]** in the trading crowd, but only when the Trading Permit Holder **[**member**]** representing the order asks for a single bid (offer). Whenever a single bid (offer) pursuant to this paragraph is made, such bid (offer) shall be a firm quote and each member of the trading crowd participating in the bid (offer) shall be obligated to fulfill his portion of the single bid (offer) at the single price.

(b) In classes in which the CBOE Hybrid System is operational, the obligation of Market-Makers to make competitive markets under Rule 8.7 does not preclude Trading Permit Holders **[**members**]** in a trading crowd from discussing a request for a market that is greater than the disseminated size for that option class, for the purpose of making a single bid (offer) based upon the aggregate of individual bids (offers) by Trading Permit Holders **[**members**]** in the trading crowd, but only when the Trading Permit Holder **[**member**]** representing the order asks for a single bid (offer). Whenever a single bid (offer) pursuant to this paragraph is made, such bid (offer) shall be a firm quote and each member of the trading crowd participating in the bid (offer) shall be obligated to fulfill his portion of the single bid (offer) at the single price.

.12 - .13 No change.

Rule 8.8. Restriction on Acting as Market-Maker and Floor Broker

Except under unusual circumstances and with the prior permission of a Floor Official, no Trading Permit Holder **[**member**]** shall, on the same business day, act as a Market-Maker and also act as a Floor Broker (i) with respect to option contracts traded at a given station, or (ii) in any security determined by the Exchange to be related to such a security.

. . . ***Interpretations and Policies:***

.01 - .02 No change.

.03 A Trading Permit Holder **[**member**]** who issues a commitment to trade from the Exchange through ITS or any other application of the System shall, as a consequence thereof, be deemed for purposes of this Rule to have engaged in a transaction in such security.

Rule 8.9. Securities Accounts and Orders of Market-Makers

(a) – (b) No change.

(c*) Joint Accounts*. No Market-Maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any option contract unless each participant in such joint account is a Trading Permit Holder **[**member or member organization**]** and unless such account is reported to and not disapproved by the Exchange. Such reports in form prescribed by the Exchange shall be filed with the Exchange before any transaction is effected on the Exchange for such joint account.

. . . Interpretations and Policies:

.01 A participant in a joint account must be either (i) a Market-Maker having an appointment under Rule 8.7(b) or (ii) a Clearing Trading Permit Holder **[**clearing member**]** which carries the joint account. A Market-Maker may participate in a joint account on behalf of a TPH **[**member**]** organization with which he is associated. Market-Makers participating in a joint account may be associated with the same TPH **[**member**]** organization.

.02 Each participant in a joint account must file with the TPH [Membership**]** Department and thereafter keep current a completed application on such form as is prescribed by the Exchange.

Upon determination by the TPH [Membership**]** Department not to disapprove a joint account, notice will be promptly mailed to all Trading Permit Holders **[**Exchange members**]**.

.03 No change.

.04 Each participant in a joint account and each TPH **[**member**]** organization with which a participant is associated shall be jointly and severally responsible for assuring that the account complies with the provisions of the Exchange Bylaws **[**Constitution**]**, Rules and Interpretations thereof.

.05 To compute the positions or exercises attributable to each participant in a joint account for purposes of determining compliance with Rules 4.11 and 4.12, positions or exercises in the joint account shall be aggregated with all positions or exercises in options covering the same underlying security which any participant or any TPH **[**member**]** organization associated with a participant controls. Whether a participant "controls" another option position shall be determined in the manner described in Interpretation .03 to Exchange Rule 4.11.

.06 No participant in a joint account shall effect a transaction, in person or via order, either for his own account or for the joint account, with another Trading Permit Holder **[**member**]** acting on behalf of the joint account.

.07 No change.

.08 Each participant in a joint account shall be jointly and severally liable for any losses which may be incurred by the joint account; however, in the case where a participant in a joint account is a nominee of a TPH **[**member**]** organization, **[**or is an individual who has registered his or her membership for a member organization,**]** and the participant is not acting as an independent Market-Maker pursuant to Rule 3.8(d) **[**3.8(f)**]**, the TPH **[**member**]** organization and not the participant shall be so liable.

* * * * *

Rule 8.13. Preferred Market-Maker Program

(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 Trading Permit Holder **[**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) – (d) No change.

. . . Interpretations and Policies:

.01 No change.

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Rule 8.15. Lead Market-Makers and Supplemental Market-Makers in Hybrid 3.0 Classes

No change.

(a) LMMs and SMMs shall be appointed on the first day following an expiration for a period of one month ("expiration month") and shall be assigned to a zone with one or more LMMs or SMMs. The Exchange shall select the series to be included in a zone.

1. Factors to be considered by the Exchange in selecting LMMs and SMMs include: adequacy of capital, experience in trading index options or options on ETFs, presence in the trading crowd, adherence to Exchange rules and ability to meet the obligations specified below. An individual may be appointed as an LMM in only one zone for an expiration month but may also be appointed as an SMM in other zones. An individual may be appointed to be an SMM in more than one zone. When individual Trading Permit Holders **[**members**]** are associated with one or more other Trading Permit Holders **[**members**]**, only one Trading Permit Holder **[**member**]** may receive an LMM appointment.

2. – 4. No change.

(b) – (c) No change.

(d) Each LMM or SMM appointed in accordance with this Rule to determine a formula for generating automatically updated market quotations shall for the period in which it acts as LMM or SMM use the Exchange's AutoQuote system or a proprietary automated quotation updating system to update market quotations during the trading day. In addition, the LMM or SMM shall disclose the following components of the formula to the other Trading Permit Holders **[**members**]** trading at the trading station at which the formula is used: option pricing calculation model, volatility, interest rate, dividend, and what is used to represent the price of the underlying. Notwithstanding the foregoing, the Exchange shall have the discretion to exempt LMMs and SMMs using proprietary automated quotation updating systems from having to disclose proprietary information concerning the formulas used by those systems.

. . . Interpretations and Policies:

.01 No change.

.02 No change.

(a) – (b) No change.

(c) Each Off-Floor LMM shall, as part of a pilot program until March 14, 2009, not allow more than one Market-Maker affiliated with the Off-Floor LMM to trade on CBOE's trading floor in any specific option class allocated to the Off-Floor LMM and provided such Market-Maker is trading on a separate Trading Permit **[**membership**]** (absent the pilot program, an Off-Floor

LMM may not allow any Market-Makers affiliated with the Off-Floor LMM to trade on CBOE's trading floor in any class allocated to the Off-Floor LMM) and provided the Off-Floor LMM does not have an LMM designee trading in open outcry in the option classes allocated to the Off-Floor LMM.

Rule 8.15A. Lead Market-Makers in Hybrid Classes

(a) No change.

(i) LMMs shall be appointed on the first day following an expiration for a period of no less than one month ("expiration month") and may be assigned to a class with one or more LMMs, or a class in which an Off-Floor DPM has been appointed..

A. Factors to be considered by the Exchange in selecting LMMs include: adequacy of capital, experience in trading index options or options on ETFs, presence in the trading crowd, adherence to Exchange rules and ability to meet the obligations specified below. An individual may be appointed as an LMM for one expiration month at a time. When individual Trading Permit Holders **[**members**]** are associated with one or more other Trading Permit Holders **[**members**]**, only one Trading Permit Holder **[**member**]** may receive an LMM appointment.

B. – D. No change.

(b) No change.

. . . Interpretations and Policies:

.01 No change.

(a) – (b) No change.

(c) Each Off-Floor LMM shall, as part of a pilot program until March 14, 2009, not allow more than one Market-Maker affiliated with the Off-Floor LMM to trade on CBOE's trading floor in any specific option class allocated to the Off-Floor LMM and provided such Market-Maker is trading on a separate Trading Permit **[**membership**]** (absent the pilot program or another exception, an Off-Floor LMM may not allow any Market-Makers affiliated with the Off-Floor LMM to trade on CBOE's trading floor in any class allocated to the Off-Floor LMM) and provided the Off-Floor LMM does not have an LMM designee trading in open outcry in the option classes allocated to the Off-Floor LMM.

Rule 8.15B Participation Entitlement of LMMs

(a) – (b) No change.

(c) The LMM participation entitlement shall be: 50% when there is one Market-Maker also quoting at the best bid/offer on the Exchange; 40% when there are two Market-Makers also quoting at the best bid/offer on the Exchange; and, 30% when there are three or more Market-Makers also quoting at the best bid/offer on the Exchange. If more than one LMM is entitled to a participation entitlement, such entitlement shall be distributed equally among all eligible LMMs provided, however, that an LMM may not be allocated a total quantity greater than the quantity for which the LMM is quoting at the best bid/offer on the Exchange.

The Exchange may determine, on a class-by-class basis, to decrease the LMM participation entitlement percentages from the percentages specified in paragraph (c). Such changes will be announced to the Trading Permit Holders **[**membership**]** in advance of implementation via Regulatory Circular.

Rule 8.16. RAES Eligibility in Option Classes Other Than Broad-Based Indexes and Options on Exchange Traded Funds on Broad-Based Indexes

(a) Any Exchange Trading Permit Holder **[**member**]** who has registered as a Market-Maker is eligible to log on RAES in an option class other than broad-based indexes and options on exchange traded funds on broad-based indexes,[1] so long as the following requirements are met:

(i) – (iii) No change.

(iv) Unless exempted by the Exchange, a Market-Maker may log on RAES in a particular option class other than DJX only in person and may continue on the system only so long as he is present at that trading station. Accordingly, absent exemption from the foregoing limitation, a Trading Permit Holder **[**member**]** may not remain on the RAES system and must log off the system when he has left the trading station unless the departure is for a brief interval. A Trading Permit Holder **[**member**]** will be assessed fees in accordance with the following schedule for failure to observe the foregoing log-off requirement:

Number of Failures in a Twelve-Month Period	***Fee Amount***

[1] No change.

1-3	$100
4-6	$250
7+	$500

(b) No change.

(c) Trading Permit Holders **[**Members**]** who fail to abide by the foregoing requirements may be subject to disciplinary action under, among others, Rule 6.20 and Chapter XVII of the Exchange Rules. Such failure may also be the subject of remedial action by the Exchange, including but not limited to suspending a Trading Permit Holder's **[**member's**]** eligibility for participation on RAES and such other remedies as may be appropriate and allowed under Chapter VIII of the Exchange Rules.

. . . Interpretations and Policies:

.01 - .02 No change.

Rule 8.17. Stopping of Option Orders

(a) – (c) No change.

(d) *Notice to Customer*. Within a reasonably practicable time after a customer's order has been stopped, the Floor Broker or, if different, the TPH **[**member**]** organization handling the customer's account, shall so inform the customer.

(e) *Reporting Executions of Stopped Orders.* All executions of stopped orders shall be reported on the tape. In addition to other reporting information required under the Rules, the Trading Permit Holder **[**member**]** with the responsibility for reporting the transaction must indicate the fact that a stopped order has been executed by writing the letters "ST" clearly on the card or ticket used to record and report transactions.

(f) – (g) No change.

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Section B: Trading Crowds (Rules 8.50-8.61)

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Rule 8.51. Firm Disseminated Market Quotes

(a) *Definitions.*

(1) For the purposes of this rule, and SEC Rule 11Ac1-1 as applied to the Exchange and Trading Permit Holders **[**members**]** on the floor, the term "responsible broker or dealer" shall mean, with respect to any bid or offer for any reported security made available by the Exchange to quotation vendors, the trading crowd in a series or class of option, which shall be the responsible broker or dealer to the extent of the quotation size specified in (c) of this rule. Provided, however, that in classes in which the CBOE Hybrid System is operational, the term "Responsible Broker or Dealer" shall have the meaning prescribed in Rule 11Ac1-1(a)(21) under the Exchange Act (which is reproduced in Interpretations and Policies .01:

(2) No change.

(b) – (e) No change.

(f) Each Trading Permit Holder **[**member**]** on the floor shall abide by such rules and procedures adopted by the Exchange, in order to enable the Exchange to meet its quotation dissemination requirements[2].

. . . Interpretations and Policies:

.01 The text of Securities Exchange Act Rule 11Ac1-1(a)(21) is reproduced herein:

Securities Exchange Act Rule 11Ac1-1(a)(21):

The term responsible broker or dealer shall mean:

(i) When used with respect to bids or offers communicated on an exchange, any member of such exchange who communicates to another member on such exchange, at the location (or locations)

[2] No change.

designated by such exchange for trading in a covered security, a bid or offer for such covered security, as either principal or agent; provided, however, that, in the event two or more members of an exchange have communicated on such exchange bids or offers for a covered security at the same price, each such member shall be considered a "responsible broker or dealer" for that bid or offer, subject to the rules of priority and precedence then in effect on that exchange; and further provided, that for a bid or offer which is transmitted from one member of an exchange to another member who undertakes to represent such bid or offer on such exchange as agent, only the last member who undertakes to represent such bid or offer as agent shall be considered the "responsible broker or dealer" for that bid or offer;

.02 Where a market participant has caused a bid or offer to be disseminated and the order is subsequently filled or canceled, the market participant will be responsible for causing such disseminated bid or offer to be removed. Failure to do so will result in the market participant being responsible for satisfying the firm disseminated quote commitment pursuant to subsection (b) of this Rule. Any Trading Permit Holder **[**member**]** who has caused a bid or offer to be disseminated is equally responsible for removing such bid or offer when he leaves the trading crowd.

.03 - .11 No change.

Rule 8.60. Evaluation of Trading Crowd Performance

(a) The Exchange shall periodically evaluate the performance of Designated Primary Market-Makers ("DPMs"), Market-Makers, and other Trading Permit Holders **[**members**]** both individually and collectively as trading crowds in order to determine whether they are satisfactorily meeting their market responsibilities. For purposes of this rule, a DPM, a Market-Maker, other Trading Permit Holders **[**members**]** or a trading crowd may be referred to as a market participant ("Market Participants"). The evaluation may depend in part on the results of a survey of Trading Permit Holders **[**members**]** administered by the Exchange, designed to assist the Exchange in determining the absolute and relative performance of Market Participants. The survey may consist of a questionnaire that solicits the views of Trading Permit Holders **[**members**]** on the performance of Market Participants in respect of (1) quality of markets, (2) extent of competition in the crowd, (3) due diligence in representing orders as agent, (4) adherence to ethical standards, (5) carrying out administrative responsibilities, and (6) such other matters as the Exchange may deem relevant.

In addition to the survey, the Exchange may also consider any other relevant information, including but not limited to statistical measures of performance and such other factors and data as the Exchange may determine to be pertinent to the evaluation of Market Participants.

(b) – (g) No change.

. . . Interpretations and Policies:

.01 - .02 No change.

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Section C: Designated Primary Market-Makers (Rules 8.80-8.94)

Rule 8.80. DPM Defined

(a) A "Designated Primary Market-Maker" or "DPM" is a TPH **[**member**]** organization that is approved by the Exchange to function in allocated securities as a Market-Maker (as defined in Rule 8.1) and is subject to the obligations under Rule 8.85 or as otherwise provided under the rules of the Exchange. A DPM generally will operate on CBOE's trading floor ("On-Floor DPM"). However, as provided in Rule 8.83(g), a DPM can request that the Exchange authorize the DPM to function remotely away from CBOE's trading floor ("Off-Floor DPM") on a class-by-class basis. A DPM can operate as an Off-Floor DPM only in option classes traded on CBOE's Hybrid Trading System. Unless otherwise specified, references to DPM in CBOE's Rules include both "On-Floor DPM" and "Off-Floor DPM".

(b) No change.

Rule 8.81. DPM Designees

(a) No change.

(b) Notwithstanding any other rules to the contrary, an individual must satisfy the following requirements in order to be a DPM Designee of a DPM:

(i) the individual must be approved to be a Trading Permit Holder **[**a member of the Exchange**]**;

(ii) the individual must be a nominee of the DPM or of an affiliate of the DPM **[**or must own a membership that has been registered for the DPM or for an affiliate of the DPM**]**;

(iii) - (v) No change.

(c) No change.

(d) Each DPM shall have at least two DPM Designees who are nominees of the DPM **[**or who own a membership that has been registered for the DPM**]**.

(e) No change.

* * * * *

Rule 8.83. Approval to Act as a DPM

(a) A TPH **[**member**]** organization desiring to be approved to act as a DPM shall file an application with the Exchange on such form or forms as the Exchange may prescribe.

(b) The Exchange shall determine the appropriate number of approved DPMs. Each DPM approval shall be made by the Exchange from among the DPM applications on file with the Exchange, based on the Exchange's judgment as to which applicant is best able to perform the functions of a DPM. Factors to be considered in making such a selection may include, but are not limited to, any one or more of the following:

(i) – (viii) No change.

(c) – (e) No change.

(f) If a TPH **[**member**]** organization resigns as a DPM or if pursuant to Rule 8.90 the Exchange terminates or otherwise limits its approval to act as a DPM, the Exchange shall have the discretion to do one or both of the following:

(i) – (ii) No change.

Neither an interim approval or allocation made pursuant to this paragraph (f) should be viewed as a prejudgment with respect to the final approval or allocation.

(g) No change.

. . . Interpretations and Policies:

.01 No change.

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Rule 8.85. DPM Obligations

(a) *Dealer Transactions*. Each DPM shall fulfill all of the obligations of a Market-Maker under the Rules, and shall satisfy each of the following requirements in respect of each of the securities allocated to the DPM. To the extent that there is any inconsistency between the specific obligations of a DPM set forth in subparagraphs (a)(i) through (a)(xii) of this Rule and the general obligations of a Market Maker under the Rules, subparagraphs (a)(i) through (a)(xii) of this Rule shall govern. Each DPM shall:

(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:

(1) Each Off-Floor DPM can, as part of a pilot program until March 14, 2009, allow 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 Trading Permit **[**membership**]** (absent the pilot program or another exception, 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; or

(2) No change.

(vi) – (ix) No change.

(x) for classes in which the CBOE Hybrid System is not operational, determine a formula for generating automatically updated market quotations and disclose the following components of the formula to the other Trading Permit Holders **[**members**]** trading at the trading station at which the formula is used: option pricing calculation model, volatility, interest rate, dividend, and what is used to represent the price of the underlying. Notwithstanding the provisions of subparagraph (a)(x) of this Rule, the Exchange shall have the discretion to exempt DPMs using proprietary automated quotation updating systems from having to disclose proprietary information concerning the formulas used by those systems.

(xi) – (xii) No change.

(b) - (d) No change.

(e) *Requirement to Hold Trading Permit* **[***Own Membership***]**. Each DPM organization shall hold **[**own or lease**]** such number of Trading Permits **[**Exchange memberships**]** as may be necessary based on the aggregate "appointment cost" for the classes allocated to the DPM organization. Each Trading Permit held **[**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) – (ii) 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 hold **[**own or lease**]** two Trading Permits **[**Exchange memberships**]**. The Exchange will rebalance the "tiers" set forth in Rule 8.3(c)(i), excluding the "AA" tier, 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 hold **[**own or lease**]** the appropriate number of Trading Permits **[**Exchange memberships**]** reflecting the revised "appointment costs" of the classes that have been allocated to it. Additionally, a DPM organization is required to hold **[**own or lease**]** the appropriate number of Trading Permits **[**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.**]** In the event the TPH **[**member**]** organization approved as the DPM organization is also approved to act as Market-Maker and/or e-DPM, and has excess Trading Permit **[**membership**]** capacity above the aggregate appointment cost for the classes allocated to it as the DPM, the TPH **[**member**]** organization may utilize the excess Trading Permit **[**membership**]** capacity to quote electronically in an appropriate number of Hybrid classes in the capacity of a Market-Maker and not trade in open outcry, or to quote electronically in the Hybrid 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 TPH **[**member**]** organization could request an appointment as a Market-Maker in any combination of Hybrid classes whose aggregate "appointment cost" does not exceed .40. The TPH **[**member**]** organization will not function as a DPM in any of these additional classes. In the event the TPH **[**member**]** organization utilizes any excess Trading Permit **[**membership**]** capacity to quote electronically in some additional Hybrid classes as a Market-Maker or e-DPM, it must comply with the provisions of Rules 8.3 and Rule 8.93(vii), respectively.

. . . Interpretations and Policies:

.01 Willingness to promote the Exchange as a marketplace includes assisting in meeting and educating market participants (and taking the time for travel related thereto), maintaining communications with Trading Permit Holders **[**member firms**]** in order to be responsive to suggestions and complaints, responding to suggestions and complaints, and other like activities.

.02 No change.

Rule 8.86. DPM Financial Requirements

Each DPM shall maintain (i) net liquidating equity in its DPM account of not less than $100,000, and in conformity with such guidelines as the Exchange may establish from time to time, and (ii) net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each DPM which is a Clearing Trading Permit Holder **[**Member**]** shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation.

Rule 8.87. Participation Entitlement of DPMs and e-DPMs

(a) – (b) No change.

. . . Interpretations and Policies:

.01 Notwithstanding subparagraph (b)(2) above, the Exchange may establish a lower DPM Complex Participation Rate on a product-by-product basis for newly-listed products or products that are being allocated to a DPM trading crowd for the first time. Notification of such lower participation rate shall be provided to Trading Permit Holders **[**members**]** through a Regulatory Circular.

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Rule 8.89. Transfer of DPM Appointments

(a) – (c) No change.

(d) Promptly after receipt of a completed application for the approval of a proposed transfer of a DPM appointment, the Exchange shall post notice of the proposed transfer **[**on the Exchange Bulletin Board and**]** in the Exchange Bulletin. The Exchange shall not ordinarily consider a proposed transfer sooner than ten (10) business days following the day notice is posted **[**on the Bulletin Board**]**, unless the Exchange finds it necessary to give earlier consideration to the matter

in the interest of the maintenance of fair and orderly markets and the protection of investors. During this period, the Exchange will accept written comments on the proposed transfer from any Trading Permit Holder **[**member**]**, and will accept written proposals from other Trading Permit Holders **[**members**]** or from Market-Maker crowds who wish to be considered for appointment in some or all of the classes that are the subject of the proposed transfer.

(e) No application shall be finally approved by the Exchange until it is accompanied by complete and final documents pertaining to the transfer (all corporate or partnership documents and amendments thereto, voting trust, "buy-sell" or similar agreements, employment agreements, pro forma financial statements), except as the Exchange may agree to defer the delivery of specific documents for good cause shown. In considering the approval of a proposed transfer of a DPM appointment, the Exchange shall give due consideration to all relevant facts and circumstances, including but not limited to each of the following factors, if applicable: (i) the financial and operational capacity of the transferee; (ii) continuity of control, management, and persons responsible for the operation of the DPM; (iii) avoiding undue concentration of DPM appointments on the Exchange; (iv) available alternatives for reallocating the DPM's appointment taking into account comments made and alternatives proposed by other Trading Permit Holders **[**members**]** during the posting period; and (v) the best interests of the Exchange. If the proposed transferee is not approved to act as a DPM at the time the application is considered by the Exchange, the approval of the transfer may be made contingent on the transferee's being so approved within a stated period of time.

. . . Interpretations and Policies:

.01 - .02 No change.

Rule 8.90. Termination, Conditioning, or Limiting Approval to Act as a DPM

(a) The Exchange may terminate, place conditions upon, or otherwise limit a TPH **[**member**]** organization's approval to act as a DPM under any one or more of the following circumstances:

(i) if the TPH **[**member**]** organization incurs a material financial, operational, or personnel change;

(ii) if the TPH **[**member**]** organization fails to comply with any of the requirements under this Section C of Chapter VIII (including, but not limited to, any conditions imposed under Rule 8.83(d), Rule 8.84(a)(ii), or this Rule) or fails to adequately satisfy the standards of performance under Rule 8.88(a);

(iii) if for any reason the TPH [member] organization should no longer be eligible for approval to act as a DPM or to be allocated a particular security or securities.

Before the Exchange takes action to terminate, condition, or otherwise limit a TPH [member] organization's approval to act as a DPM, the TPH [member] organization will be given notice of such possible action and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. Such proceedings shall be conducted in the same manner as Exchange proceedings concerning DPM approvals which are governed by Rule 8.83(c).

(b) Notwithstanding the provisions of paragraph (a) of this Rule, the Exchange has the authority to immediately terminate, condition, or otherwise limit a TPH [member] organization's approval to act as a DPM if it incurs a material financial, operational, or personnel change warranting such action or if the TPH [member] organization fails to comply with any of the financial requirements of Rule 8.86.

(c) Limiting a TPH [member] organization's approval to act as a DPM may include, among other things, limiting or withdrawing the TPH [member] organization's DPM participation entitlement provided for under Rule 8.87, withdrawing the right of the TPH [member] organization to act in the capacity of a DPM in a particular security or securities which have been allocated to the TPH [member] organization, and/or requiring the relocation of the TPH [member] organization's DPM operation on the Exchange's trading floor.

(d) If a TPH [member] organization's approval to act as a DPM is terminated, conditioned, or otherwise limited by the Exchange pursuant to this Rule, the TPH [member] organization may seek review of that decision under Chapter XIX of the Rules.

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Rule 8.92. Electronic DPM Program

(a) *Definition*. An Electronic DPM ("e-DPM") is a TPH [member] organization that is approved by the Exchange to remotely function in allocated option classes as a DPM and to fulfill certain obligations required of DPMs except for Floor Broker and Order Book Official obligations. The DPM provisions of Rules 8.81 through 8.91 only apply to e-DPMs to the extent they are specifically referenced in Rules 8.92 through 8.94.

(b) *Approval to Act as an e-DPM*. Determinations regarding granting or withdrawing approval to act as an e-DPM shall be made by the Board of Directors or its designee. A TPH [member] organization desiring to be approved to act as an e-DPM shall file an application with the Exchange on such form or forms as the Exchange may prescribe. The Exchange shall determine

the appropriate number of approved e-DPMs per option class. Factors to be considered in approving an e-DPM may include any one or more of the following:

(i) – (vii) No change.

(c) No change.

(d) *Trading Permit* **[**Membership**]** *Requirement*. Each e-DPM organization is required to hold **[**own or lease**]** such number of Trading Permits **[**Exchange memberships**]** as may be necessary based on the aggregate "appointment cost" for the classes allocated to the e-DPM organization. Each Trading Permit held **[**membership owned or leased**]** by the e-DPM organization has an appointment credit of 1.0. The appointment costs for Hybrid 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 hold seven Trading Permits **[**own or lease seven additional Exchange memberships**]**.

As noted in Rule 8.3(c), the Exchange will rebalance the "tiers" (excluding the "AA" tier) 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 hold **[**own or lease**]** the appropriate number of Trading Permits **[**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, Trading Permits **[**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 TPH **[**member**]** organization approved as the e-DPM organization is also approved to act as an RMM and/or DPM, and has excess Trading Permit **[**membership**]** capacity above the aggregate appointment cost for the classes allocated to it as the e-DPM, the TPH **[**member**]** organization may utilize the excess Trading Permit **[**membership**]** capacity to quote electronically in an appropriate number of Hybrid 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 TPH **[**member**]** organization has been allocated such number of option classes that its aggregate appointment cost is 6.6, the TPH **[**member**]** organization could request an appointment as an RMM in any combination of Hybrid classes whose aggregate "appointment cost" does not exceed .40. The TPH **[**member**]** organization will not function as an e-DPM in any of these additional classes. In the event the TPH **[**member**]** organization utilizes any excess Trading

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

(e) No change.

Rule 8.93. e-DPM Obligations

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, 2009, 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 Trading Permit [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) No change.

(ix) provide Trading Permit Holders [members] with telephone access to a designated employee at all times during market hours for purposes of resolving problems involving trading on the Exchange;

(x) – (xi) No change.

Rule 8.94. Review of e-DPM Operations and Performance

(a) – (b) No change.

(c) *Termination and Other Limitations.* The Exchange may terminate, place conditions upon, or otherwise limit a TPH [member] organization's approval to act as an e-DPM on the same basis that DPM privileges may be terminated and/or conditioned under Rules 8.60 and 8.90. If a TPH [member] organization's approval to act as an e-DPM is terminated, conditioned, or otherwise limited by the Exchange pursuant to this Rule, the TPH [member] organization may seek review of that decision under Chapter XIX of the Rules.

Section D: Allocation of Securities and Location of Trading Crowds and DPMs (Rule 8.95)

Rule 8.95. Allocation of Securities and Location of Trading Crowds and DPMs

(a) – (e) No change.

(f) No option classes opened for trading prior to May 1, 1987 shall be allocated to a DPM except to the extent authorized by a Trading Permit Holder **[**membership**]** vote. Notwithstanding the foregoing, pursuant to a membership vote taken in November, 1989, if a trading crowd indicates that it no longer wishes to trade an option class opened for trading prior to May 1, 1987, the option class may be reallocated to another trading crowd or to a DPM giving priority to trading crowd applications over DPM applications, provided that the Exchange, as applicable, determines that the trading crowd's commitment to market quality is competitive and that operational considerations are satisfied.

(g) No change.

. . . Interpretations and Policies:

.01 - .06 No change.

CHAPTER IX Doing Business with the Public (Rules 9.1-9.25)

Rule 9.1. Exchange Approval

An individual **[**regular**]** Trading Permit Holder **[**member**]** may not transact business with the public. A **[**regular**]** TPH **[**member**]** organization may transact business with the public after an application, submitted on a form prescribed by the Exchange, has been approved by the Exchange. Approval to transact business with the public shall be based on a TPH **[**member**]** organization's meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Chapter XIII of the Rules, and such approval may be withdrawn if any of the requirements cease to be met.

Rule 9.2. Registration of Options Principals

No TPH **[**member**]** organization shall be approved to transact options business with the public until those persons associated with it who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the supervision of options sales practices or a person to whom the designated general partner or executive officer (pursuant to Rule 9.8) or another Registered Options Principal delegates the authority to supervise options sales practices shall be designated as Options Principals. In connection with their registration, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with the NASD's Web CRD System, shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business and of the Rules of the Exchange, and shall further agree in the U-4 filing to abide by the Bylaws **[**Constitution**]** and Rules of the Exchange and the Rules of the Clearing Corporation. Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with the NASD's Web CRD System. Termination of employment or affiliation of any Registered Options Principal in such capacity shall be promptly electronically reported to the NASD's Web CRD System together with a brief statement of the reason for such termination on Form U-5.

. . . Interpretations and Policies:

.01 No change.

.02 Individuals who are delegated responsibility pursuant to Rule 9.8 for reviewing the acceptance of discretionary accounts, for approving exceptions to a TPH **[**member**]** organization's criteria or standards for uncovered options accounts, and for approval of communications, shall be designated as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4).

Rule 9.3. Registration and Termination of Representatives

(a) *Registration*. No TPH **[**member**]** organization shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been approved by and registered with the Exchange. Persons who perform duties for the TPH **[**member**]** organization which are customarily performed by sales representatives, solicitors, or branch office managers shall be designated as Representatives. In connection with their registration, Representatives shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with the NASD's Web CRD System by appropriately checking the CBOE as a requested registration on the electronic U-4 filing, and shall successfully complete an examination for the purpose of demonstrating an adequate knowledge of the securities business, and shall further agree in the U-4 filing to abide by the Bylaws **[**Constitution**]** and Rules of the Exchange and the Rules of the Clearing Corporation. Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with the NASD's Web CRD System.

(b) *Termination - Filing of U-5's*. The discharge or termination of employment of any registered person, together with the reasons therefor, shall be electronically reported to the NASD's Web CRD System by a TPH **[**member**]** organization immediately following the date of termination, but in no event later than thirty (30) days following termination, on a Uniform Termination Notice for Securities Industry Registration (Form U-5). A copy of said termination notice shall be provided concurrently to the person whose association has been terminated.

(c) *Termination - Filing of amended U-5's*. The TPH **[**member**]** organization shall electronically report to the NASD's Web CRD System, by means of an amendment to the Form U-5 filed pursuant to paragraph (b) above, in the event that the TPH **[**member**]** organization learns of facts or circumstances causing any information set forth in the notice to become inaccurate or incomplete. Such amendment shall be provided concurrently to the person whose association has been terminated no later than thirty (30) days after the TPH **[**member**]** organization learns of the facts or circumstances giving rise to the amendment.

. . . Interpretations and Policies:

.01 A person accepting orders from non-Trading Permit Holder **[**member**]** customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Representatives Examination (Series 7).

Rule 9.3A. Continuing Education for Registered Persons

(a) *Regulatory Element*—No Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date, also known as the "base date", shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule.

(1) – (2) No change.

A re-taking of the Regulatory Element shall commence with participation within one hundred twenty days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(b) *In-house Delivery of Regulatory Element*—TPH **[**Member**]** organizations will be permitted to administer the Regulatory Element of the Continuing Education program to their registered persons by instituting a firm program acceptable to the Exchange. The following procedures are required:

(1) Senior Officer or Partner in Charge—The TPH **[**member**]** organization has designated a senior officer or partner to be responsible for the firm's delivery of the Regulatory Element of the Continuing Education program.

(2) Site Requirements—The location of all delivery sites will be under the control of the TPH **[**member**]** organization. Delivery of Regulatory Element continuing education will take place in an environment conducive to training (*i.e.*, a training facility, conference room or other area dedicated to this type of purpose would be appropriate. Inappropriate locations would include a personal office or any location that is not or cannot be secured from traffic and interruptions). Where multiple delivery terminals are placed in a room, adequate separation between terminals will be maintained.

(3) No change.

(4) Supervision—The TPH **[**member**]** organization's written supervisory procedures must contain the procedures implemented to comply with the requirements of its delivery of Regulatory Element continuing education. The TPH **[**member**]** organization's written supervisory procedures must identify the senior officer or partner designated pursuant to paragraph (b)(1) above and contain a list of individuals authorized by the Trading Permit Holder **[**member**]** to serve as a proctor. TPH **[**Member**]** organization locations for delivery of Regulatory Element continuing education will be specifically listed in the Trading Permit Holder's **[**member's**]** written supervisory procedures.

(5) Proctors—All sessions will be proctored by an authorized person during the entire Regulatory Element continuing education session. Proctors must be present in the session room or must be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor. The individual responsible for proctoring at each administration will sign a certification that required procedures have been followed, that no material from Regulatory Element continuing education has been reproduced, and that no candidate received any assistance to complete the session. Such certification may be a part of the sign-in log required under paragraph (b)(6) below. Individuals serving as proctors must be

individuals registered with the Exchange as "proctors" and supervised by the designated senior officer/partner for purposes of TPH [member] organization delivery of Regulatory Element continuing education. Proctors will check and verify the identification of all individuals taking Regulatory Element continuing education.

(6) Administration—All appointments will be scheduled in advance using the procedures and software specified by the Exchange, its agent or designated vendor to communicate with the Proctor system and the NASD's CRD System. The Trading Permit Holder[member]/proctor will conduct each session in accordance with the administrative and appointment scheduling procedures required by the Exchange or its designated vendor. A sign-in log will be maintained at the delivery facility. Logs will contain the date of each session, the name and social security number of the individual taking the session, that required identification was checked, the sign-in time, the sign-out time, and the name of the individual proctoring the session. Such logs are required to be retained pursuant to Securities Exchange Act of 1934 Rules 17a-3 and 17a-4. No material will be permitted to be utilized for the session nor may any session-related material be removed. Delivery sites will be made available for inspection by the SROs. Before commencing in-firm delivery of the Regulatory Element continuing education, Trading Permit Holders [members] are required to file with their Designated Examining Authority ("DEA"), a letter of attestation (as specified below) signed by a senior officer or partner, attesting to the establishment of required procedures addressing senior officer or partner in-charge, supervision, site, technology, proctors, and administrative requirements.

Letter of Attestation for In-Firm Delivery of Regulatory Element Continuing Education

[Name of Trading Permit Holder [member] or TPH [member] organization] has established procedures for delivering Regulatory Element continuing education on its premises. I have determined that these procedures are reasonably designed to comply with SRO requirements pertaining to in-firm delivery of Regulatory Element continuing education, including that such procedures have been implemented to comply with senior officer or partner in-charge, supervision, site, technology, proctors, and administrative requirements.

Signature

Printed name

Title [Must be signed by a Principal Executive Officer (or Executive Representative) of the firm]

Date.

(7) Annual Representation—Each TPH **[**member**]** organization will be required to represent to the Exchange, annually, that they have continued to maintain, and reasonably believe that they have complied with, all required procedures outlined in paragraphs (b)(1)-(b)(6) above for the previous year. Such attestation must be signed by a senior officer or partner.

(8) Definition of Senior Officer/Partner—For purposes of paragraph (b) of this rule, "senior officer or partner" means the chief executive officer or managing partner or either (A) any other officer or partner who is a member of the TPH **[**member**]** organization's executive or management committee or its equivalent committee or group or (B) if the TPH **[**member**]** organization has no such committee or group, any officer or partner having senior executive or management responsibility who reports directly to the chief executive officer or managing partner. If, in the case of a TPH **[**member**]** organization, its chief executive officer or managing partner does not sign the attestation, a copy of the attestation shall be provided to the chief executive officer or managing partner.

(c) *Firm Element*

(1) *Persons Subject to the Firm Element*—The requirements of Section (b) of this Rule shall apply to any registered person who has direct contact with customers in the conduct of the Trading Permit Holder's **[**member's**]** or TPH **[**member**]** organization's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(2) *Standards*

(i) Each Trading Permit Holder **[**member**]** and TPH **[**member**]** organization must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each Trading Permit Holder **[**member**]** and TPH **[**member**]** organization shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the Trading Permit Holder's **[**member's**]** or TPH **[**member**]** organization's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization's analysis determines a need for supervisory training for persons with supervisory responsibilities such training must be included in the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization's training plan.

(ii) Minimum Standards for Training Programs—Programs used to implement a Trading Permit Holder's **[**member's**]** or TPH **[**member**]** organization's training plan must be appropriate for the business of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization:

(a) – (c) No change.

(iii) Administration of Continuing Education Program—Each Trading Permit Holder **[**member**]** and TPH **[**member**]** organization must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) *Participation in the Firm Element*—Covered registered persons included in a Trading Permit Holder's **[**member's**]** or TPH **[**member**]** organization's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization.

(4) *Specific Training Requirements*—The Exchange may require a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

. . . Interpretations and Policies:

.01 For purposes of this Rule, the term "registered person" means any Trading Permit Holder **[**member**]**, registered representative or other person registered or required to be registered under Exchange rules, but does not include any such person whose activities are limited solely to the transaction of business on the Floor with Trading Permit Holders **[**members**]** or registered broker-dealers.

.02 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization.

.03 - .04 No change.

Rule 9.4. Other Affiliations of Registered Associated Persons

(a) No person associated with a Trading Permit Holder **[**member**]** in any registered capacity shall be employed by, or accept compensation from, any other person or entity as a result of any business activity, other than a passive investment, outside the scope of his/her relationship with his/her employer firm, unless the person has provided prompt written notice to the Trading

Permit Holder **[**member**]** and has received prior written consent of the Trading Permit Holder **[**member**]**.

(b) Except with the prior written consent of the Trading Permit Holder **[**member**]** and prompt written notice to the Exchange, every Registered Options Principal, Sales Supervisor, and Financial/Operations Principal registered with a Trading Permit Holder **[**member**]** for which the Exchange is the Designated Examining Authority ("DEA") shall devote his/her entire time during business hours to the business of the TPH **[**member**]** organization employing or compensating him/her.

Rule 9.5. Discipline, Suspension, Expulsion of Registered Persons

The Exchange may discipline, suspend or terminate the registration of any Registered Representative or Registered Options Principal for violation of the Bylaws **[**Constitution**]** or Rules of the Exchange or the Rules of the Clearing Corporation.

Rule 9.6. Branch Offices of TPH [member] organizations

(a) Every TPH **[**member**]** organization approved to do options business with the public under this Chapter shall file with the Exchange and keep current a list of each of its branch offices showing the location of each such office and the name of the manager of each such office.

(b) No branch office of a TPH **[**member**]** organization shall transact options business with the public unless the manager of such branch office has been qualified as a Registered Options Principal; provided, that this requirement shall not apply to branch offices in which not more than three Registered Representatives are located so long as the TPH **[**member**]** organization can demonstrate that the options activities of such branch offices are appropriately supervised by a Registered Options Principal.

. . . Interpretations and Policies:

.01 Definition of Branch Office. — A "branch office" is any location where one or more associated persons of a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(A) No change.

(B) any location that is the associated person's primary residence; provided that: (i) only one associated person, or multiple associated persons, who reside at that location and are members of the same immediate family, conduct business at the location; (ii) the location is not held out to the public as an office and the associated person does not meet with customers at the location; (iii) neither customer funds nor securities are handled at that location; (iv) the associated person is assigned to a designated branch office, and such branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; (v) the associated person's correspondence and communications with the public are subject to all supervisory provisions of the Exchange's rules; (vi) electronic communications (*e.g.*, e-mail) are made through the Trading Permit Holder's **[**member's**]** or TPH **[**member**]** organization's electronic system; (vii) all orders are entered through the designated branch office or an electronic system established by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization that is reviewable at the branch office; (viii) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization; and (ix) a list of the locations is maintained by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization;

(C) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization complies with the provisions of (ii) through (viii) of paragraph (B) above;

(D) – (E) No change.

(F) the Floor of a registered national securities exchange where a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization conducts a direct access business with public customers; or

(G) No change.

Notwithstanding the exclusions in subparagraphs .01(A) - (G) above, any location that is responsible for supervising the activities of persons associated with a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization at one or more non-branch locations of such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization is considered to be a branch office.

For purposes of this Rule, the term "business day" shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

For purposes of this Rule, the term "associated person of a Trading Permit Holder [member] or TPH [member] organization" is defined as a Trading Permit Holder [member] or employee associated with a Trading Permit Holder [member] or TPH [member] organization.

For purposes of .01(B)(viii) above, written supervisory procedures shall include criteria for on-site for cause reviews of an associated person's primary residence. Such reviews must utilize risk-based sampling or other techniques designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

For purposes of .01(B)(viii) and (C) above, written supervisory procedures for such residences and other remote locations must be designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

Factors which should be considered when developing risk-based sampling techniques to determine the appropriateness of on-site for cause reviews of selected residences and other remote locations shall include, but not be limited to, the following: (i) the firm's size; (ii) the firm's organizational structure; (iii) the scope of business activities; (iv) the number and location of offices; (v) the number of associated persons assigned to a location; (vi) the nature and complexity of products and services offered; (vii) the volume of business done; (viii) whether the location has a Series 9/10-qualified person on-site; (ix) the disciplinary history of the registered persons or associated persons, including a review of such person's customer complaints and Forms U4 and U5; and (x) the nature and extent of a registered person's or associated person's outside business activities, whether or not related to the securities business.

Rule 9.7. Opening of Accounts

(a) *Approval Required.* No TPH [member] organization shall accept an order from a customer to purchase or write an option contract unless the customer's account has been approved for options transactions in accordance with the provisions of this rule.

(b) *Diligence in Opening Account.* In approving a customer's account for options transactions, a TPH [member] organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information which shall be retained in accordance with Rule 9.8. Based upon such information, the branch office manager or other Registered Options Principal shall approve in writing the customer's account for options transactions; provided, that if the branch office manager is not a Registered Options Principal, his approval shall within a reasonable time be confirmed by a Registered Options Principal.

(c) *Verification of Customer Background and Financial Information.* The background and financial information upon which the account of every new customer that is a natural person has

been approved for options trading, unless the information is included in the customer's account agreement, shall be sent to the customer for verification within fifteen (15) days after the customer's account has been approved for options transactions. A copy of the background and financial information on file with the TPH **[**member**]** organization shall also be sent to the customer for verification within fifteen (15) days after the TPH **[**member**]** organization becomes aware of any material change in the customer's financial situation.

(d) *Agreements to Be Obtained.* Within 15 days after a customer's account has been approved for options transactions, a TPH **[**member**]** organization shall obtain from the customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Rules 4.11 and 4.12.

(e) *Options Disclosure Documents to Be Furnished.* At or prior to the time a customer's account is approved for options transactions, a TPH **[**member**]** organization shall furnish the customer with one or more current options disclosure documents in accordance with the requirements of Rule 9.15.

(f) Every TPH **[**member**]** organization transacting business with the public in uncovered option contracts shall develop, implement and maintain specific written procedures governing the conduct of such business which shall include, at least, the following:

1. – 5. No change.

. . . Interpretations and Policies:

.01 In fulfilling its obligations pursuant to paragraph (b) of Rule 9.7 with respect to options customers that are natural persons, a TPH **[**member**]** organization shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

1. – 8. No change.

In addition, the customer's account records shall contain the following information, if applicable:

a. – g. No change.

The TPH **[**member**]** organization should consider utilizing a standard account approval form so as to ensure the receipt of all the required information.

.02 No change.

.03 The requirement of paragraph (c) of Rule 9.7 for the initial and subsequent verification of customer background and financial information is to be satisfied by sending to the customer the information required in Items 1 through 6 of Interpretation .01 above as contained in the Trading Permit Holder's **[**member's**]** records and providing the customer with an opportunity to correct or complete the information. In all cases, absent advice from the customer to the contrary, the information will be deemed to be verified.

.04 No change.

Rule 9.8. Supervision of Accounts

(a) *Duty to Supervise.* The general partners or directors of each TPH **[**member**]** organization that conducts a non-Trading Permit Holder **[**member**]** customer business shall provide for appropriate supervisory control and shall designate a general partner or executive officer, who shall be identified to the Exchange, to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations. This person, who may be the same individual designated pursuant to substantially similar New York Stock Exchange or National Association of Securities Dealers rules, shall:

1. – 2. No change.

3. Develop and implement written policies and procedures reasonably designed to independently supervise the activities of accounts serviced by branch office managers, sales managers, regional/district sales managers or any person performing a similar supervisory function. Such supervisory reviews must be performed by a qualified Registered Options Principal who:

i. Is either senior to, or otherwise independent of, the producing manager under review. For purposes of this Rule, an "otherwise independent" person: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager's customer activity that represents more than 10% of the designated person's gross income derived from the TPH **[**member**]** organization over the course of a rolling twelve-month period, the TPH **[**member**]** organization must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

ii. If a TPH **[**member**]** organization is so limited in size and resources that there is no qualified Registered Options Principal senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to paragraph (a)(3)(i) of this Rule (for instance, the TPH **[**member**]** organization has only one office, or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a Registered Options Principal in compliance with paragraph (a)(3)(i) of this Rule to the extent practicable.

iii. A TPH **[**member**]** organization relying on paragraph (a)(3)(ii) of this Rule must document the factors used to determine that complete compliance with all of the provisions of paragraph (a)(3)(i) of this Rule is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of paragraph (a)(3)(i) of this Rule to the extent practicable.

iv. A TPH **[**member**]** organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraphs (a)(3)(i), (a)(3)(ii) and (a)(3)(iii) of this Rule will be deemed to have met such requirements.

(b) *Maintenance of Customer Records.*

1. No change.

2. Upon the written instructions of a customer, a Trading Permit Holder **[**member**]** may hold mail for a customer who will not be at his or her usual address for the period of his or her absence, but (A) not to exceed two months if the Trading Permit Holder **[**member**]** is advised that such customer will be on vacation or traveling or (b) not to exceed three months if the customer is going abroad.

3. Before any customer order is executed, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a Trading Permit Holder **[**member**]** or a person(s) designated by the designated general partner or executive officer (pursuant to Rule 9.8). Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the Trading Permit Holder **[**member**]**. The essential facts relied upon by the person approving the change must be documented in writing and preserved for a period of not less than three years, the first two years in an easily accessible place, as the term "easily accessible place" is used in SEC Rule 17a-4.

For purposes of this paragraph (b)(3), a person(s) designated by the designated general partner or executive officer (pursuant to Rule 9.8) must be a Registered Options Principal.

(c) *Internal Controls.* (i) TPH **[**Member**]** organizations must develop and maintain adequate controls over each of its business activities. Such controls must provide for the establishment of procedures for verification and testing of those business activities. An ongoing analysis, based upon appropriate criteria, may be employed to assess and prioritize those business activities requiring independent verification and testing. A review of each TPH **[**member**]** organization's efforts with respect to internal controls, including a summary of tests conducted and significant exceptions identified, must be included in the annual report required by paragraph (g) of this Rule.

(ii) A TPH **[**member**]** organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (c)(i) of this Rule will be deemed to have met such requirements.

(d) *Annual Branch Office Inspections.*

1. Each branch office that supervises one or more non-branch locations must be inspected no less often than once each calendar year unless:

(i) No change.

(ii) based upon the written policies and procedures of such TPH **[**member**]** organization providing for a systematic risk-based surveillance system, the TPH **[**member**]** organization submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to paragraph (e) of this Rule.

2. Every branch office, without exception, must be inspected at least once every three calendar-years. All required inspections must be conducted by a person who is independent of the direct supervision and control of the branch office in question (*i.e.*, not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). Written reports reflecting the results of such inspections are to be maintained at the TPH **[**member**]** organization for the longer of three years or until the next branch office inspection.

3. A TPH **[**member**]** organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (d)(1) and (d)(2) of this Rule as well as to related requirements in paragraphs (e) and (f) of this Rule will be deemed to have met such requirements.

(e) *Risk -Based Surveillance and Branch Office Identification.*

1. Any TPH **[**member**]** organization seeking an exemption, pursuant to Rule 9.8(d)(1)(ii), from the annual branch office inspection requirement must submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices. Such policies and procedures should reflect, among other factors, the TPH **[**member**]** organization's business model and product mix. Such policies and procedures must also, at a minimum, provide for:

(i) – (iii) No change.

2. For purposes of paragraph (e)(1) of this Rule, the risk-based factors to be considered should include, but not necessarily be limited to, the following:

(i) – (viii) No change.

(ix) Compliance and regulatory history of the branch, including:

(A) Registered Representatives subject to special supervision by the TPH **[**member**]** organization, self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission in years other than the previous or current year;

(B) – (C) No change.

(x) – (xv) No change.

3. Notwithstanding any policies or procedures implemented pursuant to this Rule, branch offices that meet any of the following criteria must be inspected no less often than once each calendar year:

(i) – (ii) No change.

(iii) Offices in the top 20% of production or customer assets for the TPH **[**member**]** organization;

(iv) – (v) No change.

(f) No change.

(g) *Written Report.* By April 1 of each year, each TPH **[**member**]** organization that conducts a non-Trading Permit Holder **[**member**]** customer business shall submit to the Exchange a written report on the TPH **[**member**]** organization's supervision and compliance effort during the preceding year and on the adequacy of the TPH **[**member**]** organization's ongoing compliance processes and procedures. Each TPH **[**member**]** organization that conducts a public customer options business shall also specifically include its options compliance program in the report. The report shall include, but not be limited to, the following:

1. – 2. No change.

3. Discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in each of the following areas: (i) antifraud and trading practices; (ii) investment banking activities; (iii) sales practices; (iv) books and records; (v) finance and operations; (vi) supervision; (vii) internal controls, and (viii) anti-money laundering. If any of these areas do not apply to the TPH **[**member**]** organization, the report shall so state.

4. For each TPH **[**member**]** organization, the designation of a general partner or principal executive officer as Chief Compliance Officer (which designation shall be updated on Schedule A of Form BD).

5. A certification signed by the TPH **[**member**]** organization's Chief Executive Officer (or equivalent), that:

(i) The TPH **[**member**]** organization has in place processes to:

(A) – (C) No change.

(ii) In TPH **[**member**]** organizations, the Chief Executive Officer (or equivalent officer) conducted one or more meetings with the organization's Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the organization's prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

(iii) In TPH **[**member**]** organizations, the processes described in paragraph (g)(5)(i) of this Rule, are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the organization may deem necessary to make this certification, and submitted to the organization's board of directors and audit committee (if such committee exists) on or before April 1st of each year.

(iv) In TPH **[**member**]** organizations, the Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(5)(iii) of this Rule and such other employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

A TPH **[**member**]** organization that specifically includes its options compliance program in a report that complies with substantially similar requirements of the New York Stock Exchange or the National Association of Securities Dealers will be deemed to have met the requirements of this Rule 9.8(g) and Rule 9.8(h).

(h) Reports to Control Persons. By April 1 of each year, each TPH **[**member**]** organization shall submit a copy of the report that Rule 9.8(g) requires the TPH **[**member**]** organization to prepare to its one or more control persons or, if the TPH **[**member**]** organization has no control person, to the audit committee of its board of directors or its equivalent committee or group. In the case of a control person that is an organization (a "controlling organization"), the TPH **[**member**]** organization shall submit the report to the general counsel of the controlling organization and to the audit committee of the controlling organization's board of directors or its equivalent committee or group. For the purpose of this paragraph, "control person" means a person who controls the TPH **[**member**]** organization within the meaning of Rule 1.1(k).

. . . Interpretations and Policies:

.01 Each TPH **[**member**]** organization that conducts a non-Trading Permit Holder **[**member**]** customer business shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-Trading Permit Holder **[**member**]** customer accounts, and all orders in such accounts. Such written procedures shall specifically identify the titles and positions of individuals who have been delegated authority and responsibility for an identified segment of the TPH **[**member**]** organization's business, including option compliance functions. The procedures shall also include the registration status and location of all such supervisory and compliance personnel. Each TPH **[**member**]** organization shall also develop and implement specific written procedures concerning the manner of supervision of customer accounts maintaining uncovered short option positions, and specifically providing for frequent supervisory review of such accounts.

.02 Each TPH **[**member**]** organization shall maintain at the principal supervisory office having jurisdiction over the office servicing the customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each customer's options account on a timely basis to determine (i) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved; (ii) the size and frequency of options transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any options class or classes and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

.03 No change.

Rule 9.9. Suitability of Recommendations

Every Trading Permit Holder **[**member**]**, Registered Options Principal or Registered Representative who recommends to a customer the purchase or sale (writing) of any option contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such customer on the basis of the information furnished by such customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such Trading Permit Holder **[**member**]**, Registered Options Principal or Registered Representative.

No Trading Permit Holder **[**member**]**, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any option contract unless the person making the recommendation has a reasonable basis for believing at the time of making the recommendation that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the option contract.

. . . Interpretations and Policies:

.01 No Trading Permit Holder **[**member**]**, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any Delayed Start Option Series unless the customer previously has engaged in an options transaction.

Rule 9.10. Discretionary Accounts

(a) *Authorization and Approval Required.* No TPH **[**member**]** organization shall exercise any discretionary power with respect to trading in options contracts in a customer's account unless such customer has given prior written authorization and the account has been accepted in writing by a Registered Options Principal. Each firm shall designate specific Registered Options Principal qualified individuals pursuant to Rule 9.8 to review discretionary accounts. A Registered Options Principal qualified person specifically delegated such responsibilities under Rule 9.8 (who is an individual other than the Registered Options Principal who accepted the account) shall review the acceptance of each discretionary account to determine that the Registered Options Principal accepting the account had a reasonable basis for believing that the customer was able to understand and bear the risks of the strategies or transactions proposed, and he shall maintain a record of the basis for his determination. Every discretionary order shall be identified as discretionary on the order at the time of entry. Discretionary accounts shall receive frequent appropriate supervisory review by a Registered Options Principal qualified person

specifically delegated such responsibilities under Rule 9.8, who is not exercising the discretionary authority.

(b) *Record of Transactions.* A record shall be made of every option transaction for an account in respect to which a TPH **[**member**]** organization is vested with any discretionary power, such record to include the name of the customer, the designation, number of contracts and premium of the option contracts, and the date and time when such transaction took place.

(c) *Excessive Transactions Prohibited.* No TPH **[**member**]** organization shall effect with or for any customer's account in respect to which such TPH **[**member**]** organization is vested with any discretionary power any transactions of purchase or sale of option contracts which are excessive in size or frequency in view of the financial resources and character of such account.

(d) – (e) No change.

. . . Interpretations and Policies:

.01 Any TPH **[**member**]** organization that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

Rule 9.11. Confirmation to Customers

Every TPH **[**member**]** organization shall promptly furnish to each customer a written confirmation of each transaction in option contracts which shall show the underlying security type of option expiration month, exercise price, number of option contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale, whether the transaction was an opening or a closing transaction and whether a principal or agency transaction. The confirmation shall by appropriate symbols distinguish between Exchange transactions and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

Rule 9.12. Statements of Accounts to Customers

Every TPH **[**member**]** organization shall send to its customers statements of account showing security and money positions, entries, interest charges and any special charges that have been

assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations. With respect to options customers having a general (margin) account, such statement shall also provide the mark-to-market price and market value of each option position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. The statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed option transactions has been included in confirmations of such transactions previously furnished to the customer, and that such information will be made available to the customer promptly upon request. The statement shall also bear a legend requesting the customer to promptly advise the Trading Permit Holder **[**member**]** of any material change in the customer's investment objectives or financial situation. Such statements of account shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

. . . Interpretations and Policies:

.01 No change.

Rule 9.13. Statements of Financial Condition to Customers

Every TPH **[**member**]** organization shall send to each of its customers statements of the TPH **[**member**]** organization's financial condition as required by Rule 17a-5 under the Securities Exchange Act of 1934.

Rule 9.14. Addressing of Communications to Customers

No TPH **[**member**]** organization shall address any communications to a customer in care of any other person unless either (a) the customer, within the preceding 12 months, has instructed the TPH **[**member**]** organization in writing to send communications in care of such other persons, or (b) duplicate copies are sent to the customer at some other address designated in writing by him.

Rule 9.15. Delivery of Current Options Disclosure Documents

(a) *Options Disclosure Documents.* Every TPH **[**member**]** organization shall deliver a current options disclosure document to each customer, at or prior to the time such customer's account is approved for options transactions. A copy of each amendment to an options disclosure document shall be furnished to each customer who was previously furnished the options disclosure

document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. Where such customer is a broker or dealer, the TPH [member] organization shall take reasonable steps to see to it that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by him in order to enable him to comply with the requirements of this Rule. The Exchange will advise Trading Permit Holders [members] when an options disclosure document is amended. The term "current options disclosure document" means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Securities Exchange Act of 1934.

(b) The written description of risks required by Rule 9.7(f)5 shall be in a format prescribed by the Exchange or in a format developed by the TPH [member] organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

* * * * *

(c) The special written disclosure statement describing the nature and risks of portfolio margining and acknowledgement for customer signature, required by Rule 12.4(c)(2) shall be in a format prescribed by the Exchange or in a format developed by the TPH [member] organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

Rule 9.16. Restrictions on Pledge and Lending of Customers' Securities

(a) No TPH [member] organization shall lend, either to itself or to others, securities carried for the account of any customer, unless such TPH [member] organization shall first have obtained a separate written authorization from such customer permitting the lending of such by such TPH [member] organization; and, regardless of any agreement between a TPH [member] organization and a customer authorizing the TPH [member] organization to lend or pledge such securities, no TPH [member] organization shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the customer to such TPH [member] organization except such lending as may be specifically authorized under paragraph (b) hereof.

(b) No TPH [member] organization shall lend securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be loaned in view of the indebtedness of the customer, unless such TPH [member] organization shall first have obtained from such customer a separate written authorization designating the particular securities to be loaned.

(c) No TPH [member] organization shall hold securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be pledged in view of the indebtedness of the customer, unless such securities are segregated and identified by a method which clearly indicates the interest of such customer in those securities.

Rule 9.17. Transactions of Certain Customers

No TPH [member] organization shall execute any transaction in securities or carry a position in any security in which (a) an officer or employee of the Exchange, or an officer or employee of a corporation in which the Exchange owns the majority of the capital stock is directly or indirectly interested, without the prior written consent of the Exchange, or (b) a partner, officer, director, principal shareholder or employee of another TPH [member] organization is directly or indirectly interested, without the consent of such other TPH [member] organization. Where the required consent has been granted, duplicate reports of the transaction and position shall be promptly sent to the Exchange or TPH [member] organization, as the case may be.

Rule 9.18. Prohibition Against Guarantees and Sharing in Accounts

(a) *Prohibition Against Guarantees.* No TPH [member] organization or person associated with a Trading Permit Holder [member] shall guarantee a customer against loss in his account or in any transaction effected with or for such customer.

(b) *Sharing in Accounts; Extent Permissible*

(1)(A) Except as provided in paragraph (2), no Trading Permit Holder [member] or person associated with a Trading Permit Holder [member] shall share directly or indirectly in the profits or losses in any account of a customer carried by the Trading Permit Holder [member] or any other Trading Permit Holder [member]; provided, however, that a Trading Permit Holder [member] or person associated with a Trading Permit Holder [member] may share in the profits or losses in such an account if:

(i) such person associated with a Trading Permit Holder [member] obtains prior written authorization from the Trading Permit Holder [member] employing the associated person;

(ii) such Trading Permit Holder [member] or person associated with a Trading Permit Holder [member] obtains prior written authorization from the customer; and

(iii) such Trading Permit Holder [member] or person associated with a Trading Permit Holder [member] shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the Trading Permit Holder [member] or person associated with a Trading Permit Holder [member].

(B) Exempt from the direct proportionate share limitation of paragraph (1)(A)(iii) are accounts of the immediate family of such Trading Permit Holder [member] or person associated with a Trading Permit Holder [member]. For purposes of this Rule, the term "immediate family" shall include parents,

mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** otherwise contributes directly or indirectly.

(2) Notwithstanding the prohibition of paragraph (1), a Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:

(A) such person associated with a Trading Permit Holder **[**member**]** seeking such compensation obtains prior written authorization from the Trading Permit Holder **[**member**]** employing the associated person;

(B) such Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** seeking such compensation obtains prior written authorization from the customer; and

(C) all of the conditions in Rule 205-3 of the Investment Advisers Act (as the same may be amended from time to time) are satisfied.

Rule 9.19. Assuming Losses

No TPH **[**member**]** organization shall assume for its own account any position in a security traded on the Exchange, where such position was established for a customer, after a loss to the customer has been established or ascertained, unless the contract was made by the TPH **[**member**]** organization's mistake or unless approval of the Exchange has first been obtained.

Rule 9.20. Transfer of Accounts

(a) When a customer whose securities account is carried by a TPH **[**member**]** organization (the "carrying organization") wants to transfer the entire account to another TPH **[**member**]** organization (the "receiving organization") and gives written notice of that fact to the receiving organization, both TPH **[**member**]** organizations must expedite and coordinate activities with respect to the transfer.

(b) – (e) No change.

(f) The Exchange may exempt from the provisions of this Rule, either unconditionally or on specified terms and conditions, (i) any TPH **[**member**]** organization or class of TPH **[**member**]** organizations, or (ii) any type of account, security or financial instrument.

(g) Unless an exemption has been granted pursuant to paragraph (f) of this Rule, the Exchange may impose upon a TPH **[**member**]** organization a fee of up to $100 per securities account for each day such TPH **[**member**]** organization fails to adhere to the time frames or procedures required by this Rule and related published interpretations.

. . . Interpretations and Policies:

.01 - .02 No change.

Rule 9.21. Options Communications

(a) *Definitions*. For purposes of this Rule and any interpretation thereof, "options communications" consist of:

(i) No change.

(ii) Sales Literature. The term "sales literature" shall include any written or electronic communication concerning options other than an advertisement, independently prepared reprint, institutional sales material and correspondence, that is generally available to customers or the public, including circulars, research reports, performance reports or summaries, worksheets, form letters, telemarketing scripts, seminar texts, reprints (that are not independently prepared reprints) or excerpts of any other advertisement, sales literature or published article and press release concerning a Trading Permit Holder's **[**member's**]** products or services.

(iii) Correspondence. The term "correspondence" shall include any written letter or electronic mail message or market letter distributed by a Trading Permit Holder **[**member**]** to: (A) one of more of its existing retail customers; and (B) fewer than 25 prospective retail customers within any 30 calendar-day period.

(iv) – (v) No change.

(vi) Independently Prepared Reprints. The term "independently prepared reprints" shall include any reprint or excerpt of an article issued by a publisher concerning options, provided that: the publisher is not an affiliate of the Trading Permit Holder **[**member**]** using the reprint or any underwriter or issuer of a security mentioned in the reprint or excerpt that the Trading Permit Holder **[**member**]** is promoting; neither the Trading Permit Holder **[**member**]** using the reprint or excerpt nor any underwriter or issuer of a security mentioned in the reprint or excerpt has commissioned the reprint or excerpted article; and the Trading Permit Holder **[**member**]** using the reprint or excerpt has not materially altered its contents except as necessary to make the reprint or excerpt consistent with applicable regulatory standards or to correct factual errors.

(b) *Approval by Registered Options Principal.*

(i) All advertisements, sales literature (except completed worksheets), and independently prepared reprints issued by a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization pertaining to options shall be approved in advance by a Registered Options Principal designated by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization's written supervisory procedures.

(ii) Correspondence need not be approved by a Registered Options Principal prior to use, unless such correspondence is distributed to 25 or more existing retail customers within any 30 calendar-day period and makes any financial or investment recommendation or otherwise promotes a product or service of the Trading Permit Holder **[**member**]**. All correspondence is subject to the supervision and review requirements of Rule 9.8.

(iii) Institutional sales material relating to options need not be approved by a Registered Options Principal prior to use, but is subject to the supervision and review requirements as set forth in the written supervisory procedures of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization.

(iv) Copies of the options communications shall be retained by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization in accordance with Rule 17a-4 under the Securities Exchange Act of 1934. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein shall be retained by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization and kept in the form and for the time periods required for options communications by Rule 17a-4.

(c) *Exchange Approval Required.* In addition to the approval required by paragraph (b) of this Rule, all advertisements, sales literature and independently prepared reprints of a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization pertaining to standardized options that is not accompanied or preceded by the applicable current options disclosure document ("ODD") shall be submitted to the Exchange at least ten calendar days prior to use (or such shorter period as the Exchange may allow in particular instances) for approval and, if changed or expressly disapproved by the Exchange, shall be withheld from circulation until any changes specified by the Exchange have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, Exchange approval. The requirements of this paragraph shall not be applicable to:

(i) No change.

(ii) communications in which the only reference to options is contained in a listing of the services of the TPH **[**member**]** organization.

(d) *General Rule*. No Trading Permit Holder **[**member**]** or member organization or associated person shall use any options communication which:

(i) – (vii) No change.

No change.

(e) No change.

. . . ***Interpretations and Policies:***

.01 - .04 No change.

Rule 9.22. Brokers' Blanket Bonds

Every TPH **[**member**]** organization approved to transact business with the public under this Chapter and every Clearing Trading Permit Holder **[**clearing member organization**]** shall carry Brokers' Blanket Bonds covering their officers and employees **[**of the organization**]** in such form and in such amounts as the Exchange may require.

. . . Interpretations and Policies:

.01 The Exchange has determined that all Trading Permit Holders **[**members**]** subject to the provisions of Rule 9.22 shall maintain Brokers' Blanket Bonds as follows:

(a) No change.

(b) Deductible Provision

(1) No change.

(2) If a Trading Permit Holder **[**member**]** desires to maintain coverage in excess of the minimum insurance requirement, then a deductible provision may be included in the bond of up to $5,000

or 10% of the amount of blanket bond coverage provided in the bond purchased, whichever is greater. However, the excess of any such deductible amount over the maximum permissible deductible amount described in subparagraph (1) above must be deducted from the Trading Permit Holder's **[**member's**]** net worth in the calculation of the Trading Permit Holder's **[**member's**]** net capital for purposes of SEC Rule 15c3-1.

(3) When the Trading Permit Holder **[**member**]** is covered under the Brokers' Blanket Bond of an affiliate, the Trading Permit Holder **[**member**]** must deduct from its net capital the deductible provision in excess of the maximum permissible amount described in subparagraph (1) above.

(c) Annual Review of Coverage

(1) In determining the initial minimum coverage amount, the Trading Permit Holder **[**member**]** is to use the highest required net capital during the twelve-month period immediately preceding (and make) the issuance of the Brokers' Blanket Bond. This amount shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subparagraphs (a)(3), (4), and (5).

(2) Each Trading Permit Holder **[**member**]**, shall review, as of the anniversary date of the issuance of the bond, the adequacy thereof by reference to the highest required net capital during the immediately preceding twelve-month period, which amount shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subparagraphs (a)(2), (3), (4), and (5).

(3) Each Trading Permit Holder **[**member**]** shall make required adjustments not more than thirty days after the anniversary date of the issuance of such bond.

(d) Notification of Change

Each Trading Permit Holder **[**member**]** shall report the cancellation, termination or substantial modification of the bond to the Exchange within ten business days of such occurrences.

(e) Trading Permit Holders **[**Members**]** Subject to Other Bonding Rules

Trading Permit Holders **[**Members**]** subject to a bonding rule of another registered national securities exchange, the Securities and Exchange Commission, or a registered national securities association which imposes requirements that are equal to or greater than the requirements imposed by the Rule shall be deemed to be in compliance with the provisions of this Rule.

Rule 9.23. Customer Complaints

Every TPH [member] organization conducting a non-Trading Permit Holder [member] customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved. The term "options-related complaint" shall mean any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with listed options. The central file shall be located at the principal place of business of the TPH [member] organization or such other principal office as shall be designated by the TPH [member] organization. At a minimum, the central file shall include: (i) identification of complainant, (ii) date complaint was received, (iii) identification of Registered Representative servicing the account, (iv) a general description of the matter complained of, and (v) a record of what action, if any, has been taken by the TPH [member] organization with respect to the complaint. Each options-related complaint received by a branch office of a TPH [member] organization shall be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office. A copy of every options-related complaint shall be maintained at the branch office that is the subject of the complaint.

Rule 9.24. Telephone Solicitation

(a) No Trading Permit Holder [member] or associated person shall make an outbound telephone call to any person's residence for the purpose of soliciting the purchase of securities or related services ("telemarketing" or "cold-calling") at any time other than between 8 a.m. and 9 p.m. local time at the called person's location, without that person's prior consent.

(b) No Trading Permit Holder [member] or associated person shall make an outbound telephone call to any person for the purpose of telemarketing without disclosing promptly and in a clear and conspicuous manner to the called person the following information:

(1) the identity of the caller and the TPH organization [member firm];

(2) – (3) No change.

(c) The prohibitions of paragraphs (a) and (b) do not apply to telephone calls by an associated person (whether acting alone or at the direction of another associated person) who controls or has been assigned to a Trading Permit Holder's [member's] existing customer account for the purpose of maintaining and servicing that account, provided that the call is to:

(1) – (3) No change.

For the purposes of paragraph (c), the term "existing customer" means a customer for whom the broker or dealer, or a clearing broker or dealer on its behalf, carries an account. The scope of this Rule is limited to the telemarketing calls described in this Rule. The terms of this Rule do not impose, expressly or by implication, any additional requirements on Trading Permit Holders **[**members**]** with respect to the relationship between a Trading Permit Holder **[**member**]** and a customer or between an associated person and a customer.

(d) Each Trading Permit Holder **[**member**]** shall make and maintain a centralized list of persons who have informed the Trading Permit Holder **[**member**]** or any of its associated persons that they do not wish to receive telephone solicitations, and will refrain from cold-calling the persons on the list.

(e) Each Trading Permit Holder **[**member**]** or associated person engaged in telemarketing shall have a customer's express written authorization in order to obtain or submit for payment a check, draft, or other form of negotiable instrument drawn on a customer's checking, savings, share, or similar account. Written authorization may include the customer's signature on the negotiable instrument. The authorization must be retained for at least three years. This provision does not require maintenance of copies of negotiable instruments signed by customers.

. . . Interpretations and Policies:

.01 Trading Permit Holders **[**members**]** and associated persons that engage in telemarketing also are subject to the requirements of the rules of the Federal Communications Commission ("FCC") relating to telemarketing practices and the rights of telephone consumers.

.02 It is considered conduct inconsistent with just and equitable principles of trade and a violation of Exchange Rule 4.1 for any Trading Permit Holder **[**member**]** or associated person to: (1) call a person repeatedly or continuously in a manner likely to annoy or be offensive; or (2) use threats, intimidation, or profane or obscene language in calling any person.

Rule 9.25. Borrowing From or Lending to Customers

(a) No person associated with a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization in any registered capacity may borrow money from or lend money to any customer of such person unless:

(1) The Trading Permit Holder **[**member**]** or TPH **[**member**]** organization has written procedures allowing the borrowing and lending of money between such registered persons and customers of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization; and

(2) the lending or borrowing arrangement meets one of the following conditions:

(A) the customer is a member of such person's immediate family;

(B) No change.

(C) the customer and the registered person are both registered persons of the same TPH [member] organization;

(D) – (E) No change.

(b) Procedures.

(1) Trading Permit Holders [members] or TPH [member] organizations must pre-approve in writing the lending or borrowing arrangements described in subparagraphs (a)(2)(C), (D), and (E) above.

(2) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(A) above, a Trading Permit Holder [member] or TPH [member] organization's written procedures may indicate that registered persons are not required to notify the Trading Permit Holder [member] or TPH [member] organization, or receive Trading Permit Holder [member] or TPH [member] organization approval either prior to or subsequent to entering into such lending or borrowing arrangements.

(3) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(B) above, a Trading Permit Holder [member] or TPH [member] organization's written procedures may indicate that registered persons are not required to notify the Trading Permit Holder [member] or TPH [member] organization or receive their approval either prior to or subsequent to entering into such lending or borrowing arrangements, provided that the loan has been made on commercial terms that the customer generally makes available to members of the public similarly situated as to need, purpose, and creditworthiness. For purposes of this subparagraph, the Trading Permit Holder [member] or TPH [member] organization may rely on the registered person's representation that the terms of the loan meet the above-described standards.

(c) No change.

CHAPTER X Closing Transactions (Rules 10.1-10.22)

Part A—Options Contracts (Rules 10.1-10.3)

Rule 10.1. Disagreement on Unmatched Trade

When an unmatched Exchange transaction cannot be resolved under Rule 6.61, the transaction shall be promptly closed out by the parties in the following manner. The Trading Permit Holder **[**member**]** representing the purchaser in the unmatched Exchange transaction shall promptly enter into a new purchase transaction on the floor of the Exchange to purchase the option contract that was the subject of the unmatched Exchange transaction, and the Trading Permit Holder **[**member**]** representing the writer in the unmatched Exchange transaction shall promptly enter into a new writing transaction on the floor of the Exchange to write the option contract that was the subject of the unmatched Exchange transaction. Any money difference resulting from such transactions shall be settled between the Trading Permit Holders **[**members**]** involved, either by mutual agreement or by arbitration pursuant to these Rules, for their own accounts and not for the accounts of their respective customers. Notwithstanding the foregoing, if either Trading Permit Holder **[**member**]** is acting for a firm account in the unmatched Exchange transaction, and not for the account of a customer, such Trading Permit Holder **[**member**]** need not enter into a new transaction, in which event money differences will be based solely on the closing transaction of the other party to the unmatched transaction.

Rule 10.2. Contracts of Suspended Trading Permit Holders [Members]

When a Trading Permit Holder **[**member**]**, other than a Clearing Trading Permit Holder **[**Member**]**, is suspended pursuant to Chapter XVI of these Rules, all open short positions of the suspended Trading Permit Holder **[**member**]** in option contracts and all open positions resulting from exercise of option contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the Rules of the Clearing Corporation, shall be closed without unnecessary delay by all TPH **[**member**]** organizations carrying such positions for the account of the suspended Trading Permit Holder **[**member**]**; provided that the Chairman or President may cause the foregoing requirement to be temporarily waived for such period as he may determine if he shall deem such temporary waiver to be in the interest of the public or the other Trading Permit Holders **[**members of the Exchange**]**. No temporary waiver hereunder by the Chairman or President shall relieve the suspended Trading Permit Holder **[**member**]** of its obligations or of damages, nor shall it waive the close out requirements of any other Rule. When a Clearing Trading Permit Holder **[**Member**]** is suspended pursuant to Chapter XVI of these Rules, the positions of such Clearing Trading Permit Holder **[**Member**]** shall be closed out in accordance with the Rules of the Clearing Corporation.

Rule 10.3. Failure to Pay Premium

When the Clearing Corporation shall reject an Exchange transaction because of the failure of the Clearing Trading Permit Holder **[**Member**]** acting on behalf of the purchaser to pay the aggregate premiums due thereon as required by the Rules of the Clearing Corporation, the Trading Permit Holder **[**member**]** acting as or on behalf of the writer shall have the right either to cancel the transaction by giving notice thereof to the Clearing Trading Permit Holder **[**Member**]** or to enter into a closing writing transaction in respect of the same option contract that was the subject of the rejected Exchange transaction for the account of the defaulting Clearing Trading Permit Holder **[**Member**]**. Such action shall be taken as soon as possible, and in any event not later than 10:00 A.M. on the business day following the day the Exchange transaction was rejected by the Clearing Corporation.

Part B—Stock, Warrants, and Other Securities (Rules 10.10-10.22)

Rule 10.10. Disagreement on Contract

When a disagreement between Trading Permit Holders **[**members**]** or TPH **[**member**]** organizations arising from a transaction in securities is discovered, the money difference shall forthwith be established by purchase or sale or by mutual agreement.

Rule 10.11. Contracts of Suspended Parties

When a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization is suspended pursuant to Chapter XVI of these Rules, Trading Permit Holders **[**members**]** and organizations having contracts with the suspended Trading Permit Holder **[**member**]** or TPH **[**member**]** organization for the purchase, sale or loan of securities shall, without unnecessary delay, proceed to close such contracts on the Exchange or in the best available market, except insofar as the rules of a Clearing Corporation are applicable and provide the method of closing; provided, however, that upon any such suspension, the Board of Directors may, in its discretion, suspend the mandatory closeout provisions of this Rule and may, in its discretion, reinstate such provisions at such time as it may determine. Should such a contract not be closed when required to be closed by this Rule, the price of settlement for the purpose of Rule 3.15 shall be determined pursuant to the claims resolution procedures provided for by that Rule, with due regard for the price current at the time.

Rule 10.12. Mandatory Closing of Fails

(a) A contract in securities (other than a contract the close-out of which is governed by the rules of a Clearing Corporation) which has not been fulfilled in accordance with its terms for a period of twenty calendar days after the original due date for delivery shall be closed pursuant to the following procedures:

(1) A notice of intention shall be delivered (in quadruplicate) to the TPH **[**member**]** organization in default at or before 12:00 noon (Central Time) on the twenty-first business day after the original due date of the contract (the "effective date of notice"). A copy of a receive order issued by a Clearing Corporation or a stamped comparison must accompany the notice when delivered, except that if neither of these documents is available, other available evidence of the item should accompany the notice. A fifth copy of the notice of intention shall be delivered to the Regulatory Services Division of the Exchange before 12:00 noon (Central Time) on the same day.

(2) The TPH **[**member**]** organization receiving the notice of intention must indicate on the copies of the notice its position with respect to the resolution of the item and then return to the initiating TPH **[**member**]** organization a copy thereof signed by a member, an officer, general partner, or authorized representative of the TPH **[**member**]** organization no later than 12:00 noon (Central Time) on the third business day after the effective date of notice. A copy of the response must be filed by the defaulting TPH **[**member**]** organization with the Regulatory Services Division by no later than 12:00 noon on the same day. Where necessary, the TPH **[**member**]** organization receiving the notice of intention shall re-transmit the same, as provided in Rule 10.15.

(3) If the notice is returned to the initiating party "DK'd" or if the notice is not returned duly signed when due, the initiating party shall itself close out the contract forthwith by buying or selling through its own representative on the floor. A party which has returned a notice "DK'd" or which has failed to return the notice duly signed when due may not thereafter seek to fulfill the contract by delivering or requiring delivery of the securities if the contract has been closed by the initiating party. The closing of a contract by the initiating TPH **[**member**]** organization shall not preclude it from taking action to recover any resulting damages.

(4) No change.

(b) The procedures under this Rule shall not prevent a TPH **[**member**]** organization from closing any open contract at any time in accordance with the provisions of Rule 10.14 if such contract has not been fulfilled in accordance with its terms on the original due date for delivery of the securities thereunder; provided, however, that once a notice of intention has been delivered pursuant to paragraph (a) of this Rule, the contract which is the subject of such notice shall be closed only in accordance with the provisions of this Rule, unless the Exchange shall otherwise approve the closing thereof upon application by the party delivering such notice or unless the provisions of Rule 10.11 shall become applicable to such contract.

(c) Every reasonable means to borrow securities in order to make delivery on open contracts shall be employed by TPH **[**member**]** organizations. If, however, unusual circumstances exist whereby securities cannot be borrowed, application for suspension of paragraph (a) of this Rule with respect to a specific contact may be made to the Regulatory Services Division of the Exchange by the seventeenth business day after the original due date for delivery. Such application shall set forth the unusual circumstances as well as the unsuccessful efforts made by the TPH **[**member**]** organization to borrow securities in order to effect delivery. If, in the opinion

of the Exchange, unusual circumstances exist, the Exchange may direct that the operation of this Rule be temporarily suspended for such period of time as it may determine, either with respect to the market generally, with respect to a specific security or securities, or with respect to a specific contract or contracts, but no such suspension shall relieve the party in default of any resulting damages.

. . . Interpretations and Policies:

.01 The provisions of this Rule apply to all open contracts—including "fails to deliver" as well as "fails to receive." A TPH **[**member**]** organization which has attempted to deliver securities pursuant to an open contract and has been unable to do so because the TPH **[**member**]** organization on the other side has refused delivery, must close the contract in accordance with the provisions hereof. If a notice of intention to close a contract relates to securities to be delivered by the initiating party and such notice is returned, "DK'd" or has not been returned when due, the initiating party shall sell out such securities in accordance with paragraph (a)(3) of this Rule.

.02 Paragraph (a) of this Rule requires that the notice of intention be filed in quadruplicate with the defaulting TPH **[**member**]** organization. The fourth copy should be stamped by the TPH **[**member**]** organization to whom it is addressed to acknowledge receipt and then returned to and retained by the initiating party for its own records. When the TPH **[**member**]** organization receiving the notice has completed the first, second and third copies of the notice, the first and second copies should be returned to the initiating TPH **[**member**]** organization, together with any securities, and the third copy should be submitted, at the same time, to the Regulatory Services Division of the Exchange; the second copy should be stamped by the initiating TPH **[**member**]** organization to acknowledge receipt and then returned to and retained by the defaulting party to whom it was addressed for its own records.

.03 - .05 No change.

Rule 10.13. Closing of Contracts by Original Party

When Rule 6.61, Interpretation and Policy .06 or .07 permits the closing of a contract, an original party to the contract may close it, provided that written notice shall have been given to the other original party at least thirty minutes before such closing. If a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization given up by an original party to a contract has been advised that the other party to the contract does not recognize it, or if the other party to the contract neglects or refuses to exchange written contracts as provided in Rule 6.65, he or it shall promptly notify the original party who acted for him or it, who may then close the contract as herein provided for original parties.

Rule 10.14. Procedure for Closing Defaulted Contract

A contract in securities (other than a contract the close-out of which is governed by the rules of a Clearing Corporation) which has not been fulfilled according to the terms thereof may be closed pursuant to the following procedures:

(a) The order to close such contract shall be delivered in duplicate to the Regulatory Services Division of the Exchange, and the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization giving such order shall deliver at the office of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization in default notice of intention to make such closing. Every such order and every such notice shall be in writing, and shall state the name of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization giving the order, the date of the original contract to be closed, the maturity date and price of such contract, and for whose account. The Exchange shall determine the times for the delivery of notices of intention to close and orders to close, and the time for the closing of contracts; and if the time within which securities may be delivered shall be extended or shortened, the time limits established by the Exchange may be similarly extended or shortened. When a contract made for "cash" within an hour and one-half before the close of trading on a business day is to be closed on the same day, the time of the original transaction shall be stated on the order and notice, which shall be delivered within thirty minutes after the time of the transaction, and the contract shall not be closed until thirty-five minutes after the time of the transaction.

(b) The order to close will be given for execution to a representative of the TPH **[**member**]** organization listed on the order as being in default. Such order shall be executed on that day, unless (i) a Floor Official shall defer the execution thereof because, in his opinion, a fair market in which to close the contract does not exist, or (ii) the party in default has physical possession of the securities in good deliverable form and has notified the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization which initiated the order that it intends to make immediate delivery.

(c) The Trading Permit Holder **[**member**]** to whom such order is given for execution shall promptly after the execution thereof furnish a copy of the order to close and a copy of the Floor Report, indicating the details of the execution of such order, to the Buy-in Desk on the floor. If such order is not executed, he shall return the original order to the Buy-in Desk within fifteen minutes after the close of trading, indicating the reason for its nonexecution. When a Floor Official has deferred execution of an order to close, his signature shall appear thereon.

(d) The Buy-in Desk will deliver a copy of the Floor Report to the booth of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization which initiated the order. The executing broker will have the responsibility of notifying promptly the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization listed on the order as being in default as to the details of the execution. The Trading Permit Holder **[**member**]** executing the order shall be entitled to receive a floor brokerage commission.

(e) The Trading Permit Holder **[**member**]** or TPH **[**member**]** organization which initiated the order shall promptly notify the party against whom the contract has been closed with respect to any money difference claimed as damages and may include therein any commissions paid or payable in connection with the execution of such order.

. . . Interpretations and Policies:

.01 No change.

.02 A notice of cancellation or change in the quantity of an order to close by the TPH **[**member**]** organization initiating such order pursuant to this Rule must be delivered to the Regulatory Services Division of the Exchange at least an hour and one-half before the close of trading. After that time, such notice must be delivered to the Trading Permit Holder **[**member**]** to whom the order has been given for execution.

If an order to close is effectively cancelled in whole or in part by receipt of a notice of cancellation by the Trading Permit Holder **[**member**]** to whom the order has been given for execution, the order should be returned, together with the notice of cancellation or change in quantity, to the Buy-in Desk.

If the defaulting party gives notice to the TPH **[**member**]** organization which initiated the order to close that it has physical possession of some or all of the securities and will promptly deliver the same in accordance with Rule 10.19, it shall be the responsibility of such defaulting party to give notice thereof to the Trading Permit Holder **[**member**]** to whom the order has been given for execution.

.03 No change.

Rule 10.15. Notice of Intention to Successive Parties

Every Trading Permit Holder **[**member**]** or TPH **[**member**]** organization receiving notice that a contract is to be closed for his or its account because of non-delivery including a notice pursuant to the rules of a Clearing Corporation that an obligation of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to deliver securities to the Clearing Corporation or under its rules is to be closed out for his or its own account, shall immediately re-transmit notice thereof to any other Trading Permit Holder **[**member**]** or TPH **[**member**]** organization from whom the securities involved are due. Every such re-transmitted notice shall be in writing and shall be delivered at the office of the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to whom it is addressed; it shall state the date of the contract upon which the securities are due from such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization, the maturity date and price of

such contract, and the name of the Trading Permit Holder [member] or TPH [member] organization who has given the original order to close.

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Rule 10.17. Liability of Succeeding Parties

(a) No change.

(b) Re-Establishment of Contract. If such re-transmitted notice is sent by a Trading Permit Holder [member] or TPH [member] organization before the contract has been closed but is not received until after such closing, the Trading Permit Holder [member] or TPH [member] organization who sent the same may, unless otherwise agreed, promptly re-establish by a new sale the contract with respect to which such notice has been sent.

(c) Payment of Money Difference. Any money difference resulting from the closing of a contract, or from the re-establishment of a contract as herein provided, shall by paid not later than 2:00 p.m. (Central Time) on the following business day to the Trading Permit Holder [member] or TPH [member] organization entitled to receive the same.

Rule 10.18. Notice of Closing to Successive Parties

When a contract (other than a contract the close-out of which is governed by the rules of a Clearing Corporation) has been closed, the Trading Permit Holder [member] or TPH [member] organization who closed the same, or who gave the order to close the same, shall immediately notify the Trading Permit Holder [member] or TPH [member] organization for whose account the contract was closed. The Trading Permit Holder [member] or TPH [member] organization receiving such a notification or receiving notification that a contract has been closed pursuant to the rules of a Clearing Corporation shall immediately notify each succeeding party in interest and other Trading Permit Holders [members] or TPH [member] organizations to whom re-transmitted notice, as provided for in Rule 10.15, has been sent. Statements of resulting money differences, if any, shall also be rendered immediately.

Rule 10.19. Duty of Trading Permit Holder [Member] Giving Notice to Close

(a) When a Trading Permit Holder [member] or TPH [member] organization has given notice of intention to close a contract for non-delivery, or has re-transmitted notice thereof as provided in Rule 10.15, he or it must receive and pay for securities due upon such contract if tendered at his or its office prior to the closing of such contract.

(b) If the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization against whom an order to close a contract has been filed pursuant to Rule 10.14 shall notify the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization initiating such order that some or all of the securities (but not less than one trading unit) are in his or its physical possession and will be promptly delivered, then the order to close shall not be executed with respect to such securities, and the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization who has given the original order to close shall accept and pay for such securities if tendered promptly.

(c) If such securities are not promptly tendered, the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization who has stated that they would be promptly delivered shall be liable for any resulting damages.

Rule 10.20. Restrictions on Trading Permit Holders' [Members'] Participation in Transaction to Close Defaulted Contracts

(a) When a contract is closed, any Trading Permit Holder **[**member**]** or TPH **[**member**]** organization accepting the bid or offer and not complying promptly therewith, shall be liable for any damages resulting therefrom.

(b) No Trading Permit Holder **[**member**]** or TPH **[**member**]** organization who for his or its own account has given an order to close a contract because of non-delivery shall fill the order by selling for his or its own account, either directly or through a broker, the securities named therein; and no Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall knowingly enable or permit any other person on whose behalf the order to close because of non-delivery has been issued to fill such order by selling for his own account the securities named therein. If a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization has issued an order to close because of non-delivery and, acting for another principal, supplies the securities named therein, he or it must make delivery in accordance with the terms of the contract thus created, and may not by consent or otherwise fail to make such delivery. The Trading Permit Holder **[**member**]** or TPH **[**member**]** organization for whose account a contract is being closed, or any succeeding Trading Permit Holder **[**member**]** or TPH **[**member**]** organization in interest, or any Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to who retransmitted notice has been sent, shall not accept the bid or offer, unless such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization is acting for a principal other than the one for whose account the contract is being closed.

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CHAPTER XI Exercises and Deliveries (Rules 11.1-11.4)

Rule 11.1. Exercise of Option Contracts

(a) Subject to the restrictions set forth in Rule 4.12 and to such restrictions as may be imposed pursuant to Rule 4.16 or pursuant to the Rules of the Clearing Corporation, an outstanding option contract may be exercised during the time period specified in the Rules of the Clearing Corporation by the tender to the Clearing Corporation of an exercise notice in accordance with the Rules of the Clearing Corporation. An exercise notice may be tendered to the Clearing Corporation only by the Clearing Trading Permit Holder **[**Member**]** in whose account such option contract is carried with the Clearing Corporation.

(b) No change.

(c)(1) No change.

(2) In accordance with paragraph (c)(1), Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations must deliver a CEA or Advice Cancel to the Exchange within 2 hours 28 minutes following the time announced for the close of trading in noncash-settled equity options on that same day if such TPH organization **[**member firm**]** employs an electronic submission procedure with time stamp for the submission of exercise instructions. For non-customer accounts, Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations that do not employ an electronic procedure with time stamp for the submission of exercise instructions are required to deliver a CEA or Advice Cancel within 1 hour and 28 minutes following the time announced for the close of trading on that day.

(d) No change.

. . . Interpretations and Policies:

.01 No change.

.02 Each TPH **[**member**]** organization shall prepare a memorandum of every exercise instruction received showing the time when such instruction was so received. Such memoranda shall be subject to the requirements of SEC Rule 17a-4(b).

.03 Clearing Trading Permit Holders **[**Members**]** must follow the procedures of the Clearing Corporation when exercising American-style cash-settled index option contracts issued or to be issued in any account at the Clearing Corporation. Trading Permit Holders **[**Members**]** must also follow the procedures set forth below with respect to American-style cash-settled index options:

(a) For all contracts exercised by the Trading Permit Holder **[**member**]** or by any customer of the Trading Permit Holder **[**member**]**, an "Exercise Advice" must be delivered by the Trading Permit Holder **[**member**]** in such form or manner prescribed by the Exchange to a place designated by the Exchange no later than 3:20 p.m. (CT), or if trading hours are extended or modified in the applicable option class, no later than five (5) minutes after the close of trading on that day.

(b) Subsequent to the delivery of an "Exercise Advice", should the Trading Permit Holder **[**member**]** or a customer of the Trading Permit Holder **[**member**]** determine not to exercise all or part of the advised contracts, the Trading Permit Holder **[**member**]** must also deliver an "Advice Cancel" in such form or manner prescribed by the Exchange to a place designated by the Exchange no later than 3:20 p.m. (CT), or if trading hours are extended or modified in the applicable option class, no later than five (5) minutes after the close of trading on that day.

(c) No change.

(d) No Trading Permit Holder **[**member**]** may prepare, time stamp or submit an "Exercise Advice" prior to the purchase of the contracts to be exercised if the Trading Permit Holder **[**member**]** knew or had reason to know that the contracts had not yet been purchased.

(e) No change.

(f) Exercises of American-style, cash-settled index options (and the submission of corresponding "Exercise Advice" and "Advice Cancel" forms) shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:

(i) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to OCC rules while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by the Exchange, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension. Acceptable documentation shall ordinarily be limited to an "Exercise Advice" previously transmitted via OCC's electronic communications system or a Trading Permit Holder's **[**member's**]** copy of an "Exercise Advice" previously submitted to the Exchange.

(ii) – (iv) No change.

.04 The failure of any Trading Permit Holder **[**member**]** to follow the procedures in this Rule 11.1, or a Regulatory Circular issued pursuant to Rule 11.1, may be referred pursuant to Chapter XVII of the Rules and result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined pursuant to Chapter XVII.

.05 - .06 No change.

.07 An exercise instruction, Exercise Advice, CEA or Advice Cancel that is prepared, time stamped, submitted or accepted in violation of the applicable cutoff time may be processed and given effect in accordance with and subject to the rules of OCC, but the Trading Permit Holder **[**member**]** violating the cutoff time will be subject to discipline in accordance with the Rules.

Rule 11.2. Allocation of Exercise Notices

(a) Each TPH **[**member**]** organization shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in such TPH **[**member**]** organization's customers' accounts. The allocation shall be on a "first in, first out", or automated random selection basis that has been approved by the Exchange, or on a manual random selection basis that has been specified by the Exchange. Each TPH **[**member**]** organization shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' accounts, explaining its manner of operation and the consequences of that system.

(b) Each TPH **[**member**]** organization shall report its proposed method of allocation to the Exchange and obtain the Exchange's prior approval thereof, and no TPH **[**member**]** organization shall change its method of allocation unless the change has been reported to and approved by the Exchange. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved by another self-regulatory organization having comparable standards pertaining to methods of allocation.

(c) Each TPH **[**member**]** organization shall preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

Rule 11.3. Delivery and Payment

Delivery of the underlying security upon the exercise of an option contract, and payment of the aggregate exercise price in respect thereof, shall be in accordance with the Rules of the Clearing Corporation. As promptly as possible after the exercise of an option contract by a customer, the TPH **[**member**]** organization shall require the customer to make full cash payment of the aggregate exercise price in the case of a call option contract, or to deposit the underlying security in the case of a put option contract, or to make the required margin deposit in respect thereof if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board. As promptly as practicable after the assignment to a customer of an exercise notice the TPH **[**member**]** organization shall require the customer to deposit the underlying security in the case of a call option contract if the underlying security is not carried in the customer's account, or to make full cash payment of the aggregate

exercise price in the case of a put option contract, or in either case to deposit the required margin in respect thereof if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board.

* * * * *

CHAPTER XII Margins (Rules 12.1-12.12)

Rule 12.1. General Rule

No TPH **[**member**]** organization may effect a transaction or carry an account for a customer, whether a Trading Permit Holder **[**member**]** or non-Trading Permit Holder **[**non-member of the Exchange**]**, without proper and adequate margin in accordance with this Chapter XII, all other applicable rules of the Exchange, and Regulation T of the Federal Reserve Board.

* * * * *

Rule 12.3. Margin Requirements

(a) *Definitions.* For purposes of this Rule, the following terms shall have the meanings specified below.

(1) No change.

(2) The term "current market value" is as defined in Section 220.3 of Regulation T of the Board of Governors of the Federal Reserve System. At any other time, in the case of options, stock index warrants, currency index warrants and currency warrants, it shall mean the closing price of that series of options or warrants on the Exchange on any day with respect to which a determination of current market value is made. In the case of other securities, it shall mean the preceding business day's closing price as shown by any regularly published reporting or quotation service. If there is no closing price on the option or on another security, a TPH **[**member**]** organization may use a reasonable estimate of the current market value of the security as of the close of business on the preceding business day.

(3) – (17) No change.

(b) No change.

(c) *Customer Margin Account—Exception.* The foregoing requirements are subject to the following exceptions. Nothing in this paragraph (c) shall prevent a broker-dealer from requiring margin from any account in excess of the amounts specified in these provisions.

(1) *Exempted Securities.*

(A) Obligations of the United States. On net "long" or net "short" positions in obligations (including zero coupon bonds, *i.e.*, bonds with coupons detached or non-interest bearing bonds) issued or guaranteed as to principal or interest by the United States Government or issued or guaranteed by corporations in which the United States has a direct or indirect interest as shall be designated for exemption by the Secretary of the Treasury, the margin to be maintained shall be the percentage of the current market value of such obligations as specified in the applicable category below:

* * * * *

Notwithstanding the above, on zero coupon bonds with five years or more to maturity the margin to be maintained shall not be less than 3% of the principal amount of the obligation.

When such obligations other than United States Treasury bills are due to mature in thirty calendar days or less, a TPH **[**member**]** organization, at its discretion, may permit the customer to substitute another such obligation for the maturing obligation to reduce the margin required on the new obligation, provided the customer has given the TPH **[**member**]** organization irrevocable instructions to redeem the maturing obligations.

* * * * *

(d) *Customer Cash Account—Short Options, Stock Index Warrants, Currency Index Warrants and Currency Warrants.*

(1) *Equity Options.*

(A) *Calls.* A call option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is applicable:

(1) – (2) No change.

(3) in lieu of the underlying security, an escrow agreement is either held in the account at the time the call is written or is received in the account promptly thereafter.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement, the underlying security (or a security immediately convertible into the underlying security without the payment of money) and that the bank will promptly deliver to the TPH **[**member**]** organization the underlying security in the event the account is assigned an exercise notice.

(B) *Puts.* A put option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is either held in the account at the time the put is written or is received into the account promptly thereafter:

(1) No change.

(2) an escrow agreement.

The escrow agreement must certify that (1) the bank holds for the account of the customer as security for the agreement cash, cash equivalents or a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate exercise price amount and (2) that the bank will promptly pay the TPH **[**member**]** organization the aggregate exercise price in the event the account is assigned an exercise notice.

(2) *Index Options.*

(A) *Calls.* A call option contract on a market index carried in a short position is deemed a covered position, and eligible for the cash account provided any one of the following offsets is applicable:

(1) No change.

(2) an escrow agreement is either held in the account at the time the call is written or received into the account promptly thereafter.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents, 3) one or more qualified equity securities, or 4) a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate current index value and that the bank will promptly pay the

TPH **[**member**]** organization the exercise settlement amount in the event the account is assigned an exercise notice.

(B) *Puts.* A put option contract on a market index carried in a short position is deemed a covered position and eligible for the cash account provided any one of the following is either held in the account at the time the put is written or received into the account promptly thereafter:

(1) No change.

(2) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate exercise price amount and that the bank will promptly pay the TPH **[**member**]** organization the exercise settlement amount in the event the account is assigned an exercise notice.

(C) No change.

(3) Corporate Debt Security Options

(A) *Calls.* A call option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is applicable:

(1) – (2) No change.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement, the underlying security (or, in the event the bond is called, cash equal to any aggregate in-the-money amount based upon the exercise settlement price of the bond as set by The Options Clearing Corporation) and that the bank will promptly deliver to the TPH **[**member**]** organization the underlying security, or any aggregate in-the-money amount if the bond has been called, in the event the account is assigned an exercise notice.

(B) *Puts.* A put option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is either held in the account at the time the put is written or is received into the account promptly thereafter:

(1) – (2) No change.

The escrow agreement must certify that (1) the bank holds for the account of the customer as security for the agreement cash, cash equivalents or a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate exercise price amount and (2) that the bank will promptly pay the TPH **[**member**]** organization the aggregate exercise price in the event the account is assigned an exercise notice.

(4) *Capped-Style Index Option (CAPS & Q-CAPS), Packaged Vertical Spread or Packaged Butterfly Spread As Defined in Rule 24.1.* A CAPS, Q-CAPS or Packaged Vertical Spread put or call option contract, or Packaged Butterfly Spread option contract, carried in a short position is deemed a covered position and eligible for the cash account provided any one of the following is either held in the account at the time the CAPS, Q-CAPS, Packaged Vertical Spread or Packaged Butterfly Spread option contract is written or received into the account promptly thereafter:

(A) No change.

(B) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the positions are established of not less than the aggregate cap interval, vertical spread interval or butterfly spread interval (as applicable) and that the bank will promptly pay the TPH **[**member**]** organization such amount in the event the account is assigned an exercise notice. Cap interval, vertical spread interval and butterfly spread interval shall have the meanings defined in Rule 24.1.

(5) *Stock Index Warrants and Currency Index Warrants.*

(A) Calls. A call warrant on a market index carried in a short position is deemed a covered position and eligible for the cash account provided an escrow agreement is either held in the account at the time the call warrant is sold or received into the account promptly thereafter.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents, 3) one or more qualified equity securities, or 4) a combination thereof having an aggregate market value at the time the warrant is sold of not less than 100% of the aggregate current index value; and that the bank will promptly pay the TPH **[**member**]** organization funds sufficient to purchase the warrant sold short in the event of a buy-in.

(B) *Puts.* A put warrant on a market index carried in a short position is deemed a covered position and eligible for the cash account provided any one of the following offsets is either held in the account at the time the put warrant is sold or received into the account promptly thereafter:

(1) No change.

(2) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the warrant is sold of not less than 100% of the aggregate exercise price, and that the bank will promptly pay the TPH **[**member**]** organization funds sufficient to purchase the warrant sold short in the event of a buy-in.

(e) *Customer Cash Account—Spreads.* A European-style cash-settled index option, stock index warrant or currency index warrant carried in a short position is deemed a covered position, and eligible for the cash account, provided a long position in a European-style cash-settled index option, stock index warrant or currency warrant having the same underlying component or index that is based on the same aggregate current underlying value, is held in or purchased for the account on the same day provided:

(1)

(A) – (B) No change.

(C) either there is held in the account at the time the positions are established or received into the account promptly thereafter:

(1) No change.

(2) an escrow agreement.

The escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the positions are established of not less than any amount by which the aggregate exercise price of a long call or call warrant (short put or put warrant) exceeds the aggregate exercise price of a short call or call warrant (long put or put warrant) and that the bank will promptly pay the TPH **[**member**]** organization such amount in the event the account is assigned an exercise notice or that the bank will promptly pay the TPH **[**member**]** organization funds sufficient to purchase a warrant sold short in the event of a buy-in.

(D) No change.

(2) *Long Butterfly Spreads, Short Butterfly Spreads, Long Condor Spreads, Short Iron Butterfly Spreads or Short Iron Condor Spreads.* The captioned spreads, as defined in subparagraphs (a)(5), (a)(6), (a)(7), (a)(8) and (a)(9), respectively, of this Rule, are permitted in a cash account only if they are composed of cash-settled, European-style options and all options expire at the same time, and provided:

(A) – (B) No change.

(C) in respect of a short butterfly spread as defined in subparagraph (a)(6), (a)(8) and (a)(9), respectively, of this Rule, either there is held in the account at the time the positions are established or received into the account promptly thereafter:

(1) No change.

(2) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the positions are established of not less than the amount of the exercise price interval and that the bank will promptly pay the TPH **[**member**]** organization such amount in the event the account is assigned an exercise notice.

(D) No change.

(3) *Box Spreads*. Put and call options carried in a short position are deemed covered positions and eligible for the cash account provided the account contains long positions which in conjunction with the short options constitute a box spread as defined in subparagraph (a)(6) of this Rule provided:

(A) – (D) No change.

(E) in respect of a short box spread as defined in subparagraph (a)(6) of this Rule, either there is held in the account at the time the positions are established or received into the account promptly thereafter:

(1) No change.

(2) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the positions are established of not less than the amount of the aggregate difference between the exercise prices and that the bank will promptly pay the TPH **[**member**]** organization such amount in the event the account is assigned an exercise notice on either short option.

(F) No change.

(f) *Market-Maker and specialist accounts.*

(1) No change.

(2) The following positions of Trading Permit Holders **[**members**]** may be carried upon a margin basis that is satisfactory to the Trading Permit Holder **[**member**]** and the carrying broker or dealer:

(A) positions in which the Trading Permit Holder **[**member**]** makes a market and permitted offset transactions as defined below and

(B) positions in security futures contracts that qualify for exclusion from the margin requirements of SEC and Commodity Futures Trading Commission ("CFTC") regulations pursuant to SEC Rule 400(c)(2)(v) under the Exchange Act and CFTC Rule 41.42(c)(2)(v), and any permitted offset transactions designated by the exchange or association upon which the Trading Permit Holder **[**member**]** trades the security futures contract.

Notwithstanding the other provisions of this paragraph (f), a TPH **[**member**]** organization may clear and carry the Market-Maker permitted offset positions of one or more registered specialists, registered Market-Makers, or Designated Primary Market-Makers pursuant to the rules of a national securities exchange (all of which are deemed specialists for all purposes under the Exchange Act) (hereinafter referred to as "Market-Maker(s)") upon a margin basis satisfactory to the concerned parties. The amount of any deficiency between the equity maintained by the Market-Maker and the haircuts specified in SEC Rule 15c3-1 shall be considered as a deduction from net worth in the net capital computation of the carrying broker or dealer.

(3) Permitted Offset Transactions.

(A) – (B) No change.

(C)

(1) No change.

(2) For any Trading Permit Holder **[**member**]** which acts as a Market-Maker on the Exchange, the carrying TPH **[**member**]** organization may combine all Market-Maker accounts in which the Market-Maker or its nominee(s) participates, with the exception of joint accounts in which the Market-Maker or its nominee are not the sole participants, for purpose of computing its requirements as prescribed by SEC Rule 15c3-1.

(3) On any business day on which positive net liquidating equity is not maintained in the account(s), the carrying TPH **[**member**]** organization must make a call to the Trading Permit Holder **[**member**]** for additional equity at least equal to the deficit and must notify the Exchange's Department of Financial Compliance of the deficit. The carrying TPH **[**member**]** organization may extend no further credit in the account(s) until the account(s) maintains a positive net liquidating equity and, if the TPH **[**member**]** organization's call for additional equity is not met, steps should be taken promptly to liquidate the positions in the account(s). If the deficit is not resolved by noon of the following business day the carrying TPH **[**member**]** organization must send telegraphic notice to the Exchange as well as the regional and national offices of the Securities and Exchange Commission. However, nothing in this subparagraph (C) shall prohibit the carrying firm from effecting hedging transactions in the deficit account with the prior written approval of the carrying firm's SEC designated examining authority.

(4) In the case of a joint account carried by a TPH **[**member**]** organization for a Market-Maker or specialist in which the TPH **[**member**]** organization participates, the margin deposited by the other participants may be in any amount which is mutually satisfactory.

(g)(i) *Broker-Dealer Account.* A TPH **[**member**]** organization may carry the proprietary account of another broker-dealer, which is registered with the SEC, upon a margin basis which is satisfactory to both parties, provided the requirements of Regulation T of the Board of Governors of the Federal Reserve System and, in respect of security futures contracts, SEC Rules 400 through 406 under the Exchange Act and CFTC Rules 41.42 through 41.48 are adhered to and the account is not carried in a deficit equity condition. The amount of any deficiency between the equity maintained in the account and the haircut requirements calculated pursuant to Rule 15c3-1 (Net Capital) of the Exchange Act shall be deducted in computing the Net Capital of the TPH **[**member**]** organization under Rule 15c3-1 of the Exchange Act.

(ii) *Requirements for Joint Back Office Participants.* A TPH **[**member**]** organization may carry the accounts of joint back office ("JBO") participants upon a margin basis which is satisfactory

to both parties, provided the requirements of Regulation T Section 220.7 and CBOE Rule 13.4 are adhered to and the account has a minimum equity of not less than $1,000,000. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days.

(h) – (i) No change.

(j) *Day Trading.*

(1) – (3) No change.

(4) Special Requirements for Pattern Day Traders.

(A) No change.

(B) Pattern day traders cannot trade in excess of their day trading buying power as defined in paragraph (j)(3) above. In the event a pattern day trader exceeds its day trading buying power, which creates a special maintenance margin deficiency, the following actions will be taken by the TPH **[**member**]** organization:

(1) – (2) No change.

(C) – (E) No change.

(5) When the equity in a customer's account, after giving consideration to the other provisions of this Rule, is not sufficient to meet the requirements of Rule 12.3(j), additional cash or securities must be received into the account to meet any deficiency within five (5) business days of the trade date.

In addition, on the sixth business day only, TPH **[**member**]** organizations are required to deduct from net capital the amount of unmet maintenance margin calls pursuant to SEC Rule 15c3-1.

(k) *Security Futures Contracts.* Nothing in this paragraph (k) or other rules of this Chapter XII shall be applicable to security futures contract transactions and positions in a futures account.

(1) General Rule. In relation to security futures contracts, no TPH **[**member**]** organization may effect a transaction or carry an account for a customer, whether a Trading Permit Holder **[**member**]** or non-Trading Permit Holder **[**member of the Exchange**]**, without proper and

adequate margin in accordance with this Chapter XII, all other applicable rules of the Exchange, SEC Rules 400 through 406 under the Exchange Act and CFTC Rules 41.42 through 41.48. No transaction in a security futures contract may be effected, nor may a position in a security futures contract be carried, in a securities cash account.

(2) Time Allowed for Obtaining Margin. If initial or maintenance margin owed is not obtained prior to the day on which the account is deemed undermargined for purposes of SEC Rule 15c3-1(c)(2)(xii), TPH **[**member**]** organizations must comply with the provisions of paragraph (k)(3) below. Extensions of time shall be unavailable.

(3) Net Capital. In computing its net capital, a TPH **[**member**]** organization shall deduct any initial or maintenance margin deficiency attributable to security futures contracts in accordance with the undermargined account provision of SEC Rule 15c3-1(c)(2)(xii).

(4) – (5) No change.

(6) Exceptions. For the offsetting positions specified in the table below, TPH **[**member**]** organizations may apply the corresponding initial and maintenance margin requirement minimums, notwithstanding the margin required on a security futures contract pursuant to paragraph (k)(1) above, or on other securities pursuant to paragraphs (b) and (c) of this Rule.

All options referred to mean options on the underlying security, not the security futures contract.

All requirements that are expressed in terms of an option's exercise price, in-the-money amount, and out-of-the-money amount mean the aggregate amount (*i.e.*, multiply by number of shares per contract or the contract multiplier).

* * * * *

(1) – (6) No change.

(l) Credit Options.

(1) – (2) No change.

(3) Cash Account—Credit Default Options. A Credit Default Option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any one of the

following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(i) No change.

(ii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the cash settlement amount as defined in Rule 29.1 and that the bank will promptly pay the TPH **[**member**]** organization the cash settlement amount in the event of a Credit Event as defined in Rule 29.1.

(4) Cash Account - Credit Default Basket Options. A Credit Default Basket Option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(i) – (ii) No change.

(iii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the sum of each Basket Component's cash settlement amount as defined in Rule 29.1 in the case of Multiple Payout Credit Default Basket Option or 100% of the Basket Component cash settlement amount as defined in Rule 29.1 that is the highest in the case of a Single Payout Credit Default Basket Option and that the bank will promptly pay the TPH **[**member**]** organization the cash settlement amount in the event of a Credit Event as defined in Rule 29.1.

(m) Binary Options.

(1) No change.

(2) Cash Account. A binary option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(i) – (ii) No change.

(iii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the exercise settlement amount and that the bank will promptly pay the TPH **[**member**]** organization the exercise settlement amount in the event the account is assigned an exercise notice.

(n) Range Options.

(1) No change.

(2) Cash Account. A Range Option carried short in a customer's account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(i) No change.

(ii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the Maximum Range Exercise Value times the contract multiplier and that the bank will promptly pay the TPH **[**member**]** organization the cash settlement amount in the event the account is assigned an exercise notice.

. . . Interpretations and Policies:

.01 No change.

.02 In determining the "current market value" of a security including an option, if there is no closing price or if trading was halted before and through the normal end of the trading day or if the closing price was outside the last bid and offer that was established after the closing price,

then a TPH **[**member**]** organization may use a reasonable estimate of the market value of the security based upon the then current bids and offers from publicly available vendors or services.

.03 - .04 No change.

.05 If the escrow agreement is forwarded to The Options Clearing Corporation ("OCC"), Trading Permit Holders **[**members**]** should be aware that the OCC may have a different definition of "cash equivalent" than does Regulation T.

.06 Under normal circumstances, CBOE Clearing Trading Permit Holders **[**clearing firms**]** are prohibited from extending credit for opening transactions to market-makers whose net liquidating equity computed as described in 12.3(f)(1)(F) is in deficit. Situations may arise, however, whereby the last sale price of a stock is disseminated after the overlying options cease trading at 3:00 p.m., causing a discrepancy between the last sale price of the underlying stock and the closing quotes and the last sale price of the option series.

In situations where this discrepancy causes a market-maker's account to liquidate to a deficit, Clearing Trading Permit Holders **[**clearing firms**]** are permitted to adjust the market-maker's equity to correct the disparity, and extend credit for opening trades. The adjustments must be documented, filed with, and approved by the Department of Financial and Sales Practice Compliance. The adjustments should be filed with the Department before the next day's opening (or at least before the firm may extend credit for opening transactions) and must be approved by the Department before opening trades may be financed. Additionally, all information regarding the adjustment(s) must be retained by the Clearing Trading Permit Holder **[**clearing firm**]** and the Exchange.

.07 - .15 No change.

.16 In the event that the TPH **[**member**]** organization at which a customer seeks to open an account, or resume day trading in an existing account, knows or has a reasonable basis to believe that the customer will engage in pattern day trading, then the minimum equity required under Rule 12.3(j)(4)(A) must be deposited in the account prior to commencement of day trading.

.17 - .19 No change.

Rule 12.4. Portfolio Margin

As an alternative to the transaction / position specific margin requirements set forth in Rule 12.3 of this Chapter 12, a TPH **[**member**]** organization may require margin for all margin equity securities (as defined in Section 220.2 of Regulation T), listed options, unlisted derivatives,

security futures products, and index warrants in accordance with the portfolio margin requirements contained in this Rule 12.4.

In addition, a TPH **[**member**]** organization, provided it is a Futures Commission Merchant ("FCM") and is either a clearing member of a futures clearing organization or has an affiliate that is a clearing member of a futures clearing organization, is permitted under this Rule 12.4 to combine a customer's related instruments (as defined below), listed index options, unlisted derivatives, options on exchange traded funds, index warrants, and underlying instruments and compute a margin requirement for such combined products on a portfolio margin basis.

Application of the portfolio margin provisions of this Rule 12.4 to IRA accounts is prohibited.

(a) Definitions.

(1) – (11) No change.

(b) *Eligible Participants.*

Any TPH **[**member**]** organization intending to apply the portfolio margin provisions of this Rule 12.4 to its accounts must receive prior approval from its DEA. The TPH **[**member**]** organization will be required to, among other things, demonstrate compliance with Rule 15.8A - Risk Analysis of Portfolio Margin Accounts, and with the net capital requirements of Rule 13.5 - Customer Portfolio Margin Accounts.

The application of the portfolio margin provisions of this Rule 12.4 is limited to the following customers:

(1) No change.

(2) any member of a national futures exchange to the extent that listed index options, unlisted derivatives, options on exchange traded funds, index warrants or underlying instruments hedge the member’s related instruments, and

(3) any person or entity not included in (b)(1) or (b)(2) above that is approved for writing uncovered options. However, such persons or entities may not establish or maintain positions in unlisted derivatives unless minimum equity of at least five million dollars is established and maintained with the TPH **[**member**]** organization. For purposes of the five million dollar minimum equity requirement, all securities and futures accounts carried by the TPH **[**member**]** organization for the same customer may be combined provided ownership across the accounts is

identical. A guarantee by any other account for purposes of the minimum equity requirement is not permitted.

(c) *Opening of Accounts.*

(1) No change.

(2) On or before the date of the initial transaction in a portfolio margin account, a Trading Permit Holder **[**member**]** shall:

A. – B. No change.

(d) *Establishing Account and Eligible Positions.*

(1) For purposes of applying the portfolio margin requirements provided in this Rule 12.4, TPH **[**member**]** organizations are to establish and utilize a dedicated securities margin account, or sub-account of a margin account, clearly identified as a portfolio margin account that is separate from any other securities account carried for a customer.

(2) A margin deficit in the portfolio margin account of a customer may not be considered as satisfied by excess equity in another account. Funds and/or securities must be transferred to the deficient account and a written record created and maintained. In the case of a portfolio margin account carried as a sub-account of a margin account, excess equity in the margin account may be used to satisfy a margin deficiency in the portfolio margin sub-account without transferring funds and/or securities to the portfolio margin sub-account.

(3) No change.

(4) Positions other than those listed in (3) above are not eligible for portfolio margin treatment. However, positions not eligible for portfolio margin treatment (except for ineligible related instruments) may be carried in a portfolio margin account subject to the margin required pursuant Rule 12.3 of this Chapter 12. Shares of a money market mutual fund may be carried in a portfolio margin account subject to the margin required pursuant to Exchange Rule 12.3 of this Chapter 12 provided that:

(i) the customer waives any right to redeem the shares without the TPH **[**member**]** organization's consent,

(ii) the TPH **[**member**]** organization (or, if the shares are deposited with a Clearing Trading Permit Holder **[**clearing organization**]**, the Clearing Trading Permit Holder **[**clearing organization**]**) obtains the right to redeem the shares in cash upon request,

(iii) the fund agrees to satisfy any conditions necessary or appropriate to ensure that the shares may be redeemed in cash, promptly upon request, and

(iv) the TPH **[**member**]** organization complies with the requirements of Section 11(d)(1) of the Securities Exchange Act of 1934 and Rule 11d1-2 thereunder.

(e) No change.

(f) *Method of Calculation.*

(1) No change.

(2) For each portfolio, theoretical gains and losses are calculated for each position as specified in paragraph (a)(11) above. For purposes of determining the theoretical gains and losses at each valuation point, TPH **[**member**]** organizations shall obtain and utilize the theoretical value of a listed option, unlisted derivative, security futures product, underlying instrument, and related instrument rendered by a theoretical pricing model that has been approved by the Securities and Exchange Commission.

(3) – (5) No change.

(g) *Minimum Equity Deficiency*. If, as of the close of business, the equity in the portfolio margin account declines below the five million dollar minimum equity required under Paragraph (b) of this Rule 12.4 and is not restored to the required level within three (3) business days by a deposit of funds or securities, or through favorable market action; TPH **[**member**]** organizations are prohibited from accepting new orders beginning on the fourth business day, except that new orders entered for the purpose of reducing market risk may be accepted if the result would be to lower margin requirements. This prohibition shall remain in effect until such time as:

(1) – (2) No change.

In computing net capital, a deduction in the amount of a customer's equity deficiency may not serve in lieu of complying with the above requirements.

(h) No change.

(i) *Additional Margin.*

(1) If, as of the close of business, the equity in any portfolio margin account is less than the margin required, the customer may deposit additional margin or establish a hedge to meet the margin requirement within three business days. After the three business day period, TPH **[**member**]** organizations are prohibited from accepting new orders, except that new orders entered for the purpose of reducing market risk may be accepted if the result would be to lower margin requirements. In the event a customer fails to deposit additional margin in an amount sufficient to eliminate any margin deficiency or hedge existing positions after three business days, the TPH **[**member**]** organization must liquidate positions in an amount sufficient to, at a minimum, lower the total margin required to an amount less than or equal to account equity.

TPH **[**Member**]** organizations should not permit a customer to make a practice of meeting a portfolio margin deficiency by liquidation. TPH **[**Member**]** organizations must have procedures in place to identify accounts that periodically liquidate positions to eliminate margin deficiencies, and a TPH **[**member**]** organization is expected to take appropriate action when warranted. Liquidations to eliminate margin deficiencies that are caused solely by adverse price movements may be disregarded.

Guarantees by any other account for purposes of margin requirements is not permitted.

(2) Pursuant to Rule 13.5 - Customer Portfolio Margin Accounts, if additional margin required is not obtained by the close of business on T+1, TPH **[**member**]** organizations must deduct in computing net capital any amount of the additional margin that is still outstanding until such time as the additional margin is obtained or positions are liquidated pursuant to (i)(1) above.

(3) No change.

(4) A TPH **[**member**]** organization may request from its DEA an extension of time for a customer to deposit additional margin. Such request must be in writing and will be granted only in extraordinary circumstances.

(5) The day trading restrictions promulgated under Rule 12.3(j) shall not apply to portfolio margin accounts that establish and maintain at least five million dollars in equity, provided a TPH **[**member**]** organization has the ability to monitor the intra-day risk associated with day trading. Portfolio margin accounts that do not establish and maintain at least five million dollars in equity will be subject to the day trading restrictions under Rule 12.3(j), provided the TPH **[**member**]** organization has the ability to apply the applicable day trading restrictions under that Rule. However, if the position or positions day traded were part of a hedge strategy, the day

trading restrictions will not apply. A "hedge strategy" for the purpose of this rule means a transaction or a series of transactions that reduces or offsets a material portion of the risk in a portfolio. TPH **[**Member**]** organizations are also expected to monitor these portfolio margin accounts to detect and prevent circumvention of the day trading requirements. In the event day trades executed in a portfolio margin account exceed the day trading buying power, the day trade margin deficiency that is created must be met by the deposit of cash and/or securities within three business days.

(j) *Portfolio Margin Accounts - Requirement to Liquidate.*

(1) A TPH **[**member**]** organization is required immediately either to liquidate, or transfer to another broker-dealer eligible to carry related instruments within portfolio margin accounts, all customer portfolio margin accounts with positions in related instruments if the Trading Permit Holder **[**member**]** is:

(i) – (iv) No change.

(2) Nothing in this paragraph (j) shall be construed as limiting or restricting in any way the exercise of any right of a registered clearing agency to liquidate or cause the liquidation of positions in accordance with its by-laws and rules.

* * * * *

Rule 12.7. "When Issued" and "When Distributed" Securities

(a) No change.

(b) In connection with any transaction or net position resulting from contracts for a "when issued" security in an account other than that of a TPH **[**member**]** organization or non-Trading Permit Holder **[**nonmember**]** broker or dealer, bank, trust company, insurance company, investment trust, charitable or nonprofit education institution, deposits shall be required equal to the margin required were such transactions or position in a margin account.

In connection with any net position resulting from contracts for a "when issued" security made for or with a non-Trading Permit Holder **[**nonmember**]** broker or dealer, no margin need be required, but such net position must be marked to the market. In connection with any net position resulting from contracts for a "When issued" security made for a TPH **[**member**]** organization or for or with a bank, trust company, insurance company, investment trust, charitable or nonprofit education institution, no margin need be required and such net position need not be marked to the market. However, where such net position is not marked to the market, an amount equal to

the loss at the market in such position shall be considered as cash required to provide margin in the computation of the net capital of the TPH [member] organization under the Exchange's capital requirements.

(c) No change.

Rule 12.8. Guaranteed Accounts

Any account guaranteed by another account may be consolidated with such other account and the required margin may be determined on the net position of both accounts, provided the guarantee is in writing and permits the TPH [member] organization carrying the account, without restriction, to use the money and securities in the guaranteeing account to carry the guaranteed account or to pay any deficit therein; and provided further that such guaranteeing account is not owned directly or indirectly by the TPH [member] organization or an Approved Person of the TPH [member] organization carrying the account or any other Trading Permit Holder [member], TPH [member] organization or Approved Person of a TPH [member] organization having a definite arrangement for participating in the commissions earned on the guaranteed account.

Rule 12.9. Meeting Margin Calls by Liquidation Prohibited

No TPH [member] organization shall permit a customer to make a practice of effecting transactions requiring initial or additional margin or full cash payment and then furnishing such margin or making such full cash payment by liquidation of the same or other commitments. The provisions of this Rule shall not apply to margin calls attributable to security futures contract transactions nor to any account maintained for another broker or dealer, exclusive of the partners, officers and directors of such other broker or dealer, provided such other broker or dealer is a TPH [member] organization [of the Exchange] or has agreed in good faith with the TPH [member] organization carrying the account that he will maintain a record equivalent to that referred to in Rule 12.12 of these Rules.

Rule 12.10. Margin Required Is Minimum

The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby; but nothing in these Rules shall be construed to prevent a TPH [member] organization from requiring margin in an amount greater than that specified. The Exchange may at any time impose higher margin requirements in respect of such positions when it deems such higher margin requirements to be advisable.

Rule 12.11. Compliance with Margin Requirements of New York Stock Exchange

In lieu of meeting the margin requirements set forth in Rules 12.3 through 12.9 of this Chapter and margin rules in other chapters, a TPH [member] organization that is a member of the New York Stock Exchange may elect to be bound by the initial and maintenance requirements of the New York Stock Exchange as the same may be in effect from time to time. Such election shall be made in writing by a notice filed with the Exchange and shall remain effective until the TPH [member] organization shall file with the Exchange a written notice of revocation. Upon the filing of such election, a TPH [member] organization shall be bound to comply with the margin rules of the New York Stock Exchange as though such rules were part of these Rules.

Rule 12.12. Daily Margin Record

Each TPH [member] organization carrying margin accounts for customers shall make and maintain a daily record of every case in which, pursuant to the Rules of the Exchange or regulations of the Federal Reserve Board, initial or additional margin must be obtained in a customer's account because of the transactions effected in such account. This record shall be preserved for at least 12 months and shall show for each account the amount of margin so required and the time and manner in which such margin is furnished or obtained. This record shall be in a form approved by the Exchange and shall contain such additional information as the Exchange may from time to time prescribe. The Exchange may exempt any TPH [member] organization which is a member or member organization of another national securities exchange having a substantially comparable rule with which such TPH [member] organization is required to comply.

CHAPTER XIII Net Capital Requirements (Rules 13.1-13.5)

Rule 13.1. Minimum Requirements

Each Trading Permit Holder [member] or TPH [member] organization subject to Rule 15c3-1 promulgated under the Securities Exchange Act of 1934 shall comply with the capital requirements prescribed therein and with the additional requirements of this Chapter 13.

Rule 13.2. "Early Warning" Notification Requirements

Every Trading Permit Holder [member] or TPH [member] organization subject to the reporting or notification requirements of Rule 17a-11 promulgated under the Securities Exchange Act of 1934 or the "early warning" reporting, business restriction or business reduction requirements of

another national securities exchange, registered securities association or registered securities clearing organization shall promptly notify the Exchange in writing and shall thereafter file with the Exchange such reports and financial statements as may be required by an officer of the Exchange.

Rule 13.3. Power of President to Impose Restrictions

Whenever it shall appear to the President of the Exchange that a TPH **[**member**]** organization obligated to give notice to the Exchange under Rule 13.2 is unable within a reasonable period to reduce the ratio of its aggregate indebtedness to net capital, or to increase its net capital, to a point where it is no longer subject to such notification obligations, or that such TPH **[**member**]** organization is engaging in any activity which casts doubt upon its continued compliance with the net capital requirements the President may impose such conditions and restrictions upon the operations, business and expansion of such TPH **[**member**]** organization and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determines to be necessary or appropriate for the protection of investors, other Trading Permit Holders **[**members**]** and the Exchange.

Rule 13.4. Joint Back Office Participants

(a) *Requirements for Joint Back Office Participants.* Every Trading Permit Holder **[**member**]** or TPH **[**member**]** organization that maintains a joint back office ("JBO") arrangement with a clearing broker dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System shall comply with the requirements prescribed below:

1. – 4. No change.

(b) *Requirements for Clearing Trading Permit Holders **[**Members**]** Carrying the Accounts of JBO Participants.* Every Clearing Trading Permit Holder **[**Member**]** carrying JBO accounts in accordance with Regulation T, Section 220.7 of the Federal Reserve Board is subject to the requirements outlined below:

1. Each TPH **[**member**]** organization which carries JBO accounts shall not allow its (i) tentative net capital to fall below $25 million; or in the alternative its (ii) net capital to fall below $7 million for a period in excess of three (3) consecutive business days, provided that the broker-dealer has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of gross haircuts calculated for all options market maker and JBO participant accounts, without regard to related account equity or Clearing Trading Permit Holder **[**clearing firm**]** net capital charges, is attributable to options market maker transactions. In addition, the firm operating pursuant to (ii) must include the gross deductions calculated for all JBO participant accounts in the Clearing Trading Permit Holder's **[**clearing firm's**]** ratio of gross

options market maker deductions to adjusted net capital in accordance with the provisions of SEC Rule 15c3-1.

2. Each TPH **[**member**]** organization which maintains JBO accounts shall require and maintain equity of $1,000,000 for each participant, over all related accounts. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Exchange Rule 12.3.

3. Each TPH **[**member**]** organization which maintains JBO accounts shall adjust its net worth daily by deducting any deficiency between a JBO participant's account equity and the proprietary haircut calculated pursuant to SEC Rule 15c3-1 for the positions maintained in such account.

4. Each TPH **[**member**]** organization which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.

5. The TPH **[**member**]** organization must develop risk analysis standards which are acceptable to the Exchange. At minimum these standards must comply with the requirements of CBOE Rule 15.8.

6. Each TPH **[**member**]** organization which maintains JBO accounts must notify its Designated Examining Authority ("DEA"), in writing, of its intention to carry such accounts.

7. If at any time a C**[**c**]**learing Trading Permit Holder **[**member**]** operating pursuant to paragraphs 1(i) or (ii) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such C**[**c**]**learing Trading Permit Holder **[**member**]** shall immediately notify the Exchange of such deficiency by telegraphic or facsimile notice; and be subject to the prohibitions against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment, and repayment of subordination agreements set forth in paragraph (b)(1) of SEC Rule 15c3-1d, as if such broker or dealer's net capital were below the minimum standards specified by each of these paragraphs.

. . . Interpretations and Policies:

.01 No change.

Rule 13.5. Customer Portfolio Margin Accounts

(a) No TPH **[**member**]** organization that requires margin in any customer accounts pursuant to Rule 12.4 - Portfolio Margin shall permit gross customer portfolio margin requirements to exceed 1,000 percent of its net capital for any period exceeding three business days. The TPH **[**member**]** organization shall, beginning on the fourth business day of any non-compliance, cease opening new portfolio margin accounts until compliance is achieved.

(b) If, at any time, a TPH **[**member**]** organization's gross customer portfolio margin requirements exceed 1,000 percent of its net capital, the TPH **[**member**]** organization shall immediately transmit telegraphic or facsimile notice of such deficiency to the Office of Market Supervision, Division of Market Regulation, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549; to the district or regional office of the Securities and Exchange Commission for the district or region in which the TPH **[**member**]** organization maintains its principal place of business; and to its Designated Examining Authority.

(c) If any customer portfolio margin account becomes subject to a call for additional margin, and all of the additional margin is not obtained by the close of business on T+1, TPH **[**member**]** organizations must deduct in computing net capital any amount of the additional margin that is still outstanding until such time as it is obtained or positions are liquidated pursuant to Rule 12.4(i)(1).

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CHAPTER XV Records, Reports and Audits (Rules 15.1-15.12)

Rule 15.1. Maintenance, Retention and Furnishing of Books, Records and Other Information

Each Trading Permit Holder **[**member**]** shall make, keep current and preserve such books and records as the Exchange may prescribe and as may be prescribed by the Securities Exchange Act of 1934 and the Rules and Regulations thereunder as though such Trading Permit Holder **[**member**]** were a broker or dealer registered pursuant to Section 15 of such Act. No Trading Permit Holder **[**member**]** shall refuse to make available to the Exchange such books, records or other information as may be called for under the Rules or as may be requested in connection with an investigation by the Exchange.

. . . Interpretations and Policies:

.01 The following Rules contain specific requirements with regard to the maintenance and retention of books, records and other information: Rules 3.4, 3.6, 8.9, 9.6, 9.7, 9.8, 9.10, 9.21, 9.23, 11.2, 12.12 and Chapter XV. In addition, the following Rules contain specific requirements with regard to the furnishing of information to the Exchange: Rules 3.7, 3.9, 3.17, 3.18, 3.20, 3.21, 3.23, 3.25, 4.9, 4.13, 6.49, 6.51, 6.56, 6.59, 6.71, 6.72, 7.2, 7.3, 7.6, 8.2, 8.3, 8.5, 8.10, 8.11, 9.1, 9.2, 9.3, 12.11, 13.4, 14.2 and 19.2. The foregoing list is not intended to be exhaustive and Trading Permit Holders **[**members**]** must comply with all applicable recordkeeping and reporting requirements whether or not listed above.

.02 Each TPH **[**member**]** organization that clears stock transactions and for which the Exchange is the Designated Examining Authority shall maintain records of short stock positions in all customer and proprietary firm accounts for securities listed on a United States registered national securities exchange or for securities whose bids and offers are reported on the automated quotation system operated by the National Association of Securities Dealers, Inc. ("NASD"). Each such Trading Permit Holder **[**member**]** that is not required to report short interest data to another stock exchange or to the NASD as a result of being a Trading Permit Holder **[**member**]** of such organization shall report these short stock positions to either a stock exchange or to the NASD, as the Exchange so directs. The form, manner, and time of such report shall be specified by the appropriate exchange or the NASD.

.03 - .04 No change.

Rule 15.2. Reports of Transactions

Each Trading Permit Holder **[**member**]** shall submit to the Exchange on each business day a report of all transactions made by it during said business day. The Exchange may, in its discretion, deem this requirement to be satisfied by the reports required to be filed under the provisions of Rule 6.51(d).

Rule 15.3. Reports of Uncovered Short Positions

Upon request of the Exchange, each Trading Permit Holder **[**member**]** shall submit to the Department of Compliance a report of the total uncovered short positions in each option contract of a class dealt in on the Exchange showing: (a) positions carried by such Trading Permit Holder **[**member**]** for its own account and (b) positions carried by such Trading Permit Holder **[**member**]** for the accounts of customers; provided that the Trading Permit Holders **[**members**]** shall not report positions carried for the accounts of other Trading Permit Holders **[**members**]** where such other Trading Permit Holders **[**members**]** report the positions themselves. Such report shall be submitted not later than the second business day following the date the request is made.

* * * * *

Rule 15.5. Financial Reports

Each Trading Permit Holder **[**member**]** shall submit to the Exchange answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange.

See Rule 17.50(g)(2).

. . . Interpretations and Policies:

.01 No change.

.02 Trading Permit Holders **[**Members**]** which are net capital computing must file electronically with the Exchange's Department of Financial and Sales Practice Compliance any required monthly and quarterly FOCUS Reports utilizing the WinJammer ™ system, or such other software as required by the Exchange.

.03 Trading Permit Holders **[**Members**]** who file an annual FOCUS Report and who are not net capital computing have the option to file the annual FOCUS Report and Schedule 1 by sending a hard copy to the Exchange **[**Exchange's Department of Member Firm Regulation ("DMFR")**]** or by filing electronically to the Exchange **[**DMFR using the WinJammer ™ software**]**.

Rule 15.6. Audits

(a) *Annual Audit.* Each TPH **[**member**]** organization approved to do business with the public in accordance with Chapter IX of the Rules and each registered Market-Maker shall file a report of its financial condition as of a date within each calendar year prepared in accordance with the requirements of SEC Rule 17a-5 and Form X-17A-5 and containing the information called for by that form. The report of each Trading Permit Holder **[**member**]** approved to do business with the public shall be certified by an independent public accountant, and on or before January 10 of each year, each such Trading Permit Holder **[**member**]** shall notify the Exchange of the name of the independent public accountant appointed for that year and the date as of which the report will be made. Such report of financial condition, together with answers to an Exchange financial questionnaire based upon the report, shall be filed with the Exchange not later than 60 days after the date as of which the financial condition of the Trading Permit Holder **[**member**]** is reported, or such other period as the Exchange may individually require. Any such Trading Permit Holder **[**member**]** may file in lieu of the report required by this Rule a copy of any financial statement which he is, or has been required to file with any other national securities exchange or national securities association of which he is a member, or with any agency of any State as a condition of

doing business in securities therein, and which is acceptable to the Exchange as containing substantially the same information as Form X-17A-5.

(b) *Additional Audits.* In addition to the annual report required of certain Trading Permit Holders **[**members**]** pursuant to paragraph (a) of this Rule, the Exchange may require any Trading Permit Holder **[**member**]** to cause an audit of its financial condition to be made by an independent public accountant in accordance with the audit requirements of SEC Form X-17A-5 as of the date of an answer to a financial questionnaire, and to file a statement to the effect that such audit has been made and whether it is in accord with the answer to the questionnaire. Such statement shall be signed by two general partners in the case of a TPH organization **[**member firm**]**, by two executive officers in the case of a Trading Permit Holder **[**member**]** corporation or by an individual Trading Permit Holder **[**member**]** and it shall be attested by the independent public accountant who certified the audit. The original report of the audit signed by the independent public accountant shall be retained as part of the books and records of the Trading Permit Holder **[**member**]**.

Rule 15.7. Automated Submission of Trading Data

A Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall submit the trade data elements specified below in such automated format as may be prescribed by the Exchange from time to time, in regard to such transaction or transactions that are the subject of a particular request for information made by the Exchange:

(a) if the transaction was a proprietary transaction effected or caused to be effected by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization for any account in which such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization, or any member, allied member, approved person, partner, officer, director, or employee thereof, is directly or indirectly interested, such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall submit or cause to be submitted the following information:

1. Clearing house number, or alpha symbol as used by the Trading Permit Holder **[**member**]** or the TPH **[**member**]** organization submitting the data;

2. Clearing house number(s), or alpha symbol(s) as may be used from time to time, of the Trading Permit Holder(s) **[**member(s)**]** or TPH **[**member**]** organization(s) on the opposite side of the transaction;

3. – 8. No change.

(b) If the transaction was effected or caused to be effected by the TPH **[**member**]** organization for any customer account, such TPH **[**member**]** organization shall submit or cause to be submitted the following information:

1. – 2. No change.

3. If the transaction was effected for a Trading Permit Holder **[**member**]** broker-dealer customer, whether the broker-dealer was acting as a principal or agent on the transaction or transactions that are the subject of the Exchange's request.

(c) In addition to the above trade data elements, a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall submit such other information in such automated format as may be prescribed by the Exchange, as may from time to time be required.

(d) No change.

Rule 15.8. Risk Analysis of Market-Maker Accounts

(a) Each TPH **[**member**]** organization which clears or guarantees the transactions of options Market-Makers pursuant to Exchange Rule 8.5, shall establish and maintain written procedures for assessing and monitoring the potential risks to the TPH **[**member**]** organization's capital over a specified range of possible market movements of positions maintained in such options Market-Maker accounts and such related accounts as the Exchange shall from time to time direct. Current procedures shall be filed and maintained with the Department of Financial Compliance. The procedures shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained and the position(s) within the organization responsible for the risk function.

(b) Upon direction by the Department of Financial Compliance, each affected TPH **[**member**]** organization shall provide to the Department such information as the Department may reasonably require with respect to the TPH **[**member**]** organization's risk analysis for any or all of its options Market-Maker accounts.

. . . Interpretations and Policies:

.01 Each affected TPH **[**member**]** organization shall at a minimum assess and monitor its own potential risk of loss from options Market-Maker accounts each business day as of the close of business the prior day through use of an Exchange approved computerized risk analysis program. The program shall comply with at least the minimum standards specified below and such other

standards as from time to time may be prescribed by the Exchange in written memoranda to all affected TPH [member] organizations:

(i) The estimated loss to the C[c]learing TPH [member] organization for each Market-Maker account (potential account deficit) shall be determined given the impact of broad market movements in reasonable intervals over a range from negative 15% to positive 15%.

(ii) The TPH [member] organization shall calculate volatility using a method approved by the Exchange, with volatility updated at least weekly. The program must have the capability of expanding volatility when projecting losses throughout the range of broad market movements.

(iii) – (iv) No change.

Rule 15.8A. Risk Analysis of Portfolio Margin Accounts

(a) Each TPH [member] organization that maintains any portfolio margin accounts for customers shall establish and maintain a comprehensive written risk analysis methodology for assessing and monitoring the potential risk to the TPH [member] organization's capital over a specified range of possible market movements of positions maintained in such accounts. The risk analysis methodology shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained, and the person(s) within the organization responsible for the risk function. This risk analysis methodology must be filed with the TPH [member] organization's Designated Examining Authority and submitted to the SEC prior to the implementation of portfolio margining.

(b) Upon direction by the Department of TPH Organization [Member Firm] Regulation, each affected TPH [member] organization shall provide to the Department such information as the Department may reasonably require with respect to the TPH [member] organization's risk analysis for any or all of the portfolio margin accounts it maintains for customers.

(c) In conducting the risk analysis of portfolio margin accounts required by this Rule 15.8A, each TPH [member] organization shall include in the written risk analysis methodology required pursuant to paragraph (a) above procedures and guidelines for

(1) – (2) No change.

(3) monitoring credit risk exposure to the TPH [member] organization from portfolio margin accounts, on both an intra-day and end of day basis, including the type, scope and frequency of reporting to senior management,

(4) – (5) No change.

(6) managing the impact of credit extension on the TPH **[**member**]** organization's overall risk exposure,

(7) – (9) No change.

Moreover, management must periodically review, in accordance with written procedures, the TPH **[**member**]** organization's credit extension activities for consistency with these guidelines. Management must periodically determine if the data necessary to apply this Rule 15.8A is accessible on a timely basis and information systems are available to capture, monitor, analyze and report relevant data.

Rule 15.9 Regulatory Cooperation

(a) – (b) No change.

(c) So long as a Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** remains subject to the disciplinary jurisdiction of the Exchange as set forth in Rule 17.1, such Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** shall be obligated to furnish testimony, documentary evidence or other information to the full extent provided in Rule 17.2(b), whether or not an investigation has been initiated by the Exchange against any person pursuant to Rule 17.2(a), if such information is requested by the Exchange in connection with any inquiry resulting from an agreement entered into by the Exchange pursuant to paragraphs (a) or (b) of this Rule. Whenever information is requested by the Exchange pursuant to this Rule, the Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** from whom the information is requested shall have the same rights and procedural protections in responding to such request as such person would have in the case of any other request for information initiated by the Exchange pursuant to Rule 17.2(b).

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CHAPTER XVI Summary Suspension by Chairman of the Board or Vice Chairman of the Board (Rules 16.1-16.5)

Rule 16.1. Imposition of Suspension

A Trading Permit Holder [member] or person associated with a Trading Permit Holder [member] who has been and is expelled or suspended from any self-regulatory organization or barred or suspended from being associated with a member of any self-regulatory organization, or a Trading Permit Holder [member] which is in such financial or operating difficulty that the Chairman of the Board or Vice Chairman of the Board determines that the Trading Permit Holder [member] cannot be permitted to continue to do business as a Trading Permit Holder [member] with safety to investors, creditors, other Trading Permit Holders [members], or the Exchange, may be summarily suspended by the Chairman of the Board or Vice Chairman of the Board. In addition, the Chairman of the Board or Vice Chairman of the Board may limit or prohibit any person with respect to access to services offered by the Exchange if any of the criteria or the foregoing sentence is applicable to such person or, in the case of a person who is not a Trading Permit Holder [member], if the Chairman of the Board or Vice Chairman of the Board determines that such person does not meet the qualification requirements or other prerequisites for such access with safety to investors, creditors, Trading Permit Holders [members], or the Exchange. In the event a determination is made to take summary action, as described above, notice thereof will be sent to the Securities and Exchange Commission. Any person aggrieved by any summary action taken under this Rule shall be promptly afforded an opportunity for a hearing by the Exchange in accordance with the provisions of Chapter XIX. In addition, the Securities and Exchange Commission may on its own motion order or such a person may apply to the Securities and Exchange Commission for a stay of such summary action pending the results of a hearing pursuant to Chapter XIX.

Rule 16.2. Investigation Following Suspension

Every Trading Permit Holder [member] or person associated with a Trading Permit Holder [member] against which action has been taken in accordance with the provisions of this Chapter shall immediately afford every facility required by the Exchange for the investigation of his affairs and shall forthwith file with the Secretary a written statement covering all information requested, including a complete list of creditors and the amount owing to each and a complete list of each open long and short position in Exchange option contracts maintained by the Trading Permit Holder [member] and each of his customers. The foregoing includes, without limitation, the furnishing of such of the books and records of the Trading Permit Holder [member] or person associated with a Trading Permit Holder [member] and the giving of such sworn testimony as may be requested by the Exchange.

Rule 16.3. Reinstatement

(a) *General.* A Trading Permit Holder [member], person associated with a Trading Permit Holder [member] or other person suspended or limited or prohibited with respect to access to services offered by the Exchange under the provisions of this Chapter may apply for reinstatement within the time period set forth below. Notice of an application for reinstatement [shall be given by the Secretary to the membership by mail and] shall be published in the Exchange Bulletin [posted upon the bulletin board on the floor of the Exchange at least five

business days prior to the consideration by the Exchange of said application**]**. The Exchange may approve an application for reinstatement if it finds that the applicant is operationally and financially able to conduct his business with safety to investors, creditors, Trading Permit Holders **[**members**]**, and the Exchange.

(b) *Suspension Due to Operating Difficulty.* An applicant who, by reason of operating difficulty, has been suspended or limited or prohibited with respect to Exchange services, must file any application for reinstatement within six months from the date of such action. Such application must include a statement of all actions taken by the applicant to remedy the operational difficulty in question. If the applicant fails to receive the Exchange approval required for reinstatement, or if the application is not approved by the Exchange within ninety days of its submission, the applicant shall be afforded an opportunity for a hearing in accordance with the provisions of Chapter XIX.

(c) *Suspension Due to Financial Difficulty.* An applicant who, by reason of financial difficulty, has been suspended or limited or prohibited with respect to Exchange services, must file any application for reinstatement within thirty days of such action. Such application must include a list of all creditors of the applicant, a statement of the amount originally owing and the nature of the settlement in each case, and such other information as may be requested by the Exchange. The Trading Permit **[**Exchange membership**]** of a Trading Permit Holder **[**member**]** summarily suspended by reason of financial difficulty may not be revoked **[**disposed of**]** by the Exchange**[**, and the CBOE Stock Exchange Permit or Interim Trading Permit of a member summarily suspended by reason of financial difficulty may not be revoked by the Exchange,**]** until that Trading Permit Holder **[**member**]** has been afforded an opportunity for a hearing respecting such summary suspension pursuant to the provisions of Chapter XIX.

Rule 16.4. Failure to Obtain Reinstatement

If a Trading Permit Holder **[**member**]** suspended under the provisions of this Chapter fails or is unable to apply for reinstatement in accordance with Rule 16.3, or fails to obtain reinstatement as therein provided, his Trading Permit **[**membership**]** shall be revoked **[**disposed of**]** by the Exchange **[**in accordance with Rule 3.14(b) and any CBOE Stock Exchange Permit or Interim Trading Permit of the member may be revoked by the Exchange**]**.

Rule 16.5. Termination of Rights by Suspension

A Trading Permit Holder **[**member**]** suspended under the provisions of this Chapter shall be deprived during the term of his suspension of all rights and privileges of being a Trading Permit Holder **[**membership**]**.

CHAPTER XVII Discipline (Rules 17.1-17.50)

Rule 17.1. Disciplinary Jurisdiction

(a) A Trading Permit Holder **[**member**]** or a person associated with a Trading Permit Holder **[**member**]** (the "Respondent") who is alleged to have violated or aided and abetted a violation of any provision of the Securities Exchange Act of 1934, as amended ("Exchange Act"), the rules and regulations promulgated thereunder, or any Bylaw **[**constitutional provisions by-law**]** or rule of the Exchange or any interpretation thereof or resolution of the Board of the Exchange regulating the conduct of business on the Exchange shall be subject to the disciplinary jurisdiction of the Exchange under this Chapter, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a Trading Permit Holder **[**member**]**, suspension or revocation of one or more of the Respondent's Trading Permits **[**CBOE Stock Exchange Permit(s) and Interim Trading Permit(s)**]** or any other fitting sanction, in accordance with provisions of the Chapter.

An individual Trading Permit Holder **[**member**]**, nominee or other person associated with a TPH **[**member**]** organization may be charged with any violation committed by employees under his supervision or by the TPH **[**member**]** organization with which he is associated, as though such violation were his own. A TPH **[**member**]** organization may be charged with any violation committed by its employees or by a Trading Permit Holder **[**member**]** or other person who is associated with such TPH **[**member**]** organization, as though such violation were its own.

(b) Any Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** shall continue to be subject to the disciplinary jurisdiction of the Exchange following such person's termination as a Trading Permit Holder or associated person **[**of membership or association with a member**]** with respect to matters that occurred prior to such termination or with respect to the failure to honor an arbitration award pursuant to Chapter XVIII of the Rules; provided that written notice of the commencement of an inquiry into such matters is given by the Exchange to such former Trading Permit Holder **[**member**]** or former associated person within one year of receipt by the Exchange or such other exchange or association recognized for purposes of Rule 9.3 of the latest written notice of the termination of such person's status as a Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]**. The foregoing notice requirement does not apply to a person who at any time after a termination again subjects himself to the disciplinary jurisdiction of the Exchange by becoming a Trading Permit Holder **[**member**]** or a person associated with a Trading Permit Holder **[**member**]**.

. . . Interpretations and Policies:

.01 No change.

.02 The notice requirement in paragraph (b) of this Rule shall not apply in instances where the Exchange seeks to act under this Chapter XVII with respect to a former Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** for the failure to honor an arbitration award pursuant to Chapter XVIII of the Rules.

Rule 17.2. Complaint and Investigation

(a) *Initiation of Investigation.* The Exchange shall investigate possible violations within the disciplinary jurisdiction of the Exchange upon order of the Board, the Business Conduct Committee, the President or other Exchange officials designated by the President, or whenever there is a reasonable basis for the Exchange to do so. The Exchange shall also investigate possible violations within the disciplinary jurisdiction of the Exchange upon receipt of a complaint, written or oral, alleging such violations made by a Trading Permit Holder **[**member**]** or by any other person alleging injury as a result of such violations (the "Complainant"), provided such complaint specifies in reasonable detail the facts constituting the violation.

(b) *Requirement to Furnish Information.* Each Trading Permit Holder **[**member**]** and person associated with a Trading Permit Holder **[**member**]** shall be obligated upon request by the Exchange to appear and testify, and to respond in writing to interrogatories and furnish documentary materials and other information requested by the Exchange in connection with (i) an investigation initiated pursuant to paragraph (a) of this Rule, (ii) a hearing or appeal conducted pursuant to this Chapter or preparation by the Exchange in anticipation of such a hearing or appeal, or (iii) an Exchange inquiry resulting from an agreement entered into by the Exchange pursuant to Rule 15.9. No Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** shall impede or delay an Exchange investigation or proceeding conducted pursuant to this Chapter or an Exchange inquiry pursuant to Rule 15.9 nor refuse to comply with a request made by the Exchange pursuant to this paragraph. A Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** is entitled to be represented by counsel during any such Exchange investigation, proceeding or inquiry.

(c) No change.

(d) *Notice, Statement and Access.* Prior to submitting its report, the staff shall notify the person(s) who is the subject of the report (hereinafter Subject) of the general nature of the allegations and of the specific provisions of the Exchange Act, rules and regulations promulgated thereunder, or **[**constitutional provisions,**]** Bylaws **[**by-laws**]** or rules of the Exchange or any interpretation thereof or any resolution of the Board regulating the conduct of business on the Exchange, that appear to have been violated. Except when the Committee determines that expeditious action is required, a Subject shall have 15 days from the date of the notification described above to submit a written statement to the Committee concerning why no disciplinary action should be taken. To assist a Subject in preparing such a written statement, he shall have access to any documents and other materials in the investigative file of the Exchange that were furnished by him or his agents.

. . . Interpretations and Policies:

.01 - .02 No change.

.03 To assist the Exchange in investigating possible violations within its disciplinary jurisdiction, Complainants should sign written complaints or identify themselves when making oral complaints pursuant to paragraph (a) of this Rule, and also identify the specific statutes, Bylaws **[**by-laws**]**, rules, interpretations or resolutions that allegedly were violated.

* * * * *

Rule 17.4. Charges

(a) No change.

(b) *Initiation of Charges.* Whenever it shall appear to the Business Conduct Committee from the report of the staff of the Exchange that there is probable cause for finding a violation within the disciplinary jurisdiction of the Exchange and that further proceedings are warranted, the Business Conduct Committee shall direct the staff of the Exchange to prepare a statement of charges against the person or organization alleged to have committed a violation (the "Respondent") specifying the acts in which the Respondent is charged to have engaged and setting forth the specific provisions of the Securities Exchange Act of 1934, as amended, rules and regulations promulgated thereunder, **[**constitutional provisions,**]** Bylaws **[**by-laws**]**, rules, interpretations or resolutions of which such acts are in violation. A copy of the charges shall be served upon the Respondent in accordance with Rule 17.12. The Complainant, if any, shall be notified if further proceedings are warranted.

(c) No change.

(d) No Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** shall make or knowingly cause to be made an ex parte communication with any member of the Business Conduct Committee or Board concerning the merits of any matter pending under Chapter XVII of the Rules. No member of the Business Conduct Committee or Board shall make or knowingly cause to be made an ex parte communication with any Trading Permit Holder **[**member**]** or any person associated with a Trading Permit Holder **[**member**]** concerning the merits of any matter pending under Chapter XVII of the Rules.

. . . Interpretations and Policies:

.01 - .03 No change.

* * * * *

Rule 17.6. Hearing

(a) *Participants.* Subject to Rule 17.7 of this Chapter concerning summary proceedings, a hearing on the charges shall be held before one or more members of the Business Conduct Committee. The person or persons conducting the hearing shall exercise the authority of the Business Conduct Committee in respect of matters pertaining to the hearing and for purposes of this Chapter shall be referred to as the "Panel." The Exchange and the Respondent shall be the parties to the hearing. Where a TPH **[**member**]** organization is a party, it shall be represented by one of its Trading Permit Holders **[**members**]** (including nominees) at the hearing.

(b) – (c) No change.

(d) *Documents and Witnesses.* The Panel may request the production of documentary evidence and witnesses. If the Exchange, a Trading Permit Holder **[**member**]**, or a person associated with a Trading Permit Holder **[**member**]** will not voluntarily produce non-privileged documents or hearing witnesses the Respondent has requested, the Respondent may submit a written request to the Panel asking the Panel to enter an order compelling the production of non-privileged documents by the Exchange, the Trading Permit Holder **[**member**]**, or associated person or compelling the testimony of the Trading Permit Holder **[**member**]**, associated person, or a person within the Exchange's control. Before entering such order, the Panel must hear any objections raised by Exchange staff to the issuance of such an order. When deciding whether to issue the requested order, the Panel shall weigh the probative value of the documents or testimony against considerations such as undue delay, waste of time, confusion, unfair prejudice or needless presentation of cumulative evidence. As a condition to issuing such an order, the Panel may require the Respondent to pay the costs of complying with the requested order including a witness's travel expenses. No Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** shall refuse to furnish relevant testimony, documentary materials or other information requested or ordered by the Panel.

. . . Interpretations and Policies:

.01 - .02 No change.

* * * * *

Rule 17.9. Decision

Following a hearing conducted pursuant to Rule 17.6 of this Chapter, the Panel shall issue a decision in writing, based solely on the record, determining whether the Respondent has committed a violation and imposing the sanction, if any, therefor. Where the Panel is not composed of at least a majority of the members of the Business Conduct Committee, its determination shall be automatically reviewed by a majority of the Committee, which may affirm, reverse or modify in whole or in part or may remand the matter for additional findings or supplemental proceedings. Such modification may include an increase or decrease of the sanction. The decision shall include a statement of findings and conclusions, with the reasons therefor, upon all material issues presented on the record. Where a sanction is imposed, the decision shall include a statement specifying the acts or practices in which the Respondent has been found to have engaged and setting forth the specific provisions of the Securities Exchange Act of 1934, as amended, rules and regulations promulgated thereunder, **[**constitutional provisions,**]** Bylaws **[**by-laws**]**, rules, interpretations or resolutions of the Exchange of which the acts are deemed to be in violation. The Respondent and the Office of Enforcement shall be promptly sent a copy of the decision. After Board review pursuant to Rule 17.10, or the time for such review has expired, the decision will be considered final, and the Exchange shall publish a summary of the decision in the Exchange Bulletin.

* * * * *

Rule 17.11. Judgment and Sanction

(a) *Sanctions.* Trading Permit Holders **[**Members**]** and persons associated with Trading Permit Holders **[**members**]** shall (subject to any rule or order of the Securities and Exchange Commission) be appropriately disciplined by the Business Conduct Committee for violations under these Rules by expulsion, suspension, limitation of activities, functions and operations, fine, censure, being suspended or barred from being associated with a Trading Permit Holder **[**member**]**, suspension or revocation of one or more Trading Permits, or any other fitting sanction.

(b) No change.

. . . Interpretations and Policies:

.01 To promote consistency and uniformity in the imposition of penalties, the following Principal Considerations in Determining Sanctions should be considered in connection with the imposition of sanctions in all cases in determining appropriate remedial sanctions through the resolution of disciplinary matters through offers of settlement or after formal disciplinary hearings.

Principal Considerations In Determining Sanctions

(1) Disciplinary sanctions are remedial in nature. The Business Conduct Committee ("BCC") should design sanctions to prevent and deter future misconduct by wrongdoers, to discourage others from engaging in similar misconduct, and to improve overall business standards of CBOE Trading Permit Holders **[**members**]**. Pursuant to Exchange Rule 17.11, the BCC may impose sanctions including expulsion, suspension, limitation of activities, fine, censure, suspension or revocation of one or more Trading Permits, or any other fitting sanction.

(2) – (3) No change.

(4) The BCC should tailor sanctions to address the misconduct at issue. The BCC should impose sanctions tailored to the misconduct at issue. For example, the BCC may require a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to, among other things: retain a qualified independent consultant to improve future compliance with regulatory requirements; disclose disciplinary history to new and/or existing clients; implement heightened supervision of certain employees; or requalify by examination in any or all registered capacities.

(5) Aggregation of violations may be appropriate in certain instances for purposes of determining sanctions. The BCC may aggregate individual violations of particular rules and treat such violations as a single offense for purposes of determining sanctions. Aggregation may be appropriate when the Exchange utilizes a comprehensive surveillance program in the detection of potential rules violations. Aggregation may also be appropriate where the Exchange has reviewed activity over an extensive time period during the course of an investigation of matters disclosed either through a routine examination of the Trading Permit Holder **[**member**]** or as the result of a complaint. Similarly, where no exceptional circumstances are present, the Exchange may impose a fine based upon a determination that there exists a pattern or practice of violative conduct. The Exchange also may aggregate similar violations generally if the conduct was unintentional, there was no injury to public investors, or the violations resulted from a single systemic problem or cause that has been corrected.

(6) No change.

(7) The BCC should consider contributions or settlements by a respondent or any related Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to the harmed party as it relates to the conduct that is the subject of the disciplinary matter.

(8) No change.

* * * * *

Rule 17.50. Imposition of Fines for Minor Rule Violations

(a) In lieu of commencing a disciplinary proceeding pursuant to Exchange Rule 17.2 et seq., the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed $5,000, on any Trading Permit Holder **[**member**]** or person associated with or employed by a Trading Permit Holder **[**member**]** with respect to any rule violation listed in section (g) of this Rule. For purposes of imposing fines pursuant to Rule 17.50(g)(4) and (g)(5), the Exchange may aggregate individual violations of particular rules and treat such violations as a single offense, provided that such aggregation is based upon a comprehensive automated surveillance program. In other instances, the Exchange may, if no exceptional circumstances are present, impose a fine based upon a determination that there exists a pattern or practice of violative conduct. The Exchange also may aggregate similar violations generally if the conduct was unintentional, there was no injury to public investors, or the violations resulted from a single systemic problem or cause that has been corrected. Any fine imposed pursuant to this Rule that (i) does not exceed $2,500 and (ii) is not contested, shall be reported by the Exchange to the Securities and Exchange Commission ("SEC") on a periodic, rather than a current, basis, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority.

(b) In any action taken by the Exchange pursuant to this Rule, any person against whom a fine is imposed shall be served, as provided in Exchange Rule 17.12, with a written statement, prepared by the Exchange, setting forth: (i) the rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than thirty (30) days after the date of service of such written statement. The issuance of a fine, a Trading Permit Holder's **[**member's**]** failure to contest the fine, or a Trading Permit Holder's **[**member's**]** submission and/or the Exchange's acceptance of an offer of settlement in accordance with the provisions of Rule 17.50 do not constitute an admission.

(c)(1) No change.

(2) If after a hearing or review based on written submissions pursuant to subsection (c)(1) of this Rule the Business Conduct Committee determines that the conduct serving as the basis for the action under review is in violation of the rule charged, the Committee (i) may impose any one or more of the disciplinary sanctions authorized by the Exchange's Bylaws **[**Constitution**]** and Rules and (ii) shall impose a forum fee against the person charged in the amount of one hundred dollars ($100) if the determination was reached without a hearing, or in the amount of three hundred dollars ($300) if a hearing was conducted. However, notwithstanding the foregoing, in the event that the Business Conduct Committee determines that the person charged is guilty of one or more rule violations and the sole disciplinary sanction imposed by the Committee for such rule violation(s) is a fine which is less than the total fine initially imposed by the Exchange pursuant to this Rule, the Committee shall have the discretion to waive the imposition of a forum fee.

(3) – (4) No change.

(d)(1) No change.

(2) If after a hearing or review based on written submissions pursuant to subsection (d)(1) of this Rule the Appeals Committee determines that the conduct serving as the basis for the action under review is in violation of the rule charged, the Committee (i) may impose any one or more of the disciplinary sanctions authorized by the Exchange's Bylaws **[**Constitution**]** and Rules and (ii) shall impose a forum fee against the person charged in the amount of one hundred dollars ($100) if the determination was reached without a hearing, or in the amount of three hundred dollars ($300) if a hearing was conducted. However, notwithstanding the foregoing, in the event that the Appeals Committee determines that the person charged is guilty of one or more rule violations and the sole disciplinary sanction imposed by the Committee for such rule violation(s) is a fine which is less than the total fine initially imposed by the Exchange pursuant to this Rule, the Committee shall have the discretion to waive the imposition of a forum fee.

(3) – (4) No change.

(e) Fines imposed pursuant to this Rule shall be billed to the Clearing Trading Permit Holder **[**Member**]** previously designated by the person fined pursuant to Exchange Rule 3.23. Fines billed to a Clearing Trading Permit Holder **[**Member**]** shall be collected by the Exchange by drafting the appropriate Clearing Trading Permit Holder's **[**Member's**]** account at the Clearing Corporation. The amount of such fine shall be an obligation payable to the Exchange by the billed Clearing Trading Permit Holder **[**Member**]** regardless of whether the Clearing Trading Permit Holder **[**Member**]** actually collected the fine from the person against whom the fine was imposed; provided that, if as of the billing date, (i) the person against whom the fine was imposed does not have an active account with the billed Clearing Trading Permit Holder **[**Member**]**, or (ii) the equity in such person's account with that Clearing Trading Permit Holder **[**Member**]** is less than the amount of the fine, and the Clearing Trading Permit Holder **[**Member**]** notifies the Exchange in writing within fifteen (15) days after the billing date that the condition described in subsection (i) or (ii) hereof exists, the Exchange shall bill such person directly. In the event that the person against whom the fine is imposed contests the fine within the time period specified pursuant to this Rule, but after the fine has been collected pursuant to this section (e), the Exchange shall promptly refund to the applicable Clearing Trading Permit Holder's **[**Member's**]** account the amount collected.

(f) The Exchange shall issue regulatory circulars to the Trading Permit Holders **[**membership**]** from time to time listing the Exchange Bylaws **[**Constitution**]** and rule provisions as to which the Exchange may impose fines as provided by this Rule. Such list shall indicate the specific dollar amount that may be imposed as a fine hereunder with respect to any violation of any such rule. The fines authorized below for violations of a first or second offense may be imposed in the case of a first or second offense if warranted under the circumstances. Nothing in this Rule shall require the Exchange to impose a fine pursuant to this Rule with respect to the violation of any

rule included in any such listing. In addition, the Exchange may, whenever it determines that any violation is intentional, egregious, or otherwise not minor in nature, proceed under the Exchange's formal disciplinary rules as set forth in Exchange Rule 17.2 et seq., rather than under this Rule.

(g) The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant to, this Rule:

(1) Violation of position and exercise limit rules. (Rule 4.11 and 4.12)

Number of Cumulative Violations In Any Twenty-Four (24) Month Rolling Period *	*Fine Amount (imposed on Exchange TPH organization [member firm] or violations occurring in all other accounts)*
First Offense	$500
Second Offense	$1,000
Third Offense	$2,500
Fourth and Each Subsequent Offense	$5,000

(2) Failure to file Focus reports in a timely manner. (Rule 15.5)

Each Trading Permit Holder [member] shall file with the Exchange a report of financial condition on SEC Form X-17A-5 as required by Exchange Act Rule 17a-10. Any Trading Permit Holder [member] who fails to file in a timely manner such report of financial condition pursuant to Exchange Act Rule 17a-10 shall be subject to the following fines:

* * * * *

(3) Failure to respond in a timely manner to a request for automated submission of trading data ("Blue Sheets"). (Rule 15.7)

Any Trading Permit Holder [member] who fails to respond within ten (10) days to a request by the Exchange for submission of Blue Sheets shall be subject to the following fines:

* * * * *

(4) No change.

(5) A fine shall be imposed upon a Market-Maker or Floor Broker in accordance with the fine schedule set forth below for the following conduct[1]:

• Failure to honor the firm quote requirements of Rule 8.51;

• Failure to honor the priority of marketable customer orders maintained in the Customer Limit Order Book pursuant to Rule 6.45; and

• Failure to use due diligence in the execution of orders for which the floor Trading Permit Holder **[**member**]** maintains an agency obligation pursuant to Rule 6.73.

* * * * *

(6) Violations of Trading Conduct and Decorum Policies. (Rule 6.20)

The Exchange's trading conduct and decorum policies shall be distributed to the Trading Permit Holders **[**membership**]** periodically and shall set forth the specific dollar amounts that may be imposed as a fine hereunder with respect to any violations of those policies. If warranted under the circumstances in the view of two Floor Officials, the fine authorized under those policies for a second, third or subsequent offense may be imposed for a first offense and the fine authorized for a third or subsequent offense may be imposed for a second offense.

(7) Failure to Submit Trade Data on Trade Date ("As of Adds"). (Rule 6.51)

(a) Any individual Trading Permit Holder **[**member**]** who fails for more than 5% of the Trading Permit Holder's **[**member's**]** transactions in any month to submit on the date that a transaction is executed the trade information required by Rule 6.51 shall be subject to the following fines:

* * * * *

(b) Under unusual circumstances affecting the ability of a significant number of Trading Permit Holders **[**members**]** to submit trade information to the Exchange on a timely basis, the Exchange may suspend application of subsection (g)(7)(a) of this Rule for a period not to exceed seven (7)

[1] Minor Rule Violation fines imposed under this provision may be issued by Exchange Floor Officials.

calendar days at any one time (which may be extended by subsequent suspensions implemented in each case in accordance with the procedures required by this subsection). Such a suspension order, which may be retroactive, shall be in writing and state the reasons therefor. It shall be communicated to the Trading Permit Holders **[**membership**]** by Exchange publication, which may be issued after the effective date and shall be kept on record by the Secretary of the Exchange.

(8) Violations of Exercise and Exercise Advice Rules for Noncash-Settled Equity Options (Rule 11.1)

Any Trading Permit Holder **[**member**]** who fails to submit to the Exchange in a timely manner pursuant to Rule 11.1 or a Regulatory Circular issued pursuant to Rule 11.1, "Advice Cancel", or exercise instruction relating to the exercise or nonexercise of a noncash-settled equity option shall be subject to the following fines:

* * * * *

(9) Violations of Exercise and Exercise Advice Rules for American-Style, Cash-Settled Index Options (Rule 11.1, Interpretation and Policy .03)

A Trading Permit Holder **[**member**]** shall be subject to the fines listed below if he commits any of the following violations of Rule 11.1, Interpretation and Policy .03 with respect to an American-style, cash-settled index option: failure to submit an Exercise Advice; the submission of an advice and no subsequent exercise; the submission of an Exercise Advice after the designated cut-off time; the submission of an Exercise Advice for an amount different than the amount exercised; and the time-stamping of an advice or exercise instruction memorandum prior to purchasing contracts.

* * * * *

(10) *Communications to the Exchange or the Clearing Corporation (Rule 4.22)*

A fine shall be imposed upon a Trading Permit Holder **[**member**]**, person associated with a Trading Permit Holder **[**member**]** or applicant to be a Trading Permit Holder **[**for membership**]**, as applicable, who violates Rule 4.22. Such fines shall be imposed on the basis of the following schedule:

* * * * *

(11) Trading in Restricted Classes (Rule 5.4)

A fine shall be imposed upon a Trading Permit Holder **[**member**]** and/or person associated with a Trading Permit Holder **[**member**]**, as applicable, who enters into an opening transaction in a restricted class in violation of Exchange Rule 5.4: Such fines shall be imposed on the basis of the following schedule:

* * * * *

(12) Order Protection Violations (Rule 6.83)

A fine shall be imposed upon a Trading Permit Holder **[**member**]** and/or person associated with a Trading Permit Holder **[**member**]**, as applicable, who engages in a pattern or practice of trading through better prices available on other exchanges, unless one or more of the exceptions set forth in Rule 6.83(b) apply. Such fines shall be imposed on the basis of the following schedule:

* * * * *

(13) Locked or Crossed Market Violations (Rule 6.84)

A fine shall be imposed upon a Trading Permit Holder **[**member**]** and/or person associated with a Trading Permit Holder **[**member**]**, as applicable, who engages in a pattern or practice of locking or crossing a market in violation of Rule 6.84. Such fines shall be imposed on the basis of the following schedule**:**

* * * * *

(14) No change.

(15) Failure to Accurately Report Position and Account Information (Rule 4.13)

A fine shall be imposed upon a Trading Permit Holder **[**member**]** who violates Rule 4.13. Such fines shall be imposed on the basis of the following schedule:

* * * * *

(16) Failure to Provide Prior Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934)

A fine shall be imposed upon a Trading Permit Holder **[**member**]** who fails to provide prior notification of capital withdrawal in accordance with Rule 15c3-1(e) under the Securities Exchange Act of 1934. Such fines shall be imposed on the basis of the following schedule:

* * * * *

(17) Failure to Provide Post Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934)

A fine shall be imposed upon a Trading Permit Holder **[**member**]** who fails to provide notification following a capital withdrawal in accordance with Rule 15c3-1(e) under the Securities Exchange Act of 1934. Such fines shall be imposed on the basis of the following schedule:

* * * * *

(18) Failure to Designate a Person or Persons Responsible for Implementing and Monitoring a Trading Permit Holder's **[**member's**]** Anti-Money Laundering Compliance Program (Rule 4.20)

A fine shall be imposed upon a Trading Permit Holder **[**member**]** who fails to designate and identify to the Exchange a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the member's Anti-Money Laundering Compliance Program and/or who fails to provide prompt notification to the Exchange regarding any change in such designation in violation of Rule 4.20:

* * * * *

. . . Interpretations and Policies:

.01 Any Trading Permit Holder **[**member**]** who is issued a summary fine notice for the same conduct covered in sub-paragraph (g)(5) that meets one of the levels below shall have the opportunity to submit one written offer of settlement to the Business Conduct Committee in accordance with the provisions of Rule 17.8(a)—Submission of Offer, provided, however, that the Interpretation and Policies to Rule 17.8 shall not apply to an offer made hereunder and the Trading Permit Holder **[**member**]** must submit the offer within 30 days of the date of service of the written notice informing the Trading Permit Holder **[**member**]** of the fine(s) imposed. The Trading Permit Holder **[**member**]** may also appear once before the Business Conduct Committee

to make an oral statement in support of the offer. In considering an offer of settlement, the Business Conduct Committee shall consider the Principal Considerations in Determining Sanctions as set forth in Interpretation and Policy .01 of Rule 17.11. A Trading Permit Holder **[**member**]** may make one offer:

1) – 2) No change.

A decision of the Business Conduct Committee accepting an offer of settlement hereunder shall be reported on a current basis pursuant to Rule 19d-1 under the Securities Exchange Act of 1934. The Trading Permit Holder **[**member**]** shall report a decision accepting an offer of settlement on the Trading Permit Holder's **[**member's**]** broker-dealer and Form U-4 (uniform application for securities industry registration or transfer) forms as a decision in a contested Exchange disciplinary proceeding.

.02 (a) The Exchange shall attempt to serve Trading Permit Holders **[**members**]** fined pursuant to subsection (g)(4) of this Rule with a written statement in accordance with section (b) of this Rule within the month immediately following the month in which the violations were alleged to have occurred. Such Trading Permit Holders **[**members**]** may, within fifteen (15) days after such service was effected, request verification of the fine by the Exchange.

(b) Notwithstanding the provisions of Interpretation and Policy .02 (a) above, there shall be a cap on the number of transactions during a particular month with respect to which a Trading Permit Holder **[**member**]** fined pursuant to subsection (g)(4) of this Rule may request verification. Such cap shall be imposed pursuant to the following schedule:

* * * * *

(c) The Exchange shall attempt to serve Trading Permit Holders **[**members**]** fined pursuant to subsection (g)(7) of this Rule with a written statement in accordance with section (b) of this Rule on or before the tenth (10th) day of the month immediately following the month in which the violations were alleged to have occurred. Such Trading Permit Holders **[**members**]** may, on or before the twenty-fifth (25th) day of the month in which such service was effected, request verification of the fine by the Exchange.

(d) Verification requests pursuant to sections (a) and (c) of this Interpretation and Policy .02 shall be made in the manner and form required by the Exchange, and shall deal solely with factual issues. Exchange employees shall verify the accuracy of the fine for which a request for verification has been made and determine whether the fine should remain as imposed or should be modified or eliminated. During the verification process, the Exchange may require or permit the Trading Permit Holder **[**member**]** requesting verification to produce substantiating evidence or other information within ten (10) days after notice of that deadline is sent to such Trading

Permit Holder **[**member**]**. The Trading Permit Holder **[**member**]** requesting verification shall have the burden of producing such evidence or information. Notice of the determination shall be given in writing to the Trading Permit Holder **[**member**]** requesting verification. For purposes of sections (c) and (d) of this Rule, a Trading Permit Holder **[**member**]** filing a request for verification may contest the fine subject to verification within thirty (30) days after the date the Exchange sent such Trading Permit Holder **[**member**]** notice of the determination.

.03 - .04 No change.

CHAPTER XVIII Arbitration (Rules 18.1-18.37)

Rule 18.1. Matters Subject to Arbitration

(a) Any dispute, claim or controversy, arising between parties who are Trading Permit Holders **[**members**]**[*] or persons associated with a Trading Permit Holder **[**member**]** which arises out of the Exchange business of such parties shall, at the request of any such party and the approval of the Exchange's Director of Arbitration, be submitted for arbitration in accordance with these rules.

(b) Any dispute, claim or controversy, arising between a non-Trading Permit Holder **[**member**]** and a Trading Permit Holder **[**member**]** or persons associated with a Trading Permit Holder **[**member**]** which arises out of the Exchange business of such Trading Permit Holder **[**member**]** or a person associated with a Trading Permit Holder **[**member**]** shall, at the request of such non-Trading Permit Holder **[**member**]** and the approval of the Exchange's Director of Arbitration, be submitted for arbitration in accordance with these rules.

(c) – (d) No change.

. . . Interpretations and Policies:

.01 For purposes of this Chapter, the terms Trading Permit Holder **[**member**]** and a person associated with a Trading Permit Holder **[**member**]** shall be deemed to encompass those persons who were former (a) Trading Permit Holders, (b) Exchange members, or persons treated the same as members, under the Constitution and Rules of the Exchange in effect immediately prior to the Restructuring Transaction, (c) persons associated with a Trading Permit Holder, or (d) persons associated with a member, or a person treated the same as a member, under the

[*] The term Trading Permit Holder **[**"member"**]** as defined in the Bylaws **[**Constitution**]** and used in the Rules includes a nominee of a TPH **[**member**]** organization unless the context otherwise requires.

Transaction

.02 It may be deemed conduct inconsistent with just and equitable principles of trade for a Trading Permit Holder **[**member**]** or a person associated with a Trading Permit Holder **[**member**]** to fail to submit a dispute for arbitration on demand under the provisions of this Chapter, or to fail to provide any document in his possession or control as directed pursuant to the provisions of this Chapter or to fail to honor an award of arbitrators properly rendered pursuant to the provisions of this Chapter where a timely motion has not been made to vacate or modify such award pursuant to applicable law.

.03 No change.

Rule 18.2. Procedures in Trading Permit Holder [Member] Controversies

The following procedures shall apply in any dispute, claim or controversy between parties who are Trading Permit Holders **[**members**]** or persons associated with a Trading Permit Holder **[**member**]** which is submitted for arbitration pursuant to Rule 18.1(a):

(a) *Selection of Arbitrators.* The arbitration panel shall be selected by the Director of Arbitration and shall consist of not less than three members of the Arbitration Committee.

(b) – (c) No change.

(d) *General.* Subject to the foregoing provisions of this Rule, the other Rules of Chapter 18 shall apply to arbitrations between Trading Permit Holders **[**members**]** except for those provisions specifically applicable to arbitrations involving public customers.

. . . Interpretations and Policies:

.01 In any arbitration concerning the alleged failure to honor a trade, each party to the arbitration shall promptly provide copies of all documents filed or received in the arbitration by that party to the Clearing Trading Permit Holder(s) **[**Member(s)**]** that guaranteed that party's Exchange transactions when the alleged trade took place.

Uniform Arbitration Code

Rule 18.3. Arbitration

(a) Any dispute, claim or controversy between a customer or non-Trading Permit Holder **[**member**]** and a Trading Permit Holder **[**member**]** and/or associated person arising in connection with the business of such Trading Permit Holder **[**member**]** and/or associated person in connection with his activities as an associated person shall be arbitrated under the Rules of the Exchange, as provided by any duly executed and enforceable written agreement or upon the demand of the customer or non-Trading Permit Holder **[**member**]**.

(b) – (c) No change.

. . . Interpretations and Policies:

.01 No change.

Rule 18.3A. Class Action Claims

(a) – (b) No change.

(c) No Trading Permit Holder **[**member**]** and/or associated person shall seek to enforce any agreement to arbitrate against a customer, other Trading Permit Holder **[**member**]** or persons associated with a Trading Permit Holder **[**member**]** who has initiated in court a putative class action or is a member of a putative or certified class with respect to any claims encompassed by the class action unless and until:

(i) – (ii) No change.

(iii) the customer, other Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** is excluded from the class by the court; or

(iv) the customer, other Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** elects not to participate in the putative or certified class action, or, if applicable, has complied with any conditions for withdrawing from the class prescribed by the court.

(d) No Trading Permit Holder **[**member**]** and/or associated person shall be deemed to have waived any of its rights under this Code or under any agreement to arbitrate to which it is party except to the extent stated in this paragraph.

Rule 18.4. Simplified Arbitration

(a) Any dispute, claim or controversy, arising between a public customer(s) and an associated person or a Trading Permit Holder **[**member**]** subject to arbitration under this Code involving a dollar amount not exceeding $10,000, exclusive of attendant costs and interest, shall be arbitrated as hereinafter provided.

(b) – (l) No change.

Hearing Requirements

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Rule 18.10. Designation of Number of Arbitrators

(a) (1) In all arbitration matters involving public customers and non-Trading Permit Holders **[**members**]** where the amount in controversy exceeds $10,000 or where the matter in controversy does not involve or disclose a money claim, the Director of Arbitration shall appoint an arbitration panel that shall consist of no less than three (3) arbitrators, at least a majority of whom shall not be from the securities industry, unless the public customer or non-Trading Permit Holder **[**member**]** requests a panel consisting of at least a majority from the securities industry.

(2) An arbitrator will be deemed as being from the securities industry if he or she:

(i) is a person associated with a Trading Permit Holder **[**member**]**, broker/dealer, government securities broker, government securities dealer, municipal securities dealer, or registered investment adviser; or

(ii) – (iv) No change.

(v) is an individual who is registered under the Commodities Exchange Act or is a member of a registered futures association or any Commodities Exchange or is associated with any such person(s).

(3) An arbitrator who is not from the securities industry shall be deemed a public arbitrator. A person will not be classified as a public arbitrator if he or she has a spouse or other member of the household who is a person associated with a registered broker, dealer, municipal securities dealer, government securities broker, government securities dealer, or investment adviser.

(b) – (c) No change.

Guidelines for Classification of Arbitrators

No change.

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Rule 18.22 General Provisions Governing Pre-Hearing Proceeding

(a) – (f) No change.

(g) *Power to Direct Appearances and Production of Documents.*

The arbitrator(s) shall be empowered without resort to the subpoena process to direct the appearance of any Trading Permit Holder **[**member**]** or person employed by or associated with any Trading Permit Holder **[**member**]** or TPH **[**member**]** organization **[**of the Exchange**]**, and/or the production of any records in the possession or control of such persons, Trading Permit Holders **[**members**]** or TPH **[**member**]** organizations. Unless the arbitrator(s) direct otherwise, the party requesting the appearance of a person or the production of documents under this section shall bear all reasonable costs of such appearance and/or production.

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Rule 18.33. Schedule of Fees

(a) – (b) No change.

(c) The arbitrator(s), in the award, may determine the amount chargeable to the parties as forum fees and shall determine who shall pay such forum fees. Forum fees are assessed to the parties on a per hearing session basis. The aggregate of the forum fee for each hearing session may equal but shall not exceed the amount of the largest initial hearing deposit deposited by any party, except in a case where claims have been joined subsequent to filing in which cases hearing session fees shall be computed as provided in paragraph (d). The arbitrators may determine in the award that a party shall reimburse to another party any non-refundable filing fee it has paid.

If a customer is assessed forum fees in connection with a Trading Permit Holder **[**member**]** claim, forum fees assessed against the customer shall be based on the hearing deposit required under the Trading Permit Holder **[**member**]** claims schedule for the amount awarded to Trading Permit Holder **[**member**]** parties to be paid by the customer and not based on the size of the Trading Permit Holder **[**member**]** claim. No fees shall be assessed against a customer in connection with a Trading Permit Holder **[**member**]** claim that is dismissed; however, in cases where there is also a customer claim, the customer may be assessed forum fees based on the customer claim under the procedure set out above.

Amounts deposited by a party as hearing deposits shall be applied against forum fees, if any.

In addition to forum fees, the arbitrator(s) may determine in the award the amount of costs incurred pursuant to Rules 18.15(e), 18.20 and 18.27 and, unless applicable law directs otherwise, other costs and expenses of the parties. The arbitrator(s) shall determine by whom such costs shall be borne.

If the hearing session fees are not assessed against a party who had made a hearing deposit, the hearing deposit will be refunded unless the arbitrators determine otherwise.

(d) – (g) No change.

(h) Schedule of Fees

For purposes of the schedule of fees the term claim includes Claims, Counterclaims, Third-Party Claims or Cross-Claims. Any such claim involving a customer and a Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** is a customer claim. Any such claim submitted by a Trading Permit Holder **[**member**]** or a person associated with a Trading Permit Holder **[**member**]** against another Trading Permit Holder **[**member**]** is a Trading Permit Holder **[**member**]** claim.

CUSTOMER CLAIM FEE SCHEDULE

No change.

*TRADING PERMIT HOLDER **[**MEMBER**]** CLAIM FEE SCHEDULE*

Amount in Dispute (Exclusive of Interest and Expenses)	*Filing Fee*	*Pre-Hearing Conference Fee*	*Hearing Deposit Fee Per Session*

$1,000 or less	$75	$15	$600
$1,001 to $2,500	$75	$25	$600
$2,501 to $5,000	$100	$100	$600
$5,001 to $10,000	$500	$200	$600
$10,001 to $30,000	$500	$300	$600
$30,001 to $50,000	$500	$300	$600
$50,001 to $100,000	$500	$300	$600
$100,001 to $500,000	$750	$500	$750
$500,001 to $1,000,000	$1000	$500	$1,000
Over $1,000,000	$1500	$500	$1,500

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Rule 18.35. Requirements when Using Pre-Dispute Arbitration Agreements with Customers

(a) – (e) No change.

(f) The requirements of paragraphs (a) through (d) of this Rule shall apply only to new agreements signed by an existing or new customer of a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization after September 7, 1989. The requirements of paragraph (e) shall apply only to new agreements signed by an existing or new customer of a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization after January 23, 1996.

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Rule 18.37. Failure to Honor Award

Any Trading Permit Holder **[**member**]**, person associated with a Trading Permit Holder **[**member**]**, or former Trading Permit Holder **[**member**]** or associated person, who fails to honor an award of arbitrators appointed in accordance with these rules shall be subject to disciplinary proceedings in accordance with Chapter 17 of Exchange Rules.

CHAPTER XIX Hearings and Review (Rules 19.1-19.52)

Rule 19.1. Scope of Chapter

This Chapter provides the procedure for persons aggrieved by Exchange action, including, but not limited to, those persons or organizations who have been denied from becoming Trading Permit Holders **[**membership**]**, barred from becoming associated with a Trading Permit Holder **[**member**]**, or prohibited or limited with respect to Exchange services, or the services of any Trading Permit Holder **[**Exchange member**]**, taken pursuant to any contractual arrangement, the Bylaws **[**Constitution**]** or the Rules of the Exchange (other than disciplinary action for which review is provided in Chapter XVII and other than action of the Arbitration Committee, from which there is no review) to apply for an opportunity to be heard and to have the complained of action reviewed.

. . . Interpretations and Policies:

.01 - .02 No change.

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PART B—Verification Procedures (Rule 19.50-19.52)

Rule 19.50. Scope of Part B

Part B of this Chapter provides procedures for a Trading Permit Holder **[**member**]** to seek verification of fees and other charges imposed on such Trading Permit Holder **[**member**]** by the Exchange. The procedures of Part B of this Chapter are separate from Part A and shall apply only if the Rule or other authority for imposing the relevant fee or charge expressly so provides.

Rule 19.51. Definitions

For purposes of this Rule the following definitions shall apply.

(a) *Charge.*

"Charge" shall mean a fee or other charge imposed on a Trading Permit Holder **[**member**]** by the Exchange.

(b) No change.

Rule 19.52. Requests for Verification

(a) *Deadlines; manner and form.*

When a charge to which Part B of Chapter XIX applies is billed, the Exchange shall set a time period, which shall be no shorter than fifteen (15) days, for the Trading Permit Holder **[**member**]** to request verification of the charge. Such requests shall be made in the manner and form required by the Exchange. During the verification process, the Exchange may require that substantiating evidence must be provided by the Trading Permit Holder **[**member**]** requesting verification by a stated deadline which shall be no earlier than seven (7) days after notice of such deadline is sent to such Trading Permit Holder **[**member**]**.

(b) No change.

(c) *Determinations.*

Exchange employees shall verify the accuracy of the charge for which a request for verification was made and determine whether the charge should remain as billed or should be modified or eliminated. The Exchange may require the Trading Permit Holder **[**member**]** who requested verification to submit documentary evidence or other information supporting the requester's position. The burden shall be on such Trading Permit Holder **[**member**]** to produce such pertinent evidence or information. The Exchange shall not be required to take extraordinary steps or spend an unreasonable amount of time in investigating any request for verification. Notice of the determination made shall be given in writing to the Trading Permit Holder **[**member**]** who made the request.

(d) No change.

CHAPTER XX Range Option Contracts

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CHAPTER XXI Government Securities Options (Rules 21.1-21.31)

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Rule 21.2. Wire Connections

The Exchange will permit Trading Permit Holders **[**members**]** to establish and maintain wire connections with other Trading Permit Holders **[**members**]** and non-Trading Permit Holders **[**members**]** for the purpose of obtaining timely information on price movements in Government securities on which options are dealt in on the Exchange. Written notice of each such wire connection shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such wire connection if the Board (or a Committee designated by the Board) deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Rule 21.2 replaces Rule 4.3.

Rule 21.3. Position Limits (Treasury Bonds and Notes)

(a) *Establishment of Position Limit.* In determining compliance with Rule 4.11, options on a Treasury security shall be subject to a contract limitation (whether long or short) of the put type and the call type on the same side of the market covering a value no greater than 10% of the value of the initial or reopened public issuance, rounded to the next lower $100 million interval, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other lower amount of options as may be fixed from time to time by the Exchange as the position limit for one or more classes or series of options. Reasonable notice shall be given of each new position limit fixed by the Exchange, by posting notice thereof **[**on the bulletin board of the Exchange**]**. In no event shall the position limit exceed a position on either side of the market covering a value in excess of $1,200,000,000 of the underlying securities.

(b) *Maintenance of Position Limit.* In the event that any of the underlying Treasury Securities are reported as "separate trading of registered interest and principal of securities" ("strips") in the Monthly Statement of the Public Debt of the United States Government (hereinafter "Monthly Report"), or such other report or compilation as may be selected from time to time by the Exchange, such stripping shall be taken into account in determining whether the position limit as initially established under paragraph (a) ("the established position limit") can be maintained (the remaining non-stripped underlying securities are hereinafter referred to as "the non-stripped securities"). The established position limit may remain so long as the position limit covers a principal amount of underlying securities not in excess of 12% of the non-stripped securities. In the event that the established position limit covers a principal amount of securities in excess of 12% of the non-stripped securities, the Exchange shall reestablish the position limit to cover a principal amount of underlying securities not in excess of 12% of the non-stripped securities. Revisions to the position limits as provided herein will become effective the Monday following the provision **[**posting**]** of notice thereof **[**on the bulletin board of the Exchange or in the Exchange bulletin, whichever is sooner**]**. Except as otherwise exempted under Rule 4.11, persons whose positions exceed revised position limits may only engage in liquidating transactions until their positions are lower than the revised position limits.

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Rule 21.7. Approval of Underlying Treasury Securities for Specific Coupon Options (Treasury Bonds and Notes)

No change.

. . . Interpretations and Policies:

.01 - .02 No change.

.03 The Board (or the Committee designated by the Board) may determine, for any reason, to withdraw approval of any Treasury securities as underlying securities; and, after any announcement by the Exchange of any such withdrawal, each TPH **[**member**]** organization shall, prior to effecting any option transaction for a customer in such Treasury securities, inform such customer of that fact.

.04 No change.

Rule 21.7 and Interpretations and Policies 21.7.01, .02, .03 and .04 replace Rules 5.3 and 5.4.

Rule 21.8. Terms of Treasury Security Options (Treasury Bonds and Notes)

(a) – (b) No change.

(c) *Exercise Price.* The exercise price of each series of Treasury security options shall be fixed at a percentage of principal amount which is an integral multiple of 0.5%. In the case of a specific coupon Treasury security option, the exercise price so determined shall be reasonably close to the percentage of principal amount at which the underlying security is traded in the primary market at the time the series of options is first opened for trading. The exercise price of such additional series will ordinarily be fixed at an integral multiple of 0.5%, but the Board (or the Committee designated by the Board), upon two business days' notice, may fix exercise prices at different intervals, provided that all such exercise prices are reasonably close to the market prices of the underlying securities. Notice of any additional series opened for trading shall be given **[**posted on the bulletin board on the Exchange floor**]**. In the case of market basket Treasury bond options, the exercise price so determined shall be a percentage of the principal amount of a hypothetical underlying Treasury bond bearing an 8% nominal rate of interest and a 15-year nominal term to maturity which results in a yield reasonably close to the highest market yield of

Treasury bonds qualified for delivery upon exercise in accordance with Rule 21.24(b), as determined by the Exchange at the time the series of options is first opened for trading.

Rule 21.8 supplements Rule 5.5.

Rule 21.9. Series of Treasury Security Options Open for Trading (Treasury Bonds and Notes)

(a) – (b) No change.

(c) *Market Basket Options.* Market basket Treasury bond options may be opened for trading in up to five expirations, expiring in from one to 15 months. Thereafter, additional series will be opened expiring in the most distant month, to replace expiring short-term options. Additional series will also be opened to reflect substantial changes in the yield of underlying Treasury bonds. Notice of any such additional series opened for trading shall be given **[**posted on the bulletin board on the Exchange floor**]**.

Rule 21.9 replaces paragraph (a) of Rule 5.6 and supplements Rule 5.6(b).

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Rule 21.16. Reconciliation of Unmatched Trades

All Trading Permit Holders **[**Exchange members**]**, Clearing Trading Permit Holders **[**Members**]** and their respective agents shall resolve unmatched trades in Government securities options from the previous day's trading no later than 8:00 a.m. (Chicago time) of the following business day.

Rule 21.16 supplements Rule 6.61.

Rule 21.17. Responsibilities of Floor Brokers

A Floor Broker handling a contingency order for Government securities options that is dependent upon quotations or prices other than those originating on the floor shall be responsible for satisfying the dependency requirement on the basis of the most reliable information reasonably available to him concerning such quotations and prices but, in no event, shall be held to an execution of such an order. Unless mutually agreed by the Trading Permit Holders **[**members**]** involved, an execution or nonexecution that results shall not be altered by the fact that such information is subsequently found to have been erroneous.

Rule 21.17 replaces paragraph (b) of Rule 6.73.

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Rule 21.19A. Doing Business with the Public

The rules in Chapter IX have a parallel application to Government securities options with the four additions described below. The following examples illustrate that parallel application for purposes of Chapter XXI. Rule 9.1 requires specific approval for a firm to conduct a public business in Government securities options. Rule 9.2 requires registration of Debt Registered Options Principals. Rule 9.7 requires that an account must be specifically approved in writing for transactions in Government securities options by a Debt Registered Options Principal. Rule 9.8 requires a TPH organization **[**Member Organization**]** to designate and specifically identify to the Exchange a Senior Debt Registered Options Principal and a Compliance Debt Registered Options Principal. Rule 9.15 requires delivery of the current options disclosure document . The four additions referred to above are as follows.

First, approval of the accounts of customers shall be conducted in accordance with Rule 9.7 and, in the case of institutional options customers (i.e., customers that are not natural persons), a TPH organization **[**Member Organization**]** shall seek to obtain the following information:

(i) – (iii) No change.

Second, as a general matter, supervisory qualifications of a Senior Debt Registered Options Principal may be demonstrated only by successful completion of a ROP examination and an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of Government securities options and the underlying Government securities. In exceptional circumstances, however, the President of the Exchange or his designee may, upon written request by a TPH organization **[**Member Organization**]**, accept as a demonstration of equivalent knowledge other evidence of a Senior Debt Registered Options Principal's supervisory qualifications. Advanced age, physical infirmity or experience in fields ancillary to the investment banking or securities business will not individually of themselves constitute sufficient grounds to excuse a Senior Debt Registered Options Principal from the general requirement that supervisory qualifications be shown by successful completion of an appropriate examination.

Third, the conduct of Government securities option business at a branch office of a TPH **[**member**]** organization may be supervised by any Debt Registered Options Principal of the TPH organization **[**Member Organization**]**.

Fourth, any sales personnel of a TPH **[**member**]** organization who solicit or accept customer orders with regard to options on Government securities shall be deemed qualified with regard to such options after such person has successfully completed an examination prescribed by the Exchange for the purpose of demonstrating adequate knowledge of Government options and the underlying Government securities.

Rule 21.19A supplements Chapter 9.

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Rule 21.23. Allocation of Exercise Assignment Notices

In the case of Government securities options, the method of allocation of exercise notices established pursuant to Rule 11.2 may provide that an exercise notice of block size shall be allocated to a customer or customers having an open short position of block size and that an exercise notice of less than block size shall not be allocated, to the extent feasible, to a customer having a short position of block size; and provided further that, the TPH organization **[**Member Organization**]** shall allocate an exercise notice pertaining to a call option contract to a customer who has made a specific deposit of the underlying security if it is directed to do so by the Clearing Corporation. For the purposes of this Rule, an exercise notice or a short position in a series of options where the total principal amount is $1 million or more and where the underlying security is a Government security shall be deemed to be of "block size."

Rule 21.23 supplements Rule 11.2.

Rule 21.24. Delivery and Payment (Treasury Bonds and Notes)

(a) No change.

(b) *Special Rules for Market Basket Treasury Bond Options.* Delivery of underlying Treasury bonds upon exercise of a market basket Treasury bond option shall be made in accordance with the Rules of the Clearing Corporation, and shall consist of any outstanding issue of Treasury bonds that have a remaining term to maturity (to call date if callable) of not less than 15 years on the exercise settlement date, provided that the Exchange, at the time it opens additional series of market basket Treasury bond options in new expiration months, may designate particular issues of Treasury bonds that are not eligible for delivery upon exercise of options of those series. A TPH organization **[**Member Organization**]** required to make delivery of Treasury bonds on behalf of a customer in connection with the exercise of a market basket Treasury bond option shall deliver the identical Treasury bonds that the customer furnished to the TPH organization **[**Member Organization**]** for that purpose. A customer shall not be required to pay the adjusted

aggregate exercise price until the customer has been informed by the TPH organization **[**Member Organization**]** acting on his behalf of the precise amount of the adjusted aggregate exercise price, which depends on the identity of the specific Treasury bonds actually delivered. The adjusted aggregate exercise price is determined in the manner designated by the Exchange in order to provide the same yield to maturity (to call date if callable) as if the same principal amount of Treasury bonds bearing a nominal 8% interest rate and a 15-year term to maturity were delivered and paid for at the nominal exercise price. For purposes of the yield equivalence calculation, the term to maturity (to call date if callable) of the Treasury bonds actually delivered shall be rounded down to the nearest number of months evenly divisible by 3. (For example, Treasury bonds with 17 years, 5 months and 4 days to maturity shall be assumed to have 17 years and 3 months remaining term to maturity for purposes of the yield equivalence calculation.)

. . . Interpretations and Policies:

.01 - .03 No change.

Rule 21.24 and Interpretations and Policies 21.24.01, .02 and .03 supplement Rule 11.3.

Rule 21.25. Margin Requirements

(a) – (d) No change.

(e) No margin is required in respect of Government security options carried in a short position where the customer has delivered, within five full business days after the options are written, to the TPH organization **[**Member Organization**]** with which such position is maintained a custodial or Treasury security escrow receipt or letter of guarantee, in a form satisfactory to the Exchange, issued by a bank pursuant to specific authorization from the customer which certifies that:

(1) in the case of a custodial or Treasury security escrow receipt (covering calls), the bank maintains an Exchange approved position in a Government security, as specified in Exchange interpretation .02 below, for the account of the customer, and the bank certifies that the bank will deliver the underlying Government securities at the order of the TPH organization **[**Member Organization**]** against payment of the exercise price of the calls in accordance with the terms of the custodial receipt; or

(2) in the case of a letter of guarantee (covering puts), the bank holds cash for the account of the customer which the bank will pay to the TPH organization **[**Member Organization**]** against delivery of the underlying Government securities in accordance with the terms of the letter of guarantee.

Rule 21.25 supplements Chapter 12.

. . . Interpretations and Policies:

.01 - .02 No change.

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Rule 21.30. Furnishing of Books, Records and Other Information

No Market-Maker in Government securities options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such Trading Permit Holder **[**member**]** or any corporate affiliate of such Trading Permit Holder **[**member**]** pertaining to transactions by such Trading Permit Holder **[**member**]** or any such affiliate for its own account in Government securities, Government securities futures or in Government securities options as may be called for under the Rules or as may be requested in the course of any investigation, any inspection or other official inquiry by the Exchange. In addition, the provisions of Rule 8.9 governing identification of accounts and reports of orders shall, in the case of Market-Makers in Government securities options, apply to (i) accounts for Government securities deliverable under the terms of the option contracts involved, Government securities futures, options on Government securities futures and Government securities options trading; and (ii) orders entered by the Market-Maker for the purchase or sale of Government securities deliverable under the terms of the options contracts involved, Government securities futures, options on Government securities futures, options on Government securities and opening and closing positions therein.

. . . Interpretations and Policies:

.01 No change.

Rule 21.30 and Interpretation and Policy 21.30.01 supplement Rules 8.9 and 15.1 and the Interpretations and Policies thereunder.

Rule 21.31. Special Rules for Treasury Bill Options

(a) – (b) No change.

(c) *Terms of Treasury Bill Options.*

(i) – (iii) No change.

(iv) The exercise price of each series of Treasury bill options shall be fixed at a percentage of the principal amount which is an integral multiple of 1%. Each time a series of Treasury bill options in a new expiration month is introduced for trading, two or three different exercise prices will be established for that expiration month that are reasonably close to the annualized discounted price at which the underlying Treasury bills are currently traded. Thereafter, additional series of Treasury bill options may be opened in the expiration months previously opened for trading to reflect changes in prices of the underlying Treasury bills. Ordinarily, new exercise prices will be fixed at intervals of 1%, but different intervals may apply from time to time, depending upon market conditions and the current price volatility of the underlying Treasury bills. Notice of each series of Treasury bill options opened for trading shall be given **[**posted on the bulletin board on the Exchange floor**]**.

(d) – (g) No change.

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CHAPTER XXIII Interest Rate Option Contracts (Rules 23.1-23.15)

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Rule 23.2. Wire Connections

The Exchange will permit Trading Permit Holders **[**members**]** to establish and maintain wire connections with other Trading Permit Holders **[**members**]** and non-Trading Permit Holders **[**members**]** for the purpose of obtaining timely information on price movements in Government securities. Written notice of each such wire connection shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such wire connection if it deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Rule 23.3. Position Limits

(a) No change.

(b) Bona fide hedging positions that are traded on the Exchange and held in the aggregate by a public customer (whose orders would be eligible to be placed on the book under Rule 7.4(a)) are exempt from subsection (a)(2) of Rule 23.3 to the extent that the following procedures and criteria are satisfied:

(i) – (vi) No change.

(vii) The hedge exemption market participant shall agree to, and any Trading Permit Holder **[**member**]** carrying an account for the hedge exemption market participant, shall:

(A) – (C) No change.

(viii) If any Trading Permit Holder **[**member**]** or TPH **[**member**]** organization carrying an account for a hedge exemption market participant that includes Interest Rate option positions established on the Exchange has reason to believe that the hedge exemption market participant, acting alone or in concert with others, is violating this exemption, then the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization is deemed to have violated Rule 23.4.

(ix) No change.

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Rule 23.11. Reconciliation of Unmatched Trades

All Trading Permit Holders **[**Exchange members**]**, Clearing Trading Permit Holders **[**Members**]** and their respective agents shall resolve unmatched trades in interest rate options from the previous day's trading no later than the time set by the Exchange for the opening of trading the following business day.

Rule 23.12. Responsibilities of Floor Brokers

A Floor Broker handling a contingency order for interest rate option contracts that is dependent upon quotations or prices other than those originating on the floor, except for the level of the interest rate measures, shall be responsible for satisfying the dependency requirement on the basis of the most reliable information reasonably available to him concerning such quotations and prices but, in no event, shall be held to an execution of such an order. Unless mutually agreed by the Trading Permit Holders **[**members**]** involved, an execution or nonexecution that results shall not be altered by the fact that such information is subsequently found to have been erroneous.

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Rule 23.15. Furnishing of Books, Records and Other Information

No Market-Maker in interest rate options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such Trading Permit Holder **[**member**]** or any corporate affiliate of such Trading Permit Holder **[**member**]** pertaining to transactions by such Trading Permit Holder **[**member**]** or any such affiliate for its own account in U.S. Treasury bills, notes and/or bonds and exchange-traded and over-the-counter options, futures and options on futures thereon, as may be called for under the Rules or as may be requested in the course of any investigation, inspection or other official inquiry by the Exchange. In addition, the provisions of Rule 8.9 governing identification of accounts and reports of orders shall, in the case of Market-Makers in interest rate options, apply to (i) accounts for underlying securities and for exchange-traded and over-the-counter options, futures and options on futures thereon and (ii) orders entered by the Market-Maker for the purchase or sale of underlying securities and for exchange-traded and over-the-counter options, futures and options on futures thereon and opening and closing positions concerning one or more of the foregoing. Any corporate affiliate of a Market-Maker in interest rate options shall maintain and preserve such books, records or other information as may be necessary to comply with this Rule.

CHAPTER XXIV Index Options (Rules 24.1-24.21)

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Rule 24.4. Position Limits for Broad-Based Index Options

(a) – (e) No change.

. . . Interpretations and Policies:

.01 Broad-based Index Hedge Exemption

The broad-based index hedge exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies. The following procedures and criteria must be satisfied to qualify for a broad-based index hedge exemption:

(a) No change.

(b) A hedge exemption account that is not carried by a CBOE TPH **[**member**]** organization must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(c) – (h) No change.

.02 Compliance

(a) – (b) No change.

(c) Any Trading Permit Holder **[**member**]** or TPH **[**member**]** organization that maintains a broad-based index option position in such Trading Permit Holder's **[**member's**]** or TPH **[**member**]** organization's own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Rules 4.11 and 24.4 by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization.

(d) No change.

.03 Reporting Requirement

Each Trading Permit Holder **[**member**]** (other than CBOE Market-Makers) or TPH **[**member**]** organization that maintains a broad-based index option position on the same side of the market in excess of 100,000 contracts for OEX, XEO, NDX, RUT, VIX, VXN, VXD, SPX, S&P 500 Dividend Index, CBOE S&P 500 Three-Month Realized Variance or CBOE S&P 500 Three-Month Realized Volatility and 1 million contracts for BXM ($1/10^{th}$ value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form required by the Department of Market Regulation. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (*e.g.,* 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered.

.04 No change.

Rule 24.4A. Position Limits for Industry Index Options

(a) – (d) No change.

. . . Interpretations and Policies:

.01 Industry Index Hedge Exemption.

(a) – (c) No change.

(d) A hedge exemption account that is not carried by a CBOE TPH **[**member**]** organization must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(e) – (f) No change.

.02 Compliance

(a) – (b) No change.

(c) Any Trading Permit Holder **[**member**]** or TPH **[**member**]** organization that maintains an industry index option position in such Trading Permit Holder's **[**member's**]** or TPH **[**member**]** organization's own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Rules 4.11 and 24.4A by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization.

(d) No change.

* * * * *

Rule 24.11A. Debit Put Spread Cash Account Transactions

Debit put spread positions in European-style, broad-based index options traded on the Exchange (hereinafter "debit put spreads") may be maintained in a cash account as defined by Federal Reserve Board Regulation T Section 220.8 by a public customer (whose orders would be eligible to be placed on the book under Rule 7.4(a)), provided that the following procedures and criteria are met:

(a) The customer has received Exchange approval to maintain debit put spreads in a cash account carried by a TPH **[**an Exchange member**]** organization. A customer so approved is hereinafter referred to as a "spread exemption customer".

(b) No change.

(c) The customer holds a net long position in each of the stocks of a portfolio which has been previously established or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio. The debit put spread position must be carried in an account with a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(d) – (f) No change.

(g) The qualified portfolio must be maintained with either a TPH **[**an Exchange member**]** organization, another broker-dealer, a bank, or securities depository.

(h) No change.

(i) The spread exemption customer shall agree to and any TPH **[**member**]** organization carrying an account for the customer shall:

(1) – (3) No change.

(j) If any TPH **[**member**]** organization carrying a cash account for a spread exemption customer with a debit put spread position dealt in on the Exchange has a reason to believe that as a result of an opening options transaction the customer would violate this spread exemption, and such opening transaction occurs, then the TPH **[**member**]** organization has violated Exchange Rule 24.11A.

(k) No change.

. . . Interpretation and Policies:

.01 No change.

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Rule 24.17. RAES Eligibility in Broad-Based Index Options and Options on Exchange-Traded Funds on Broad-Based Indexes

(a) No change.

(b) Individuals.

(i) Any Trading Permit Holder **[**Exchange member**]** who is registered as a Market-Maker, who has signed the RAES Participation Agreement applicable to individuals, and who has completed the RAES instructional program is eligible to sign onto RAES, so long as the Trading Permit Holder **[**member**]** meets the Option Class Market-Maker requirements set forth in paragraph (b)(v) below.

(ii) No change.

(iii) Any Market-Maker who has logged onto RAES at any time during an expiration month must continue to do so each time he is present in that trading crowd until the expiration occurring in that expiration month. A Trading Permit Holder **[**member**]** may apply to the Exchange for prospective relief from that log-on requirement during a particular expiration cycle. In deciding such applications, the Exchange may limit the grant of relief by imposing time periods during which the applicant will not be eligible to participate in RAES.

(iv) An individual Trading Permit Holder **[**member**]** who is logged onto RAES must log off the system whenever he leaves the trading crowd, unless the departure is for a brief interval.

(v) - (vii) No change.

(c) Joint Accounts

(i) Exchange-approved joint accounts[1] may use RAES once all the members of the joint account have executed the RAES Participation Agreement applicable to joint accounts and the manager of the joint account has satisfactorily completed the RAES instructional program. Thereafter, the members of the joint account may use RAES only as members of such account, and not as individuals or nominees of a TPH **[**member**]** organization. No Trading Permit Holder **[**member**]**

[1] To establish a joint account, Trading Permit Holders **[**members**]** must submit an application to the TPH **[**Membership**]** Department and furnish any additional information requested by the Surveillance and/or Financial Compliance Departments. See generally Exchange Rule 8.9(c) and the Interpretations and Policies thereunder.

or TPH **[**member**]** organization may participate directly or indirectly in more than one joint account. Members of the joint account will be jointly and severally liable for each of the joint account's trades. Members of joint accounts must all have letters of guarantee from the clearing firm in which the trades will clear. Members of joint accounts must each meet the Market-Maker obligations set forth in (b)(v) or (b)(vi) above.

(ii) – (v) No change.

(d) TPH **[**Member**]** Organizations with Multiple Nominees

(i) A TPH **[**member**]** organization with multiple Market-Maker/nominees on the floor may arrange to have the RAES trades of all its nominees assigned to a single Market-Maker account, provided that the firm's participating nominees have first executed the RAES Participation Agreement applicable to firms and the manager of the multiple nominee account has satisfactorily completed the RAES instructional program. Thereafter, each of the participating nominees will be able to trade through RAES only in the manner described below, and not as a member of a joint account or as an individual. Each eligible nominee must meet the Market-Maker obligations for that Option Class set forth in paragraph (b)(v) or (b)(vi) above. Members of a multiple nominee RAES account may only participate in that one account and may not participate directly or indirectly in any other RAES account, nor may a TPH **[**member**]** organization participate directly or indirectly in more than one account in RAES in that Option Class.

(ii) - (iii) No change.

(iv) Once a participating nominee has been logged onto RAES for the Option Class at any time during an expiration cycle, each participating nominee of the TPH **[**member**]** organization must be logged onto RAES for that Option Class at any time that he enters the trading crowd for that Option Class from the date of the initial log on through the business day immediately preceding expiration.

(v) To obtain relief from the obligations set forth in paragraphs (ii), (iii), and (iv) above, and/or to reduce the number of its participating nominees, a TPH **[**member**]** organization must make application to the Exchange. The Exchange may, in its sole discretion, condition the granting of relief from the obligations with imposition of time periods during which applicants (including all nominees of the TPH **[**member**]** organization) for relief will be precluded from participating in the RAES system.

(vi) The Exchange may bar, restrict or condition a TPH **[**member**]** organization's participation in RAES if any nominee thereof on RAES in the Option Class fails to meet the Market-Maker requirements.

(e) No change.

(f) Authority to Require RAES Participation

(i) No change.

(ii) Trading Permit Holders **[**Members**]** who fail to abide by the foregoing eligibility provision and requirements may be subject to disciplinary action under, among others, Rule 6.20 and Chapter XVII of the Exchange Rules. Such failure may also be the subject of remedial action by the Exchange, including, but not limited to, suspending a Trading Permit Holder's **[**member's**]** eligibility for participation on RAES and such other remedies as may be appropriate and allowed under Chapter VIII of the Exchange Rules.

(g) Fee Schedule for Failure to Adhere to Log-on and Log-off Requirements

(i) Except as otherwise provided in paragraph (g)(ii) of this Rule, a fee in the following amounts shall be due from any Trading Permit Holder **[**member**]** who fails to observe the log-on or log-off requirements set forth in paragraphs (b)(iii), (b)(iv), (c)(iii), (d)(iii), or (d)(iv) above:

* * * * *

(ii) Notwithstanding the provisions of paragraph (g)(i) of this Rule, a fee in the amount of $500 shall be due from any Trading Permit Holder **[**member**]** participating in a joint account or a nominee account of a TPH **[**member**]** organization who has logged onto RAES and thereafter terminates participation on RAES at any time prior to the next succeeding expiration date, unless the Trading Permit Holder **[**member**]**, contemporaneously with such termination, either participates in another RAES account for that Option Class or terminates his Trading Permit Holder status **[**membership**]** with the Exchange. In the event that all the participants in a joint account or a TPH **[**member**]** organization having multiple nominee accounts terminate participation on RAES for the joint account or all the nominee accounts in the circumstances described in the previous sentence, a fee in the amount of $500 shall be due from each participant in the respective account(s).

. . . Interpretations and Policies:

.01 - .04 No change.

Rule 24.18. Exercise of American-style Index Options

No Trading Permit Holder **[**member**]** may at any time prepare, time stamp or submit an exercise instruction for an American-style index option series if the Trading Permit Holder **[**member**]** knows or has reason to know that the exercise instruction calls for the exercise of more contracts than the then "net long position" of the account for which the exercise instruction is to be tendered. For purposes of this Rule: (i) the term "net long position" shall mean the net position of the account in such option at the opening of business of the day of such exercise instruction, plus the total number of such options purchased that day in opening purchase transactions up to the time of exercise, less the total number of such options sold that day in closing sale transactions up to the time of exercise, (ii) the "account" shall be the individual account of the particular customer, market-maker or "non-customer" (as that term is defined in the By-Laws of the Clearing Corporation) who wishes to exercise, and (iii) every transaction in an option series effected by a market-maker in a market-maker's account shall be deemed to be a closing transaction in respect of the market-maker's then positions in such option series. No Trading Permit Holder **[**member**]** may adjust the designation of an "opening transaction" in any such option to a "closing transaction" except to remedy mistakes or errors made in good faith.

Rule 24.19. Multi-Class Broad-Based Index Option Spread Orders

(a) No change.

(b) Notwithstanding any other rules of the Exchange, a Multi-Class Spread Order, which is identified as such, may be represented at the trading station of either Broad-Based Index Option involved, subject to the following conditions:

(i) Immediately after the order is announced at the primary trading station, or concurrent with the announcement, the Trading Permit Holder **[**member**]** initiating the order must contact an OBO or the DPM, as applicable, at the other trading station to have a notice of such order disseminated to the other trading crowd in a manner approved by the relevant Procedure Committee.

(ii) The notice must specify the terms of the order, a contact person and a telephone number where the Trading Permit Holder **[**member**]** representing the order may be reached at the primary trading station.

(iii) After satisfying the conditions under sub-paragraphs (i) and (ii) above, when a Trading Permit Holder **[**member**]** holding a Multi-Class Spread Order and bidding or offering in a multiple of the minimum increment on the basis of a total credit or debit for the order has determined that the order may not be executed by a combination of transactions with the bids and offers displayed in either of the applicable customer limit order book or by the displayed quotes of the crowd, then the order may be executed as a spread at the best net debit or credit, whether from the primary trading station or from the other trading crowd, so long as (A) no leg of the order would trade at a price outside the currently displayed bids or offers or bids or offers in the

customer limit order books and (B) at least one leg of the order would trade at a price that is better than the corresponding bid or offer in one of the books.

(iv) No change.

Rule 24.20. SPX Combination Orders

(a) No change.

(b) An SPX Combo Order may be transacted in the following manner:

(1) When a Trading Permit Holder **[**member**]** holding an SPX Combo Order and bidding or offering in a multiple of the minimum increment on the basis of a total debit or credit for the order has determined that the order may not be executed by a combination of transactions with the bids and offers displayed in the SPX limit order book or by the displayed quotes of the crowd, then the order may be executed at the best net debit or credit so long as (A) no leg of the order would trade at a price outside the currently displayed bids or offers in the trading crowd or bids or offers in the SPX limit order book and (B) at least one leg of the SPX combination would trade at a price that is better than the corresponding bid or offer in the SPX limit order book.

(2) No change.

Rule 24.21. Index Crowd Space Dispute Resolution Procedures

This Rule applies only to Trading Permit Holders **[**members**]** who trade OEX, SPX, DJX and DIA options on the floor of the Exchange, or who trade any other index option not located at a station shared with equity options as determined by the Exchange.

(a) **Crowd Space Disputes Subject to Resolution.** A Trading Permit Holder **[**member**]** may request the assistance of the Exchange to resolve a dispute over the ability to use a trading space in an index option trading crowd where the space is currently being occupied by another Trading Permit Holder **[**member**]**, or where the space has been abandoned or unoccupied, and more than one Trading Permit Holder **[**member**]** now wish to trade there.

(b) **Requesting the Assistance of the Exchange.** A Trading Permit Holder **[**member**]** shall request the assistance of the Exchange in resolving a crowd space dispute by calling the Office of the Secretary of the Exchange, which shall promptly refer the request in writing to the Exchange designee for the trading station where the dispute has arisen (hereafter **"the Space Mediator"**).

(c) **Mediation by the Space Mediator.** When the Space Mediator receives the request from the Office of the Secretary, the Space Mediator or an individual designated by the Space Mediator (hereafter **"the Space Mediator's designee"**) shall attempt to mediate an amicable resolution of the dispute among the Trading Permit Holders **[**members**]** involved. All Trading Permit Holders **[**members**]** involved in the dispute shall cooperate with the Space Mediator or the Space Mediator's designee in his efforts to mediate.

(d) No change.

(e) **Hearing Requests and Hearing Fee.** If the Space Mediator or the Space Mediator's designee is unable to mediate an amicable resolution of the dispute among the Trading Permit Holders **[**members**]** involved, any of them may request a hearing in the dispute by completing and submitting a Hearing Request form to the Office of the Secretary along with the payment of a Hearing Fee. The amount of the Hearing Fee shall be a minimum of one thousand dollars ($1,000) per Trading Permit Holder **[**member**]**, and may be greater under certain circumstances set forth in this subsection. The Exchange may increase the Minimum Hearing Fee periodically pursuant to Exchange Rule 2.22 in order to maintain the Minimum Hearing Fee at a level that the Exchange deems sufficient to encourage amicable resolution of crowd space disputes. Upon receipt of the Hearing Request form and Hearing Fee, the Office of the Secretary shall instruct the Exchange to collect the appropriate Hearing Fee from each additional party to the dispute pursuant to Exchange Rule 3.23. For any party who has previously been a party to a crowd dispute resolution hearing within the past twelve months, the Hearing Fee that party will pay for being a party to a subsequent hearing within twelve months of the last hearing will be twice the Hearing Fee that party paid for the previous hearing. After the hearing on the dispute is held and all rights of appeal are exhausted, only the prevailing party in the dispute shall obtain a refund of the Hearing Fee from the Exchange. A prevailing party who becomes a party in a subsequent hearing within twelve months of the hearing in which he prevailed shall not pay a higher Hearing Fee because of the hearing in which he prevailed.

(f) **Limitations on Hearing Requests.** No Trading Permit Holder **[**member**]** may request a hearing involving the same parties that participated in a prior hearing unless the requesting Trading Permit Holder **[**member**]** makes an adequate preliminary showing in his subsequent hearing request that new circumstances warrant another hearing involving the same parties, based upon the Crowd Dispute Resolution Guidelines contained in this Rule. The Space Mediator shall exercise sole and final judgment as to the adequacy of this preliminary showing.

(g) **CSDR Panel.** After the Trading Permit Holder **[**member**]** submits his Hearing Fee to the Office of the Secretary, the Space Mediator shall select a Crowd Space Dispute Resolution Panel ("Panel") composed of seven Trading Permit Holders **[**Exchange members**]** to hear and resolve the dispute. The Space Mediator shall select six members of the Panel from members of the Exchange (other than the Space Mediator himself). Three of the members of the Panel shall be Trading Permit Holders **[**members**]** who trade in the trading station where the dispute has arisen and three shall be Trading Permit Holders **[**members**]** who do not trade in the trading station where the dispute has arisen. The selection of all Panel members will be according to the sole

discretion of the Space Mediator. The seventh Panel member shall be a Floor Official designated by the Exchange. The Space Mediator shall also designate the Panel member who shall serve as the Panel Chairman.

(h) – (i) No change.

(j) **Crowd Space Dispute Resolution Guidelines.** In resolving a crowd space dispute, the Panel's guiding principles shall be: (i) to determine what shall "best promote a liquid and competitive market", (ii) to give no preference to Market-Makers, floor brokers, or representatives of DPMs merely because of their status as such, and (iii) to recognize and apply the principles that no Trading Permit Holder **[**member**]** has any ownership `rights' in any crowd space, and that no Trading Permit Holder **[**member**]** may sell or assign any supposed `right' to use a particular space in a trading crowd. The Panel shall examine the following factors and determine, in the Panel's sole judgment, how each relates to each of the parties competing for the space (the numerical ranking of the factors does not necessarily indicate the relative importance to be given to any particular factors in any particular case):

1. – 2. No change.

3. **Association/affiliation with a TPH organization [member firm] that has occupied the space:**

If a nominee or employee of a TPH organization **[**member firm**]** has had to leave a space, then the Panel will consider to what extent there will be a negative impact on the trading in the crowd if another nominee of the TPH organization **[**member firm**]** is or is not permitted to continue to use the space.

4. – 8. No change.

(k) – (l) No change.

(m) **Failure to Comply.** Any Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** who fails to comply with a decision reached through these Crowd Space Dispute Resolution Procedures, or who otherwise fails to comply with any provision of this CBOE Rule 24.21, may be subject to disciplinary proceedings in accordance with Chapter 17 of the CBOE Rules for violation of this rule and Rule 4.1 ("Just and Equitable Principles of Trade").

. . . Interpretations and Polices:

.01 In connection with an expansion of the back area of the SPX trading crowd, CBOE may allocate the available trading spaces using a random lottery process or an order in time process. Under either of the processes that it chooses to utilize, CBOE would announce a deadline by which an approved individual CBOE Trading Permit Holder **[**member**]** who would like to use the trading space can submit an indication of interest for one of the available trading spaces in the back area of the SPX trading crowd. Only those individuals who are approved Trading Permit Holders **[**members**]** of CBOE would be eligible to submit an indication of interest, and the individual who would be using the trading space must be an effective Trading Permit Holder **[**member**]** under CBOE Rule 3.10 (*i.e.*, must have a Trading Permit **[**be on a membership**])[**, a temporary member, or ITP Holder**]** at the time of the random lottery process or the order in time process. After the deadline for indications of interest has passed, the available trading spaces in the back area of the SPX trading crowd would be allocated through a random lottery process or an order in time process.

CHAPTER XXIVA Flexible Exchange Options (Rules 24A.1-24A.17)

Introduction

No change.

Rule 24A.1. Definitions

(a) No change.

BBO Improvement Interval

(b) The term "BBO Improvement Interval" refers to the period of time during which FLEX-participating Trading Permit Holders **[**Exchange members**]** may submit FLEX Quotes to meet or improve the BBO established during the Request Response Time.

Cap Interval

(c) The term "Cap Interval" for purposes of this Chapter means the value specified by the Submitting Trading Permit Holder **[**Member**]** in a Request for Quotes that is to be added to the exercise price for a European-Capped FLEX Option (in the case of a call) or subtracted from the exercise price for a European-Capped FLEX Option (in the case of a put) in setting the cap price as defined in Rule 24.1(q).

(d) – (g) No change.

FLEX Quote

(h) The term "FLEX Quote" refers to (i) FLEX bids and offers entered by Market-Makers and (ii) orders to purchase and orders to sell FLEX Options entered by Trading Permit Holders **[**Exchange members**]** other than Market-Makers, in each case in response to a Request for Quotes.

(i) – (l) No change.

Request Response Time

(m) The term "Request Response Time" means the period of time during which Trading Permit Holders **[**Exchange members**]** participating in FLEX Options may provide FLEX Quotes in response to a Request for Quotes.

Request for Quotes

(n) The term "Request for Quotes" means the initial request supplied by a Submitting Trading Permit Holder **[**Member**]** to initiate FLEX bidding and offering.

(o) No change.

Submitting Trading Permit Holder [Member]

(p) The term "Submitting Trading Permit Holder **[**Member**]**" means the Trading Permit Holder **[**Exchange member**]** that initiates FLEX bidding and offering by submitting a FLEX Request for Quotes.

(q) No change.

* * * * *

Rule 24A.4. Terms of FLEX Options

(a) *General*

(1) – (2) No change.

(3) In addition to the terms listed in subparagraph (a)(2) of this Rule 24A.4., every Request for Quotes shall contain the following additional transaction specifications:

(i) No change.

(ii) Submitting Trading Permit Holder **[**Member**]** Crossing Intention (specify any intention to cross or act as principal with respect to any part of the FLEX Option trade) and;

(iii) No change.

(4) Every FLEX Request for Quotes and every responsive FLEX Quote, as applicable, must satisfy the following contract and transaction specifications:

(i) – (iv) No change.

(b) – (c) No change.

This rule supersedes Exchange Rules 5.5, 5.6, 6.5, 6.41, 24.8 and 24.9.

. . . Interpretations and Policies:

.01 No change.

Rule 24A.5. FLEX Trading Procedures and Principles

(a) *Initiating a FLEX Request for Quotes.*

(i) To initiate a FLEX transaction, a Submitting Trading Permit Holder **[**Member**]** shall submit to the FLEX Post Official a Request for Quotes, utilizing for that purpose the forms, formats, procedures and time frames established by the Exchange.

(ii) On receipt of a Request for Quotes in proper form, the FLEX Post Official shall cause the terms and specifications of the Request for Quotes to be immediately communicated to FLEX-participating Trading Permit Holders **[**members**]**, including FLEX Appointed Market-Makers. Such communication shall be made over facilities maintained by the Exchange for that purpose, including off-floor communications networks approved by the Exchange.

(b) *FLEX Bidding and Offering in Response to Requests for Quotes.*

(i) FLEX-participating Trading Permit Holders **[**members**]** may enter at the FLEX post FLEX Quotes responsive to each Request for Quotes. FLEX Quotes must be entered during the Request Response Time by public outcry.

(ii) – (iii) No change.

(c) *Formation of Contracts Following the Processing of Initial Quotes.*

(i) At the expiration of the Request Response Time, the BBO shall be visibly displayed to all FLEX-participating Trading Permit Holders **[**members**]**, both at the post and over the FLEX network. Submitted FLEX Quotes other than the BBO shall not be displayed over the network.

(ii) If the Submitting Trading Permit Holder **[**Member**]** has not indicated an intention to cross or act as principal with respect to any part of the FLEX trade, the Trading Permit Holder **[**member**]** shall promptly accept or reject the displayed BBO; provided, however, that if such a Submitting Trading Permit Holder **[**Member**]** either rejects the BBO or is given a BBO for less than the entire size requested, all FLEX-participating Trading Permit Holders **[**members**]** other than the Submitting Trading Permit Holder **[**Member**]** will have an opportunity during the BBO Improvement Interval in which to match, or improve, as applicable, the BBO. At the expiration of any such BBO Improvement Interval, the Submitting Trading Permit Holder **[**Member**]** must promptly accept or reject the BBO(s).

(iii) If the Submitting Trading Permit Holder **[**Member**]** has indicated an intention to cross or act as principal with respect to any part of the FLEX trade, acceptance of the displayed BBO shall be automatically delayed until the expiration of the BBO Improvement Interval. Prior to the BBO Improvement Interval, the Submitting Trading Permit Holder **[**Member**]** must indicate at the post the price at which the Trading Permit Holder **[**member**]** expects to trade. In these circumstances, the Submitting Trading Permit Holder **[**Member**]** may participate with all other FLEX-participating Trading Permit Holders **[**members**]** in attempting to improve or match the BBO during the BBO Improvement Interval. At the expiration of the BBO Improvement Interval, the Submitting Trading Permit Holder **[**Member**]** must promptly accept or reject the BBO(s).

(iv) The Submitting Trading Permit Holder **[**Member**]** has no obligation to accept any FLEX bid or offer.

(v) Whenever, following the completion of FLEX bidding and offering responsive to a given Request for Quotes, the Submitting Trading Permit Holder **[**Member**]** rejects the BBO or the BBO size exceeds the FLEX transaction size indicated in the Request for Quotes, FLEX-participating Trading Permit Holders **[**members**]** may accept the unfilled balance of the BBO. Such acceptance must occur by public outcry promptly following the Submitting Trading Permit Holder's **[**Member's**]** determination whether to accept or reject the BBO at the expiration of any applicable BBO Improvement Interval.

(d) No change.

(e) *Priority of Bids and Offers.* Quote priorities are based on price and time as set forth below. All transactions must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder.

(i) – (ii) No change.

(iii) Notwithstanding the foregoing sub-paragraphs (i) and (ii) of this paragraph (e), whenever the Submitting Trading Permit Holder **[**Member**]** has indicated an intention to cross or act as principal on the trade and has matched or improved the BBO during the BBO Improvement Interval, the following priority principles will apply:

(A) In the case of FLEX Equity Options, where the Submitting Trading Permit Holder **[**Member**]** has matched the BBO or in the event the Submitting Trading Permit Holder **[**Member**]** has improved the BBO and any other FLEX participating Trading Permit Holder **[**member**]** matched the improved BBO, the Submitting Trading Permit Holder **[**Member**]** will have priority to execute the contra side of the trade that is the subject of the Request for Quotes, but only to the extent of the applicable crossing participation entitlement percentage. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations and the applicable crossing participation entitlement percentage, which shall not exceed 40% of the trade.

(B) In the case of FLEX Index Options, where the Submitting Trading Permit Holder **[**Member**]** has matched the BBO or in the event the Submitting Trading Permit Holder **[**Member**]** has improved the BBO and any other FLEX participating Trading Permit Holder **[**member**]** matched the improved BBO, the Submitting Trading Permit Holder **[**Member**]** will have priority to execute the contra side of the trade that is the subject of the Request for Quotes, but only to the extent of the largest of the applicable crossing participation entitlement percentage, a proportional share of the trade, $1 million Underlying Equivalent Value, or the remaining

Underlying Equivalent Value on a closing transaction valued at less than $1 million. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations and the applicable crossing participation entitlement percentage, which shall not exceed 40% of the trade.

(C) A Submitting Trading Permit Holder **[**Member**]** may not cross an order pursuant to subparagraphs (iii)(A) or (B) above that he is holding with a solicited order from a FLEX Market-Maker that is then in the trading crowd, except in accordance with Rule 6.55.

(iv) Notwithstanding subparagraphs (i), (ii) and (iii), the Exchange may establish from time to time a participation entitlement formula that is applicable to FLEX Appointed Market-Makers on a class-by-class basis. Any such FLEX Appointed Market-Maker participation entitlement shall: (A) be divided equally by the number of FLEX Appointed Market-Makers quoting at the best bid/offer on the Exchange; (B) collectively be no more than: 50% of the amount remaining in the order when there is one other FLEX-participating Trading Permit Holder **[**member**]** also quoting at the best bid/offer on the Exchange, 40% when there are two other FLEX-participating Trading Permit Holders **[**members**]** also quoting at the best bid/offer on the Exchange; and 30% when there are three or more FLEX-participating Trading Permit Holders **[**members**]** also quoting at the best bid/offer on the Exchange and (C) when combined with any crossing participation entitlement, shall not exceed 40% of the original order.

(v) Pronouncements regarding the applicable participation entitlement rates pursuant to subparagraphs (iii) and (iv), if any, shall be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

(f) *Incremental Changes for Bids and Offers.* Changes in decimal bids and offers for FLEX Index Options in the designated currency shall meet or exceed the following minimums (or such other minimums as the Exchange sets from time to time to ensure fair and orderly markets): U.S. Dollars—$.01; Canadian Dollars—$.01; Japanese Yen—.01Y; Deutsche Marks—.01DM; French Francs—.01F; Swiss Francs—.01F; British Pounds—.01; European Currency Units—.01ECU. Changes in decimal bids and offers for FLEX Equity Options shall be determined by the Exchange on a class-by-class basis, but may not be smaller than $.01. Pronouncements regarding the applicable minimum increment shall be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

This rule supersedes Exchange Rules 6.5, Rule 6.9(d) (in those situations where a Submitting Trading Permit Holder **[**Member**]** representing an eligible order determines to take advantage of the crossing participation entitlement provisions of this Rule), 6.41, 6.42(paragraphs (1) through (3) and those provisions of paragraph (4) pertaining to complex orders in options on the S&P 500 Index or on the S&P100 Index that are not box/roll spreads), 6.44, 6.45, 6.53 (paragraphs (l) and (m)), 6.74, 24.8 and 24.9.

* * * * *

Rule 24A.7. Position Limits and Reporting Requirements

(a) No change.

(b) *Certain Broad-Based FLEX Index Options.* There shall be no position limits for FLEX BXM ($1/10^{th}$ value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility, S&P 500 Dividend Index or SPX option contracts (including reduced-value option contracts). However, each Trading Permit Holder **[**member**]** or TPH **[**member**]** organization (other than CBOE Market-Makers) that maintains a FLEX broad-based index option position on the same side of the market in excess of 100,000 contracts for OEX, XEO, NDX, RUT, S&P 500 Dividend Index or SPX and 1 million contracts for BXM ($1/10^{th}$ value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form prescribed by the Exchange. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full- value contract (*e.g.*, 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered. In addition, whenever the Exchange determines that a higher margin is warranted in light of the risks associated with an under-hedged FLEX BXM ($1/10^{th}$ value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility, S&P 500 Dividend Index or SPX option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(c) *FLEX Equity Options.* There shall be no position limits for FLEX Equity Options. However, each Trading Permit Holder **[**member**]** or TPH **[**member**]** organization (other than a Market-Maker or a Designated Primary Market-Maker) that maintains a position on the same side of the market in excess of the standard limit under Rule 4.11 for Non-FLEX Equity options of the same class on behalf of its own account or for the account of a customer shall report information on the FLEX Equity option position, positions in any related instrument, the purpose or strategy for the position, and the collateral used by the account. This report shall be in the form and manner prescribed by the Exchange. In addition, whenever the Exchange determines that a higher margin requirement is necessary in light of the risks associated with a FLEX Equity option position in excess of the standard limit for Non-FLEX Equity options of the same class, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under 15c3-1 under the

Exchange Act to the extent of any margin deficiency resulting from the higher margin requirement.

(d) No change.

This rule supplements Rule 4.11 generally, but supersedes Interpretations .02 and .04 of Rule 4.11 and all of Rules 24.4, Rule 24.4A, Rule 24.4B and Rule 29.5 except to the extent those Rules are referred to in this rule.

* * * * *

Rule 24A.12. FLEX Post Official

(a) The Exchange may at any time designate an Exchange employee or independent contractor to act as a FLEX Post Official in one or more classes of FLEX Options. The FLEX Post Official shall perform the functions set forth in paragraph (b) of this Rule 24A.12. The Exchange may also designate other qualified employees or independent contractors to assist the FLEX Post Official as the need arises.

(i) The FLEX Post Official and any designated assistants may not be affiliated with any Trading Permit Holder **[**member**]** that is approved to act as a Market-Maker, including a FLEX Market-Maker.

(ii) No change.

(b) No change.

Rule 24A.13. FLEX Index Appointed Market-Maker Account Equity

No FLEX Index Appointed Market-Maker shall effect any FLEX Index Option transaction unless the Market-Maker has demonstrated, to the satisfaction of the Exchange, that the net liquidating equity maintained in the FLEX Index Appointed Market-Maker's individual or joint accounts, with any one Clearing Trading Permit Holder **[**Member**]** in which transactions in FLEX Index Options will be conducted is at least $100,000. Joint account equity may not be combined with the FLEX Index Appointed Market-Maker's individual account equity for this purpose unless the participants in the joint account and in the individual accounts all trade for the same broker-dealer through those accounts. Failure to remain in compliance with the foregoing requirements shall be grounds for suspension or termination of a FLEX Index Appointed Market-Maker's authorization to effect transactions in any class of FLEX Index Options, except

for closing transactions and except as otherwise determined by the Exchange in unusual circumstances. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder **[**Member**]**, as applicable, shall inform the Exchange immediately whenever the FLEX Index Appointed Market-Maker ceases to remain in compliance with these requirements.

Rule 24A.14. FLEX Index Appointed Market-Maker Financial Requirements

A FLEX Index Appointed Market-Maker shall be required to maintain at least $1.0 million net liquidating equity and/or $1.0 million net capital, as applicable. As used herein, the term "net capital" shall mean a net capital amount computed in accordance with the requirements of Rule 15c3-1 under the Exchange Act. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder **[**Member**]**, as applicable, shall immediately inform the Exchange whenever the FLEX Index Appointed Market-Maker fails to be in compliance with such requirements. The Exchange may waive the financial requirements of this Rule 24A.14 in unusual circumstances.

Rule 24A.15. Letter of Guarantee or Authorization

(a) No FLEX Market-Maker shall effect any transaction in FLEX Options unless one or more Letter(s) of Guarantee has been issued by a Clearing Trading Permit Holder **[**Member**]** and filed with the Exchange pursuant to Rule 8.5(a) accepting financial responsibility for all FLEX transactions made by the FLEX Market-Maker and such letter has not been revoked under Rule 8.5(c). Upon approval by the Clearing Corporation and filing with the Exchange, an existing Letter of Guarantee may be amended specifically to include FLEX Option transactions.

(b) No Floor Broker shall act as such in respect of FLEX Option contracts unless a Letter of Authorization has been issued by a Clearing Trading Permit Holder **[**Member**]** and filed with the Exchange under Rule 6.72(a) specifically accepting responsibility for the clearance of FLEX Option transactions of the Floor Broker and such letter has not been revoked under Rule 6.72(c). Upon approval by the Clearing Corporation and filing with the Exchange, an existing Letter of Authorization may be amended to include FLEX Option transactions.

This rule supplements Exchange Rules 6.72 and 8.5.

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CHAPTER XXIVB—FLEX Hybrid Trading System (Rules 24B.1 - 24B.16)

Introduction

Transactions in Flexible Exchange Options may be effected pursuant to the rules in Chapter XXIVA or on the FLEX Hybrid Trading System pursuant to the rules in this Chapter, as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular. The rules in this Chapter apply only to the trading of Flexible Exchange Options on the Exchange's FLEX Hybrid Trading System as defined below. Except as indicated at the end of each rule herein, the rules in Chapters I through XIX and XXIV are also applicable to the trading of Flexible Exchange Options on the FLEX Hybrid Trading System. To the extent the rules in this Chapter are inconsistent with other Exchange rules, the rules in this Chapter take precedence in relation to the trading of Flexible Exchange Options on the FLEX Hybrid Trading System.

Rule 24B.1. Definitions

(a) – (b) No change.

Cap Interval

(c) The term "Cap Interval" for purposes of this Chapter means the value specified by the Submitting Trading Permit Holder **[**Member**]** in a Request for Quotes or a FLEX Order that is to be added to the exercise price for a European-Capped FLEX Option (in the case of a call) or subtracted from the exercise price for a European-Capped FLEX Option (in the case of a put) in setting the cap price as defined in Rule 24.1(q).

(d) – (k) No change.

FLEX Trader

(l) The term "FLEX Trader" means a FLEX-participating Trading Permit Holder **[**Exchange member**]** who has been approved by the Exchange to trade on the System.

(m) – (q) No change.

Request for Quotes

(r) The term "Request for Quotes" ("RFQ") means the initial request supplied by a Submitting Trading Permit Holder **[**Member**]** to initiate FLEX bidding and offering.

(s) No change.

RFQ Order

(t) The term "RFQ Order" is an order to purchase or order to sell FLEX Options entered by the Submitting Trading Permit Holder **[**Member**]** during the RFQ Reaction Period.

(u) No change.

RFQ Reaction Period

(v) The term "RFQ Reaction Period" means the period of time during which a Submitting Trading Permit Holder **[**Member**]** determines whether to accept or reject the RFQ Market.

(w) No change.

Submitting Trading Permit Holder [Member]

(x) The term "Submitting Trading Permit Holder **[**Member**]**" means the FLEX Trader that (i) initiates FLEX bidding and offering by submitting a Request for Quotes or (ii) enters a FLEX Order into the electronic book.

Trade Condition

(y) The term "Trade Condition" means a certain contingency that has been placed on an RFQ, RFQ Order or FLEX Order. The following Trade Conditions will be available in the System for a FLEX Trader to choose from:

(1) – (4) No change.

(5) Intent to Cross, which is an RFQ condition indicating that the Submitting Trading Permit Holder **[**Member**]** intends to cross or act as principal and receive a crossing participation entitlement.

(6) No change.

(z) No change.

* * * * *

Rule 24B.4. Terms of FLEX Options

(a) General

(1) – (4) No change.

(5) Every FLEX Request for Quotes, every responsive FLEX Quote, every RFQ Order and every FLEX Order, as applicable, must satisfy the following contract and transaction specifications:

(i) – (iv) No change.

(b) – (c) No change.

This rule supersedes Exchange Rules 5.5, 5.6, 6.5, 6.41, 24.8 and 24.9.

. . . Interpretations and Policies:

.01 - .02 No change.

Rule 24B.5. - FLEX Trading Procedures and Principles

(a) Request for Quotes Process. The Request for Quotes process may be used at any time, but is required to initiate a FLEX transaction when there are no FLEX Orders currently resting in the electronic book in the particular FLEX Options series to be traded. The Request for Quotes process may be conducted through the System or in open outcry pursuant to the following processes:

(1) Electronic RFQ Process.

(i) Initiating a FLEX Request for Quotes.

(A) To initiate a FLEX transaction using the electronic RFQ process, a Submitting Trading Permit Holder **[**Member**]** shall submit to the FLEX System a Request for Quotes, utilizing for that purpose the forms, formats and procedures prescribed by the Exchange.

(B) No change.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) FLEX Traders, including the Submitting Trading Permit Holder **[**Member**]**, may enter on the System FLEX Quotes responsive to an electronic Request for Quotes (provided, however, FLEX Quotes may not be entered for the account of an options Market-Maker from another options exchange).

(B) – (C) No change.

(iii) Formation of Contracts Following the RFQ Response Period.

(A) After the expiration of the RFQ Response Period, the Submitting Trading Permit Holder **[**Member**]** shall accept or reject the bids or offers, provided that such acceptance or rejection must occur within the RFQ Reaction Period (the duration of the RFQ Reaction Period will be established by the Exchange on a class-by-class basis and such time shall not be more than five minutes). Failure to accept the bids or offers before completion of the RFQ Reaction Period equates to a rejection.

(B) During the RFQ Reaction Period:

(I) – (II) No change.

(III) If the Submitting Trading Permit Holder **[**Member**]** chooses to reject the bids and offers, the Submitting Trading Permit Holder **[**Member**]** may either cancel the RFQ or let it expire.

(IV) If the Submitting Trading Permit Holder **[**Member**]** chooses to trade, the Submitting Trading Permit Holder **[**Member**]** may enter an RFQ Order to trade with one side of the RFQ Market (either bids or offers, not both); provided, however, if the Submitting Trading Permit Holder **[**Member**]** enters a FLEX Quote during the RFQ Reaction Period, the Submitting Trading Permit Holder **[**Member**]** must be bidding (offering) for at least the Crossing Exposure Period prior to entering the RFQ Order. The duration of the Crossing Exposure Period will be as provided in subparagraph (a)(1)(iii)(D)(IV) below.

(C) If the Submitting Trading Permit Holder **[**Member**]** has not indicated an intention to cross with respect to any part of the FLEX trade:

(I) No change.

(II) Allocation among multiple FLEX Quotes and FLEX Orders that are priced at the BBO clearing price shall be as follows:

(aa) – (bb) No change.

(cc) FLEX Quotes for the account of public customers and non-Trading Permit Holder **[**member**]** broker-dealers will participate in the execution based on time priority;

(dd) No change.

In the event the RFQ Market is locked or crossed (*e.g.*, $1.25-$1.20), allocation among multiple FLEX Quotes and FLEX Orders that are priced at the BBO clearing price and are on the same side of the transaction as the RFQ Order shall be as follows:

(aa) No change.

(bb) if applicable, an RFQ Order for the account of a public customer or non-Trading Permit Holder **[**member**]** broker-dealer will participate in the execution, then any FLEX Quotes that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below;

(cc) FLEX Quotes for the account of public customers and non-Trading Permit Holder **[**member**]** broker-dealers will participate in the execution based on time priority;

(dd) if applicable, an RFQ Order for the account of a Trading Permit Holder **[**member**]** will participate in the execution, then any FLEX Quotes that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below; then

(ee) No change.

(III) The System will then enter any remaining balance of the incoming RFQ Order in the electronic book (if available), unless the Submitting Trading Permit Holder **[**Member**]** has

indicated that the balance is to be automatically cancelled if it is not traded. Once entered in the electronic book, an RFQ Order will be treated the same as other FLEX Orders.

(D) If the Submitting Trading Permit Holder **[**Member**]** has indicated an intention to cross with respect to any part of the FLEX trade:

(I) A Submitting Trading Permit Holder **[**Member**]** may obtain a crossing participation entitlement using the electronic RFQ mechanics only if a crossing participation entitlement has been established pursuant to paragraph (d) below, the Submitting Trading Permit Holder **[**Member**]** has indicated an intention to cross as part of the Request for Quotes, and the RFQ Order submitted during the RFQ Reaction Period matches or improves the BBO clearing price.

(II) No change.

(III) Allocation among multiple FLEX Quotes and FLEX Orders that are priced at the BBO clearing price shall be as follows:

(aa) No change.

(bb) FLEX Quotes for the account of public customers and non-Trading Permit Holder **[**member**]** broker-dealers will participate in the execution based on time priority;

(cc) – (ee) No change.

No change.

(IV) If there is an electronic book available for the option class in accordance with paragraph (b) below, the System will enter any remaining balance of the incoming RFQ Order in the electronic book. Once entered in the electronic book, an RFQ Order will be treated the same as other FLEX Orders. If there is no electronic book available for the option class in accordance with paragraph (b) below, the System will expose the remaining balance of the incoming RFQ Order, if any, so other FLEX Traders can trade against the order.

After the remaining balance of the order has been exposed for at least the Crossing Exposure Period, the Submitting Trading Permit Holder **[**Member**]** may enter a contra-side order to trade all or any portion of the remaining balance; provided the Submitting Trading Permit Holder **[**Member**]** must enter a contra-side order when necessary to satisfy the minimum value size requirements of Rule 24B.4(a)(5)(ii) or (iii), as applicable. The duration of this Crossing

Exposure Period will be established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.

(E) The Submitting Trading Permit Holder **[**Member**]** has no obligation to accept any FLEX bid or offer.

(F) Whenever the Submitting Trading Permit Holder **[**Member**]** rejects the RFQ Market or the RFQ Market size exceeds the Submitting Trading Permit Holder's **[**Member's**]** FLEX transaction size, the System will automatically execute the remaining balance of any FLEX Quotes and FLEX Orders that are marketable against each other at the BBO clearing price. Allocation shall be in accordance with subparagraph (C) above. Thereafter:

(I) – (II) No change.

(2) Open Outcry RFQ Process.

(i) Initiating a FLEX Request for Quotes.

(A) To initiate a FLEX transaction using the open outcry RFQ process, a Submitting Trading Permit Holder **[**Member**]** shall submit to the FLEX Official a Request for Quotes, utilizing for that purpose the forms, formats and procedures established by the Exchange.

(B) After providing a Request for Quotes in proper form to the FLEX Official, the Submitting Trading Permit Holder **[**Member**]** shall immediately announce the terms and specifications of the Request for Quotes to the trading crowd for the FLEX Option by public outcry.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) FLEX Traders present in the trading crowd may provide the Submitting Trading Permit Holder **[**Member**]** with FLEX Quotes responsive to each Request for Quotes. FLEX Quotes must be entered during the RFQ Response Period by public outcry.

(B) All FLEX Quotes may be entered, modified or withdrawn at any point during the RFQ Response Period (provided, however, that FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24B.9). At the expiration of the RFQ Response Period, the BBO shall be identified by the Submitting Trading Permit Holder **[**Member**]** considering FLEX Quotes and, if applicable, FLEX Orders resting in the electronic book. At the expiration of the RFQ Response Period, the Submitting Trading Permit Holder **[**Member**]** shall announce the BBO to the FLEX Traders in the trading crowd.

(iii) Formation of Contracts Following the RFQ Response Period.

(A) If the Submitting Trading Permit Holder **[**Member**]** does not intend to cross or act as principal with respect to any part of the FLEX trade, the Submitting Trading Permit Holder **[**Member**]** shall promptly accept or reject the BBO; provided, however, that if the Submitting Trading Permit Holder **[**Member**]** either rejects the BBO or is given a BBO for less than the entire size requested, all FLEX Traders present in the trading crowd other than the Submitting Trading Permit Holder **[**Member**]** will have an opportunity during the BBO Improvement Interval in which to match or improve, as applicable, the BBO. At the expiration of any such BBO Improvement Interval, the Submitting Trading Permit Holder **[**Member**]** must promptly accept or reject the BBO. The Submitting Trading Permit Holder **[**Member**]** will trade with eligible FLEX Quotes and FLEX Orders in accordance with the priority algorithm described in subparagraph (v) below.

(B) If the Submitting Trading Permit Holder **[**Member**]** indicates an intention to cross or act as principal with respect to any part of the FLEX trade, acceptance of the displayed BBO shall be automatically delayed until the expiration of the BBO Improvement Interval. Prior to the BBO Improvement Interval, the Submitting Trading Permit Holder **[**Member**]** must announce to the trading crowd the price at which the Trading Permit Holder **[**member**]** expects to trade. In these circumstances, the Submitting Trading Permit Holder **[**Member**]** may participate with all other FLEX Traders present in the trading crowd in attempting to improve or match the BBO during the BBO Improvement Interval. At the expiration of the BBO Improvement Interval, the Submitting Trading Permit Holder **[**Member**]** must promptly accept or reject the BBO. The Submitting Trading Permit Holder **[**Member**]** will trade with eligible FLEX Quotes and FLEX Orders in accordance with the priority algorithm described in subparagraph (v) below.

(C) The Submitting Trading Permit Holder **[**Member**]** has no obligation to accept any FLEX bid or offer.

(D) Whenever, following the completion of the RFQ Response Period or BBO Improvement Interval, as applicable, the Submitting Trading Permit Holder **[**Member**]** rejects the BBO or the BBO size exceeds the FLEX transaction size indicated in the Request for Quotes, FLEX Traders present in the trading crowd may accept the unfilled balance of the BBO. Such acceptance must occur by public outcry promptly following the Submitting Trading Permit Holder's **[**Member's**]** determination whether to accept or reject the BBO or at the expiration of any applicable BBO Improvement Interval.

(iv) No change.

(v) Open Outcry RFQ Priority.

(A) The highest bid (lowest offer) shall have priority. Allocation among multiple best bids (offers) at the same price shall be as follows:

(I) – (II) No change.

(III) all other FLEX Quotes submitted in response to an open outcry RFQ will have priority in the sequence in which they are made; to the extent two or more best bid (offer) FLEX Quotes are submitted in open outcry at the same time and same price, or the Submitting Trading Permit Holder **[**Member**]** cannot reasonably determine the sequence in which the open outcry bid (offer) FLEX Quotes were made, priority will be apportioned equally among those open outcry bids (offers); then

(IV) No change.

(B) Notwithstanding subparagraph (A) above, bids (offers) submitted on behalf of the proprietary account of a Trading Permit Holder **[**member**]** relying on the "G" exemption described in paragraph (d) below must yield priority to any bid (offer) at the same price that is represented in the electronic book and all other bids (offers) that have priority over the electronic book. In the event a Submitting Trading Permit Holder **[**Member**]** is asserting a crossing participation entitlement on behalf of a proprietary account of a Trading Permit Holder **[**member**]** relying on the "G" exemption and a FLEX Appointed Market-Maker(s) is also asserting a participation entitlement, the Submitting Trading Permit Holder's **[**Member's**]** crossing percentage entitlement to the remaining balance of the original order, when combined with the FLEX Appointed Market-Maker(s) guaranteed participation, shall not exceed 40% of the original order. However, provided the "G" exemption requirements are satisfied, nothing prohibits a Submitting Trading Permit Holder **[**Member**]** or FLEX Appointed Market-Maker from trading more than their applicable entitlement if other FLEX Traders in the crowd do not chose to trade the remaining portion of the order.

(b) FLEX Electronic Book

(1) No change.

(2) Entering a FLEX Order:

(i) To enter a FLEX Order, a Submitting Trading Permit Holder **[**Member**]** may submit to the System an order, utilizing for that purpose the forms, formats and procedures prescribed by the Exchange.

(ii) All FLEX Orders must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder, including the requirements described in paragraph (d) below. A FLEX Order submitted on behalf of the proprietary account of a Trading Permit Holder **[**member**]** relying on the "G" exemption described in paragraph (d) may only be entered to "hit" the electronic book. To the extent such a FLEX Order is not executed in whole or in part as soon as it hits the electronic book, it must be immediately cancelled by the FLEX Trader.

(iii) No change.

(3) Crossing FLEX Orders:

(i) Principal Transactions: Submitting Trading Permit Holders **[**Members**]** may not execute as principal against FLEX Orders they represent as agent unless: (A) the agency FLEX Order is first subject to an RFQ and the agency FLEX Order (or any remaining balance not executed during the RFQ Reaction Period) is exposed on the System for at least the Crossing Exposure Period, or (B) the Submitting Trading Permit Holder **[**Member**]** has been bidding or offering for at least the Crossing Exposure Period prior to receiving an agency FLEX Order that is executable against such bid or offer.

(ii) Solicitation Orders: Submitting Trading Permit Holders **[**Members**]** may not execute solicited orders against FLEX Orders they represent as agent unless the agency FLEX Order is first subject to an RFQ and the agency FLEX Order (or any remaining balance not executed during the RFQ Reaction Period) is exposed on the System for at least the Crossing Exposure Period.

(iii) No change.

(c) No change.

(d) Priority of Bids and Offers:

(1) No change.

(2) Additional Priority Overlays:

(i) The Exchange may establish from time to time a crossing participation entitlement subject to the following:

(A) In the case of FLEX Equity Options, where the Submitting Trading Permit Holder **[**Member**]** has matched or improved the BBO or BBO clearing price, as applicable, the Submitting Trading Permit Holder **[**Member**]** will have priority to execute the contra-side of the trade, but only to the extent of the applicable crossing participation entitlement percentage. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations with respect to open outcry RFQs and/or electronic RFQs and the applicable entitlement percentage, which shall not exceed 40% of the trade.

(B) In the case of FLEX Index Options, where the Submitting Trading Permit Holder **[**Member**]** has matched or improved the BBO or BBO clearing price, as applicable, the Submitting Trading Permit Holder **[**Member**]** will have priority to execute the contra-side of the trade, but only to the extent of the largest of (i) the applicable crossing participation entitlement percentage, (ii) a proportional share of the trade, (iii) $1 million Underlying Equivalent Value, or (iv) the remaining Underlying Equivalent Value on a closing transaction valued at less than $1 million. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations with respect to open outcry RFQs and/or electronic RFQs and the applicable crossing participation entitlement percentage in subparagraph (i), which shall not exceed 40% of the trade. With respect to electronic RFQs, the parameters in subparagraphs (ii) through (iv) will only be available to the extent the Exchange may determine to make them available in the System.

(C) A Submitting Trading Permit Holder **[**Member**]** that is utilizing the open outcry RFQ mechanics may not cross an order pursuant to subparagraphs (d)(2)(i)(A) or (B) above that he is holding with a solicited order from a FLEX Market-Maker that is then in the trading crowd, except in accordance with Rule 6.55. A Submitting Trading Permit Holder **[**Member**]** that is utilizing the electronic RFQ mechanics may not cross an order pursuant to subparagraphs (d)(2)(i)(A) or (B) above that he is holding with (i) a solicited order for a FLEX Market-Maker's individual or joint account or (ii) a solicited order initiated by the FLEX Market-Maker for an account in which the FLEX Market-Maker has an interest, unless the FLEX Market-Maker refrains from participating on the same trade. It is the responsibility of the FLEX Market-Maker to ascertain whether solicited orders for the FLEX Market-Maker's joint account are being represented by the Submitting Trading Permit Holder **[**Member**]**.

(ii) No change.

(iii) Pronouncements regarding the applicable participation entitlements and applicable rates pursuant to subparagraphs (d)(2)(i) and (ii), if any, shall be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

(3) No change.

(4) All transactions must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder. Section 11(a)(1) prohibits a Trading Permit Holder **[**member**]** from effecting transactions on the Exchange for the Trading Permit Holder's **[**member's**]** own account, the account of an associated person, or an account over which the Trading Permit Holder **[**member**]** or its associated person exercises investment discretion (collectively referred to as "proprietary" orders), unless an exception applies.

(i) No change.

(ii) "G" Exemption: A transaction shall be permitted on behalf of the proprietary account of a Trading Permit Holder **[**member**]** relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (referred in this Rule as the "G" exemption), subject to the provisions set forth in subparagraphs (a)(2)(v)(B) and (b)(2)(ii) above. Such a Trading Permit Holder **[**member**]** would also have to be in compliance with the requirements of paragraph (b) of the "G" exemption rule.

(iii) "Effect versus Execute" Exemption: A Trading Permit Holder **[**member**]** relying on 11a2-2(T)under the Exchange Act (referred to in this Rule as the "effect versus execute" exemption) may use the System to submit a proprietary order originating from off the Exchange's trading floor only when such proprietary order is submitted as a FLEX Order into the electronic book as described in paragraph (b), provided the Trading Permit Holder **[**member**]** is in compliance with the requirements of Section (a)(2)(iv)of the "effect-versus-execute" exemption rule. Nothing in this subparagraph precludes a Trading Permit Holder **[**member**]** from having a proprietary order executed by another Trading Permit Holder **[**member**]** that is unaffiliated with the Trading Permit Holder **[**member**]** initiating the proprietary order, provided the Trading Permit Holder **[**member**]** also satisfies the other requirements of the "effect-versus-execute" exemption rule.

(iv) Nothing in this Rule precludes a Trading Permit Holder **[**member**]** from relying on another exception to comply with the requirements of Section 11(a)(1)and the rules promulgated thereunder.

(e) Incremental Changes for Bids and Offers

Changes in decimal bids and offers for FLEX Index Options in the designated currency shall meet or exceed the following minimums (or such other minimums as the Exchange sets from time to time to ensure fair and orderly markets): U.S. Dollars - $.01; Canadian Dollars - $.01; Japanese Yen - .01Y; Deutsche Marks - .01DM; French Francs - .01F; Swiss Francs - .01F; British Pounds - .01£; European Currency Units - .01ECU. Changes in decimal bids and offers for FLEX Equity Options shall be determined by the Exchange on a class-by-class basis, but may not be smaller than $.01. Pronouncements regarding the applicable minimum increment shall be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular.

This rule supersedes Exchange Rules 6.5, 6.9(d)(in those situations where a Submitting Trading Permit Holder **[**Member**]** representing an eligible order determines to take advantage of the crossing participation entitlement provisions of this Rule), 6.41, 6.42(paragraphs (1) through (3) and those provisions of paragraph (4) pertaining to complex orders in options on the S&P 500 Index or on the S&P100 Index that are not box/roll spreads), 6.44, 6.45, 6.53(paragraphs (l) and (m)), 6.74, 24.8 and 24.9.

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Rule 24B.7. - Position Limits and Reporting Requirements

(a) No change.

(b) Certain Broad-Based FLEX Index Options. There shall be no position limits for FLEX BXM ($1/10^{th}$ value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility or XEO option contracts (including reduced-value option contracts). However, each Trading Permit Holder **[**member**]** or TPH **[**member**]** organization (other than a FLEX Market-Maker) that maintains a FLEX broad-based index option position on the same side of the market in excess of 100,000 contracts for NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility or XEO and 1 million contracts for BXM ($1/10^{th}$ value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form prescribed by the Exchange. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (*e.g.,* 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered. In addition, whenever the Exchange determines that a higher margin is warranted in light of the risks associated with an under-hedged FLEX BXM ($1/10^{th}$ value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility or XEO option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under Rule 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(c) FLEX Equity Options

There shall be no position limits for FLEX Equity Options. However, each Trading Permit Holder **[**member**]** or TPH **[**member**]** organization (other than a Market-Maker or a Designated

Primary Market-Maker) that maintains a position on the same side of the market in excess of the standard limit under Exchange Rule 4.11 for Non-FLEX Equity options of the same class on behalf of its own account or for the account of a customer shall report information on the FLEX Equity option position, positions in any related instrument, the purpose or strategy for the position, and the collateral used by the account. This report shall be in the form and manner prescribed by the Exchange. In addition, whenever the Exchange determines that a higher margin requirement is necessary in light of the risks associated with a FLEX Equity option position in excess of the standard limit for Non-FLEX Equity options of the same class, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under Rule 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirement.

(d) No change.

This rule supplements Rule 4.11 generally, but supersedes Interpretations .02 and .04 of Rule 4.11 and all of Rules 24.4, 24.4A, 24.4B and 29.5 except to the extent those Rules are referred to in this rule.

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Rule 24B.11. - FLEX Index Appointed Market-Maker Account Equity

No FLEX Index Appointed Market-Maker shall effect any FLEX Index Option transaction unless the FLEX Index Appointed Market-Maker has demonstrated, to the satisfaction of the Exchange, that the net liquidating equity maintained in the FLEX Index Appointed Market-Maker's individual or joint accounts, with any one Clearing Trading Permit Holder **[**Member**]** in which transactions in FLEX Index Options will be conducted is at least $100,000. Joint account equity may not be combined with the FLEX Index Appointed Market-Maker's individual account equity for this purpose unless the participants in the joint account and in the individual accounts all trade for the same broker-dealer through those accounts. Failure to remain in compliance with the foregoing requirements shall be grounds for suspension or termination of a FLEX Index Appointed Market-Maker's authorization to effect transactions in any class of FLEX Index Options, except for closing transactions and except as otherwise determined by the Exchange in unusual circumstances. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder **[**Member**]**, as applicable, shall inform the Exchange immediately whenever the FLEX Index Appointed Market-Maker ceases to remain in compliance with these requirements.

Rule 24B.12. - FLEX Index Appointed Market-Maker Financial Requirements

A FLEX Index Appointed Market-Maker shall be required to maintain at least $1.0 million net liquidating equity and/or $1.0 million net capital, as applicable. As used herein, the term "net capital" shall mean a net capital amount computed in accordance with the requirements of Rule 15c3-1 under the Exchange Act. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder **[**Member**]**, as applicable, shall immediately inform the Exchange whenever the FLEX Index Appointed Market-Maker fails to be in compliance with such requirements. The Exchange may waive the financial requirements of this Rule 24B.12 in unusual circumstances.

Rule 24B.13. - Letter of Guarantee or Authorization

(a) No FLEX Market-Maker shall effect any transaction in FLEX Options unless one or more Letter(s) of Guarantee has been issued by a Clearing Trading Permit Holder **[**Member**]** and filed with the Exchange pursuant to Rule 8.5(a) accepting financial responsibility for all FLEX transactions made by the FLEX Market-Maker and such letter has not been revoked under Rule 8.5(c). Upon approval by the Clearing Corporation and filing with the Exchange, an existing Letter of Guarantee may be amended specifically to include FLEX Option transactions.

(b) No Floor Broker shall act as such in respect of FLEX Option contracts unless a Letter of Authorization has been issued by a Clearing Trading Permit Holder **[**Member**]** and filed with the Exchange under Rule 6.72(a) specifically accepting responsibility for the clearance of FLEX Option transactions of the Floor Broker and such letter has not been revoked under Rule 6.72(c). Upon approval by the Clearing Corporation and filing with the Exchange, an existing Letter of Authorization may be amended to include FLEX Option transactions.

This rule supplements Exchange Rules 6.72 and 8.5.

Rule 24B.14. - FLEX Official

(a) The Exchange may at any time designate an Exchange employee or independent contractor to act as a FLEX Official in one or more classes of FLEX Options. The FLEX Official shall perform the functions set forth in paragraph (b) of this Rule 24B.14. The Exchange may also designate other qualified employees or independent contractors to assist the FLEX Official as the need arises.

(i) The FLEX Official and any designated assistants may not be affiliated with any Trading Permit Holder **[**member**]** that is approved to act as a Market-Maker, including a FLEX Market-Maker.

(ii) No change.

(b) – (c) No change.

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CHAPTER XXVI Market Baskets (Rules 26.1-26.14)

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Rule 26.2. Terms of Market Basket Contracts

(a) – (b) No change.

. . . Interpretations and Policies:

.01 No change.

.02 For the purpose of settling the obligations resulting from the purchase or sale of a market basket contract, the index composition, index divisor and the number of shares outstanding of each of the component stocks shall be determined by the Exchange after the close of business on the business day preceding the trade date. The Exchange's determination shall be based solely upon information provided to the Exchange by the reporting authority and as reported to Clearing Trading Permit Holders **[**Members**]** by the Exchange prior to the opening of business on the trade date, through the Clearing Corporation's Data Service Network or otherwise, shall be final and conclusive.

Replaces Rules 5.6 and 24.9.

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Rule 26.8. Delivery and Payment

Delivery of the component stocks upon the sale of a market basket contract, and payment of the contract price in respect thereof, shall be in accordance with the Rules of the Clearing Corporation and the rules of correspondent stock clearing corporations. As promptly as possible after the entry into such a contract, the TPH **[**member**]** organization shall require the customer: (i) in the case of a purchase, to make full cash payment of the contract price; or (ii) in the case of a sale, to deposit each of the component stocks, in the amounts specified in Rule 26.2, if those

stocks are not carried in the customer's account in amounts sufficient to make delivery; or (iii) in either case, to deposit the required margin in respect thereof, if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board. Notwithstanding the foregoing, a Market-Maker that has on the same day purchased and sold one or more market baskets of the same class shall settle the obligations arising from such purchase and sale by the payment or receipt, as the case may be, of the difference between the cost of such purchase and sale, as provided in the Rules of the Clearing Corporation.

Replaces Rule 11.3.

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Rule 26.10. Doing Business with the Public

(a) *Applicability of Rules.* The provisions of Chapter IX of the Rules shall be applicable to market baskets except as set forth herein. Rule 9.2 (relating to the registration of options principals), Rule 9.7 (relating to the opening of customer accounts), Rules 9.15 and 9.21(d) (relating to the options disclosure document), Rule 9.9 (relating to the suitability of recommendations), Rule 9.11 (relating to the confirmation of transactions), and Rule 9.21 (relating to communications to customers) shall not be applicable to market basket contracts. Whenever Chapter IX of the Rules requires a particular function to be performed by a Registered Options Principal that function may be performed in respect of market baskets by a principal of the TPH **[**member**]** organization (including a branch office manager thereof) that is registered as such with a national securities exchange or a registered securities association.

(b) *Account Opening.* In approving a customer's account for market basket transactions, a TPH **[**member**]** organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information which shall be retained in accordance with Rule 9.8. Based upon such information, the branch office manager or other principal of the TPH **[**member**]** organization shall approve in writing the customer's account. A general securities account that has previously been approved by the TPH **[**member**]** organization does not have to be separately approved for market basket contracts.

(c) *Confirmations.* A TPH **[**member**]** organization shall promptly furnish to each customer a written confirmation of each transaction in market basket contracts. Each such confirmation shall show the class of market basket (i.e., the stock index on which the contract is based), the Exchange, contract price, number of market basket contracts purchased or sold, number of shares of each of the component stocks to be purchased or sold in settlement of the market basket contract, the derived price of each of the component stocks, commissions, date of transaction and

settlement date, and shall indicate whether the transaction is a purchase or sale and whether a principal or agency transaction.

(d) *Communications to Customers.* No Trading Permit Holder **[**member**]** or TPH **[**member**]** organization or person associated with a Trading Permit Holder **[**member**]** shall utilize any advertisement, sales literature or other communication to any customer or member of the public concerning market basket contracts which:

(i) – (iv) No change.

All advertisements, sales literature (except completed work sheets), and educational material issued by a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization pertaining to market basket contracts shall be approved in advance by a principal of the TPH **[**member**]** organization (including a branch office manager). Copies thereof, together with the names of the persons who prepared the material, the names of the persons who approved the material and, in the case of sales literature, the source of any recommendations contained therein, shall be retained by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization and be kept at an easily accessible place for examination by the Exchange for a period of three years.

Replaces Rules 9.2, 9.7, 9.9, 9.11, 9.15, and 9.21.

. . . Interpretations and Policies:

.01 A TPH **[**member**]** organization that participates in the Institutional Delivery System of The Depository Trust Company may use the confirmations generated by that System to satisfy the requirements of this Rule to the extent that such confirmations contain the information required to be furnished to customers, provided that the TPH organization **[**member firm**]** shall remain responsible for seeing that all required information is furnished to its customers.

.02 – .04 No change.

Rule 26.11. Market-Makers

(a) *Appointment.* On a form or forms prescribed by the Exchange, a registered Market-Maker may apply for an Appointment in one or more classes of market basket contracts. A Market-Maker that is so appointed shall have the obligations set forth in this Rule and also shall be subject to the provisions of Chapter VIII of the Rules, except as otherwise provided herein. A Market-Maker that is not so appointed shall not be permitted to participate as a Market-Maker in market basket transactions. No Appointment for market basket contracts shall be made without the Market-Maker's consent to such Appointment. 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. A Trading Permit Holder **[**member**]** or prospective Trading Permit Holder **[**member**]** adversely affected by a determination made by the Exchange under this Rule may obtain a review thereof in accordance with the provisions of Chapter XIX.

(b) *Account Equity.* A Market-Maker shall not be subject to Appointment in any class of market basket contracts unless the applicant shall have demonstrated, to the satisfaction of the Department of Financial Compliance, that the net liquidating equity maintained in the applicant's accounts with any one Clearing Trading Permit Holder **[**Member**]** is not less than $450,000. Joint account equity may not be combined with a participant's individual account for this purpose. A Market-Maker shall not make any transaction in market basket contracts if such Market-Maker shall have failed to maintain a net liquidating equity of at least $225,000, except that such Market-Maker shall be permitted to effect market basket transactions to liquidate existing stock positions resulting from its prior Exchange market basket transactions. Failure to remain in compliance with such requirements shall be grounds for the suspension or termination of a Market-Maker's appointment in any class of market basket contracts, except as determined by the Exchange in unusual circumstances. A Market-Maker shall immediately inform the Department of Financial Compliance if such Trading Permit Holder **[**member**]** fails to remain in compliance with these requirements at all times.

(c) *Letter of Guarantee*. No Market-Maker shall make any transaction on the floor of the Exchange in market basket contracts unless one or more Letters of Guarantee has been issued by a Clearing Trading Permit Holder **[**Member**]** under Rule 8.5(a) in which the issuing Clearing Trading Permit Holder **[**Member**]** specifically accepts financial responsibility for all market basket transactions made by the Market-Maker and such Letter has not been revoked pursuant to Rule 8.5(c). Upon approval by the Clearing Corporation and filing with the Exchange, an existing Letter of Guarantee may be amended to include market basket transactions.

(d) *Obligations.* Transactions of a Market-Maker in market basket contracts should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no Market-Maker should enter into transactions or make bids or offers that are inconsistent with such a course of dealings. A Market-Maker appointed for a class of market basket contracts has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his 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 that class of market basket contracts, or a temporary distortion of the price relationships between market baskets 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) No change.

(ii) At the request of another Trading Permit Holder **[**member of the Exchange**]** or at the request of the DPM, to make markets at the station where a Market-Maker is present by providing bid and/or offer quotations that are subject to immediate acceptance for one market basket contract.

(iii) No change.

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. . . Interpretations and Policies:

.01 - .02 No change.

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Rule 26.13. Floor Broker Financial Requirements

(a) *Account Equity*. A Trading Permit Holder **[**member**]** shall not be permitted to act as a Floor Broker in respect of any transaction in any class of market basket contracts unless the Trading Permit Holder **[**member**]** shall have demonstrated, to the satisfaction of the Department of Financial Compliance, that the net liquidating equity maintained in the applicant's accounts with any one Clearing Trading Permit Holder **[**Member**]** is not less than $225,000. Joint account equity may not be combined with a participant's individual account for this purpose. A Trading Permit Holder **[**member**]** shall not accept or execute any order for market basket contracts if such Trading Permit Holder **[**member**]** shall have failed to maintain a net liquidating equity of at least $225,000. Failure to remain in compliance with such requirements shall be grounds for the suspension or termination of a Trading Permit Holder's **[**member's**]** registration in any class of market basket contracts, except as determined by the Exchange in unusual circumstances. A Trading Permit Holder **[**member**]** shall immediately inform the Department of Financial Compliance if such Trading Permit Holder **[**member**]** fails to remain in compliance with these requirements at all times.

(b) *Letter of Authorization*. No Floor Broker shall act as such in respect of market basket contracts unless a Letter of Authorization has been issued by a Clearing Trading Permit Holder **[**Member**]** under Rule 6.72(a) (and not revoked under Rule 6.72(c)) in which the issuing Clearing Trading Permit Holder **[**Member**]** specifically accepts responsibility for the clearance of market basket transactions of the Floor Broker when the name of the Clearing Trading Permit Holder **[**Member**]** is given up. Upon approval by the Clearing Corporation and filing with the Exchange, an existing Letter of Authorization may be amended to include market basket transactions.

Supplements Rule 6.72.

Rule 26.14. Exchange Authorization Required

A Trading Permit Holder **[**member of the Exchange**]** that has satisfied the requirements of Rules 26.11 through 26.13, as applicable, will receive from the Exchange a badge authorizing such Trading Permit Holder **[**member**]** to execute market basket transactions as permitted by the Rules. No Trading Permit Holder **[**member of the Exchange**]** that is not in possession of such a badge shall be permitted to enter the trading crowd for any class of market basket contracts.

Supplements Rule 6.20.

CHAPTER XXVII Buy-Write Option Unitary Derivatives ("BOUNDs") (Rules 27.1-27.10)

Introduction

No change.

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Rule 27.9. Delivery and Payment

(a) Delivery of the strike price or shares of the underlying stock upon the expiration of a BOUND contract shall be effected in accordance with the rules of the Clearing Corporation. If the closing price of the underlying security on the specified expiration date is at or below the strike price for the contract, the TPH **[**member**]** organization shall require the customer to deposit as promptly as possible after the expiration of the contract the underlying security if it is not already carried in the customer's account. If the closing price of the underlying security on the specified expiration date is above the strike price, the TPH **[**member**]** organization shall require the customer to make full cash payment of the aggregate strike price as promptly as possible after expiration of the contract.

(b) Delivery of the payments equal to the dividend or other cash distribution declared on the underlying security, and delivery of any non-cash distributions payable to holders of the underlying security, shall be effected in accordance with the rules of the Clearing Corporation. TPH **[**Member**]** organizations shall require the customer to deliver the dividend, other cash distribution or non-cash distribution as promptly as possible.

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CHAPTER XXVIII Corporate Debt Security Options

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Rule 28.7. Terms of Corporate Debt Security Options

(a) – (b) No change.

(c) *Exercise Price.* The exercise price of each series of Corporate Debt Security options shall be fixed at a percentage of principal amount (based on a par quote basis of $100) which is an integral multiple of 0.5% and shall be reasonably close to the market price at the time the series of options is first opened for trading. The exercise price of any additional series will ordinarily be fixed at an integral multiple of 0.5%, but the Exchange, upon two business days' notice, may fix exercise prices at different intervals, provided that all such exercise prices are reasonably close to the market prices of the Corporate Debt Securities. The Exchange will notify its Trading Permit Holders **[**members**]** of any additional series opened for trading in a regulatory circular.

Rule 28.7 supplements Rule 5.5.

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Rule 28.14. Allocation of Exercise Assignment Notices

In the case of Corporate Debt Security options, the method of allocation of exercise notices established pursuant to Rule 11.2 may provide that an exercise notice of a round lot shall be allocated to a customer or customers having an open short position of a round lot and that an exercise notice of less than a round lot shall not be allocated, to the extent feasible, to a customer having a short position of a round lot; and provided further that, the Trading Permit Holder **[**member**]** or TPH organization **[**Member Organization**]** shall allocate an exercise notice pertaining to a call option contract to a customer who has made a specific deposit of the underlying security if it is directed to do so by the Clearing Corporation. For the purposes of this Rule, an exercise notice or a short position in a series of options of 10 contracts shall be deemed to be a "round lot".

Rule 28.14 supplements Rule 11.2.

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Rule 28.16. Furnishing of Books, Records and Other Information

No Market-Maker in Corporate Debt Security options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such Trading Permit Holder **[**member**]** or any corporate affiliate of such Trading Permit Holder **[**member**]** pertaining to transactions by such Trading Permit Holder **[**member**]** or any such affiliate for its own account in Corporate Debt Securities or in Corporate Debt Security options as may be called for under the Rules or as may be requested in the course of any investigation, any inspection or other official inquiry by the Exchange. In addition, the provisions of Rule 8.9 governing identification of accounts and reports of orders shall, in the case of Market-Makers in Corporate Debt Security options, apply to (i) accounts for Corporate Debt Securities deliverable under the terms of the option contracts involved and Corporate Debt Security options trading; and (ii) orders entered by the Market-Maker for the purchase or sale of Corporate Debt Securities deliverable under the terms of the options contracts involved and options on Corporate Debt Securities and opening and closing positions therein.

. . . Interpretations and Policies:

.01 No change.

Rule 28.16 and Interpretation and Policy .01 to Rule 28.16 supplement Rules 8.9 and 15.1 and the Interpretations and Policies thereunder.

CHAPTER XXIX Credit Option Contracts

Introduction

No change.

Rule 29.1. Definitions

The following terms as used in this Chapter, shall unless the context otherwise indicates, have the meanings herein specified.

(a) – (c) No change.

Expiration Date

(d) (i) For Credit Default Options, the "expiration date" shall be the 4th business day after the 3rd Friday of the expiration month (or, if that day is not a business day, the 4th business day after the preceding business day); provided, however, if a Credit Event is confirmed by the Exchange to Trading Permit Holders **[**members**]** and the Clearing Corporation before that day, or a Redemption Event, as provided for in Rule 29.4, has been confirmed prior to that day, the expiration date will be accelerated to the 2nd business day immediately following the confirmation date.

(ii) For Credit Default Basket Options, the "expiration date" shall be the 4th business day after the 3rd Friday of the expiration month (or, if that day is not a business day, the 4th business day after the preceding business day); provided, however, if a Credit Event is confirmed by the Exchange to Trading Permit Holders **[**members**]** and the Clearing Corporation before that day in (A) every Basket Component for a Multiple Payout Credit Default Basket Option; or (B) the first Credit Event in any one of the Basket Components for a Single Payout Credit Default Basket Option; or a Redemption Event, as provided for in Rule 29.4, has been confirmed in the last Basket Component prior to that day, the expiration date will be accelerated to the 2nd business day immediately following the last confirmation date.

Last Trading Day

(e) (i) No change.

(ii) For Credit Default Basket Options, the "last trading day" shall be the 3rd Friday of the contract month (or, if that day is not a business day, the preceding business day); provided, however, if a Credit Event has been confirmed by the Exchange to Trading Permit Holders **[**members**]** and the Clearing Corporation prior to that day in (A) every Basket Component for a Multiple Payout Credit Default Basket Option; or (B) the first Credit Event in any one of the Basket Components for a Single Payout Credit Default Basket Option; or a Redemption Event, as provided for in Rule 29.4, has been confirmed in the last Basket Component prior to that day, the series will cease trading at the time of the confirmation and the last trading day will be changed to the confirmation date.

(f) – (j) No change.

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Rule 29.4. Adjustments

(a) – (b) No change.

(c) The Exchange will confirm adjustment events based on at least two sources, which may include announcements published via newswire services or information services companies, the names of which will be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular, and/or information submitted to or filed with the courts, the SEC, an exchange or association, the Clearing Corporation, or another regulatory agency or similar authority.

(d) – (e) No change.

Rule 29.4 replaces, for purposes of Chapter XXIX, Rule 5.7.

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Rule 29.9. Determination of Credit Event, Automatic Exercise and Settlement

(a) – (c) No change.

(d) The Exchange will confirm Credit Events based on at least two sources, which may include announcements published via newswire services or information services companies, the names of which will be announced to the Trading Permit Holders **[**membership**]** via Regulatory Circular, and/or information submitted to or filed with the courts, the SEC, an exchange or association, the Clearing Corporation, or another regulatory agency or similar authority.

(e) – (g) No change.

Rule 29.9 replaces, for purposes of Chapter XXIX, Rule 11.1. Rule 11.2 is not applicable.

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Rule 29.15. Nullification and Adjustment of Credit Option Transactions

(a) No change.

(b) Paragraph (a) of Rule 6.25 has no applicability to Credit Option transactions. For purposes of paragraph (a) of Rule 6.25, a Trading Permit Holder **[**member**]** or person associated with a Trading Permit Holder **[**member**]** may have a trade nullified or adjusted if, in addition to the procedural requirements of paragraph (b) of Rule 6.25, one of the following conditions is satisfied:

(1) – (2) No change.

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CBOE Rules—Chapter XXXI

Chapter XXXI Approval of Securities for Original Listing

Listing Fees (Rules 31.1—31.4)

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Criteria for Original Listing (Rules 31.5—31.16)

Rule 31.5. Criteria for Eligibility of Securities

The Exchange will evaluate and prepare a confidential preliminary opinion as to the eligibility of an applicant's securities for listing upon submission of the information listed in Rule 31.20. To assist issuers interested in applying for listing, the Exchange has established certain numerical and other criteria (Rules 31.9 through 31.16) which issuers will be required to meet. References in this Rule to "public shareholders" or "public holders" do not include any officer, director, controlling shareholder, or other owners of family or concentrated holdings.

The Exchange may extend unlisted trading privileges to any security for which the Exchange has in effect rules providing for transactions in such class or type of security. Provisions of this Rule that govern trading hours, dissemination of information (*e.g.*, intraday indicative value and index value) and surveillance procedures, and that relate to information circulars and prospectus delivery, shall apply to securities traded on an unlisted trading privileges basis.

A – E. No change.

F. *Other Securities*

The Exchange will consider listing any security not otherwise covered by the criteria of paragraphs (A) through (E) and (G), provided the issue is otherwise suited for auction market trading. Such issues will be evaluated for listing against the following criteria:

(a) – (c) No change.

Prior to commencement of trading of securities admitted to listing under this paragraph, the Exchange will evaluate the nature and complexity of the issue and, if appropriate, distribute a circular to the Trading Permit Holders **[**membership**]** providing guidance regarding TPH organization **[**member firm**]** compliance responsibilities when handling transactions in such securities.

G. No change.

H. *Contingent Value Rights*

No change.

. . . Interpretations and Policies:

.01 Each TPH **[**member**]** organization transacting business on behalf of customers in CVRs must comply with the requirements of Rule 30.50(c) concerning a TPH **[**member**]** organization's duty to know its customers and approve its customers' accounts.

.02 Prior to commencement of trading of CVRs admitted to listing under Rule 31.5.H, the Exchange will distribute a circular to the Trading Permit Holders **[**membership**]** providing guidance regarding TPH organization **[**member firm**]** compliance responsibilities when handling transactions in CVRs.

I. *Equity Linked Term Notes*

No change.

(a) – (i) No change.

. . . Interpretations and Policies:

.01 - .06 No change.

.07 Each TPH **[**member**]** organization transacting business on behalf of customers in equity linked notes must comply with the requirements of Rule 30.50(c) concerning a TPH **[**member**]** organization's duty to know its customers and approve its customers' accounts.

.08 Prior to commencement of trading of equity linked notes admitted to listing under Rule 31.5.I, the Exchange will evaluate the nature and complexity of the issue and, if appropriate, distribute a circular to the Trading Permit Holders **[**membership**]** providing guidance regarding TPH organization **[**member firm**]** compliance responsibilities when handling transactions in equity linked notes.

J – O. No change.

P. Unlisted Trading Privileges

(1) No change.

(2) Any NDSP traded on the Exchange pursuant to UTP shall be subject to the additional following rules:

(a) No change.

(b) Prospectus Delivery/Product Description. Trading Permit Holders **[**Members**]** and TPH **[**member**]** organizations are subject to the prospectus delivery requirements under the Securities Act of 1933, unless the NDSP is the subject of an order by the Securities and Exchange Commission exempting the product from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and the product is not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. The Exchange shall inform its Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations regarding the application of the provisions of this subparagraph to such NDSPs by means of an information circular.

The Exchange requires that Trading Permit Holders **[**members**]** provide to all purchasers of such NDSPs a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, the Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations shall include a written description with any sales material relating to such NDSPs that is provided to customers or the public. Any other written materials provided by a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to customers or the public making specific reference to such NDSPs as an investment vehicle must include a statement substantially in the following form: " A circular describing the terms and characteristics of [such NDSPs] has

been prepared by the [open-ended management investment company name] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [such NDSPs]."

A Trading Permit Holder **[**member**]** or TPH **[**member**]** organization carrying an omnibus account for a non-Trading Permit Holder **[**member**]** is required to inform such non-Trading Permit Holder **[**member**]** that execution of an order to purchase such NDSPs for such omnibus account will be deemed to constitute an agreement by the non-Trading Permit Holder **[**member**]** to make such written description available to its customers on the same terms as are directly applicable to the Trading Permit Holder **[**member**]** under this rule.

Upon request of a customer, a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall also provide a prospectus for such NDSPs.

(c) Market Maker Restrictions. The following restrictions shall apply to each Trading Permit Holder **[**member**]** registered as a Market Maker ("Restricted Market Maker") in an NDSP that derives its value from one or more currencies, commodities, or derivatives based on one or more currencies or commodities, or is based on a basket or index comprised of currencies or commodities (collectively, "Reference Assets"):

(i) – (ii) No change.

. . . Interpretations and Policies:

.01 - .02 No change.

.03 Each TPH **[**member**]** organization transacting business on behalf of customers in index-linked exchangeable notes must comply with the requirements of Rule 30.50(c) concerning a TPH **[**member**]** organization's duty to know its customers and approve its customers' accounts.

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Procedures for Listing (Rules 31.17—31.19)

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Listing Applications (Rule 31.20)

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Additional Listings (Rules 31.21—31.23)

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Disclosure Policies (Rules 31.24—31.25)

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Dividends and Stock Splits (Rules 31.30—31.37)

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Rule 31.36. Cash in Lieu of Fractional Shares

Most companies prefer to pay cash in settlement of fractional share interests since this procedure is the least expensive and easiest method. The work and problems of TPH organizations **[**member firms**]** are simplified when fractional share interests are paid in cash, since the use of order forms involves special handling. For example, in handling customer's dividend accounting, TPH organizations **[**member firms**]** must mail the order forms to the customers, have them returned and follow the customers instructions as to whether they wish to buy or sell fractional share interests, all of which involves substantial bookkeeping and expense to the firms. Additionally, the problem is aggravated when a TPH organization **[**member firm**]** "fails" over the record date for a dividend and may not be in a position to supply the customer of the receiving TPH organization **[**member firm**]** with an order form. If cash is paid, the procedure is greatly simplified. For the foregoing reasons, the Exchange urges listed companies to follow the procedure of paying cash in lieu of fractional share interests.

The usual procedure of most companies is to compute the cash payment based on the last sale price of the stock on the record date, because: (a) the record date is the date on which the stockholder becomes "long" the stock dividend shares; and (b) by such date the stock will have been quoted "ex-dividend" (except in the case of large stock dividends of 25% or more), so that the market price of the stock will have been adjusted for the dividend. A company may prefer to compute the cash payment based on the last sale price of the stock on the dividend declaration date. Where this is done, the company should adjust the "dividend on" selling price of the stock on the declaration date to an "ex-dividend" basis. Otherwise, there will be an overpayment of the cash portion of the dividend. For example, if a company declares a 10% stock dividend and the last sale price on the declaration date is $11, the value of the dividend at that time computes to $1

per share, or an adjusted "ex-dividend" price for the stock of $10 (10/11ths of $11). On this basis, the fractional share interests should be paid for in cash at the rate of $10 per full share.

This adjustment is even more important in cases of large stock dividends (25% or more). In these instances, the Exchange postpones the "ex-dividend" date until the dividend has been paid (see Rule 31.51). For example, in the case of a 50% stock dividend, the "theoretical ex-dividend" price would be equivalent to 2/3rds of the "dividend on" price of the stock. Thus, if the price of the stock at the close of business on the declaration or record date is $33 per share, the "theoretical ex-dividend" price would be adjusted to $22 per share. Accordingly, fractional share interests should be settled based upon a price of $22 per share.

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Ex-dividend—Ex-rights (Rules 31.40—31.52)

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Rule 31.43. Ex-rights Procedure

In the establishment and announcement of ex-rights dates, the Exchange proceeds as follows:

(a) No change.

(b) Subscription Price Not Known—Where the subscription price and all other terms of the rights and subscription offering are not known sufficiently in advance of the record date to determine the value of the rights, the Exchange will rule the stock ex-rights on the day following the date the rights commence trading (which, in most instances, is a date subsequent to the record date for the subscription offering).

Under such circumstances, the Exchange requires that all deliveries of stock made after the record date (or "equivalent Chicago record date", where appropriate) in settlement of transactions made prior to the ex-rights date, and on a "rights on" basis carry "due bills" for the rights.[*]

[*] A "Due Bill" is an instrument used by TPH **[**member**]** organizations, when, for any reason, it becomes necessary to postpone an "ex-dividend" or "ex-rights" date. The due bill has the effect of transferring the right to receive a dividend, distribution or subscription right from the stockholder on the record date to the purchaser of the security who, at the time of the transaction, paid a "dividend on" or "rights-on" price.

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Rule 31.45. Return of Dividend

Trading Permit Holders **[**Members**]** and TPH **[**member**]** organizations, receiving deliveries in advance of the record date against ex-dividend or ex-rights transactions, who are able to effect transfer of the purchased security by the record date, will be responsible to return the dividend or rights to the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization from whom delivery was received.

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Rule 31.50. Schedule for Customary Ex-dividend Dates

The "ex-dividend" date established by the Exchange is based on the location of the transfer facilities either in, or nearest to, Chicago. Thus, if an issue transfers both in Chicago and outside of Chicago, the "ex" date is based on the Chicago transfer facilities. If an issue does not transfer in Chicago, but transfers in two or more cities outside of that area, the "ex" date is based on the location of the transfer facilities closest to Chicago.

To avoid unnecessary claims for dividends, Trading Permit Holders **[**members**]** receiving deliveries of stocks against "dividend on" transactions, are urged to provide for the earliest mailing of such stocks which transfer out of town, in order to ensure receipt by the transfer agent by the record date.

Rule 31.51. Special Ex-dividend Rulings

(a) Late Notices—If, as required by Exchange rules, the Exchange does not receive a notice of a dividend declaration sufficiently in advance of a record date to permit a stock to be quoted "ex-dividend" in the usual manner, the Exchange quotes the stock "ex-dividend" as soon as possible following receipt of notice of the dividend. The Exchange also rules that the "dividend on" purchaser (in transactions made during the interval between the date when the stock should have been quoted "ex" and the date when the stock is actually quoted "ex") is entitled to receive the dividend from the seller. The seller in such transactions is required to give to the purchaser a due bill, covering the amount of the dividend, to be redeemed subsequent to the payment date for the dividend.

The use of due bills causes vexing problems between TPH **[**member**]** organizations and their customers because it is often difficult to explain to the selling customer why he should give up a

dividend paid to him by the company. Therefore, the Exchange requires listed companies to furnish to the Exchange timely notification of dividend declarations (i) as many days as possible in advance of the record date and, in any event, (ii) no less than ten (10) days in advance of the record date.

(b) – (c) No change.

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Accounting (Rules 31.53—31.56)

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Annual Reports (Rules 31.60—31.66)

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Quarterly Reports (Rules 31.67—31.71)

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Shareholders's Meetings (Rules 31.72—31.77)

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Rule 31.74. Notice of Meetings

A listed company is required to give written notice at least ten days in advance of all shareholders' meetings, and to provide for such notice in its by-laws.

In addition, the company must immediately notify the Exchange when it establishes a date for the taking of a record of its shareholders. Such notice must be given at least ten days in advance of the record date.

NOTE: Exchange rules prohibit the closing of a listed company's transfer books, for any purpose.

The Exchange recommends that such notice and proxy soliciting material be received by stockholders as many days as possible (preferably at least 20 days) in advance of the meeting. A similar arrangement should be followed in delivering such proxy material to TPH **[**member**]** organizations in order to allow such organizations ample time to mail the material to, and receive voting instructions from, beneficial owners.

Companies should be aware that the Exchange's proxy rules provide that in the case of a routine meeting, if the proxy material is distributed by a TPH **[**member**]** organization, as record holder, to the beneficial owners of the shares, at least 15 days before the meeting, and voting instructions from the beneficial owner are not received ten days prior to the meeting, the TPH **[**member**]** organization may then vote the proxy in its discretion. Otherwise, the TPH **[**member**]** organization must receive specific voting instructions from its customers.

If a company plans to request brokers to forward proxy-soliciting material to customers, it should communicate with the brokers at least ten days in advance of the voting record date for the meeting:

(a) – (b) No change.

(c) agreeing to reimburse them for out-of-pocket expenses incurred in handling the material. The sets of proxy material distributed to TPH **[**member**]** organizations should include the required number of proxies and annual reports to assure compliance with the rules and regulations of the Exchange and the SEC.

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Shareholders' Approval (Rules 31.78—31.81)

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Voting by Trading Permit Holders [Exchange Members], Transmission of Proxy Materials (Rules 31.82—31.88)

Rule 31.82. Application of Proxy Rules

Exchange Rules apply to TPH **[**member**]** organizations regardless of whether the security involved is traded on the Exchange. However, if a conflict arises between these rules and those of another registered national securities association or exchange, the rules of the Exchange apply only if it is the principal market for the security.

Rule 31.83. Giving of Proxies—Restrictions on TPH [Member] Organizations

No TPH **[**member**]** organization shall give, or authorize the giving of, a proxy to vote stock registered in its name, or in the name of its nominee, unless such TPH **[**member**]** organization is the beneficial owner of such stock.

Rule 31.84. Transmission of Proxy Material to Customers

(a) Whenever a person soliciting proxies shall furnish a TPH **[**member**]** organization with:

(i) copies of all soliciting material which such person is sending to registered holders; and

(ii) satisfactory assurance that he will reimburse such TPH **[**member**]** organization for all out-of-pocket expenses, including reasonable clerical expenses, incurred by such TPH **[**member**]** organization in connection with such solicitation;

such TPH **[**member**]** organization shall transmit to each beneficial owner of stock, which is in its possession or control, the material furnished.

Annual reports should be transmitted to beneficial owners under the same conditions as those applying to proxy soliciting material under the proxy rules of the SEC.

The Exchange has approved the following as fair and reasonable rates of reimbursement to TPH **[**member**]** organizations for all out-of-pocket expenses, including reasonable clerical expenses, incurred in connection with proxy solicitations (as well as the mailing of interim reports or other material to shareholders): Charges for Initial Proxy and/or Annual Report Mailings

60¢ for each set of proxy material, plus postage (proxy statement, form of proxy and annual report when mailed as a unit) for those meetings that do not include a proposal which requires beneficial owner instructions, with a minimum of $5.00 for all sets mailed;

70¢ for each set of proxy material, plus postage (proxy statement, form of proxy and annual report when mailed as a unit) for those meetings which include a proposal requiring beneficial owner instructions, with a minimum of $5.00 for all sets mailed;

20¢ for each copy, plus postage, for annual reports which are mailed separately from the proxy material pursuant to instruction of the person soliciting proxies, with a minimum charge of $3.00 for all sets mailed;

Charges for Proxy Follow-Up Mailings

40¢ for each set of follow-up material, plus postage, when the follow-up material is mailed to all beneficial owners;

60¢ for each set of follow-up material, plus postage, when the follow-up material is mailed only to beneficial owners who have not responded to the initial mailing.

Charges for Interim Report Mailings

20¢ for each copy, plus postage, for interim reports, post-meeting reports or other material, with a minimum of $2.00 for all sets mailed.

Member organizations may charge for envelopes, if they are not furnished by the person soliciting proxies.

Surcharge for Proxy Mailings for Annual Meetings

The Exchange has approved the following surcharge on issuers as a fair and reasonable rate of reimbursement of TPH **[**member**]** organizations for direct and indirect expenses associated with start-up costs incurred to comply with Rules 14 and 17a-3(a) (9) (ii) of the Securities Exchange Act of 1934.

20¢ for each set of proxy material, proxy statement and form of proxy (not including follow-up mailings), mailed in connection with the issuer's next annual meeting.

(b) The TPH **[**member**]** organization must also transmit the following information with all proxy soliciting material sent to registered holders:

(i) a request for voting instructions and, as to matters which may be voted without instruction, a statement to the effect that if such instructions are not received by the tenth day before the meeting, the proxy may be given at discretion by the owner of record (the TPH **[**member**]** organization) of the stock.

NOTE: Such statement may be made only when the proxy soliciting material is transmitted to the beneficial owner of the stock at least fifteen days before the meeting. When the proxy soliciting material is transmitted to the beneficial owner of the stock twenty five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the stock; or

(ii) a signed proxy indicating the number of shares held for the beneficial owner and bearing a symbol identifying the proxy with proxy records of the TPH **[**member**]** organization. A letter must also be sent informing the beneficial owner of the necessity for completing the proxy form and forwarding it to the person soliciting proxies in order that the shares may be represented at the meeting.

(c) TPH **[**member**]** organizations must also comply with the following rules when transmitting proxy soliciting material to registered holders:

(i) first class mail should be used to facilitate the obtaining of voting instructions or forwarding signed proxies, unless another method is specified by the persons for whom the material is transmitted;

(ii) proxy material must be sent to a beneficial owner even though such owner has instructed the TPH **[**member**]** organization not to do so;

(iii) proxy material need not be sent to beneficial owners outside the United States (however, TPH **[**member**]** organizations may do so if they wish);

(iv) if securities are held in an omnibus account for an out-of-town or non-clearing TPH **[**member**]** organization, it is incumbent upon the out-of-town or non clearing TPH **[**member**]** organization to see that the necessary proxy material is transmitted to the beneficial owners and that the proper records are kept.

Rule 31.85. Giving Proxies by TPH [Member] Organization

(a) When a TPH **[**member**]** organization may vote without customer instructions—A TPH **[**member**]** organization may give a proxy to vote stock provided that:

(1) – (3) No change.

(b) When a TPH **[**member**]** organization may not vote without customer instructions—A TPH **[**member**]** organization may not give a proxy to vote without instructions from beneficial owners when the matter to be voted upon:

(1) – (19) No change.

(20) materially amends an investment advisory contract with an investment company. A material amendment to an investment advisory contract would include any proposal to obtain shareholder approval of an investment company's investment advisory contract with a new investment adviser, which approval is required by the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules thereunder. Such approval will be deemed to be a “matter which may affect substantially the rights or privileges of such stock” for purposes of this rule so that a TPH **[**member**]** organization may not give a proxy to vote shares registered in its name absent instruction from the beneficial holder of the shares. As a result, for example, a TPH **[**member**]** organization may not give a proxy to vote shares registered in its name, absent instruction from the beneficial holder of the shares, on any proposal to obtain shareholder approval required by the 1940 Act of an investment advisory contract between an investment company and a new investment adviser due to an assignment of the investment company's investment advisory contract, including an assignment caused by a change in control of the investment adviser that is party to the assigned contract.

(c) Discretionary and non-discretionary proposals in one proxy form—A proxy form may contain proposals, some of which may be acted upon at the discretion of the TPH **[**member**]** organization in the absence of instruction, and others which may be voted only in accordance with the directions of the beneficial owner. This should be indicated in the letter of transmittal. In such cases, the TPH **[**member**]** organization may vote the proxy in the absence of instructions if it physically crosses out those portions where it does not have discretion.

(d) Cancellation of discretionary proxy where counter-solicitation develops—Where a discretionary proxy has been given in good faith under the rules and counter-solicitation develops at a later date, thereby creating a "contest", the question as to whether or not the discretionary proxy should then be canceled is a matter which each TPH **[**member**]** organization must decide for itself. After a contest has developed, no further proxies should be given except at the direction of beneficial owners.

(e) Subsequent proxy—Where a TPH **[**member**]** organization gives a subsequent proxy, it should clearly indicate whether the proxy is in addition to, in substitution for, or in revocation of, any prior proxy.

(f) Signing and dating proxy—All proxies should be dated and should show the number of shares voted. Since manual signatures are sometimes illegible, a TPH **[**member**]** organization should also either type or rubber-stamp its name on such proxy.

(g) Proxy records—Records covering the solicitation of proxies shall show the following:

(1) – (3) No change.

(4) a summary of all proxies voted by the TPH **[**member**]** organization clearly setting forth total shares voted for or against, or not voted, for each proposal to be acted upon at the meeting.

Verbal voting instructions may be accepted provided a record is kept of the instructions of the beneficial owner and the instructions are retained by the TPH **[**member**]** organization. The record shall also indicate the date of the receipt of the instructions and the name of the recipient.

(h) No change.

Rule 31.86. Transfers to Facilitate Solicitation

A TPH **[**member**]** organization, when so requested by the Exchange, shall transfer certificates of a listed stock held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, or in the name of its nominee, prior to the taking of a record of stockholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such requests at the instance of the issuer or of persons owning in the aggregate at least 10 percent of such stock, provided that, if the Exchange so requires, the issuer or persons making such request agree to indemnify TPH **[**member**]** organizations against transfer taxes. The Exchange may make such a request for indemnification whenever it deems it advisable.

Rule 31.87. Transmission of Interim Reports and Other Material

A TPH **[**member**]** organization, when so requested by a company, and upon being furnished with:

(1) copies of interim reports of earnings or other material being sent to stockholders; and

(2) satisfactory assurance that it will be reimbursed by such company for all out-of-pocket expenses, including reasonable clerical expenses;

shall transmit such reports or materials to each beneficial owner of stock of such company held by such TPH **[**member**]** organization and registered in a name other than the name of the beneficial owner. (See Rule 31.84 for the schedule of appropriate rates of reimbursement for such mailings.)

NOTE: This rule does not apply to beneficial owners outside the United States, but does apply to both listed and unlisted companies.

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Transfer Facilities; Certificates (Rules 31.90—31.93)

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Suspension and Delisting (Rule 31.94)

Rule 31.94. Suspension and Delisting Policies

A – F. No change.

G. *Delisting Procedures*

The following introductory sentence of Rule 31.94(G) is effective until April 23, 2006.

Whenever the Exchange determines that it is appropriate to consider removing a security from listing (or from unlisted trading) for other than routine reasons (redemptions or maturities) it will follow the following procedures:

The following introductory sentence of Rule 31.94(G) will be effective on April 24, 2006.

Whenever the Exchange determines that it is appropriate to consider removing a security from listing (or from unlisted trading) for other than the reasons set forth in Rule 31.94(C)(f) it will follow the following procedures:

(a) – (b) No change.

(c) If, within five days after receiving such written notice, the company informs the Exchange in writing that it wishes to appeal the decision and requests an opportunity for a hearing, the Exchange will give the company at least ten days prior written notice of the time and place at which a hearing shall be held.

(d) Such hearing shall be held before an Exchange committee which may be either a standing committee or a committee specially appointed for the purpose and may consist of directors, Exchange officials, Trading Permit Holders **[**members**]**, and/or other persons (not having an interest in the matter) as the Board of Directors shall determine. At least three members of the committee must be present in order to conduct the hearing and only those members of the committee who attend the hearing may vote with respect to any determinations the committee may make.

(e) – (g) No change.

Rule 31.94(G)(h) in the following form is effective until April 23, 2006. It will be rescinded after that date and will be replaced as set forth below.

(h) No change.

No change.

Rule 31.94(G)(h) in the following form will be effective on April 24, 2006.

(h) No change.

H – I. No change.

Additional Matters (Rules 31.95—31.96)

Rule 31.95. Relationship with DPM

Procedures, Rules and Regulations

From time to time, company officials inquire about Exchange rules or regulations affecting their relationship to the DPM in their securities.

(a) DPM Function—The DPM is a Trading Permit Holder **[**member of the Exchange**]** who performs two basic functions regarding the issues in which he specializes. As a broker, he holds and executes orders entrusted to him by other brokers on behalf of their customers. As a dealer, he is obliged, insofar as reasonably practicable, to purchase and sell securities for his own account in order to help maintain a fair and orderly market. His aim is to provide a continuous auction market throughout the trading day, with minimum price changes between transactions. The DPM does not by his own activities determine the trend of stock prices. Rather, the price at any given moment is determined fundamentally by the balance of public buy and sell orders.

(b) – (c) No change.

Rule 31.96. Notices to Exchange

A. – E. No change.

F. *Change of Name*

A company proposing to change its name should:

(a) – (f) No change.

(g) When the change in name becomes effective, the Exchange will notify its TPH **[**member**]** organizations of the new name and will advise them that, either on the date of its announcement or on the day after transactions in the securities of the company will be recorded under its new name. If substantial change in name is involved, a new ticker symbol may be designated for the company's securities. The Exchange will also rule that, until further notice, transactions in securities may be settled by delivery of either the present form of certificate or a new or over-printed form of certificate on which the change in name has been reflected.

G – H. No change.

FORMS FOR LISTING (Forms 1—6)

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CBOE Rules—Chapters XL-XLIX

CHAPTER XL

Introduction

No change.

Rule 40.1. Definitions

(a) No change.

SBT System

(b) "Screen Based Trading System" or "SBT System" means the electronic system administered by the Exchange which performs the functions set out in Exchange rules including controlling, monitoring, and recording trading by Trading Permit Holders **[**members**]** through SBT workstations and trading between Trading Permit Holders **[**members**]**.

(c) – (f) No change.

Trading Official

(g) "Trading Official" means an individual appointed by the Exchange who is granted certain duties and authorities under these Rules with respect to trading issues and market actions affecting either the operation of the SBT System or the responsibilities of SBT Traders.

SBT Trader

(h) "SBT Trader" means an individual Trading Permit Holder **[**member**]** who or TPH **[**member**]** organization which has the right to trade on the SBT System.

(i) – (n) No change.

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CHAPTER XLI

Market Participants, Market Access and Securities Dealt In

Rule 41.1. Market Participants

(a) The SBT Traders in the SBT System shall be:

(1) SBT Market-Makers - Trading Permit Holders **[**members**]** who are either SBT Standard Market-Makers, SBT Lead Market-Makers or SBT Designated Primary Market-Makers;

(2) SBT Standard Market-Makers - Trading Permit Holders **[**members**]** who have agreed to fulfill certain market making obligations thus qualifying for defined benefits;

(3) No change.

(4) SBT Designated Primary Market-Makers - Trading Permit Holders **[**members**]** who are qualified and obligated to fulfill a higher level of Market-Maker obligations than SBT Standard Market-Makers thus qualifying for a greater level of defined benefits;

(5) SBT Brokers - Trading Permit Holders **[**members**]** who enter orders as agents for accounts other than accounts of SBT Market-Makers;

(6) Proprietary Traders - Trading Permit Holders **[**members**]** who enter orders as principal for non-Market-Maker proprietary accounts;

(b) Other users of the SBT System are:

(1) Clearing Firm Users - Trading Permit Holders **[**members**]** who monitor and regulate the activities of traders trading through the clearing firm;

(2) No change.

Rule 41.2. Registration of Trading Permit **[**Membership**]**

Any Trading Permit Holder **[**Exchange member**]** who chooses to participate on the SBT System must apply with the Exchange to act as an SBT Market-Maker, SBT Broker, or Proprietary Trader. The Exchange shall be responsible for approving applications of Trading Permit Holders **[**Exchange members**]** as an SBT Market-Maker, SBT Broker, or Proprietary Trader for the SBT System.

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Rule 41.4. Replacement Traders

(a) If the SBT System is so enabled to recognize Replacement Traders, Individual SBT Market-Makers may nominate a Replacement Trader that must be qualified and registered with the Exchange as such. The Exchange shall be responsible for qualifying and approving Replacement Traders. Replacement Traders for a nominee of a TPH organization **[**member firm**]** must be nominees of the same firm **[**or must have their memberships registered for the same firm**]**.

(b) No change.

CHAPTER XLII

Trading Day and States of Operation

* * * * *

CHAPTER XLIII

Trading Rules and Processing of Orders

Rule 43.1. Matching Algorithm/Priority

(a) No change.

(b) *Additional Priority Overlays.* In addition to the base allocation methodologies set forth above, the Exchange may determine to apply, on a class-by-class basis, any or all of the following designated market participant overlay priorities in a sequence determined by the Exchange (except that if the Trade Participation Right priority is applied, the Public Customer

priority must be in effect and applied ahead of the Trade Participation Right). The Exchange will issue a Regulatory Circular periodically which will specify which classes of options are subject to these additional priorities as well as any time the Exchange changes these priorities.

(1) *Public Customer*. When this priority overlay is in effect and no other priority overlays are in effect, the highest bid and lowest offer shall have priority except that public customer orders shall have priority over non-public customer orders at the same price. If other priority overlays are also in effect, priority is established in the sequence designated by the Exchange. In either case, if there are two or more public customer orders for the same options series at the same price, priority shall be afforded to such public customer orders in the sequence in which they are received by the System, even if the Pro Rata Priority allocation method is the chosen allocation method. For purposes of this Rule, a Public Customer order is an order for an account in which no Trading Permit Holder **[**member**]**, non-Trading Permit Holder **[**member**]** participant in a joint-venture with a Trading Permit Holder **[**member**]**, or non-Trading Permit Holder **[**member**]** broker-dealer (including a foreign broker-dealer) has an interest.

(2) – (3) No change.

(c) – (g) No change.

* * * * *

Rule 43.12. SBT Broker Facilitation and Solicitation of Orders

(a) No change.

(b) *Solicitation Orders*. SBT Brokers must expose orders they represent as agent on the System for at least thirty (30) seconds before such orders may be executed in whole or in part by orders solicited from Trading Permit Holders **[**members**]** and non-Trading Permit Holder **[**member**]** broker-dealers to transact with such orders.

Rule 43.12A. Crossing Trades

(a) – (b) No change.

. . . Interpretations and Policies:

.01 It will be a violation of a Trading Permit Holder's **[**member's**]** duty of best execution to its customer if it were to cancel or withhold a customer order to avoid execution of the order at a better price. The availability of the Crossing Mechanism does not alter a Trading Permit Holder's **[**member's**]** best execution duty to obtain the best price for its customer. Accordingly, if a Trading Permit Holder **[**member**]** were to cancel or withhold a customer order when there was a superior price available on the System and subsequently enter the order at an inferior price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the Trading Permit Holder **[**member**]** did so to avoid execution of its customer order in whole or in part at the better price.

* * * * *

Rule 43.12C. Prohibited Conduct Related to Cross Transactions

(a) It will be a violation of Rule 43.12, 43.12A and of Rule 43.12B for an SBT Broker to be a party to any arrangement designed to circumvent Rule 43.12A or Rule 43.12B by providing an opportunity for a customer, Trading Permit Holder **[**member**]**, or non-Trading Permit Holder **[**member**]** broker-dealer to execute against agency orders handled by the SBT Broker immediately upon their entry into the System.

(b) No change.

Rule 43.13. Responsible Traders

(a) *Defined*. A Responsible Trader is an individual who is responsible for each and every order submitted to the SBT System on behalf of a particular SBT Trader. There must be a Responsible Trader registered with the Exchange for every Trading Permit Holder **[**member**]**. The Responsible Trader must be approved by the Exchange and must satisfy any qualification standards set by the Exchange.

(b) The Responsible Trader will be required to:

(1) have full control over access to the SBT System and over the ability to submit orders using the Trading Permit Holder's **[**member's**]** access right;

(2) be fully aware of orders submitted using the Trading Permit Holder's **[**member's**]** access right (although the business might have originated from another source); and

(3) No change.

(c) A Responsible Trader can be charged for violations of Exchange rules resulting from any submission of an order made on behalf of the particular Trading Permit Holder **[**member**]**.

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CHAPTER XLIV SBT MARKET-MAKERS AND DESIGNATED MARKET-MAKERS

SECTION A: MARKET-MAKERS

Rule 44.1. SBT Market-Maker Defined

An SBT Market-Maker for purposes of the rules in Chapter XL through LIX is an individual (either a Trading Permit Holder **[**member**]** or nominee of a TPH **[**member**]** organization **[**or a member who has registered his or her membership for a member organization**]**) who is registered with the Exchange for the purpose of making transactions as a dealer-specialist in the SBT System in accordance with the provisions of this Chapter. Registered SBT 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 (i) transacted on the SBT System or (ii) that qualify under Rule 8.1 shall count as Market-Maker transactions for purposes of this Chapter and Rules 8.1 and 12.3(e). An SBT Market-Maker may be either: an SBT Standard Market-Maker, an SBT Lead Market-Maker or an SBT Designated Primary Market-Maker.

Rule 44.2. Registration of Market-Makers

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

(b) No change.

(c) Any Trading Permit Holder **[**member**]** or prospective Trading Permit Holder **[**member**]** adversely affected by a determination of the Exchange under this Rule may obtain a review in accordance with the provisions of Chapter XIX.

Rule 44.3. Appointment of SBT Market-Makers

(a) – (c) No change.

(d) The appointment of an SBT Market-Maker to an option class traded on the System will not count against that Trading Permit Holder's **[**member's**]** limit of ten trading stations to which that Trading Permit Holder **[**member**]** may be appointed pursuant to Rule 8.3(c).

. . . Interpretations and Policies:

.01 SBT Lead Market-Makers. A TPH **[**member**]** organization desiring to be approved to act as an SBT LMM shall file an application with the Exchange on such form or forms as the Exchange may prescribe. The Exchange may appoint one or more SBT LMMs to an option class traded on the System if those option classes have not been assigned to an SBT DPM. If the Exchange appoints more than one SBT LMM per trading session to an option class traded on the System, the appointed SBT LMMs will function as SBT LMMs on a rotating basis in accordance with a schedule set by the Exchange. SBT LMMs will have the obligations of SBT Market-Makers plus those additional obligations set forth in Interpretation .01 to Rule 44.4.

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SECTION B: SBT DESIGNATED PRIMARY MARKET-MAKERS

Rule 44.10. SBT DPM Defined

An "SBT Designated Primary Market-Maker" or "SBT DPM" is a TPH **[**member**]** organization that is approved by the Exchange to function on the SBT System in allocated securities as an SBT Market-Maker (as defined in Rule 44.1) with the additional obligations provided for in this Section B of Chapter 44. Determinations concerning whether to grant or withdraw the approval to act as an SBT DPM are made by the Exchange in accordance with Rules 44.12. SBT DPMs are allocated securities by the Exchange in accordance with Rule 8.95.

Rule 44.11. SBT DPM Designees

(a) No change.

(b) Notwithstanding any other rules to the contrary, an individual must satisfy the following requirements in order to be an SBT DPM Designee of an SBT DPM:

(1) the individual must be approved to be a Trading Permit Holder **[**a member of the Exchange**]**;

(2) the individual must be a nominee of the SBT DPM or of an affiliate of the SBT DPM **[**or must own a membership that has been registered for the SBT DPM or for an affiliate of the SBT DPM**]**;

(3) - (4) No change

(5) No change.

(c) - (d) No change.

Rule 44.12. Approval to Act as an SBT DPM

(a) A TPH **[**member**]** organization desiring to be approved to act as an SBT DPM shall file an application with the Exchange on such form or forms as the Exchange may prescribe.

(b) – (e) No change.

(f) If a TPH **[**member**]** organization resigns as an SBT DPM or if the Exchange terminates or otherwise limits its approval to act as an SBT DPM, the Exchange shall have the discretion to do one or both of the following:

(1) – (2) No change.

Neither an interim approval or allocation made pursuant to this paragraph (f) should be viewed as a prejudgment with respect to the final approval or allocation.

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Rule 44.13A. Termination, Conditioning, or Limiting Approval to Act as a DPM

(a) The Exchange may terminate, place conditions upon, or otherwise limit a TPH **[**member**]** organization's approval to act as an SBT DPM under any one or more of the following circumstances:

(1) if the TPH [member] organization incurs a material financial, operational, or personnel change;

(2) if the TPH [member] organization fails to comply with any of the requirements under this Section B of Chapter XLIV or the applicable provisions of Section C of Chapter VIII or fails to adequately satisfy the standards of performance under Rule 8.88(a);

(3) if for any reason the TPH [member] organization should no longer be eligible for approval to act as a DPM or to be allocated a particular security or securities.

Before the Exchange takes action to terminate, condition, or otherwise limit a TPH [member] organization's approval to act as an SBT DPM, the TPH [member] organization will be given notice of such possible action and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. Such proceedings shall be conducted in the same manner as proceedings concerning SBT DPM approvals which are governed by Rule 44.12(c).

(b) Notwithstanding the provisions of paragraph (a) of this Rule, the Exchange has the authority to immediately terminate, condition, or otherwise limit a TPH [member] organization's approval to act as an SBT DPM if it incurs a material financial, operational, or personnel change warranting such action or if the TPH [member] organization fails to comply with any of the financial requirements of Rule 8.86.

(c) Limiting a TPH [member] organization's approval to act as an SBT DPM may include, among other things, limiting or withdrawing the TPH [member] organization's SBT DPM participation entitlement provided for under Rule 44.15, and withdrawing the right of the TPH [member] organization to act in the capacity of an SBT DPM in a particular security or securities which have been allocated to the TPH [member] organization.

(d) If a TPH [member] organization's approval to act as an SBT DPM is terminated, conditioned, or otherwise limited by the Exchange pursuant to this Rule, the TPH [member] organization may seek review of that decision under Chapter XIX of the Rules.

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Rule 44.16. Allocation of SBT DPMs

Different Trading Permit Holders [members] may be allocated the same class for different trading sessions, that is, an SBT DPM may be allocated a particular option class in one trading session but not another.

CHAPTER XLV

Section A: SBT Brokers

Rule 45.1. SBT Broker Defined

An SBT Broker is an individual (either a Trading Permit Holder **[**member**]** or a nominee of a TPH **[**member**]** organization) who is registered with the Exchange for the purpose of accepting and executing orders received from Trading Permit Holders **[**members**]**, from registered broker-dealers, or from public customers on the SBT System. An SBT Broker shall not accept an order from any source other than a Trading Permit Holder **[**member**]** or a registered broker-dealer unless he is **[**either**]** the nominee of **[**, or has registered his individual membership for,**]** a TPH **[**member**]** organization approved to transact business with the public in accordance with Rule 9.1. In the event the organization is approved pursuant to Rule 9.1, an SBT Broker who is the nominee of **[**, or who has registered his individual membership for**]** such organization, may then accept orders directly from public customers where (i) the organization clears and carries the customer account or (ii) the organization has entered into an agreement with the public customer to execute orders on its behalf. Among the requirements an SBT Broker must meet in order to register pursuant to Rule 9.1 is the successful completion of an examination for the purpose of demonstrating an adequate knowledge of the securities business.

Rule 45.2. Registration of SBT Brokers

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

(b) No change.

(c) Any Trading Permit Holder **[**member**]** or prospective Trading Permit Holder **[**member**]** adversely affected by a determination of the Exchange under this Rule may obtain a review in accordance with the provisions of Chapter XIX.

(d) An SBT Broker must receive authorization, in a manner prescribed by the Exchange, by a Clearing Trading Permit Holder **[**clearing member**]** prior to entering orders for a Clearing Trading Permit Holder **[**clearing member**]**.

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Section B: CLEARING FIRM BROKER FUNCTIONS

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CHAPTER XLVI

System Operator/Administrator Functions and Data Dissemination Functions

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Chapters XLVII to XLIX

Appendix A

Appendix A. Applicability of Rules of the Exchange

This Appendix lists the rules in Chapters I (1) through XXVII (27) of the rules of the Exchange that apply to the trading of products on the Exchange's screen based trading system. Where a rule in Chapters 1 through 27 is supplemented by a rule in Chapters 40 through 49, that fact is so indicated.

EXISTING RULE		SUPPLEMENTED BY
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2.1	Committees of the Exchange	
	Part C[B]: Departments	
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	Part D[C]: [Dues,] Fees and Other Charges	
2.20	Trading Permit Holder Fees and Charges **[**Membership	

	Dues**]**	
[2.21	Charge on Net Commissions**]**	
2.22	Other Fees or Charges	
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	Chapter III – Trading Permit Holders [Membership]	
3.1	Trading Permits **[**Public Securities Business**]**	
3.1A	Issuance of Trading Permits in respect of memberships and pre-Restructuring Transaction Trading Permits	
3.2	Qualifications **[**and Membership Statuses**]** of Individual Trading Permit Holders **[**Members**]**	
3.3	Qualifications **[**and Membership Statuses**]** of TPH **[**Member**]** Organizations	
[3.4	Qualifications of Foreign Member Organizations**]**	
3.5	Denial of and Conditions to Being a Trading Permit Holder or Associated with a Trading Permit Holder **[**Membership and Associations**]**	
3.6	Persons Associated With TPH **[**Member**]** Organizations	
3.6A	Qualification**[**s**]** and Registration of Certain Associated Persons	
3.7	Certain Documents Required of Trading Permit Holders **[**Members**]**, Applicants, and Associated Persons	
3.8	Nominees **[**and Members Who Register Their Memberships for Member Organizations**]**	
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[3.13	Purchase of Membership**]**	
[3.14	Sale and Transfer of Membership**]**	
[3.15	Proceeds from Sale of Membership**]**	
[3.16	Special Provisions Regarding Chicago Board of Trade	

	Exerciser Memberships**]**
[3.17	Leased Memberships**]**
3.18	Trading Permit Holders **[**Members**]** and Associated Persons Who Are or Become Subject to a Statutory Disqualification
3.19	Termination from Trading Permit Holder status **[**Membership**]**
3.20	Dissolution and Liquidation of TPH **[**Member**]** Organizations
3.21	Obligations of Terminating Trading Permit Holders **[**Members**]**
[3.22	Temporary Access**]**
3.23	Integrated Billing System
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[3.25	Transfer of Individual Membership in Trust**]**
[3.26	IPC Permits**]**
[3.27	Options Trading Permits**]**
[3.28	Extension of Time Limits**]**
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CBOE Rules—Chapters L-LIV

CHAPTER L—CBOE Stock Exchange (CBSX) Rules

Introduction

No change.

Rule 50.1 Definitions

For purposes of the rules governing CBSX, any term defined in **[**Article I of**]** the Bylaws **[**Constitution**]** or in Rule 1.1 and not otherwise defined in Chapters 50 through 55 shall have the meaning assigned to such term in either the Bylaws **[**Article I**]** or in Rule 1.1.

CBSX System

(a) "CBSX System" means the electronic system which performs the functions set out in the CBSX rules including controlling, monitoring, and recording trading by Trading Permit Holders **[**members**]** through CBSX Workstations and trading between Trading Permit Holders **[**members**]**.

(b) – (d) No change.

Trading Official

(e) "Trading Official" means an Exchange employee or Trading Permit Holder **[**member**]** who is granted certain duties under these Rules to take actions affecting either the operation of CBSX or to take actions affecting the responsibilities of CBSX Traders.

(f) – (k) No change.

* * * * *

Rule 50.3 Market Participants

The CBSX Traders in the CBSX System shall be:

(1) CBSX Market-Makers - Trading Permit Holders **[**members**]** who are either CBSX Remote Market-Makers, CBSX Lead Market-Makers or CBSX Designated Primary Market-Makers;

(2) CBSX Remote Market-Makers - Trading Permit Holders **[**members**]** who have agreed to fulfill certain market making obligations thus qualifying for defined benefits. CBSX Remote Market-Makers may only act in a remote capacity;

(3) No change.

(4) CBSX Designated Primary Market-Makers - Trading Permit Holders **[**members**]** who are qualified and obligated to fulfill a higher level of Market-Maker obligations than CBSX Remote Market-Makers thus qualifying for a greater level of defined benefits;

(5) CBSX Brokers - Trading Permit Holders **[**members**]** who enter orders as agents; and,

(6) Proprietary Traders - Trading Permit Holders **[**members**]** who enter orders as principal for non-Market-Maker proprietary accounts.

Rule 50.4 Trading Access

Any Trading Permit Holder **[**Exchange member**]** who chooses to participate on the CBSX System must apply with the Exchange to act as a CBSX Market-Maker, CBSX Broker, or Proprietary Trader. The Exchange shall be responsible for approving applications of Trading

Permit Holders [Exchange members] as a CBSX Market-Maker, CBSX Broker, or Proprietary Trader for the CBSX System. [Holders of CBSX Permits, as defined in Rule 3.26, shall also have access to trading on CBSX. Any references to the term "member" in Chapters 50-55 should be read to include CBSX Permit holders.]

* * * * *

CHAPTER LI Operational Matters

Rule 51.1 Securities Dealt In

No Trading Permit Holder [member] shall bid, offer, purchase or sell on the CBSX System any security subject to the rules in these Chapters 50-55, unless such security has been admitted to dealings on CBSX as a listed security or as a security to which unlisted trading privileges (UTP) apply, on an "issued", "when issued", or "when distributed" basis. CBSX will trade via UTP NMS Stocks including those listed on the NASDAQ Stock Market.

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Rule 51.8 Types of Orders Handled

At the discretion of CBSX, and once the CBSX System is so enabled, any of the following types of orders may be accommodated on the CBSX System:

(a) – (o) No change.

(p) *Middle Market Cross Order (MMO).* An unpriced order to trade at the prevailing midpoint of the NBBO (or BBO if no other market centers are disseminating a Protected Quotation) against a contra MMO for the same size. MMOs may only be entered when the bid price for the security is $1 or greater. MMOs may be executed in increments as small as one-half of the minimum increment established pursuant to Rule 51.5, however, a Trading Permit Holder [member] may not enter an MMO as a principal buyer (seller) when the prevailing NBBO (or BBO if no other market centers are disseminating a Protected Quotation) is one cent ($.01) wide and that Trading Permit Holder [member] is agent for a customer order resting at the national best bid (offer) (or BBO if no other market centers are disseminating a Protected Quotation).

(q) – (r) No change.

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Rule 51.11 Securities Quoted "Ex-dividend," "Ex-distribution," "Ex-rights" or "Ex-interest"

(a) – (b) No change.

. . . ***Interpretations and Policies:***

.01 - .02 No change.

.03 Responsibility for reducing price and increasing shares in orders. Open orders held by the CBSX System prior to the day a stock sells ex-dividend, ex-distribution or ex-rights shall be reduced in price and, if Interpretation and Policy .02 is applicable, increased in shares by the value of the dividend, distribution or rights, unless he is otherwise instructed by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization from whom the orders were received. In this regard, a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization may enter a Do Not Reduce or "DNR" order if he or it does not want the price of an order reduced for cash dividends, or a Do Not Increase or "DNI" order if he or it does not want an order increased in shares for stock dividends or stock distributions.

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Rule 51.12 CBSX Floor Post

(a) No change.

(b) *Restrictions.*

(1) Trading Permit Holders **[**Members**]** are prohibited from using hand signals or other like means of communication to communicate between the CBSX Floor Post and the equity option trading posts.

(2) Except for CBSX Market-Makers, Trading Permit Holders **[**members**]** may only enter proprietary orders while at the CBSX Floor Post if such orders are submitted as cross orders or IOC orders as defined in Rule 51.8.

CHAPTER LII Trading Rules and Processing of Orders

Rule 52.1 Matching Algorithm/Priority

(a) No change.

(b) *Additional Priority Overlays.* In addition to the base allocation methodologies set forth above, CBSX may determine to apply, on a security-by-security basis, any or all of the following designated market participant overlay priorities in a sequence determined by CBSX. CBSX will issue a Regulatory Circular periodically which will specify which securities are subject to these additional priorities as well as any time CBSX changes these priorities.

(1) *Public Customer*. When this priority overlay is in effect and no other priority overlays are in effect, the highest bid and lowest offer shall have priority except that public customer orders shall have priority over non-public customer orders at the same price. If other priority overlays are also in effect, priority is established in the sequence designated by CBSX. In either case, if there are two or more public customer orders at the same price, priority shall be afforded to such public customer orders in the sequence in which they are received by the CBSX System, even if the Pro Rata Priority allocation method is the chosen allocation method. For purposes of this Rule, a Public Customer order is an order for an account in which no Trading Permit Holder **[**member**]**, non-Trading Permit Holder **[**member**]** participant in a joint-venture with a Trading Permit Holder **[**member**]**, or non-Trading Permit Holder **[**member**]** broker-dealer (including a foreign broker-dealer) has an interest.

(2) – (3) No change.

(c) – (e) No change.

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Rule 52.3 Unusual Market Conditions

(a) In addition to such other powers and duties as the CBSX Board may prescribe, Trading Officials shall have the power to: (i) supervise openings and reopenings of securities; (ii) halt or reopen trading in a security; (iii) resolve market disputes submitted to such Trading Officials by Trading Permit Holders **[**members**]**; (iv) regulate and supervise unusual situations which may arise in connection with the making of bids, offers or transactions; and (v) supervise the operation of the applications of the ITS System or any successor to the ITS System, including the

authority to resolve market disputes involving those Rules arising between CBSX users and Trading Permit Holders **[**members**]** of other participating market centers.

(b) – (d) No change.

. . . ***Interpretations and Policies:***

.01 No change.

* * * * *

Rule 52.10 Order Routing to Other Trading Centers

When the CBSX System is so enabled, CBSX will automatically route orders to other trading centers under certain circumstances, including pursuant to Rules 52.6 and 52.7 (at which time DPMs will no longer route such orders) ("Routing Services"). CBSX will provide its Routing Services pursuant to the terms of three separate agreements: (1) an agreement between CBSX and each Trading Permit Holder **[**member**]** on whose behalf orders will be routed ("Member-CBSX Agreement"); (2) an agreement between CBSX and each third-party broker-dealer that will serve as a "give-up" on an away trading center ("Give-Up Agreement"); and (3) an agreement between CBSX and a third-party service provider ("Technology Provider") pursuant to which CBSX routes orders ("CBSX-Technology Provider Agreement").

. . . ***Interpretations and Policies:***

.01 (a) CBSX will provide its Routing Services in compliance with these rules and with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders **[**members**]** and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

(b) – (d) No change.

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Rule 52.12 Locking or Crossing Quotations in NMS Stocks

Definitions. No change.

(b) *Prohibition.* Except for quotations that fall within the provisions of paragraph (c) of this Rule, Trading Permit Holders **[**members**]** of CBSX shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan.

(c) *Exceptions.*

(1) – (2) No change.

(3) The locking or crossing quotation was an automated quotation, and the Trading Permit Holder **[**member**]** of CBSX displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

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CHAPTER LIII TRADING PERMIT HOLDER [MEMBER] REQUIREMENTS AND OBLIGATIONS

SECTION A: DEALINGS BY TRADING PERMIT HOLDERS [MEMBERS]

Rule 53.1 Trading in Trading Permit Holder [Member] Accounts

(a) No Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall effect any transaction in any security on the CBSX System for his or its account, the account of an associated person, or an account with respect to which the Trading Permit Holder **[**member**]**, TPH **[**member**]** organization or an associated person thereof exercises investment discretion. For the purposes of this Rule, the term "associated person" has the meaning set forth in Section 3(a)(21) of the Exchange Act.

(b) No change.

Rule 53.2 Trading Permit Holders [Members] Acting As Brokers

(a) While Holding Unexecuted Market Order. No Trading Permit Holder [member] shall on the CBSX System (1) personally buy or initiate the purchase of any security subject to the rules in these Chapters for his own account or for any account in which he or his TPH [member] organization or any member, partner, officer, or employee is directly or indirectly interested, while such Trading Permit Holder [member] personally holds or has knowledge that his TPH [member] organization or any member, partner, officer or employee holds an unexecuted market order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security subject to the rules in these Chapters for any such account, while he personally holds or has knowledge that his TPH [member] organization or any member, partner, officer or employee holds an unexecuted market order to sell such security in the unit of trading for a customer.

(b) While Holding Unexecuted Limit Order. No Trading Permit Holder [member] shall on CBSX (1) personally buy or initiate the purchase of any security subject to the rules in these Chapters for any such account, at or below the price at which he personally holds or has knowledge that his TPH [member] organization or any member, partner, officer or employee holds an unexecuted limited price order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security for any such account at or above the price at which he personally holds or has knowledge that his TPH [member] organization or any member, partner, officer or employee holds an unexecuted limited price order to sell such security in the unit of trading for a customer.

(c) No change.

Rule 53.3 Taking or Supplying Stock to Fill Customer's Order

(a) No Trading Permit Holder [member] or TPH [member] organization shall take or supply the securities named in a sell or buy order accepted for execution by such Trading Permit Holder [member] or TPH [member] organization for any account in which the Trading Permit Holder [member], TPH [member] organization or any other member, partner, officer or employee of the TPH [member] organization has any direct or indirect interest of which the Trading Permit Holder [member] knows or should have known, except as follows:

Errors. A Trading Permit Holder [member] or TPH [member] organization which through error or neglect has failed to execute an order may, with the consent of the customer, take or supply for the account of the Trading Permit Holder [member] or TPH [member] organization the securities named in the order.

Rule 53.4 Trading by a Trading Permit Holder [Member] Corporation in Its Own or Its Parent Firm's Securities

After the completion of a distribution of its securities, no TPH [member] organization which has any publicly held securities outstanding shall effect any transaction (except on an unsolicited basis) for the account of any customer in, or make any recommendation of, any such security issued by the TPH [member] organization or any corporation controlling, controlled by or under common control with such TPH [member] organization.

Rule 53.5 "Long" and "Short" Sales

No Trading Permit Holder [member] shall effect a sell order or sale of any security unless such sell order or sale is effected in compliance with SEC Rule 10a-1 and Regulation SHO promulgated under the Exchange Act.

Rule 53.6 Doing Business with the Public

(a) Scope and Applicability. Except as provided in paragraph (i) of this Rule and in Rule 54.6 (applicable to stock index warrants), this Rule replaces the provisions of Chapter IX insofar as TPH [member] organizations transact business on behalf of customers in the securities subject to the rules in these Chapters.

(b) Approval. An individual Trading Permit Holder [member] may not transact business with the public. A TPH [member] organization may transact business with the public after an application, submitted on a form prescribed by CBSX, has been approved by CBSX. Approval to transact business with the public shall be based on a TPH [member] organization's meeting the general requirements set forth in these Chapters and, as applicable, the requirements set forth in Chapter IX and the net capital requirements set forth in Chapter XIII of the Rules, and such approval may be withdrawn if any of the requirements cease to be met.

(c) Duty to Know and Approve Customers. Every TPH [member] organization shall use due diligence to learn the essential facts relative to every customer and to every order or account accepted and shall supervise diligently the handling of all customer accounts. No TPH [member] organization shall make any transaction for the account of or with a customer unless, prior to or promptly after the completion thereof, a general partner or officer of the TPH [member] organization shall specifically approve the opening of such account, provided, however, that in the case of a branch office the opening of an account for a customer may be approved by the manager of such branch office, but the action of such branch office manager shall within a reasonable time be approved by a general partner or officer of the TPH [member] organization. The general partner or officer approving the opening of an account shall, prior to giving his approval, be informed as to the essential facts relative to the customer and shall indicate his approval in writing on a document which will become part of the permanent records of the TPH [member] organization.

(d) Branch Offices of TPH [member] organizations. Every TPH [member] organization approved to do business with the public under these Chapters shall file with CBSX and keep current a list of each of its branch offices showing the location and the name of the manager of each such office. A branch office manager should have a creditable record as a Registered Representative or equivalent experience, and is expected to pass either the General Securities Principal examination or the Branch Office Manager examination.

(e) Discretionary Accounts. No TPH [member] organization shall exercise any discretionary power in a customer's account, or accept orders for an account from any person other than the customer, unless such customer has given prior written authorization and the account has been accepted in writing by a general partner, officer or branch office manager duly designated by the TPH [member] organization to approve the handling of such accounts.

(1) Record of Transactions. Every order entered on a discretionary basis by a partner, officer or employee of the TPH [member] organization must be identified as such at the time of entry. A record shall be made of every transaction for an account in respect to which a TPH [member] organization is vested with any discretionary power, such record to include the name of the customer, the quantity of stocks or other securities purchased or sold, the price, and the date and time when such transactions took place.

(2) Excessive Transactions Prohibited. No TPH [member] organization shall effect purchases or sales of securities with or for any customer's account in respect of which the TPH [member] organization or any partner, officer or employee of such TPH [member] organization is vested with any discretionary power, if such purchases or sales are excessive in size or frequency in view of the financial resources and character of such account.

(3) Review of Transactions. All discretionary accounts shall receive frequent appropriate supervisory review by a person duly designated by the TPH [member] organization (as provided in paragraph (e)(i) of this Rule) other than a person exercising discretionary authority in respect of the account. The TPH [member] organization shall maintain written records reflecting that such accounts were reviewed as required by this Rule.

(4) No change.

(f) Confirmation to Customers. Every TPH [member] organization shall promptly furnish to each customer a written confirmation of each transaction showing the identity, quantity, and price of the security traded, the transaction date and settlement date, the commission charged, whether the transaction was executed on CBSX and whether the transaction was a purchase or sale and whether a principal or agency transaction.

(g) Communications to Customers. No TPH **[**member**]** organization may publish, circulate or distribute, directly or indirectly, any advertisement, sales literature or market letter that the TPH **[**member**]** organization knows, or in the exercise of reasonable care should have known, contains any untrue statement of a material fact or is otherwise false or misleading. In addition, no TPH **[**member**]** organization shall publish, circulate or distribute any advertisement, sales literature or market letter which fails to meet the standards set forth in this Rule. Advertisements include any material for use in any newspaper or magazine or other public media or by radio, telephone recording, motion picture or television. Sales literature and market letters include any communication for general distribution to customers or the public in which a particular security is featured or recommended, any such communication containing forecasts of business or market trends, and notices, circulars, reports, newsletters, research reports, form letters or reprints of published articles.

(1) *Making Recommendations.* In making a recommendation, whether or not labeled as such, the TPH **[**member**]** organization must have a reasonable basis for the recommendation, and the following facts should be disclosed: the price at the time the original recommendation is made; that the TPH **[**member**]** organization usually makes a market in the issue if such is the case; and, in addition if applicable, that the TPH **[**member**]** organization intends to buy or sell the securities recommended for its own account, and ownership, if any, of options, rights or warrants to purchase any security of the issuer whose securities are recommended unless the extent of such ownership is merely nominal. The TPH **[**member**]** organization must also provide or offer to furnish upon request appropriate investment information supporting the recommendations.

(2) *Promises and Exaggerated Claims Prohibited.* Advertisements, sales literature or market letters must not contain promises of specific results, exaggerated or unwarranted claims or unwarranted superlatives, opinions for which there is no reasonable basis, or forecasts of future events which are unwarranted, or which are not clearly labeled as forecasts. References to past specific recommendations may not state or imply that the recommendations were or would have been profitable to any person and that they are indicative of the general quality of the TPH **[**member**]** organization's recommendations.

(3) *Research Reports in Advertisements.* No claim or implication may be made for research or other facilities beyond those which the TPH **[**member**]** organization actually possesses or has reasonable capacity to provide. A market letter or report not prepared by the distributing TPH **[**member**]** organization should state that it was prepared by another firm or organization.

(4) *Approval; Retention of Records.* All advertisements, market letters and sales literature prepared and issued by a TPH **[**member**]** organization for which this Exchange is the designated examining authority shall be approved by a partner or officer of the TPH **[**member**]** organization. Market letters and sales literature which refer to the market or to specific companies or securities shall be retained for at least three years by the TPH **[**member**]** organization. The copies retained shall contain the name of partner or officer approving its issuance and the name or names of the persons who prepared the material, and shall at all times within the three-year period be readily available for examination by the Exchange.

(h) Supervision of Accounts. Every TPH **[**member**]** organization shall develop and implement a written program for the review of the organization's non-Trading Permit Holder **[**member**]** customer accounts and all orders in such accounts. This program shall be at the direction of a senior supervisor specifically identified to CBSX who is an officer (in the case of a corporation) or a general partner (in the case of a partnership) of the TPH **[**member**]** organization.

(1) The identified senior supervisor, in meeting his responsibilities for supervision of non-Trading Permit Holder **[**member**]** customers' accounts and orders, may delegate to qualified employees responsibilities and authority for supervision and control of each branch office, provided that the senior supervisor shall have overall authority and responsibility for establishing appropriate procedures of supervision and control over such employees. A TPH **[**member**]** organization without experienced senior personnel may be subject to agreements with CBSX appropriately limiting the scope of its activity.

(2) Every TPH **[**member**]** organization shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-Trading Permit Holder **[**member**]** customer accounts, and all orders in such accounts.

(3) Every TPH **[**member**]** organization shall maintain, at the principal supervisory office having jurisdiction over the office servicing a customer's account, information to permit review of each customer's account on a timely basis to determine (i) the compatibility of the investments to the investment objectives and the types of transactions for which the account was approved; (ii) the size and frequency of transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any security; and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

(i) No change.

. . . ***Interpretations and Policies:***

.01 CBSX recommends that currency warrants be sold only to customers whose accounts have been approved for options trading pursuant to Rule 9.7. However, if a TPH **[**member**]** organization undertakes to effect a transaction in currency warrants for a customer whose account has not been approved for options trading, such TPH **[**member**]** organization should make a careful determination that such warrants are not unsuitable for such customer.

.02 Customers should be provided with an explanation of any special characteristics and risks attendant to trading UIT interests. Before a TPH **[**member**]** organization, an officer, a partner, or an employee of such a TPH **[**member**]** organization, undertakes to recommend a transaction in the component securities resulting from the subdivision or separation of any UIT interest or in units that may be divided into such component securities, such TPH **[**member**]** organization,

officer, partner or employee should make a determination that such component securities or units are not unsuitable for such customer, and the person making the recommendation should have a reasonable basis for believing, at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks and the special characteristics of the recommended transaction and is financially able to bear the risks of such transaction.

.03 Paragraph (e) of this Rule shall not apply to customer accounts as to which a TPH **[**member**]** organization exercises discretion to trade in index warrants or in UIT interests, and any such account shall instead be subject to the provisions of Rule 9.10.

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SECTION B: CBSX REMOTE MARKET-MAKERS

Rule 53.20 CBSX Remote Market-Maker Defined

A CBSX Remote Market-Maker for purposes of the rules in Chapter 50 through 55 is an individual (either a Trading Permit Holder **[**member**]** or nominee of a TPH **[**member**]** organization **[**or a member who has registered his or her membership for a member organization**]**) who is registered with CBSX for the purpose of making transactions as a dealer-specialist in the CBSX System in accordance with the provisions of these Chapters. Registered CBSX Remote Market-Makers are designated as specialists on CBSX for all purposes under the Securities Exchange Act of 1934 and the Rules and Regulations thereunder. CBSX Remote Market-Makers may only operate in a remote capacity.

Rule 53.21 Registration of CBSX Remote Market-Makers

(a) – (b) No change.

(c) Any Trading Permit Holder **[**member**]** or prospective Trading Permit Holder **[**member**]** adversely affected by a CBSX determination under this Rule may obtain a review in accordance with the provisions of Chapter XIX.

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SECTION C: CBSX DESIGNATED PRIMARY / LEAD MARKET-MAKERS

Rule 53.50 CBSX DPM Defined

A "CBSX Designated Primary Market-Maker" or "CBSX DPM" is a TPH **[**member**]** organization that is approved by CBSX to function on the CBSX System in allocated securities as a CBSX Remote Market-Maker (as defined in Rule 53.20 except for the provision that CBSX Remote Market-Makers must act in a remote capacity) with the additional obligations provided for in this Section C of Chapter 53. Determinations concerning whether to grant or withdraw the approval to act as a CBSX DPM are made by CBSX in accordance with Rules 53.53- 53.55. CBSX DPMs are allocated securities by CBSX in accordance with Rule 53.54.

Rule 53.51 CBSX LMM Defined

A "CBSX Lead Market-Maker" or "CBSX LMM" is a TPH **[**member**]** organization that is approved by CBSX to function on the CBSX System in allocated securities as a CBSX Remote Market-Maker (as defined in Rule 53.20 except for the provision that CBSX Remote Market-Makers must act in a remote capacity) with the additional obligations provided for in this Section C of Chapter 53. Determinations concerning whether to grant or withdraw the approval to act as a CBSX LMM are made by CBSX in accordance with Rules 53.53- 53.55. CBSX may appoint one or more CBSX LMMs to a security traded on the CBSX System if such security has not been assigned to a CBSX DPM. If CBSX appoints more than one CBSX LMM per trading session to a security traded on the CBSX System, the appointed CBSX LMMs will function as CBSX LMMs on a rotating basis in accordance with a schedule set by CBSX. CBSX LMMs will have the obligations of CBSX Remote Market-Makers plus those additional obligations of CBSX DPMs. All references in these Chapters 50-55 to CBSX DPMs shall apply to CBSX LMMs also unless the context dictates otherwise.

* * * * *

Rule 53.53 Approval to Act as a CBSX DPM

(a) A TPH **[**member**]** organization desiring to be approved to act as a CBSX DPM shall file an application with CBSX on such form or forms as CBSX may prescribe.

(b) – (e) No change.

(f) If a TPH **[**member**]** organization resigns as a CBSX DPM or if CBSX terminates or otherwise limits its approval to act as a CBSX DPM, CBSX shall have the discretion to do one or both of the following:

(1) – (2) No change.

Neither an interim approval or allocation made pursuant to this paragraph (f) should be viewed as a prejudgment with respect to the final approval or allocation.

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Rule 53.55 Termination, Conditioning, or Limiting Approval to Act as a CBSX DPM

(a) CBSX may terminate, place conditions upon, or otherwise limit a TPH **[**member**]** organization's approval to act as a CBSX DPM under any one or more of the following circumstances:

(1) if the TPH **[**member**]** organization incurs a material financial, operational, or personnel change;

(2) if the TPH **[**member**]** organization fails to comply with any of the requirements under this Section C of Chapter 53 or the applicable provisions of Section C of Chapter VIII or fails to adequately satisfy the standards of performance conducted by CBSX under Rule 8.88(a);

(3) if for any reason the TPH **[**member**]** organization should no longer be eligible for approval to act as a CBSX DPM or to be allocated a particular security or securities;

(4) if the TPH **[**member**]** organization routinely fails to adhere to the requirements applicable to any CBSX DPM fee incentive program that CBSX may employ from time to time in which heightened quoting benchmarks must be met in order to qualify for discounted CBSX fees.

Before CBSX takes action to terminate, condition, or otherwise limit a TPH **[**member**]** organization's approval to act as a CBSX DPM, the TPH **[**member**]** organization will be given notice of such possible action and an opportunity to present any matter which it wishes CBSX to consider in determining whether to take such action. Such proceedings shall be conducted in the same manner as CBSX proceedings concerning CBSX DPM approvals which are governed by Rule 53.53(c).

(b) Notwithstanding the provisions of paragraph (a) of this Rule, CBSX has the authority to immediately terminate, condition, or otherwise limit a TPH **[**member**]** organization's approval to act as a CBSX DPM if it incurs a material financial, operational, or personnel change warranting

such action or if the TPH **[**member**]** organization fails to comply with any of the financial requirements of Rule 8.86.

(c) Limiting a TPH **[**member**]** organization's approval to act as a CBSX DPM may include, among other things, limiting or withdrawing the TPH **[**member**]** organization's CBSX DPM participation entitlement provided for under Rule 53.57, and withdrawing the right of the TPH **[**member**]** organization to act in the capacity of a CBSX DPM in a particular security or securities which have been allocated to the TPH **[**member**]** organization.

(d) If a TPH **[**member**]** organization's approval to act as a CBSX DPM is terminated, conditioned, or otherwise limited by CBSX pursuant to this Rule, the TPH **[**member**]** organization may seek review of that decision under Chapter XIX of the Rules.

* * * * *

SECTION D: CBSX BROKERS

Rule 53.60 CBSX Broker Defined

A CBSX Broker is an individual or organization registered with CBSX for the purpose of accepting and executing orders received from Trading Permit Holders **[**members**]**, from registered broker-dealers, or from public customers on the CBSX System. A CBSX Broker shall not accept an order from any source other than a Trading Permit Holder **[**member**]** or a registered broker-dealer unless he or the organization is approved to transact business with the public in accordance with Rule 9.1. In the event the organization is approved pursuant to Rule 9.1, a CBSX Broker who is the employee of such organization, may then accept orders directly from public customers where (i) the organization clears and carries the customer account or (ii) the organization has entered into an agreement with the public customer to execute orders on its behalf. Among the requirements a CBSX Broker must meet in order to register pursuant to Rule 9.1 is the successful completion of an examination for the purpose of demonstrating an adequate knowledge of the securities business.

Rule 53.61 Registration of CBSX Brokers

(a) – (b) No change.

(c) Any Trading Permit Holder **[**member**]** or prospective Trading Permit Holder **[**member**]** adversely affected by a determination of CBSX under this Rule may obtain a review in accordance with the provisions of Chapter XIX.

(d) A CBSX Broker must receive authorization, in a manner prescribed by CBSX, by a Clearing Trading Permit Holder **[**clearing member**]** prior to entering orders for a Clearing Trading Permit Holder **[**clearing member**]**.

CHAPTER LIV SPECIAL PRODUCT PROVISIONS

Rule 54.1 Special Provisions for IPRs

(a) No change.

(b) *Disclosures.* The provisions of this subparagraph apply only to series of IPRs that are the subject of an order by the Securities and Exchange Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and are not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. CBSX will inform Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations regarding application of the provisions of this subparagraph to a particular series of IPRs by means of an Information Circular prior to commencement of trading in such series.

CBSX requires that Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations provide to all purchasers of a series of IPRs a written description of the terms and characteristics of such securities, in a form approved by CBSX or prepared by the unit investment trust issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations shall include such a written description with any sales material relating to a series of IPRs that is provided to customers or the public. Any other written materials provided by a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to customers or the public making specific reference to a series of IPRs as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of **[**the series of IPRs**]** is available from your broker or CBSX. It is recommended that you obtain and review such circular before purchasing **[**the series of IPRs**]**. In addition, upon request you may obtain from your broker a prospectus for **[**the series of IPRs**]**." A Trading Permit Holder **[**member**]** or TPH **[**member**]** organization carrying an omnibus account for a non-Trading Permit Holder **[**member**]** broker-dealer is required to inform such non-Trading Permit Holder **[**member**]** that execution of an order to purchase a series of IPRs for such omnibus account will be deemed to constitute agreement by the non-Trading Permit Holder **[**member**]** to make such written description available to its customers on the same terms as are directly applicable to Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations under this rule. Upon request of a customer, a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall also provide a prospectus for the particular series of IPRs.

Rule 54.2 Special Provisions for IPSs

(a) No change.

(b) *Disclosures.* The provisions of this subparagraph apply only to series of IPSs that are the subject of an order by the Securities and Exchange Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and are not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. CBSX will inform Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations regarding application of the provisions of this subparagraph to a particular series of IPSs by means of an Information Circular prior to commencement of trading in such series.

CBSX requires that Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations provide to all purchasers of a series of IPSs a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations shall include such a written description with any sales material relating to a series of IPSs that is provided to customers or the public. Any other written materials provided by a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization to customers or the public making specific reference to a series of IPSs as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of [the series of IPSs] has been prepared by the [open-end management investment company name] and is available from your broker or CBSX. It is recommended that you obtain and review such circular before purchasing [the series of IPSs]. In addition, upon request you may obtain from your broker a prospectus for [the series of IPSs]."

A Trading Permit Holder **[**member**]** or TPH **[**member**]** organization carrying an omnibus account for a non-Trading Permit Holder **[**member**]** broker-dealer is required to inform such non-Trading Permit Holder **[**member**]** that execution of an order to purchase a series of IPSs for such omnibus account will be deemed to constitute agreement by the non-Trading Permit Holder **[**member**]** to make such written description available to its customers on the same terms as are directly applicable to Trading Permit Holders **[**members**]** and TPH **[**member**]** organizations under this rule.

Upon request of a customer, a Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall also provide a prospectus for the particular series of IPSs.

Rule 54.3 Special Provisions for Trust Issued Receipts

(a) No change.

(b) Trading Permit Holder **[**Member**]** *obligations.* Trading Permit Holders **[**Members**]** and TPH **[**member**]** organizations shall provide to all purchasers of newly issued Trust Issued Receipts a prospectus for the series of Trust Issued Receipts.

Rule 54.4 Transactions in Warrants

(a) – (b) No change.

(c) All orders on the CBSX System for a class of warrants shall, on and after the third business day preceding the expiration of such class of warrants, be for "cash," and during the three preceding business days shall be for "next day" delivery unless, prior to the execution thereof, such order is canceled by the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization that left the order on the CBSX System.

Rule 54.5 Position, Exercise, and Reportable Limits for Warrants

(a) *Broad-Based Position Limits.* Except with the prior written permission of the CBSX President or a designee, no Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall make, for any account in which it has an interest or for the account of any customer, a purchase or sale transaction in broad-based stock index warrants (whether on CBSX or on or through the facilities of, or otherwise subject to the rule of, another national securities exchange or national securities association) if such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization has reason to believe that as a result of such transaction the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization or customer, acting alone or in concert with others, directly or indirectly controls an aggregate position in a stock index warrant issue, or in all warrants issued on the same stock index, on the same side of the market, in excess of the following position limits;

(1) – (3) No change.

(b) *Narrow-Based Position Limits.* (1) Subject to the procedures specified in subparagraphs (2) and (3) of this paragraph (b) and except with the prior written permission of the President or a designee, no Trading Permit Holder **[**member**]** or TPH **[**member**]** organization shall make, for any account in which it has an interest or for the account of any customer, a purchase or sale transaction in narrow-based stock index warrants (whether on CBSX or on or through the facilities of, or otherwise subject to the rule of, another national securities exchange or national securities association) if such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization has reason to believe that as a result of such transaction the Trading Permit Holder **[**member**]** or TPH **[**member**]** organization or customer, acting alone or in concert with others, directly or indirectly controls an aggregate position in a stock index warrant issue, or in all warrants issued

on the same stock index, on the same side of the market, in excess of the following position limits:

(A) – (C) No change.

(2) – (4) No change.

(c) *Exercise Limits.* Except with the prior written permission of the CBSX President or a designee, no Trading Permit Holder **[**member**]** shall exercise, for any account in which it has an interest or for the account of any customer, a long position in any warrant where such Trading Permit Holder **[**member**]** or customer, acting alone or in concert with others, directly or indirectly, (i) has or will have exercised within any five consecutive business days, warrants in excess of the number of warrants specified in paragraph (a) of this Rule or such other number of warrants as may be fixed from time to time by CBSX as the exercise limit for that warrant, or (ii) has or will have exceeded the applicable exercise limit fixed from time to time by another exchange or a securities association for a warrant not dealt in on CBSX, when the Trading Permit Holder **[**member**]** is not a member of the other exchange or securities association which lists the warrant.

(d) – (e) No change.

Rule 54.6 Special Requirements for Stock Index Warrants, Currency Index Warrants and Currency Warrants

(a) *Scope and Applicability.* This Rule applies to TPH **[**member**]** organizations insofar as they transact business on behalf of customers in stock index warrants, currency index warrants and currency warrants, and to that extent replaces paragraphs (c) through (e) and (g) through (h) of Rule 53.6. Where Rules in Chapter IX are made applicable by this Rule to such warrants, the term "option" as used therein shall be deemed for purposes of this Rule to include a stock index, currency index or currency warrant.

(b) *Registered Options Principals and Branch Offices.* TPH **[**Member**]** organizations transacting business in stock index, currency index or currency warrants on behalf of customers shall be subject to the requirements of Rules 9.2 and 9.6 pertaining to registration of options principals and branch offices, respectively.

(c) *Account Approval.* No TPH **[**member**]** organization shall accept an order from a customer to purchase or sell a stock index, currency index or currency warrant unless the customer's account has been approved for options trading pursuant to Rule 9.7.

(d) No change.

(e) *Discretionary Accounts.* Insofar as a TPH **[**member**]** organization exercises discretion to trade in stock index, currency index or currency warrants in a customer account, such account shall be subject to the provisions of Rule 9.10 with respect to such trading.

(f) *Supervision of Accounts.* Rule 9.8 shall apply to each TPH **[**member**]** organization's non-Trading Permit Holder **[**member**]** customer accounts in which transactions in stock index, currency index or currency warrants are effected.

(g) – (h) No change.

Rule 54.7 General Prohibitions

No Trading Permit Holder **[**member of the Exchange**]** shall:

(a) Dealing When Option Granted or Held. Except as otherwise provided in Section (d) below, initiate the purchase or sale on the Exchange of any security subject to the Rules in these Chapters 50-55, for his own account or for any account in which he, his TPH **[**member**]** organization or any person associated with such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization is directly or indirectly interested, including by means of the issuance or acceptance of a commitment or obligation to trade, where (i) such Trading Permit Holder **[**member**]** holds, or has sold or granted, an option or warrant on that security, or (ii) such Trading Permit Holder **[**member**]** has knowledge that his TPH **[**member**]** organization or any person associated with such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization holds, or has sold or granted, any such option or warrant; except that the provisions of this Rule shall not apply in the case of any such options that are listed or traded on a national securities exchange; or

(b) Initiation of Transaction for Joint Account. Without the prior approval of a Floor Official, initiate the purchase or sale on the Exchange, including by means of the issuance or acceptance of a commitment or obligation to trade, of a security subject to the Rules in these Chapters 50-55 for any account in which he or his TPH **[**member**]** organization or any person associated with such Trading Permit Holder **[**member**]** or TPH **[**member**]** organization is directly or indirectly interested with any person other than another such person or party; provided, however, that the provisions of this paragraph shall not apply to any purchase or sale (1) by any such Trading Permit Holder **[**member**]** for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions or (2) by Market-Maker or odd-lot dealer for any joint account in which he is permitted to have an interest; or

(c) Discretionary Transactions. Execute or cause to be executed on the Exchange, including by means of the issuance or acceptance of a commitment or obligation to trade, any transaction for the purchase or sale of any security subject to the Rules in these Chapters 50-55 with respect to which transaction such Trading Permit Holder **[**member**]** is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale; however, the provisions of this paragraph (c) shall not apply (i) to any discretionary transaction executed by such Trading Permit Holder **[**member**]** for any bona fide cash investment account or for the account of any person who due to illness, absence or similar circumstances is unable to effect transactions for his own account, provided, that such Trading Permit Holder **[**member**]** shall keep available for inspection a detailed record of any such transaction and the grounds for exercising such discretion and shall file with the Exchange a report showing the name of each account for which any such transaction was executed, the amount of such discretionary purchases or sales and the grounds for exercising such discretion with respect to each account, or (ii) to any transaction permitted under paragraph (b) of this Rule for any account in which the Trading Permit Holder **[**member**]** executing such transaction is directly or indirectly interested.

(d) No change.

. . . ***Interpretations and Policies:***

.01 - .03 No change.

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Rule 54.8 Special Provisions for Commodity-Based Trust Shares

(a) – (c) No change.

(d) Information Barriers. No Trading Permit Holder **[**member**]** acting as a Market-Maker and no partner, officer, director, Associated Person or employee of such Trading Permit Holder **[**member**]** shall act as a Market-Maker or function in any capacity involving Market-Making responsibilities in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivative, except that an Associated Person of the TPH organization **[**member firm**]** acting as a Market-Maker in Commodity-Based Trust Shares may act in a Market-Making capacity, other than as a Market-Maker in Commodity-Based Trust Shares on another market center, in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivative, so long as the Associated Person obtains prior written consent from the Exchange that the Associated Person and the Trading Permit Holder **[**member**]** acting as Market-Maker (the "Market-Maker Trading Permit Holder **[**Member**]**") have established procedures that are sufficient to restrict the

flow of privileged information between the Associated Person and the Market-Maker Trading Permit Holder **[**Member**]** ("Information Barriers").

These Information Barriers (i) must provide for the organizational separation of the Associated Person and the Market-Maker Trading Permit Holder **[**Member**]**; (ii) must ensure that the Associated Person does not exert influence over the Market-Maker Trading Permit Holder **[**Member**]**; (iii) must ensure that information relating to each entity's stock positions, trading activities, and clearing and margin arrangements is not improperly shared (except with persons in senior management who are involved in exercising general managerial oversight of one or both entities); (iv) must require the Associated Person and the Market-Maker Trading Permit Holder **[**Member**]** to maintain separate books and records (and separate financial accounting); (v) must require each entity to separately meet all required capital requirements; (vi) must ensure the confidentiality of the Market-Maker's book as provided by Exchange rules; and (vii) must ensure that any other material, non-public information (such as information related to any business transactions between the Associated Person and the issuer of Commodity-Based Trust Shares or any research reports or recommendations issued by the Associated Person) is not made improperly available to the Market-Maker Trading Permit Holder **[**Member**]**, its officers, directors, partners or employees in any manner that would allow the Market-Maker Trading Permit Holder **[**Member**]** to take undue advantage of that information in the trading of Commodity-Based Trust Shares. The Market-Maker Trading Permit Holder **[**Member**]** and the Associated Person must submit the proposed Information Barriers in writing to the Exchange and the Exchange will not approve any exemption from the requirements of Rule 54.8(d) until it has determined that the Information Barriers are acceptable to the Exchange.

(e) Market-Maker Accounts. A Trading Permit Holder **[**member**]** acting as a registered Market-Maker in Commodity-Based Trust Shares must file with the Exchange, in a manner prescribed by the Exchange, and keep current, a list identifying all accounts for trading in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, that the Market-Maker may have or over which it may exercise investment discretion. No Market-Maker shall trade in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, in an account in which a Market-Maker, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, that has not been reported as required by this Rule.

(f) The Trading Permit Holder **[**member**]** acting as a registered Market-Maker in Commodity-Based Trust Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity, or registered or non-registered employee affiliated with such entity, for its or their own accounts for trading the underlying physical commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, as may be requested by the Exchange.

(g) In connection with trading the underlying physical commodity, related commodity futures or options on commodity futures, or any other related commodity derivative (including Commodity-Based Trust Shares), the Trading Permit Holder **[**member**]** acting as a Market-Maker

in Commodity-Based Trust Shares shall not use any material nonpublic information received from any person associated with the Trading Permit Holder **[**member**]** or employee of such person regarding trading by such person or employee in the physical commodity, commodity futures or options on commodity futures, or any other related commodity derivatives.

(h) The Exchange requires that Trading Permit Holders **[**members**]** provide all purchasers of newly issued Commodity-Based Trust Shares a prospectus for the series of Commodity-Based Trust Shares.

Appendix A—Applicability of Rules of the Exchange

Appendix A—Applicability of Rules of the Exchange

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19.50	Scope of Part B	
19.51	Definitions	
19.52	Requests for verification	
24.1	Definitions	*50.7*
24.2	Designation of the index	
24.14	Disclaimers	*50.7*

Exhibit 5b to SR-CBOE-2010-058

Additions underlined
Deletions [bracketed]

CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED
FEES SCHEDULE
[MAY 26, 2010] June 21, 2010

1. OPTIONS TRANSACTION FEES (1)(3)(4)(7)(15): PER CONTRACT

EQUITY OPTIONS (13):

I. CUSTOMER ..... **$.00**
II. VOLUNTARY PROFESSIONAL ..... **$.20**
III. PROFESSIONAL ..... **$.20**
IV. CBOE MARKET-MAKER/DPM/E-DPM (standard rate, subject to sliding scale) (10) ..... **$.20**
V. [MEMBER FIRM]CLEARING TRADING PERMIT HOLDER PROPRIETARY: (11) ..... **$.20**
VI. BROKER-DEALER (16)
- MANUAL ..... **$.25**
- ELECTRONIC ..... **$.45**
- AIM EXECUTIONS ..... **$.20**

VII. CFLEX SURCHARGE FEE (17) ..... **$.10**

QQQQ and SPDR OPTIONS:

I. CUSTOMER (9)
- QQQQ ..... **$.00**
- SPDR ..... **$.18**

II. VOLUNTARY PROFESSIONAL ..... **$.20**
III. PROFESSIONAL ..... **$.20**
IV. CBOE MARKET-MAKER/DPM (standard rate, subject to sliding scale) (10) ..... **$.20**
V. [MEMBER FIRM]CLEARING TRADING PERMIT HOLDER PROPRIETARY: (11) ..... **$.20**
VI. BROKER-DEALER (16)
- MANUAL ..... **$.25**
- ELECTRONIC ..... **$.45**
- AIM EXECUTIONS ..... **$.20**

VII. CFLEX SURCHARGE FEE (17) ..... **$.10**

INDEX OPTIONS (includes ETF and HOLDRs options):

I. CUSTOMER (2):
- SPX, PREMIUM > or = $1 ..... **$.44**
- SPX, PREMIUM < $1 ..... **$.35**
- DXL, OEX, XEO, S&P 500 Dividend Index and VOLATILITY INDEXES (except OEX and XEO WEEKLYS) ..... **$.40**
- OEX and XEO WEEKLYS ..... **$.30**
- OTHER INDEXES, ETFs and HOLDRs (9) ..... **$.18**

II. VOLUNTARY PROFESSIONAL:
- DXL, OEX, XEO, S&P 500 Dividend Index and VOLATILITY INDEXES ..... **$.40**
- OTHER INDEXES, ETFS AND HOLDRs ..... **$.20**

III. Professional:
- DXL, OEX, XEO, S&P 500 Dividend Index and VOLATILITY INDEXES ..... **$.40**
- OTHER INDEXES, ETFS AND HOLDRs ..... **$.20**

IV. CBOE MARKET-MAKER/DPM (standard rate, subject to sliding scale) (10) ..... **$.20**
V. [MEMBER FIRM]CLEARING TRADING PERMIT HOLDER PROPRIETARY: (11) ..... **$.20**
VI. BROKER-DEALER (16)
- OEX, XEO, SPX, S&P 500 Dividend Index and VOLATILITY INDEXES ..... **$.40**
- OTHER INDEXES, ETFs and HOLDRs - MANUAL ..... **$.25**
- OTHER INDEXES, ETFs and HOLDRs - ELECTRONIC ..... **$.45**
- AIM EXECUTIONS ..... **$.20**

VII. SURCHARGE FEE: (14)
- VOLATILITY INDEXES ..... **$.08**
- OEX, XEO, SPX, S&P 500 Dividend Index, DJX and DXL ..... **$.10**
- MNX, NDX and RUT ..... **$.15**

VIII. CFLEX SURCHARGE FEE (17) ..... **$.10**

For assistance, please contact John Mavindidze at 312-786-7689 (mavindidze@cboe.com) or Don Patton at 312-786-7026 (patton@cboe.com).

CREDIT DEFAULT OPTIONS AND CREDIT DEFAULT BASKET OPTIONS:

I. CUSTOMER.....**$.85**
II. VOLUNTARY PROFESSIONAL.....**$.85**
III. PROFESSIONAL.....**$.85**
IV. CBOE MARKET-MAKER/DPM (standard rate, subject to sliding scale) (10).....**$.20**
V. [MEMBER FIRM]CLEARING TRADING PERMIT HOLDER PROPRIETARY: (11) .....**$.20**
VI. BROKER-DEALER (16)

- MANUAL .....**$.25**
- ELECTRONIC.....**$.45**
- AIM EXECUTIONS……**$.20**

LIQUIDITY PROVIDER SLIDING SCALE (10):

Tiers	Contracts per Month	Rate
First	First 85,000	20 cents
Second	Next 1,265,000	18 cents
Third	Next 2,075,000	15 cents
Fourth	Next 2,050,000	10 cents
Fifth	Next 5,025,000	3 cents
Sixth	Above 10,500,000	1 cent

[MEMBER FIRM]CLEARING TRADING PERMIT HOLDER PROPRIETARY SLIDING SCALE (11):

Tiers	Contracts per Month	Rate
First	First 450,000	20 cents
Second	Next 225,000	15 cents
Third	Next 175,000	10 cents
Fourth	Next 100,000	5 cents
Fifth	Above 950,000	2 cents

2. MARKETING FEE (6)……**$.65**

- XSP……**$.10**
- Penny Pilot Classes
  - Equity Options……**$.25**
  - OIH, SMH, XLE, and XLF……**$.25**
  - DIA and SPY……**$.10**
  - QQQQ and IWM……**$.00**

3. FLOOR BROKERAGE FEE (1)(5)(15):

- DXL, OEX and SPX INDEX OPTIONS.....**$.04**
- DXL, OEX and SPX CROSSED ORDERS.....**$.02**
- VOLATILITY INDEX OPTIONS.....**$.02**
- VOLATILITY INDEX CROSSED ORDERS .....**$.01**

4. SPONSORED USER FEES

Registration Fee $2,500 (one-time)*

* This fee is a one-time fee payable by a TPH [member] organization for the registration of each of its Sponsored Users. The Sponsored User Program is governed by CBOE Rule 6.20A.

CBOE Sponsored User Inactivity Fee $5,000 per month*

*This fee would be charged only if a CBOE Sponsored User is not software certified by CBOE and has not established a production network connection and passed a login test within 90 days of CBOE's acceptance of its Sponsored User registration status and would continue to apply until the Sponsored User has completed all of the foregoing requirements or the Sponsored User's registration status is withdrawn.

FOOTNOTES:

(1) Per contract side, including FLEX and binary options.
(2) Please see item 18 for details of Customer Large Trade Discounts.
(3) [Member]Trading Permit Holder transaction fee policies and rebate programs are described in the last section.
(4) Transaction fees are charged to the CBOE executing firm on the input record.
(5) Charged to executing broker. If a market-maker executes an order for an account in which the market-maker is not a registered participant as reflected in [Membership]Registration Services Department records, the market-maker will be assessed a floor brokerage fee. To be eligible for the discounted "crossed" rate, the executing broker acronym and executing firm number must be the same on both the buy and sell side of an order.
(6) The marketing fee will be assessed only on transactions of Market-Makers, e-DPMs, and DPMs, resulting from (i) customer orders from payment accepting firms, or (ii) customer orders that have designated a "Preferred Market-Maker" under CBOE Rule 8.13 at the per contract rate provided above on all classes of equity options, options on HOLDRs, options on ETFs, and index options; except that the marketing fee shall not apply to DJX, DXL, EEM, EWC, EWT, IWM, MNX, MVR, OEX, QQQQ, RSP, S&P 500 Dividend Index, SPX, VIX, VPL, VWO, XBI, XEO, S&P 500 Dividend Index, binary options, credit default options, and credit default basket options. The fee will not apply to: Market-Maker-to-Market-Maker transactions including transactions resulting from orders from non-[member]Trading Permit Holder market-makers; transactions resulting from accommodation liquidations (cabinet trades); and transactions resulting from any of the strategies identified and/or defined in footnote 13 of this Fees Schedule; and transactions in the Penny Pilot classes resulting from orders executed through the Hybrid Agency Liaison under Rule 6.14. A Preferred Market-Maker will only be given access to the marketing fee funds generated from a Preferred order if the Preferred Market-Maker has an appointment in the class in which the Preferred order is received and executed.

Rebate/Carryover Process. If less than 80% of the marketing fee funds collected in a given month is paid out by the DPM or Preferred Market-Maker in a given month, then the Exchange would refund such surplus at the end of the month on a pro rata basis based upon contributions made by the Market-Makers, e-DPMs, and DPMs in that month. However, if 80% or more of the funds collected in a given month is paid out by the DPM or Preferred Market-Maker, there will not be a rebate for that month unless the DPM or Preferred Market-Maker elects to have funds rebated. In the absence of such election, any excess funds will be included in an Excess Pool of funds to be used by the DPM or Preferred Market-Maker in subsequent months. The total balance of the Excess Pool of funds for a DPM or a Preferred Market-Maker cannot exceed $100,000. If in any month the Excess Pool balance were to exceed $100,000, the funds in excess of $100,000 would be refunded on a pro rata basis based upon contributions made by the Market-Makers, DPMs, and e-DPMs in that month. In addition, in any month, a DPM or a Preferred Market-Maker can elect to have any funds in its Excess Pool refunded on a pro rata basis based upon contributions made by the Market-Makers, DPMs, and e-DPMS in that month.

Each month, the Exchange assesses an administrative fee of .45% on the total amount of the funds collected each month; provided, however, that beginning on October 1, 2007, no Market-Maker, e-DPM or DPM would contribute more than 15% of the total amount of funds raised by the .45% administrative fee.
(7) After three months, all fees as assessed by the Exchange are considered final by the Exchange.
(8) Reserved.
(9) Effective May 1, 2009, transaction fees are waived for customer orders of 99 contracts or less in ETF and HOLDRs options. The Exchange will charge any leg of a complex order in ETF and HOLDRs options that exceeds 99 contracts, even if the leg is only partially executed below the 99 contract threshold.
(10) The Liquidity Provider Sliding Scale applies to Liquidity Provider (CBOE Market-Maker, DPM, e-DPM and LMM) transaction fees in all products. A Liquidity Provider's standard per contract transaction fee shall be reduced to the fees shown on the sliding scale as the Liquidity Provider reaches the volume thresholds shown on the sliding scale in a month. The Exchange will aggregate the trading activity of separate Liquidity Provider firms for purposes of the sliding scale if there is at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A. A Liquidity Provider shall be required to prepay annual fees for the first two tiers of the sliding scale ($2,936,400) in order to be eligible for the fees in the sliding scale above 1.35 million contracts per month. If a Liquidity Provider prepays annual fees for the first four tiers of the sliding scale, the Liquidity Provider will receive a $685,000 prepayment discount (total amount of the prepayment will be $8,446,400). Contract volume resulting from dividend, merger and short stock interest strategies as defined in Footnote 13 will not apply towards reaching the sliding scale volume thresholds.
(11) The [Member Firm]Clearing Trading Permit Holder Proprietary Sliding Scale applies to [member firm]Clearing Trading Permit Holder proprietary orders ("F" origin code) in all products, except for orders of joint back-office ("JBO") participants. The standard [member firm]Clearing Trading Permit Holder proprietary per contract transaction fee shall be reduced to the fees shown on the sliding scale as the [member firm]Clearing Trading Permit Holder reaches the volume thresholds shown on the sliding scale in a month. Each [member firm] Clearing Trading Permit Holder is responsible for notifying the [Membership] Registration Services Department of all of its [member] affiliations so that contracts of the [firm] Clearing Trading Permit Holder and its affiliates may be aggregated for purposes of the sliding scale. The Exchange will aggregate the trading activity of separate [member firms] Clearing Trading Permit Holders for purposes of the sliding scale if there is at least 75% common ownership between the [firms] Clearing Trading Permit Holders as reflected on each [firm's] Clearing Trading Permit Holder's Form BD, Schedule A. A [member firm's] Clearing Trading Permit Holder's contracts executed pursuant to a CMTA agreement (i.e., executed by another clearing firm and then

transferred to the [member firm's] Clearing Trading Permit Holder's account at the OCC) are aggregated with the [member firm's] Clearing Trading Permit Holder's non-CMTA contracts for purposes of the sliding scale.

(12) Reserved.

(13) Market-maker, Clearing Trading Permit Holder [firm] and broker-dealer transaction fees are capped at $1,000 for all (i) dividend strategies, (ii) merger strategies and (iii) short stock interest strategies executed on the same trading day in the same options class. In addition, market-maker and broker-dealer transaction fees are capped at $1,000 for all reversals, conversions and jelly roll strategies executed on the same trading day in the same FLEX option class, excluding any option class on which the Exchange charges the Surcharge Fee under footnote 14 of this Fees Schedule. Such transaction fees for these strategies are further capped at $25,000 per month per initiating [member] Trading Permit Holder or Clearing Trading Permit Holder [firm]. Surcharge Fees associated with dividend, merger and short stock interest strategies will be passed through to trading participants on these strategies on a pro-rata basis. Surcharge Fees will not be included in the calculation of the $1,000 per day per class fee cap or the $25,000 per month fee cap for dividend, merger and short stock interest strategies. Floor brokerage fees assessed on any of these strategies are eligible for a full rebate (see below). A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed prior to the date on which the underlying stock goes ex-dividend. A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, each executed prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock. A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the–money options of the same class. To qualify transactions
for the cap and floor brokerage fees rebate, a rebate request with supporting documentation must be submitted to the Exchange within 3 business days of the transactions.

(14) The Surcharge Fee applies to all non-public customer transactions (i.e. CBOE and non-[member]Trading Permit Holder market-maker, [member firm]Clearing Trading Permit Holder and broker-dealer), including voluntary professionals, and professionals.

(15) If CBOE exclusively listed options are traded at CBOE's facility on a Back-up Exchange pursuant to CBOE Rule 6.16, the Back-up Exchange has agreed to apply the per contract and per contract side fees in this fee schedule to such transactions. If any other CBOE listed options are traded on the Back-up Exchange (such as CBOE singly listed options that are listed by the Back-up Exchange) pursuant to CBOE Rule 6.16, the fee schedule of the Back-up Exchange shall apply to such trades.

If the exclusively listed options of a Disabled Exchange are traded on the Disabled Exchange's facility at CBOE pursuant to CBOE Rule 6.16, CBOE will apply the per contract and per contract side fees in the fee schedule of the Disabled Exchange to such transactions. If any other options classes of the Disabled Exchange are traded on CBOE (such as singly listed options of the Disabled Exchange) pursuant to CBOE Rule 6.16, the fees set forth in the CBOE fee schedule shall apply to such trades.

(16) Broker-Dealer transaction fees apply to broker-dealer orders (orders with "B" origin code), non-[member]Trading Permit Holder market-maker orders (orders with "N" origin code) and orders from specialists in the underlying security (orders with "Y" origin code) and certain orders with "F" origin code (orders from OCC members that are not CBOE members).

(17) The CFLEX Surcharge Fee applies to all orders (all origin codes) executed electronically on the FLEX Hybrid Trading System (CFLEX). The CFLEX Surcharge Fee will only be charged up to the first 2,500 contracts per trade for public customers.

5. POSITION TRANSFER FEE $.02 per contract side*

* This fee is charged for options positions transferred pursuant to CBOE Rule 6.49A. The fee is capped at $25,000 per transfer. For all on-floor transfers, both the position transferor (seller) and the transferee (buyer) are assessed a fee of $.02 per contract with a cap of $12,500 for each. If there are multiple transferees (buyers), each transferee is assessed a fee of $.02 per contract up to the $12,500 cap for the transferee side of the transfer package. For any off-floor transfer where regulatory review of a proposed transfer is solicited to determine whether the proposed transfer meets the off-floor transfer provisions of Rule 6.49A, the initiator of the review is assessed a fee of $.02 per contract with a cap of $25,000. If it is determined the position transfer must be affected on-floor, only the on-floor fee will be assessed.

6. SALES VALUE FEE:

The Sales Value Fee ("Fee") is assessed by CBOE to each [member]Trading Permit Holder for (i) sales of securities on CBOE and the CBOE Stock Exchange (CBSX) with respect to which CBOE is obligated to pay a fee to the SEC under Section 31 of the Exchange Act, and (ii) orders to sell securities that originate at CBSX and are routed to and executed on another trading center. To the extent there may be any excess monies collected under this Section 6, the Exchange may retain those monies to help fund its general operating expenses. The sales transactions to which the Fee applies are sales of options (other than options on a security index), sales of non-option securities, and sales of securities resulting from the exercise of physical-delivery options traded on CBOE.

The Fee is collected indirectly from [members]Trading Permit Holders through their clearing firms by OCC on behalf of CBOE with respect to options sales and options exercises. The Fee is collected indirectly from CBSX [members]Trading Permit Holders through their clearing firms by NSCC on behalf of CBSX with respect to non-option sales. The amount of the Fee is calculated as described below.

Calculation of Fee for Options Sales and Options Exercises: The Sales Value Fee is equal to (i) the Section 31 fee rate multiplied by (ii) the [member]Trading Permit Holder's aggregate dollar amount of covered sales resulting from options transactions occurring on the Exchange during any computational period.

Calculation of Fee for Non-Options Sales: The Sales Value Fee is calculated using the same formula as the formula above for options transactions, except as applied only to the [member]Trading Permit Holder's covered sales other than those resulting from options transactions.

7. HYBRID 3.0 EXECUTION FEE (15):

All electronic executions in Hybrid 3.0 classes shall be assessed a fee of $.18 per contract, except that this fee shall not apply to: (i) orders in SPX options in the SPX electronic book that are executed during opening rotation on the final settlement date of VIX options and futures, (ii) executions by market-makers against orders in the complex order auction (COA) and Simple Auction Liaison (SAL) systems in their appointed classes, (iii) executions by market-makers against orders in the electronic book, Hybrid Agency Liaison (HAL) and the complex order book in their appointed classes, and (iv) orders executed by a broker.

8. FACILITY FEES (per month):

A) BOOTHS

Perimeter	$185
OEX	330
Designated in the OEX book area	550
Dow Jones/MNX	550

B) ARBITRAGE PHONE POSITIONS $550

C) FORMS STORAGE $10

D) ACCESS BADGES:

TYPE	
Floor Manager	$110
Clerks	55

CHARGES PER OCCURRENCE:	
Badge Issuance	$15
Replacement Badge – Access, Picture, ID or Acronym	15
Unreturned Security Access Badge	75
Temporary Badge – Non-[member]Trading Permit Holder (per day)	10
Temporary Badge – [Member]Trading Permit Holder (1st 3 free per year)	10
Unreturned Temporary Badge	30

E) COAT ROOM SERVICES

Coat Room Checking	$15

CHARGES PER OCCURRENCE	
Lost or Damaged Jacket	$15

F) COMMUNICATIONS

	MONTHLY FEE	INSTALLATION	RELOCATION	REMOVAL
1. EXCHANGEFONE:		$935.00	$100.00	$100.00
a) Maintenance	$52.00			
b) With Recorder Coupler Between Booths			126.00	
c) Within Booth			25.00	

	MONTHLY FEE	INSTALLATION	RELOCATION	REMOVAL
2. SINGLE LINE:				
a) Maintenance	$10.50			
3. IN-CROWD TELEPHONES (plus usage fee):				
a) Subscription Fee	$5.00			
4. PHONEMAIL (plus usage fee):				
a) Basic Service	$7.00			
b) PhoneMail with Outcall	12.00			
c) PhoneMail with Outcall & Pager	17.00			
5. WIRELESS PHONE RENTALS (plus usage fee):				
a) Monthly Fee	$110.00			
b) Replacement/Repairs	cost			
6. LINES				
a) Intra-Floor	$52.50			
b) Voice Circuits	14.40	$52.50		$36.75
c) Appearances:				
i) New Circuits				
- First		120.00		50.00
- @ Additional		18.00		18.00
ii) Existing Line Appearance				
- First		50.00	$50.00	25.00
- @ Additional		18.00	18.00	18.00
d) Data Circuits at Local Carrier (entrance)	14.40	52.50		36.75
e) Data Circuits at In-House Frame:				
i) Lines Between Local Carrier and Communications Center (CC)	11.60	200.00		100.00
ii) Lines Direct From Local Carrier to Trading Floor	11.60	350.00	425.00	200.00
iii) Lines Between CC and Trading Floor	11.60	350.00	425.00	200.00
7. VENDOR SERVICES:				
a) Shelf for Equipment	$100.00			
b) Data Circuits from Local Carrier to Equipment Shelf	50.00			
c) Lines From Equipment to Floor	50.00			
d) Technical Support Outside Normal Hours ($100/hour, 4 hr. min.)				
8. IN-HOUSE PAGERS:				
a) Purchase		$275		
With Trade-In of Old System Pager		75		
b) Annual Maintenance		80		
c) Abusive Damage Repair Fee		cost to repair		
9. MISCELLANEOUS:				
a) Handsets		$79		
b) Headset Jack		131	$58	$28
c) Recorder Coupler		$150 new/50 existing	25	25
d) IPC (vendor) Time & Material (per hour)		cost		
e) IPC (vendor) Time & Material Overtime (per hour)		cost		
f) After Hours Technician Service (per hour, 4 hr. min.)		100		
g) Mrkt. Maker Handheld Terminal Tethering Services		350	200	

	MONTHLY FEE	INSTALLATION	RELOCATION	REMOVAL
10. TRADING FLOOR TERMINAL RENTALS:				
a) Thomson/Other (Basic Service)	$425			
b) Floor Broker Workstation (FBW)	200 (per login ID)			
c) Satellite TV	35			

d) PAR Workstation 100

G) CO-LOCATION Per Month

Co-location of Equipment Fee (per "U" – 1.75 inches)	$10.....
Co-location of Equipment Fee (per "U" – 1.75 inches)/Sponsored User	$20

*Above fees are charged in increments of 4 "U" (7 inches).

G) PULSe WORKSTATION

1. Workstation	$350/month (per workstation for the first 10)* $100/month (per each additional workstation)*
2. Away-Market Routing	$0.10 (per executed contract or share equivalent)*
3. Routing Intermediary	$20/month (per workstation enabled** to route orders through intermediary)

* All PULSe Workstation and Away-Market Routing fees are waived through July 30, 2010.
** All PULSe Routing Intermediary fees are waived through November 30, 2010.

9. TRADE PROCESSING SERVICES:

Matched & Unmatched Data $.0025 per contract side

10. RESERVED. [MEMBER DUES MONTHLY FEE $450 per month*

Effective May 1, 2009, for any month in which a lessor receives a payment from the Exchange for an open lease under the Interim Trading Permit program pursuant to Rule 3.27(d), no member dues will be charged to the lessor for that month. The Exchange will rebate dues to any lessor who received such a payment from the Exchange during the period August 1, 2008 through April 30, 2009.]

11. TRADING PERMIT HOLDER APPLICATION FEES:**

A)	Individual ([Owner]Trading Permit Holder/Nominee[/Lessee/Lessor])	$2,500
B)	Joint Account (new joint account)	1,000
C)	Non-[Member]Trading Permit Holder Customer Business	$2,500
D)	Order Service Firm	1,650
E)	Associated Person	350
F)	[Trading Firm] TPH Organization Application	4,000
G)	[Lessor Firm Application	2,000
H)]	Renewal/Change of Status	500
[I)	Membership Transfer into Trust	1,000
J)]		
H)	New [Member]Trading Permit Holder Orientation and Exam	500
I)	Subject to Statutory Disqualification	2,750
J)	Rule 19h-1 Change in Status	1,650
K)	Inactive Nominee Status (Per Quarter – Parking Space)	750
L)	Inactive Nominee Status Change ([Seat] Trading Permit Swap):	
	1. Submission before 4pm on the day prior to effective date	50
	2. Submission after 4pm on the day prior to effective date	100
	3. Submission after 8am on the effective date	200
M)	Fingerprint Processing Fee	50
N)	[Seat]Trading Permit Transfer Fee	500
O)	[Trading Firm] TPH Organization Renewal Fee	2,000
[P)	Post-Demutualization Trading Permit Application Fee****	1,000]

** Application fees related to a [member] TPH organization's structural change are capped at $10,000 (e.g. change from a limited partnership to a limited liability corporation). The [Seat] Trading Permit Transfer Fee is capped at $2,000 for a [seat] Trading Permit transfer request covering multiple [seats] Trading Permits.

[**** This fee will be assessed to any member organization or individual member not associated with a member organization that submits a Post-Demutualization Trading Permit Application that is received by the Exchange after the close of business on May 21, 2010 and prior to the close of business on the effective date of CBOE's demutualization.[1] This fee will not be assessed to new members that are not approved and

[1 The effective date of demutualization is the date that CBOE completes its restructuring of the Exchange from a non-stock corporation to a stock corporation and wholly-owned subsidiary of CBOE Holdings, Inc.]

active until after May 21, 2010 and will not be assessed for any amendments submitted after May 21, 2010 to Post-Demutualization Trading Permit Applications where the initial application was submitted prior to the close of business on May 21, 2010.]

12. REGULATORY FEES:

A) Options Regulatory Fee: $.004 per contract*

The Options Regulatory Fee is assessed by CBOE to each [member]Trading Permit Holder for all options transactions executed or cleared by the [member] Trading Permit Holder that are cleared by The Options Clearing Corporation (OCC) in the customer range, excluding Linkage orders, regardless of the exchange on which the transaction occurs. The fee is collected indirectly from [members]Trading Permit Holders through their clearing firms by OCC on behalf of CBOE.

B) DPM's & Firm Designated Examining Authority Fee $.40 per $1,000 of gross revenue
(subject to a monthly minimum fee of $1,000 for clearing firms and $275 for non-clearing [member] firms)
– As reported on quarterly FOCUS Report, Form X-17A-5. Excludes commodity commission revenue.

C) Web CRD[SM] Fees:
The following fees will be collected and retained by FINRA via the Web CRD[SM] registration system for the registration of associated persons of Exchange [members/member]Trading Permit Holders and TPH organizations [who]that are not also FINRA members:

i) GENERAL REGISTRATION FEES:

$85.00 FINRA Non-Member Processing Fee*
$95.00 FINRA Disclosure Processing Fee** (U-4, U-5, & amendments)
$30.00 FINRA Annual System Processing Fee assessed only during Renewals

* For all Initial, Transfer, Relicense, Dual registration Form U-4 filings. This fee will also be generated upon refiling to Web CRD[SM] of CBOE – only registered individuals.

** For all registration, transfer, or termination filings with new or amended disclosure information or that require certification as well as any amendment to disclosure information.

ii) FINGERPRINT PROCESSING FEES:

$30.25 per card Initial Submission
$13.00 per card Second Submission
$30.25 per card Third Submission
$13.00 per card submitted by [members]Trading Permit Holders or [member firms]TPH organizations on behalf of their associated persons who have had their prints processed through a self-regulatory organization ("SRO") other than FINRA.

D) Communication Review Fee

i) Regular review – 1) for printed material reviewed, $150 per submission, plus $25 for each page reviewed in excess of 5 pages; and 2) for video and audio media reviewed, $150 per submission, plus $25 per minute for each minute of tape reviewed in excess of 5 minutes.

ii) Expedited review – 1) for printed material reviewed, $1,000 per submission, plus $50 for each page reviewed in excess of 5 pages; and 2) for video and audio media reviewed, $1,000 per submission, plus $50 per minute for each minute of tape reviewed in excess of 5 minutes.

Expedited review will be completed within five business days, not including the date the item is received by the Exchange [Department of Member Firm Regulation], unless a shorter or longer period is agreed to by the Exchange [Department of Member Firm Regulation]. The Exchange [Department of Member Firm Regulation] may, in its sole discretion, refuse requests for expedited review.

E) Continuing Education Fee:

There shall be a session fee of $100.00 assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to CBOE Rule 9.3A.

13. Reserved.

14. OHS (ORDER HANDLING SYSTEM) ORDER CANCELLATION FEE:

A fee of $2.00 will be assessed to an executing [clearing member]Clearing Trading Permit Holder (single OHS firm) for each cancelled public customer (origin code "C") OHS order in excess of the number of public customer orders that the executing [clearing member]Clearing Trading Permit Holder executes in a month for itself or for a correspondent firm. All public customer options orders from the same executing [clearing member]Clearing Trading Permit Holder for itself or for such correspondent firm executed in the same underlying symbol at the same price within a 300 second period will be aggregated and counted as one executed order for purposes of this fee. This fee shall not apply: (i) if an executing [clearing member]Clearing Trading Permit Holder cancels less than 500 public customer orders through OHS in a month for itself or for a correspondent firm; (ii) to cancelled OHS orders that improve the Exchange's prevailing bid-offer (BBO) market at the time the orders are received; (iii) to fill and cancellation activity occurring within the first one minute of trading following the opening of each options class, (iv) to complex order fills and cancels, (v) to unfilled Fill-or-Kill (FOK) orders, and (vi) to unfilled Immediate-or-Cancel (IOC) orders.

15. MISCELLANEOUS:

[Member Death Benefit (calculated @ $50,000 divided by number of members assessed)]	
Trading Floor Printer Maintenance (Per Month)	$75
Late Payment Penalty (Assessed to balances over 30 days old, per month, compounded)	prime rate
Market Maker Failure to Change Appointment or Failure to meet in-person Trading Requirements (allowed 1 warning letter before fee)	$250 per quarter
ABIL Brokerage Billing	$.005 per contract, minimum $50, maximum $200 per month
ORS Analysis, Floor Efficiency Project or Market Penetration Reports	$100 per month
Ad Hoc Information Services Requests	Production Costs
DPM requests for post modifications/equipment	CBOE costs passed-through
Crowd Space Dispute Resolution Hearing Fee (per hearing, per [member]Trading Permit Holder)*	$1,000
Manual appointment change request	$50
Market Data Infrastructure Fee**	CBOE costs passed-through

* The Crowd Space Dispute Resolution Hearing Fee is $1,000 per hearing for each party to the dispute and will escalate under certain circumstances pursuant to CBOE Rule 24.21(e). After the hearing is held and all rights of appeal are exhausted, the prevailing party in dispute shall obtain a refund of the Hearing Fee from the Exchange.

** The Market Data Infrastructure Fee is charged monthly to [members]Trading Permit Holders who receive market data from a third party market data vendor through CBOE's market data infrastructure. The Exchange will pass-through to [members]Trading Permit Holders receiving the data the total costs incurred by the Exchange to provide the market data infrastructure. The amount of the fee is equal to the Exchange's total costs divided by the number of [members]Trading Permit Holders receiving the data. Due to certain fixed costs incurred by the Exchange, each [member]Trading Permit Holder receiving the data as of February 15, 2010 will be obligated to pay the fee through June 30, 2010, even if such [member]Trading Permit Holder terminates its receipt of the data prior to June 30, 2010.

16. CBOE*direct* CONNECTIVITY CHARGES:

- Network Access Port **$40/month**
- Network Access Port/Sponsored User **$80/month**
- CMI Client Application Server **$40/month**
- CMI Client Application Server/Sponsored User **$80/month**
- FIX Port **$40/month**
- FIX Port/Sponsored User **$80/month**

17. HYBRID FEES:

- Quoting Infrastructure User Fee **$150**
- TickerXpress (TX) User Fee (effective April 1, 2007)
  - TX Software Fee **100**
  - Enhanced TX User Fee 3**00**

18. CUSTOMER LARGE TRADE DISCOUNT

A customer large trade discount program in the form of a cap on customer ("C" origin code) transaction fees is in effect for the options set forth below. Floor brokerage fees are not subject to the cap on fees. Qualification of an order for the fee cap is based on the trade date and order ID on each trade record. For complex orders, the total contracts of an order (all legs) are counted for purposes of calculating the fee cap.

Regular customer transaction fees will only be charged up to the following quantity of contracts per order, for the following options:

- SPX – charge only the first 10,000 contracts
- Other index options – charge only the first 5,000 contracts
- ETF and HOLDRs options – charge only the first 3,000 contracts

19. HYBRID AGENCY LIAISON ("HAL") STEP-UP REBATE

The Exchange shall rebate to a market-maker $.20 per contract against transaction fees generated from a transaction on the HAL system in a penny pilot class, provided that at least 60% of the market-maker's quotes in that class (excluding quotes in LEAPS series) in the prior calendar month were on one side of the NBBO.

20. NON-CUSTOMER LINKAGE FEES

For each non-customer order, including voluntary professionals and professionals, routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan referenced in Rule 6.80, CBOE shall assess a $0.05 per contract routing fee and shall pass through all related execution fees incurred at such other exchanges in addition to the customary CBOE execution charges.

21. RESERVED.

[22. TEMPORARY MEMBERSHIP STATUS ACCESS FEE $7,500 per month*

* This access fee is assessed to each person granted temporary CBOE membership status under CBOE Rule 3.19.02. The access fee is due and payable for each calendar month on the first day of that calendar month. The access fee is non-refundable. The access fee and any other applicable monthly fees will be assessed for a calendar month unless the person provides written notice to the Membership Department prior to the start of that month that the person is relinquishing temporary membership status effective on a date prior to the start of that month. The access fee will be assessed through the integrated billing system.

23. INTERIM TRADING PERMIT ACCESS FEE $7,500 per month*

* This access fee is assessed under Rule 3.27 to each holder of an Interim Trading Permit for each Interim Trading Permit issued to the holder. The access fee and any other applicable monthly fees are assessed for each calendar month unless an Interim Trading Permit holder provides written notice to the Membership Department on or before the fifteenth day of the preceding calendar month that the holder is terminating the Interim Trading Permit effective no later than the last day of that preceding calendar month. The access fee is due and payable for each calendar month on the first day of that calendar month. If an Interim Trading Permit is issued during a calendar month after the first day of the month, the access fee for that calendar month is prorated and is assessed as of the date of the issuance of the Interim Trading Permit. The access fee is non-refundable and is assessed through the integrated billing system.]

[MEMBER]TRADING PERMIT HOLDER TRANSACTION FEE POLICIES AND REBATE PROGRAMS

[MEMBER]TRADING PERMIT HOLDER TRANSACTION FEES – INDEX OPTIONS

All [members]Trading Permit Holders are eligible to pay no higher than [member firm]Clearing Trading Permit Holder proprietary transaction fees, unless [:

1) the member acts solely as a lessor, or
2)] an individual [registers his or her membership for a member]Trading Permit Holder is a nominee for a TPH organization and is not an employee of the [member]TPH organization.

An exception to the above is allowed if preponderance of a [member firm]Clearing Trading Permit Holder's business is for customer activity rather than its own firm proprietary account. [Members]Trading Permit Holders who are eligible for [member firm]Clearing Trading Permit Holder proprietary rates but were charged customer rates (e.g. non-OCC members) must submit a rebate request no later than 60 days after the month-end to which the trade relates.

[MEMBER]TRADING PERMIT HOLDER TRANSACTION FEES – EQUITY & INDEX OPTIONS

Transaction fees are charged to the executing firm designated in CBOE trade match records. With regard to CMTA firm proprietary activity, the Exchange and the OCC permit the "F" origin code to designate firm proprietary activity. However, index customer transaction fees are assessed for index orders (excluding MNX) if the CMTA firm is not [a member of the]an Exchange Trading Permit Holder. In equities, QQQQ and MNX options, the broker-dealer rate will be assessed.

ERROR ACCOUNT TRANSACTIONS

Error account transactions are eligible to receive market maker transaction fee rates. Clearing [firms]Trading Permit Holders and floor brokers are advised that the Exchange and the Options Clearing Corporation allow error account transactions to clear as market maker transactions, subject to applicable margin requirements. If a hardship exists in clearing the errors as market maker transactions, a rebate to market maker rates may be obtained by submitting a rebate request.

DUPLICATE FEES RELATED TO MANUAL DATA ENTRY (KEYPUNCH) ERRORS

On occasion, options transactions are matched and cleared as a result of certain keypunch errors and [members]Trading Permit Holders are forced to execute subsequent transactions to achieve the originally intended results. A qualifying error is any error that is inadvertent and creates a duplicate fee or fees to be charged in the matching and clearing of corrective options trades. Only those transactions that require a minimum of 500 contracts to correct the error or errors shall be eligible for this rebate. The CBOE shall have the discretion to rebate any duplicate transaction fees incurred in the course of correcting such errors.

A written request with all supporting documentation (trade date, options class, executing firm and broker, opposite firm and broker, premium, and quantity) and a summary of the reasons for the error must be submitted within 60 days after the last day of the month in which the error occurred.

CHICAGO MERCANTILE EXCHANGE (CME) MEMBERS SPX AND OEX FEES

Pursuant to an agreement between the CBOE and the CME, CME members are eligible to receive rebates from customer transaction fee rates on SPX and OEX transactions for their own account. Although CME members activity clears as customer trades and are charged customer rates, CME members will receive a transaction fee rebate of $.06 per contract when the premium is $1 or higher and $.03 when the premium is under $1, upon submission of an itemized rebate request (see policy below). CBOE [members]Trading Permit Holders are also eligible for reduced fees on their CME S&P 500 and S&P 100 activity.

ALL REBATE REQUESTS MUST BE RECEIVED NO LATER THAN 60 DAYS AFTER THE MONTH-END TO WHICH THE TRADE RELATES AND INCLUDE TRANSACTION DETAIL AS REPORTED TO TRADE MATCH. REBATE REQUEST FORMS MAY BE OBTAINED BY CALLING DON PATTON AT (312) 786-7026.

Exhibit 5c to SR-CBOE-2010-058

Additions underlined
Deletions [bracketed]

Regulatory Circular RG 10-[55] __

Date: [May 12, 2010] June 21, 2010

To: [Members]Trading Permit Holders and Trading Permit Holder Applicants [for Membership]

From: [Membership] Registration Services Department

Re: [Membership] Trading Permit Holder Application and Other [Membership] Related Fees

The following is a list of the Exchange's [membership] Trading Permit Holder application fees and other [membership] related fees, together with a brief explanation of each fee**, revised to reflect changes as a result of the Exchange's demutualization.[the addition of a Post-Demutualization Trading Permit Application Fee:]** Please note that the name of the Membership Department has been changed to the Registration Services Department in connection with the Exchange's demutualization.

List of Fees

Individual Applicant Fee ([Owner]Trading Permit Holder/Nominee[/Lessee/Lessor]) .$2,500
New [Member]Trading Permit Holder Orientation & Exam Fee $500
[Trading Firm]TPH organization Application Fee (Corporation/Partnership/LLC) $4,000
[Trading Firm]TPH organization Renewal Fee (Corporation/Partnership/LLC) $2,000
[Lessor Firm Fee (Corporation/Partnership/LLC)..... $2,000]
Associated Person Fee $350
Fingerprint Processing Fee $50
[Lease Fee..... $600]
Renewal/Change of Status Fee.....$500
Inactive Nominee Status Change ([Seat]Trading Permit Swap) Fee
Submission before 4:00 p.m. on date prior to effective date.....$50
Submission after 4:00 p.m. on date prior to effective date
or before 8:00 a.m. on effective date.....$100
Submission after 8:00 a.m. on effective date.....$200
Inactive Nominee Status (Parking Space) Quarterly Maintenance Fee $750
Joint Account Application Fee $1,000
[Seat]Trading Permit Transfer Fee.....$500
[Membership Transfer into Trust Fee ..... $1,000]
Non-[member]Trading Permit Holder Customer Business Fee $2,500
Order Service Firm Fee.....$1,650
Applicant/[Member]Trading Permit Holder/Associated Person Subject to
Statutory Disqualification.....$2,750
Change in Status that, if Approved, Would Require Amended

or Additional Rule 19h-1(c) Filing.....$1,650
[Post-Demutualization Trading Permit Application Fee……..$1,000]

ALL FEES ARE NON-REFUNDABLE

Individual Applicant Fee ([Owner]Trading Permit Holder/Nominee[/Lessee/Lessor]) - This fee is payable by a new individual applicant for [membership]Trading Permit Holder status on the Exchange. The applicant's Fingerprint Processing Fee is included as part of this fee.

New [Member]Trading Permit Holder Orientation & Exam Fee - This fee is payable by each applicant seeking [membership]Trading Permit Holder status, which requires a trading function.

[Trading Firm]TPH Organization Application Fee (Corporation/Partnership/LLC) - This fee is payable by an [new firm] applicant [for]that desires to be a TPH organization [membership] on the Exchange. This fee encompasses the [Firm]TPH organization Application and related documentation, one Nominee Individual Application Fee associated with the [Firm]TPH organization Application, and Associated Person(s) Fees that are part of this [Firm]TPH organization Application.

[Trading Firm]TPH Organization Renewal Fee (Corporation/Partnership/LLC) - This fee is payable by a former trading firm member or TPH organization that reapplies for [membership]Trading Permit Holder status within 9 months of their membership or Trading Permit Status termination date and becomes an effective [member]TPH organization within 1 year of their membership or Trading Permit Status termination date. This fee encompasses the [Firm]TPH organization Application and related documentation and one Nominee who is either (i) an existing individual [member]Trading Permit Holder desiring to change [membership]Trading Permit Holder status or (ii) a former individual member or Trading Permit Holder who reapplies for [membership]Trading Permit Holder status within 9 months of their membership or Trading Permit Status termination date and becomes an effective [member]Trading Permit Holder within 1 year of their membership termination date.

[Lessor Firm Fee (Corporation/Partnership/LLC) - This fee is payable by each lessor-only firm applicant for membership on the Exchange.]

Associated Person Fee - The Associated Person Fee is payable for the addition of certain individuals on a [Member Firm]TPH organization's Form BD. This fee includes the related Fingerprint Processing Fee. This Fee is payable by each executive officer, general partner, or LLC Manager. Additionally, this Fee is payable by each principal shareholder [(]that has 5% or more direct ownership of a class of a voting security of a [Member Firm]TPH organization corporation[)], limited partner who has the right to receive upon dissolution, or has contributed, 5% or more of the partnership's capital, and LLC member who has the right to receive upon dissolution, or has contributed, 5% or more of the LLC's capital. This Fee is also payable by any person classified as a "Control Person" of the [Member Firm]TPH organization.

Fingerprint Processing Fee - This Fee will be assessed for employees of [members]Trading Permit Holders and any other individual requesting the Exchange to process a fingerprint, electronically or otherwise, excluding fingerprint requirements for Individual Applicants, individuals applying for Renewal/Change of Status, and Associated Persons.

[Lease Fee - The lease fee is payable by the lessee and must accompany every new lease agreement filed with the Exchange.]

Renewal/Change of Status Fee - This fee is payable (i) by an existing individual [member]Trading Permit Holder desiring to change [membership]Trading Permit Holder status or (ii) by a former individual

[member]Trading Permit Holder or a former individual member who reapplies for [membership]Trading Permit Holder status within 9 months of their membership or Trading Permit Holder status termination date and becomes an effective [member]Trading Permit Holder within 1 year of their membership or Trading Permit Holder status termination date. A former individual [member]Trading Permit Holder or a former individual member who reapplies for [membership]Trading Permit Holder status within 9 months of termination from membership or Trading Permit Holder status will be assessed the Renewal/Change of Status fee at the time of submission of the application. If that person becomes an effective [member]Trading Permit Holder more than 1 year after their membership or Trading Permit Holder status termination date, the person will then be charged an additional fee equal to the difference between the Individual Application Fee and the Renewal/Change of Status fee. This Fee includes the related Fingerprint Processing Fee, if applicable.

Inactive Nominee Status Change ([Seat]Trading Permit Swap) Fee - This fee is payable whenever an inactive nominee moves to active status. The amount of this fee varies in accordance with when the [Membership] Registration Services Department receives notice of the status change via the submission of a Notification of Change in Nominee Status Form. If the Notification Form is submitted before 4:00 p.m. on the date prior to the effective date of the status change, the fee is $50. If the Notification Form is submitted after 4:00 p.m. on the date prior to the effective date of the status change or before 8:00 a.m. on the effective date of the status change, the fee is $100. If the Notification Form is submitted after 8:00 a.m. on the effective date of the status change, the fee is $200. No fee applies to moves from active to inactive status.

Inactive Nominee Status (Parking Space) Quarterly Maintenance Fee - This fee is payable quarterly by a [member firm]TPH organization for each inactive nominee status that the [firm]TPH organization wishes to maintain. (E.g., a [member firm]TPH organization firm desiring the ability to have 3 parking spaces within which to designate inactive nominees would pay this fee at the beginning of each quarter for each of the 3 parking spaces.)

Joint Account Application Fee - This fee is payable for each application to establish a new joint account.

[Seat]Trading Permit Transfer Fee - This Fee is assessed to a [Member]Trading Permit Holder for each [transferable Seat]Trading Permit for which the [Membership Committee] Registration Services Department has received a request for transfer under CBOE Rule [3.14]3.1(d)(ii). There is a $2,000 Fee cap for a request covering multiple [Seats]Trading Permits per transfer.

[Membership Transfer into Trust Fee - This fee is payable by every individual member applying to transfer their membership(s) into trust pursuant to CBOE Rule 3.25.]

Non-[Member]Trading Permit Holder Customer Business Fee - This fee is payable by applicant [firms]TPH organizations that plan to conduct a public customer business.

Order Service Firm Fee - This fee is payable by applicant firms that plan to conduct an order service business pursuant to CBOE Rule 6.77.

Applicant/[Member]Trading Permit Holder/Associated Person Subject to Statutory Disqualification - This fee is payable whenever a person or entity is subject to a statutory disqualification under the Securities Exchange Act of 1934 and: (i) is an applicant for Exchange [membership]Trading Permit Holder status, (ii) is seeking to be an associated person of an Exchange [member]Trading Permit Holder (except where the Exchange is merely asked to concur in an SEC Rule 19h-1 filing by another self regulatory organization), or (iii) is an existing Exchange [member]Trading Permit Holder or associated person who makes an application in accordance with Rule 3.18(b) or with respect to whom a proceeding is initiated pursuant to Rule 3.18. This fee is in addition to any other [membership]Trading Permit-related fees that might be applicable.

Change in Status that, if Approved, Would Require Amended or Additional SEC Rule 19h-1(c) Filing - This fee is payable whenever a person or entity, on whose behalf the Exchange has filed a Rule 19h-1(c) filing that has been approved by the SEC, applies for a change in status that requires the Exchange to file an amended or additional Rule 19h-1(c) filing, if the Exchange approves the requested change in status. This fee is in addition to any other [membership]Trading Permit-related fees that might be applicable.

Cap on [Membership]Trading Permit-Related Fees for Organizational Restructuring – [Membership]Trading Permit application fees and other [membership]Trading Permit-related fees related solely to a [member]TPH organization structural change (e.g., related to a change from a limited partnership to a limited liability company and not to use of additional Trading Permits) are capped at $10,000.

[Post-Demutualization Trading Permit Application Fee – This fee will be assessed to any member organization or individual member not associated with a member organization that submits a Post-Demutualization Trading Permit Application that is received by the Exchange after the close of business on May 21, 2010 and prior to the close of business on the effective date of CBOE's demutualization.[1] This fee will not be assessed to new members that are not approved and active until after May 21, 2010 and will not be assessed for any amendments submitted after May 21, 2010 to Post-Demutualization Trading Permit Applications where the initial application was submitted prior to the close of business on May 21, 2010.]

Any questions regarding this Regulatory Circular may be directed to Regina Millison at (312) 786-7452 or Stan Leimer at (312) 786-7299 in the [Membership] Registration Services Department.

(Regulatory Circular RG10-[26]55 Revised).

[1 The effective date of demutualization is the date that CBOE completes its restructuring of the Exchange from a non-stock corporation to a stock corporation and wholly-owned subsidiary of CBOE Holdings, Inc.]

Exhibit 5d to SR-CBOE-2010-058

Additions underlined
Deletions [bracketed]

CBOE STOCK EXCHANGE
FEES SCHEDULE
[MAY 14, 2010] JUNE 21, 2010

1. - 7. Unchanged.

[8. MEMBERSHIP APPLICATION FEES:

A) Post-Demutualization Trading Permit Application Fee* $1,000

* This fee will be assessed to any CBSX Trading Permit Holder that submits a Post-Demutualization Trading Permit Application received by the Exchange after the close of business on May 21, 2010 and prior to the close of business on the effective date of CBOE's demutualization.[1] This fee will not be assessed to new CBSX Trading Permit Holders that are not approved and active until after May 21, 2010 and will not be assessed for any amendments submitted after May 21, 2010 to Post-Demutualization Trading Permit Applications where the initial application was submitted prior to the close of business on May 21, 2010.**]**

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[1 The effective date of demutualization is the date that CBOE completes its restructuring of the Exchange from a non-stock corporation to a stock corporation and wholly-owned subsidiary of CBOE Holdings, Inc.]