

Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR - 2016 - * 071

Amendment No. (req. for Amendments *) 1

Filing 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) *

☐

Rule

Pilot

☐Extension of Time Period
for Commission Action *☐

Date Expires *

☐ 19b-4(f)(1)☐ 19b-4(f)(2)☐ 19b-4(f)(3)☐ 19b-4(f)(4)☐ 19b-4(f)(5)☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

☐

Section 806(e)(2) *

☐Security-Based Swap Submission pursuant
to the Securities Exchange Act of 1934

Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document

☐

Exhibit 3 Sent As Paper Document

☐**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

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 action.

First Name * Laura

Last Name * Dickman

Title * Lead Counsel

E-mail * Dickman@cboe.com

Telephone * (312) 786-7572

Fax

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.

(Title *)

Date 11/18/2016

By Kyle Edwards

(Name *)

Counsel

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.

edwards@cboe.com

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549	
For complete Form 19b-4 instructions please refer to the EFFF website.	
<div>Form 19b-4 Information *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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)
<div>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
<div>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 4 - Marked Copies</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 5 - Proposed Rule Text</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Partial Amendment</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.

PARTIAL AMENDMENT

Chicago Board Options Exchange, Incorporated (“CBOE” or the “Exchange”) submits this Amendment, constituting Amendment No. 1, to rule filing SR-CBOE-2016-071 in which the Exchange proposes to amend its rules related to the opening of series for trading on the Exchange. The purpose of this Amendment No. 1 is to amend Exhibit 5 to update a cross-reference to Rule 6.2B included in Rule 6.13. This Amendment also amends the Form 19b-4 and Exhibit 1 to state the proposed rule change updates a cross-reference in Rule 6.13.

The Securities and Exchange Commission recently approved rule filing SR-CBOE-2016-053, which among other things added Rule 6.13(b)(v)(B)(V).¹ That subparagraph includes a cross-reference to the drill through protection at the open in Rule 6.2B, Interpretation and Policy .03(c)(ii). Rule filing SR-CBOE-2016-071 moves the provision regarding the drill through protection at the open to proposed Rule 6.2B(d)(ii). To reflect this proposed change, this Amendment adds the following to Exhibit 5, prior to the proposed rule text for Rule 6.53:

Rule 6.13. CBOE Hybrid System Automatic Execution Feature

(a) No change.

(b) Automatic Execution: Orders eligible for automatic execution through the CBOE Hybrid System may be automatically executed in accordance with the provisions of this Rule, Rule 6.13A or 6.14A, as applicable. This section governs automatic executions and split-price automatic executions. The automatic execution and allocation of orders or quotes submitted by market participants also is governed by Rules 6.45A(c) and (d) and Rules 6.45B(c) and (d).

¹ See Securities Exchange Act Release No. 34-79244 (November 4, 2016), 81 FR 79063 (November 10, 2016) (SR-CBOE-2016-053) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, Relating to Price Protection Mechanisms and Risk).
Controls

(i) – (iv) No change.

(v) Market-Width and Drill Through Price Check Parameters:

(A) No change.

(B) *Drill Through Price Check Parameter.*

(I) – (IV) No change.

(V) This subparagraph (B) does not apply to executions of orders following an exposure via HAL at the open, which are subject to the drill through protection in Rule 6.2B[, Interpretation and Policy .03(c)(ii)](d)(ii).

(C) No change.

(vi) No change.

(c) No change.

* * * * *

The proposed rule change also amends the first sentence in the “Nonsubstantive Changes” section on page 40 of the Form 19b-4 and page 85 of Exhibit 1 by deleting “Rule 6.53(l)” and replacing it with “Rules 6.13(b)(v)(B)(V) and 6.53(l)” to reflect the proposed update to the cross-reference to Rule 6.2B in Rule 6.13(b)(v)(B)(V).

EXHIBITS

Exhibit 4. Marked copy of changes to the rule text proposed in an amendment compared against the version of the rule text that was initially filed.

Exhibit 5. Proposed rule text.

EXHIBIT 4

Additions set forth in the proposed rule text of original SR-CBOE-2016-071 are underlined; deletions are [bracketed]. Additions being made pursuant to Amendment No. 1 to SR-CBOE-2016-071 are double-underlined.

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 6.1A. Extended Trading Hours

(a) – (d) No change.

(e) *Market-Makers*.

(i) – (ii) No change.

(iii) *Lead Market-Makers*.

(A) – (B) No change.

(C) If an LMM (1) provides continuous electronic quotes in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair in an Extended Trading Hours allocated class (excluding intra-day add-on series on the day during which such series are added for trading) and (2) enters opening quotes within five minutes of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)]), provided that the LMM will not be required to enter opening quotes in more than the same percentage of series set forth in clause (1) for at least 90% of the trading days during Extended Trading Hours in a month, then the LMM receives a rebate for that month in an amount set forth in the Fees Schedule. Notwithstanding Rule 1.1(ccc), for purposes of this subparagraph(C), an LMM is deemed to have provided “continuous electronic quotes” if the LMM provides electronic two-sided quotes for 90% of the time during Extended Trading Hours in a given month. If a technical failure or limitation of a system of the Exchange prevents the LMM from maintaining, or prevents the LMM from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the LMM has satisfied the 90% quoting standard with respect to that option class. The Exchange may consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(iv) No change.

(f) – (k) No change.

* * * * *

Rule 6.2B. Hybrid Opening (and Sometimes Closing) System (“HOSS”)

(a) Pre-Opening Period.[:] For each trading session, the System begins accepting orders and quotes (subject to subparagraph (i) below) in all classes no earlier than 2:00 a.m. (all times are Central time) for Regular Trading Hours or 4:00 p.m. on the previous day for Extended Trading Hours, but no later than 15 minutes prior to the expected initiation of an opening rotation at the times set forth in paragraph (b) below (the Exchange determines the specific time at which the pre-opening period begins for all classes). [For Regular Trading Hours, 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. (all times are CT), and for Extended Trading Hours, for a period of time prior to 2:00 a.m. (as determined by the Exchange on a class-by-class basis), the System will accept orders and quotes.]

(i) [The Exchange shall designate the eligible order size, eligible order type and eligible order origin code (*i.e.* public customer orders, non-Market Maker broker-dealer orders, and Market Maker broker-dealer orders) that the System will accept on a class-by-class basis.]During the pre-opening period, the System accepts all quotes and all order types except immediate-or-cancel, fill-or-kill, intermarket sweep orders, and Market-Maker trade prevention orders. If an order entered during the pre-opening period for Regular Trading Hours is not eligible for book entry (including minimum volume, not held and market-if-touched orders), the System routes the order via the order handling system pursuant to Rule 6.12.

(ii) [At]Beginning at a time (determined by the Exchange) no earlier than three hours prior to the expected initiation of an opening rotation for a series, the System disseminates expected opening information messages (“EOIs”) to all market participants that have elected to receive them at [specified]regular intervals of time [that will be determined by the Exchange, the System will disseminate information about resting orders in the Book that remain from the prior business day and any orders and quotes submitted before the opening,](the length of which is determined by the Exchange) or less frequently if there are no updates to the opening information since the previously disseminated EOI. EOIs contain information based on resting orders and quotes in the Book, which may include[ing] the expected opening price (“EOP”)[and], the expected opening size (“EOS”), any reason why a series may not open pursuant to paragraph (d) below, and any imbalance information, including the size and side of the imbalance[given the current resting orders and quotes to all users that have elected to receive such information]. The EOP is the price at which any opening trade is expected to execute, and the EOS is the size of any expected opening trade. Notwithstanding the foregoing, the System only disseminates EOP and EOS messages: (A) if the width between the highest quote bid and lowest quote offer on the Exchange is no wider than the OEPW range (as defined below), in classes in which HAL is not activated for openings; or (B) if the width between the highest quote bid and lowest quote offer on the Exchange or disseminated by other exchanges is no wider than the OEPW range, in classes in which HAL is activated for openings (“HALO”)[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].

(b) Opening Rotation Initiation and Notice.[:]

(i) Unless unusual circumstances exist, the System initiates the opening rotation procedure on a class-by-class basis:[at a randomly selected time within a number of seconds]

(A) for Regular Trading Hours:

(1) with respect to equity and ETP options, after the opening trade [and/]or the opening quote is disseminated in the market for the underlying security, or at 8:30 for classes determined by the Exchange (including over-the-counter equity classes); [(or

(2) with respect to index options, at[after] 8:30 a.m. [for index options) with respect to Regular Trading Hours], or at the later of 8:30 a.m. and the time the Exchange receives a disseminated index value for classes determined by the Exchange; and

(B) for Extended Trading Hours, at[after] 2:00 a.m.[, with respect to Extended Trading Hours,

the System initiates the opening rotation procedure and sends a notice (“Rotation Notice”) to market participants.] For purposes of this subparagraph (i), the “market for the underlying security” [shall be]is either the primary listing exchange[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]exchange to open the underlying security (as determined by the Exchange on a class-by-class basis).

(ii) Upon initiating the opening rotation procedure, the System notifies market participants of such opening rotation initiation ([The]“Rotation Notice”)[will be sent following the opening trade and/or opening quote or whichever occurs first (as determined by the Exchange on a class-by-class basis)].

[(ii) For Regular Trading Hours, in the event an underlying security has not opened within a reasonable time after 8:30 a.m., the DPM or LMM, as applicable, acting in option contracts on such security shall report the delay to a Floor Official and an inquiry shall be made to determine the cause of the delay. The opening rotation for option contracts in such security shall be delayed until the underlying security has opened unless two Floor Officials determine that the interest of a fair and orderly market are best served by opening trading in the option contracts. However, in the particular event where the underlying security has not opened within a reasonable time after 8:30 a.m. and the DPM or LMM believes the delay is because the market for the underlying security has not reported an opening trade in the underlying security but has

disseminated opening quotations and not given an indication of a delayed opening, the DPM or LMM shall instead report the delay directly to the Exchange's Control Room. Following such report by the DPM or LMM to the Control Room, or following notification by the Control Room to the DPM or LMM of such an event, the senior official in the Control Room may authorize the initiation of the opening rotation process in the affected option class where necessary to ensure a fair and orderly market.]

(c) Opening Rotation Period.[:] After the System initiates the opening rotation procedure and sends the Rotation Notice[is sent], the System [will enter into a]begins the opening [R]rotation [P]period[, during which the opening price will be established for each series]. During the opening rotation period for a series:

(i) The System matches and executes resting orders and quotes against each other in order to establish an opening BBO and trade price, if any, for the series.

(A) The opening trade price of a series is the "market-clearing" price, which is the single price at which the largest number of contracts in the Book can execute, leaving bids and offers that cannot trade with each other. If there are multiple prices at which the same number of contracts would clear, the System uses: (1) the price at or nearest to the midpoint of the opening BBO, or the widest offer (bid) point of the OEPW range if the midpoint is higher (lower) than that price point, in classes in which the Exchange has not activated HALO; or (2) the price at or nearest to the midpoint of the range consisting of the higher of the opening NBB and widest bid point of the OEPW range, and the lower of the opening NBO and widest offer point of the OEPW range, in classes in which the Exchange has activated HALO.

(B) All orders (except complex orders and, in classes in which the Exchange has not activated HALO, all-or-none orders and orders with a stop contingency) and quotes in a series in the Book prior to the opening rotation period participate in the opening rotation for that series. Contingency orders that participate in the opening rotation may execute during the opening rotation period only if their contingencies are triggered.

(C) The System prioritizes orders in the following order: (I) market orders, (II) limit orders and quotes whose prices are better than the opening price, and (III) resting orders and quotes at the opening price. Contingency orders are prioritized as set forth in Rules 6.45A and 6.45B.

(ii) [During the Rotation Period, t]The System [will]continues to [calculate and provide the EOP and EOS given the current resting orders and quotes]disseminate EOIs (the Exchange may determine a shorter interval length for the dissemination of EOIs during the Rotation Period than during the pre-opening period).

(iii) After a period of time determined by the Exchange for all classes, the System opens series of a class in a random order, staggered over regular intervals of time (the Exchange determines the length and number of these intervals for all classes).[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] Subject to paragraph (d) below, the opening rotation period (including these intervals) may not exceed [sixty]60 seconds[, will be established on a class-by-class basis by the Exchange)].

[(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 (as 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 by the Exchange on a class-by-class basis).

(iv) The opening price of a series is the “market-clearing” price that will leave bids and offers which cannot trade with each other. In determining the priority of orders and quotes to be traded, the System gives priority to market orders first, then to limit orders and quotes whose price is better than the opening price, and then to resting orders and quotes at the opening price. One or more series of a class may not open because of conditions cited in paragraph (e) of this Rule.]

[(d) *Opening Quote and Trade Price:* As the opening price is determined by series, the System will disseminate through OPRA the opening quote and the opening trade price, if any, for each trading session.]

[(e)d) *Opening Conditions.[:]* Notwithstanding paragraph (c) above:

(i) In classes in which the Exchange has not activated HALO: [The System will not open a series if one of the following conditions is met:]

[(i)A] if [T]there [is]are no quotes [present]in the series on the Exchange, the System does not open the series;

(B) [as provided in paragraph (c)(iii)]if the width between the Exchange’s best quote bid and best quote offer (for purposes of this subparagraph (d)(i), the “opening quote”) is wider than an acceptable opening price range (as determined by the Exchange on a class-by-class and premium basis) (the “Opening Exchange Prescribed Width range” or “OEPW range”) and there are orders or quotes marketable against each other, the System does not open the series. However, if the opening quote width is no wider than the intraday acceptable price range as set forth in Rule 6.13(b)(v) (the “Intraday Exchange Prescribed Width range” or “IEPW range”) and there are no orders or quotes marketable against each other, the System opens the series. If the opening quote width is wider than the IEPW range, the System does not open the series;

[(ii)C] if [T]the opening trade price [is not within an acceptable range (as determined by the Exchange) compared to the lowest quote offer and the highest quote bid]would be outside of the OEPW range, the System does not open the series; or

[(iii)D] if [T]the opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by

the [limit]orders[,] and quotes [and market orders] on the opposite side), the System does not open the series.[:] [h]However, [in series that will open at a minimum price increment (e.g., at a price of \$0.05 or, in penny series, at a price of \$0.01), the System will open even] if a sell market order imbalance exists, there is no bid in the series and the best offer is \$0.50 or less, the System opens the series (see Rule 6.13(b)(vi)). If a sell market order imbalance exists, there is no bid in the series and the best offer is greater than \$0.50, the System does not open the series.

[If the condition in paragraph (e)(i) or (e)(ii) is present, the senior official in the Control Room may authorize the opening of the affected series where necessary to ensure a fair and orderly market. If the condition in paragraph (e)(ii) is present, the System will not open the series but will send a notification to market participants indicating the reason. When the condition in (e)(iii) is present, a notification will be sent to market participants indicating the size and direction (buy or sell) of the market order imbalance. The System will not open the series until the condition causing the delay is satisfied. The System will repeat this process until the series is open.]

(ii) In classes in which the Exchange has activated HALO:

(A) if there are no quotes on the Exchange or disseminated from at least one away exchange present in the series, the System does not open the series;

(B) if the width between the best quote bid and best quote offer, which quotes may consist of Market-Maker quotes or bids and offers disseminated from an away exchange(s) (for purposes of this subparagraph (d)(ii), the “opening quote”) is wider than the OEPW range and there are orders or quotes marketable against each other or that lock or cross the OEPW range, the System does not open the series. However, if the opening quote width is no wider than the IEPW range and there are no orders or quotes marketable against each other or that lock or cross the OEPW range, the System opens the series. If the opening quote width is wider than the IEPW range, the System does not open the series. If the opening quote for a series consists solely of bids and offers disseminated from an away exchange(s), the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price. The System then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher);

(C) if the opening trade price would be outside of the OEPW range or NBBO, the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at an opening trade price not outside either the OEPW range or NBBO. The System then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher);

(D) if the opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the orders and quotes on the opposite side), the System opens the series by matching

orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price. The System then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher); or

(E) if the opening quote bid (offer) or NBB (NBO) crosses the opening quote offer (bid) or NBO (NBB) by more than a specified amount determined by the Exchange on a class-by-class and premium basis, the System does not open the series. If the opening quote bid (offer) or NBB (NBO) crosses the opening quote offer (bid) or NBO (NBB) by no more than the specified amount, the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price, then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher). If the best away market bid and offer are inverted by no more than the specified amount, there is a marketable order on each side of the series, and the System opens the series, the System exposes the order on the side with the larger size and routes for execution the order on the side with the smaller size to an away exchange that is at the NBBO.

The exposure of any orders pursuant to this subparagraph (ii) will be conducted via HAL pursuant to Rule 6.14A for an exposure period designated by the Exchange for a class (which period of time will not exceed 1.5 seconds). Any remaining balances of orders not executed after the exposure period enter the book at their limit prices (to the extent consistent with Rule 6.53) or route via the order handling system pursuant to Rule 6.12 in accordance with their routing instructions.

Any orders exposed under this subparagraph (d)(ii) that are priced or would be executed at a price not within an acceptable tick distance from the initial HAL price will route via the order handling system pursuant to Rule 6.12 (except any remaining balances of opening contingency orders will be cancelled). The Exchange determines an “acceptable tick distance” on a class-by-class and premium basis, which may be no less than two minimum increment ticks and, in classes in which HAL is also activated intraday, will be the same as the acceptable tick distance established under Rule 6.13(b)(v).

(iii) If the System does not open a series pursuant to subparagraphs (i) or (ii), notwithstanding paragraph (c) above, the opening rotation period continues (including dissemination of EOIs) until the condition causing the delay is satisfied or if the Exchange otherwise determines it is necessary to open a series in accordance with paragraph (e).

[(f)e] [Floor Officials]Help Desk[:] [Two Floor Officials]Senior Help Desk personnel may deviate from the standard manner of the opening procedure in this Rule 6.2B, including delay[ing] or compel the opening of any series in any option class, modify timers or settings described in this rule, and not use the modified opening procedure set forth in Interpretation and Policy .01 below, when necessary in the interests of commencing or maintaining a fair and orderly market, in the event of unusual market conditions or in the public interest. The Exchange will make and maintain records to document all determinations to deviate from

the standard manner of the opening procedure, and periodically review these determinations for consistency with the interests of a fair and orderly market.

[(g)f] *Trading Halts.*[:] The procedure described in this Rule may be used to reopen a class or series after a trading halt; however, based on then-existing facts and circumstances, there may be no pre-opening period or a shorter pre-opening period than the regular pre-opening period. The Exchange will announce the reopening of a class or series after a trading halt as soon as practicable via verbal message to the trading floor and electronic message to Trading Permit Holders that request to receive such messages. The Exchange may also reopen a class after a trading halt as otherwise set forth in the Rules, including Rules 6.3, 6.3B, and 6.3C.

[(h)g] *Closing Rotation Procedure.* [The decision whether to employ a closing rotation in a series trading on the HOSS is governed by this paragraph (h) and not Interpretations and Policies .02, .03 or .05 of Rule 6.2. The procedure described in this Rule may be employed]For any series that opens pursuant to the procedure described in this Rule, senior Help Desk personnel and senior management may decide to conduct a closing rotation pursuant to the procedure described in this Rule after the end of the normal close of any trading session whenever the Exchange concludes that such action is appropriate in the interests of a fair and orderly market. The factors that may be considered in holding a closing rotation procedure include, but are not limited to, whether there has been a recent opening or reopening of trading in the underlying security, a declaration of a fast market, or a need for a closing procedure in connection with expiring individual security options, an end of the year procedure, or the restart of a procedure which is already in progress. The Exchange will notify Trading Permit Holders of the decision to [employ]conduct a closing rotation procedure as soon as practicable via verbal message to the trading floor and electronic message to Trading Permit Holders that request to receive such messages[shall be disseminated prior to the commencement of such procedure].

(h) *Hybrid 3.0 Classes.* All provisions set forth above in this Rule apply to opening series in Hybrid 3.0 classes during Regular Trading Hours, except as follows:

(i) *Opening Quotes.* Notwithstanding paragraph (a)(i) above, only the DPM(s) or LMM(s) with an allocation or appointment, respectively, to the class or series may enter quotes prior to the opening of trading, subject to the obligation set forth in Rule 8.15 or 8.85, respectively.

(ii) *Opening Orders.* During the pre-opening period, the System will accept all order types eligible for entry as set forth in paragraph (a)(i) above from public customers and only opening rotation orders from non-public customers.

... *Interpretations and Policies:*

.01 Modified Opening Procedure for [Hybrid 3.0 Classes]Series Used to Calculate the Exercise/Final Settlement Values of Volatility Indexes.[:] [Notwithstanding paragraph (a) to Rule 6.2B, for purposes of Hybrid 3.0 classes during Regular Trading Hours, the following shall apply:

(a) Only the DPM or LMM will be required to enter opening quotes in opening rotations. Public customers, broker-dealers, Exchange Market-Makers, away Market-Makers and Specialists will not be permitted to enter opening quotes but may enter opening orders in opening rotations.

(b) The DPM or LMM must enter opening quotes that comply with the bid/ask differential requirements determined by the Exchange on a class-by-class basis.

(c) [All provisions set forth in Rule 6.2B [shall]remain in effect unless superseded or modified by this [Rule 6.2B.01] Interpretation and Policy .01. [To facilitate the calculation of exercise or final settlement values for options or futures contracts on volatility indexes and the CBOE Short-Term Volatility Index (“VXST”),] On the dates on which the exercise and final settlement values are calculated for options (as determined under Rule 24.9(a)(5) or (6)) or (security) futures contracts on a volatility index (i.e., expiration and final settlement dates), the Exchange [shall] utilize[s] [a]the modified [HOSS]opening procedure described below for [any Hybrid 3.0 index option]all series [with respect to which]used to calculate the exercise/final settlement value of the[a] volatility index for expiring options and (security) futures contracts (these option series referred to as “constituent options”). [(including VXST) is calculated. This modified HOSS opening procedure will be utilized only on the expiration and final settlement dates of the options or futures contracts on the applicable volatility index (including VXST) for each expiration.

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

(i) All orders (including public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist orders), other than spread or non-OPG contingency orders, will be eligible to be placed on the electronic book for those option contract expirations whose prices are used to derive the volatility indexes (including VXST) on which options and futures are traded, for the purpose of permitting those orders to participate in the opening price calculation for the applicable index option series.

(ii) In addition to the LMM quoting requirement, all LMMs, if applicable, shall be required to enter opening orders during the modified HOSS opening procedures.]

([iii]a) 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 [(including VXST)]options or (security) futures (“strategy orders”), and any change to or cancellation of any such order:

([A]i) must be received prior to the applicable strategy order cut-off time for the [affected index option]constituent option series ([established]as determined by the Exchange on a class-by-class basis), [provided that the strategy order cut-off time will]which may be no earlier than 8:00 a.m. and no later than the opening of trading in the [option]series. The Exchange will announce [A]all [pronouncements]determinations regarding changes to the applicable strategy order cut-off time [will be announced]at least one day prior to implementation.

([B]ii) may not be cancelled or changed after the applicable strategy order cut-off time [established in accordance with paragraph (A) to Rule 6.2B.01(c)(iii)], unless the strategy 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 strategy order may be changed or cancelled after the applicable strategy order cut-off time [established in accordance with paragraph (A) to Rule 6.2B.01(c)(iii)] and prior to the applicable non-strategy order cut-off time [established in accordance with paragraph (iv) to Rule 6.2B.01(c)]in order to correct a legitimate error, in which case the Trading Permit Holder submitting the change or cancellation [shall]will prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and [shall]will 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]will consider [index option]orders to be [related to positions in, or a trading strategy involving, volatility index (including VXST) options or futures]strategy orders for purposes of this Rule 6.2B.01[(c)] if the orders possess the following three characteristics:

([1]A) The orders are for option series with the expiration[s] that will be used to calculate the exercise [settlement]or final settlement value of the applicable volatility index [(including VXST)]option or futures contract.

([2]B) The orders are for option series spanning the full range of strike prices for the appropriate expiration for option series that will be used to calculate the exercise [settlement]or final settlement value of the applicable volatility index [(including VXST)]option or futures contract, but not necessarily every available strike price.

([3]C) The orders are for put options with strike prices less than the “at-the-money” strike price and for call options with strike prices greater than the “at-the-money” strike price. The orders may also be for put and call options with “at-the-money” strike prices.

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

Exchange may also deem[O]order types other than those provided above [may also be deemed by the Exchange to fall within this category of]as strategy 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)b] All other [index option]orders for participation in the modified [HOSS]opening procedures (“non-strategy orders”), and any change to or cancellation of any such order, must be received prior to the applicable cut-off time (as determined by the Exchange on a class-by-class basis) 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] which may be no earlier than 8:25 a.m. and no later than the opening of trading in the option series. The Exchange will announce [A]all [pronouncements]determinations regarding changes to the applicable non-strategy order cut-off time [will be announced]at least one day prior to implementation.

[(v) The HOSS system shall automatically generate cancels immediately prior to the opening of the applicable index option series for broker-dealer, Exchange Market-Maker, away Market-Maker, and Specialist orders which remain on the electronic book following the modified HOSS opening procedures.

(vi) Any imbalance of contracts to buy over contracts to sell in the applicable index option series, or vice versa, as indicated on the electronic book, will be published as soon as practicable up through the opening of trading in the affected series on days that the modified HOSS opening procedures are utilized.]

.02 Market-Maker Quotes.[:] The Exchange determines on a class-by-class basis (a) the minimum number of contracts for the initial size of a Market-Maker’s opening quote [must be for the minimum number of contracts determined by the Exchange on a class-by-class basis], which minimum [shall]must be at least one contract, and (b) the bid/ask differential requirements with which Market-Makers’ opening quotes must comply, which minimum and differential requirements may be different for the opening than those applicable intraday. [For purposes of this paragraph, the term “Market-Maker” includes a DPM, LMM, or Market-Maker.]

.03 Reserved. *[HAL Opening Procedure:* This Interpretation and Policy governs the operation of the Hybrid Agency Liaison ("HAL") for openings for a trading session. The Exchange shall designate the classes in which HAL shall be activated for openings. The Exchange shall also determine on a class-by-class basis the exposure period (which period of time shall not exceed 1.5 seconds) and allocation period (which period of time, when combined with the designated exposure time period (as opposed to an exposure period that is terminated early), shall not exceed a total of 3 seconds). For such classes, the following procedures shall apply in lieu of paragraph (e) above.

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

- (i) There is no quote present in the series as provided in paragraph (c)(iii);
- (ii) The opening price is not within an acceptable range (as determined by the Exchange) compared to the lowest quote offer and the highest quote bid;
- (iii) The opening trade would be at a price that is not the NBBO; or
- (iv) The opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the limit orders, quotes and market orders on the opposite side).

(b)(i) If the condition in paragraph (a)(i) of this Interpretation and Policy is present, the System will check to see if there is an NBBO quote on another market that falls within the acceptable opening range. If such an NBBO quote is present, the series will open and expose the marketable order(s) at the NBBO price. If such an NBBO quote is not present, the System will not open the series and will send a notification to market participants indicating the reason.

(ii) If the condition in paragraph (a)(ii) of this Interpretation and Policy is present, the System will match orders and quotes to the extent possible and report the opening trade, if any, at a single clearing price within the acceptable range, then expose the remaining marketable order(s) at the widest price point within the acceptable opening range or the NBBO price, whichever is better.

(iii) If the condition in paragraph (a)(iii) of this Interpretation and Policy is present, the System will match orders and quotes to the extent possible and report the opening trade, if any, at a single clearing price within the acceptable opening range or the NBBO price, whichever is better, then expose the remaining marketable order(s) at the NBBO price.

(iv) If the condition in paragraph (a)(iv) of this Interpretation and Policy is present, the System will match orders and quotes to the extent possible and report the opening trade, if any, at a single clearing price, then expose the remaining marketable order(s) at the widest price point within the acceptable opening range or the NBBO price, whichever is better.

(c) For purposes of this Interpretation and Policy:

(i) In determining the priority of orders and quotes to be traded on the opening trade or through the subsequent exposure process, the System gives priority to market orders first then to limit orders and quotes whose price is better than the opening price and then to limit orders and quotes at the opening price.

(ii) The exposure process will be conducted via HAL pursuant to Rule 6.14A. In addition, any remaining balance of orders not executed via HAL on the opening that are priced or would be executed at a price that is not within an acceptable tick distance from the initial HAL price will route via the order handling system pursuant to Rule 6.12 (except that any remaining balance of opening contingency orders will be cancelled). An “acceptable tick distance” shall be determined by the Exchange on a series-by-series and premium basis and shall be no less than 2 minimum increment ticks. For classes in which HAL is activated, the acceptable tick distance will be the same as the acceptable tick distance established under Rule 6.13(b)(v).]

.04 Allocation Algorithm.[:] The [Exchange may determine on a class-by-class basis which]electronic allocation algorithm from Rule 6.45A or 6.45B, as applicable, that applies to a class intraday also [shall apply]applies to the class during rotations, unless the Exchange determines to apply a different algorithm from Rule 6.45A or 6.45B, as applicable, to a class during rotations if the Exchange deems necessary or appropriate. The Exchange may determine to apply a separate electronic allocation algorithm for series that open at a minimum price increment due to a sell market order imbalance.

.05 Exchange Determinations.[:] The Exchange will announce to Trading Permit Holders [A]all [pronouncements regarding] determinations it makes [by the Exchange]pursuant to Rule 6.2B and [the]its Interpretations and Policies [thereunder will be announced to Trading Permit Holders]via Regulatory Circular with appropriate advanced notice or as otherwise provided. To the extent the Exchange authorizes groups of series of a class to trade on different trading platforms pursuant to Rule 8.14, Interpretation and Policy .01, the Exchange may make determinations pursuant to this Rule 6.2B and its Interpretations and Policies on a group-by-group basis that would otherwise be made on a class-by-class basis.

.06 SPX Non-Trading Closing Rotations. Following the close of trading on the last business day of each calendar month, the Exchange will conduct special non-trading closing rotations for each series of S&P 500 Index (“SPX”) options in order to determine the theoretical “fair value” of such series as of time of the close of trading in the underlying cash market. During such special non-trading closing rotations, an LMM in the SPX options designated by the Exchange in each series of SPX options, will provide bid and offer quotations, the midpoint of which will reflect the theoretical fair value of the series of SPX options, as determined by the LMM pursuant to the LMM’s algorithmic analysis of relevant and available data. Notwithstanding that trading in SPX options on the Exchange continues until fifteen minutes after the close of trading in the underlying cash market, on the last business day of each month, after the close of trading, the Exchange shall disseminate the fair value quotations as of the close of trading in the underlying cash market provided by the designated LMM as the quotations used to calculate the theoretical fair value for each series

of SPX options, provided, however, that the Exchange may determine, in the interest of fair and orderly markets, not to disseminate such quotations.

.07 Limit Up-Limit Down States. [:] If the underlying security for an option class is in a limit up- limit down state as defined in Rule 6.3A when the class moves to opening rotation, then all market orders in the system will be cancelled except market orders that are considered limit orders pursuant to Rule 6.13(b)(vi) and entered the previous trading day. In addition, if the opening rotation has already begun for an options class when a limit up-limit down state initiates for the underlying security of that class, market and limit orders will continue through the end of the opening rotation.

[.08 Modified Opening Procedures For Hybrid Classes and Series Used to Calculate Volatility Indexes: Notwithstanding paragraph (a) to Rule 6.2B, for purposes of Hybrid classes and series that are used to calculate a volatility index, the following shall apply during Regular Trading Hours:

(a) *Applicable Days.* All provisions set forth in Rule 6.2B shall remain in effect unless superseded or modified by this Rule 6.2B.08. The modified HOSS opening procedures described below shall apply on the following days:

- (i) *30-Day Volatility Indexes.* On the dates that the exercise settlement and final settlement values are calculated for options (as determined under Rule 24.9(a)(5)) or (security) futures contracts on volatility indexes measuring a 30-day volatility period; and
- (ii) *CBOE Short-Term Volatility Index (VXST).* On the dates that the exercise settlement and final settlement values are calculated for VXST options (as determined under Rule 24.9(a)(6)) or futures.

(b) On applicable days, all orders in Hybrid classes and series used to calculate 30-day and short-term volatility indexes (including public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist orders), other than spread or contingency orders, are eligible to be placed on the electronic book for the purpose of permitting those orders to participate in the opening price calculation for the applicable option class or series.

On the days that the modified HOSS opening procedures are utilized, the following provisions shall apply to volatility index option components:

- (c) All option orders for participation in modified HOSS opening procedures that are related to positions in, or a trading strategy involving, volatility index options or (security) futures, and any change to or cancellation of any such order:
 - (i) must be received prior to the applicable strategy order cut-off time for the affected 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. 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 at least one day prior to implementation.

(ii) may not be cancelled or changed after the applicable strategy order cut-off time established in accordance with paragraph (c)(i) to Rule 6.2B.08, unless the order is not executed in the modified HOSS opening procedures and the cancellation or change is submitted after the modified HOSS opening procedures are concluded (provided that any such order may be changed or cancelled after the applicable strategy order cut-off time established in accordance with paragraph (c)(i) to Rule 6.2B.08 and prior to applicable cut-off time established in accordance with paragraph (d) to Rule 6.2B.08 in order to correct a legitimate error, in which case the Trading Permit Holder 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 option orders to be related to positions in, or a trading strategy involving, volatility index options or (security) futures for purposes of this Rule 6.2B.08 if the orders possess the following three characteristics:

(A) The orders are for option series with the expirations that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index option or (security) futures contract.

(B) The orders are for options series spanning the full range of strike prices for the appropriate expiration for options series that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index option or (security) futures contract, but not necessarily every available strike price.

(C) The orders are for put options with strike prices less than the "at-the-money" strike price and for call options with strike prices greater than the "at-the-money" strike price. The orders may also be for put and call options with "at-the-money" strike prices.

Whether option orders are related to positions in, or a trading strategy involving, volatility index options or (security) futures for purposes of this Rule 6.2B.08 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.08 may be suspended by two Floor Officials in the event of unusual market conditions.

(d) All other 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 option series. The applicable cut-off time for the affected 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. 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 at least one day prior to implementation.

(e) Any imbalance of contracts to buy over contracts to sell in the applicable option series, or vice versa, as indicated on the electronic book, will be published as soon as practicable up through the opening of trading in the affected series on days that the modified HOSS opening procedures are utilized.]

* * * * *

Rule 6.13. CBOE Hybrid System Automatic Execution Feature

(a) No change.

(b) Automatic Execution: Orders eligible for automatic execution through the CBOE Hybrid System may be automatically executed in accordance with the provisions of this Rule, Rule 6.13A or 6.14A, as applicable. This section governs automatic executions and split-price automatic executions. The automatic execution and allocation of orders or quotes submitted by market participants also is governed by Rules 6.45A(c) and (d) and Rules 6.45B(c) and (d).

(i) – (iv) No change.

(v) Market-Width and Drill Through Price Check Parameters:

(A) No change.

(B) *Drill Through Price Check Parameter.*

(I) – (IV) No change.

(V) This subparagraph (B) does not apply to executions of orders following an exposure via HAL at the open, which are subject to the drill through protection in Rule 6.2B[, Interpretation and Policy .03(c)(ii)](d)(ii).

(C) No change.

(vi) No change.

(c) No change.

* * * * *

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) – (k) No change.

(l) *Opening Rotation Order*. An opening rotation order is a market or limit order which is to be executed in whole or in part during the opening rotation of a[n option] series or not at all. Any portion not so executed is to be treated as cancelled.

(m) – (x) No change.

... *Interpretations and Policies:*

.01 – .02 No change.

* * * * *

Rule 8.15. Lead Market-Makers

(a) No change.

(b) LMM Obligations: Each LMM must fulfill all the obligations of a Market-Maker under the Rules and satisfy each of the following requirements:

(i) – (iv) No change.

(v) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)]) and participate in other rotations described in Rule 6.2B (including the modified opening rotation[s] set forth in Interpretation[s] and Policy[ies] .01[and .08]) or 24.13, as applicable. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (b)(v) will be that of the Off-Floor DPM or Off-Floor LMM and not the On-Floor LMM;

(vi) – (viii) No change.

(c) – (d) No change.

... *Interpretations and Policies:*

.01 – .04 No change.

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Rule 8.85. DPM Obligations

(a) *Dealer Transactions*. Each DPM must fulfill all of the obligations of a Market-Maker under the Rules, and must 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)(xi) of this Rule

and the general obligations of a Market-Maker under the Rules, subparagraphs (a)(i) through (a)(xi) of this Rule will govern. Each DPM must:

(i) – (x) No change.

(xi) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)]) and participate in other rotations described in Rule 6.2B (including the modified opening rotation[s] set forth in Interpretation[s] and Policy[ies] .01[and .08]) or 24.13, as applicable. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (a)(xi) will be that of the Off-Floor DPM or Off-Floor LMM and not on the On-Floor LMM.

(b) – (e) No change.

... Interpretations and Policies:

.01 – .02

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Rule 17.50. Imposition of Fines for Minor Rule Violations

(a) – (f) No change.

(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) – (13) No change.

(14) Failure to Meet Exchange Quoting Obligations

A fine shall be imposed upon a Market-Maker, Designated Primary Market-Maker or Lead Market Maker (as applicable) in accordance with the fine schedule set forth below for the following conduct:

- Failure to meet the continuous quoting obligation (Rule 8.7, 8.15, and 8.85);
- Failure to meet the applicable quote width requirements (Rule 8.7);
- Failure to meet the initial quote volume requirements (Rule 8.7); and
- Failure of a Lead Market-Maker or Designated Primary Market-Maker to enter opening quotes within one minute following the initiation of an opening rotation (e.g. 8:31 a.m. (CT)) in a series in its appointed or allocated class, respectively, that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)], as applicable) (Rules 8.15 and 8.85), respectively.

***Number of Offenses in any Rolling
Twenty-Four Month Period***

Fine Amount

1st Offense

\$2,000 to \$4,000

2nd Offense

\$4,000 to \$5,000

Subsequent Offenses

Referral to Business Conduct Committee

(15) – (19) No change.

. . . Interpretations and Policies:

.01 – .03 No change.

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EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 6.1A. Extended Trading Hours

(a) – (d) No change.

(e) *Market-Makers*.

(i) – (ii) No change.

(iii) *Lead Market-Makers*.

(A) – (B) No change.

(C) If an LMM (1) provides continuous electronic quotes in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair in an Extended Trading Hours allocated class (excluding intra-day add-on series on the day during which such series are added for trading) and (2) enters opening quotes within five minutes of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)]), provided that the LMM will not be required to enter opening quotes in more than the same percentage of series set forth in clause (1) for at least 90% of the trading days during Extended Trading Hours in a month, then the LMM receives a rebate for that month in an amount set forth in the Fees Schedule. Notwithstanding Rule 1.1(ccc), for purposes of this subparagraph(C), an LMM is deemed to have provided “continuous electronic quotes” if the LMM provides electronic two-sided quotes for 90% of the time during Extended Trading Hours in a given month. If a technical failure or limitation of a system of the Exchange prevents the LMM from maintaining, or prevents the LMM from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the LMM has satisfied the 90% quoting standard with respect to that option class. The Exchange may consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(iv) No change.

(f) – (k) No change.

* * * * *

Rule 6.2B. Hybrid Opening (and Sometimes Closing) System (“HOSS”)

(a) Pre-Opening Period.[:] For each trading session, the System begins accepting orders and quotes (subject to subparagraph (i) below) in all classes no earlier than 2:00 a.m. (all times are Central time) for Regular Trading Hours or 4:00 p.m. on the previous day for Extended Trading Hours, but no later than 15 minutes prior to the expected initiation of an opening rotation at the times set forth in paragraph (b) below (the Exchange determines the specific time at which the pre-opening period begins for all classes). [For Regular Trading Hours, 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. (all times are CT), and for Extended Trading Hours, for a period of time prior to 2:00 a.m. (as determined by the Exchange on a class-by-class basis), the System will accept orders and quotes.]

(i) [The Exchange shall designate the eligible order size, eligible order type and eligible order origin code (i.e. public customer orders, non-Market Maker broker-dealer orders, and Market Maker broker-dealer orders) that the System will accept on a class-by-class basis.]During the pre-opening period, the System accepts all quotes and all order types except immediate-or-cancel, fill-or-kill, intermarket sweep orders, and Market-Maker trade prevention orders. If an order entered during the pre-opening period for Regular Trading Hours is not eligible for book entry (including minimum volume, not held and market-if-touched orders), the System routes the order via the order handling system pursuant to Rule 6.12.

(ii) [At]Beginning at a time (determined by the Exchange) no earlier than three hours prior to the expected initiation of an opening rotation for a series, the System disseminates expected opening information messages (“EOIs”) to all market participants that have elected to receive them at [specified]regular intervals of time [that will be determined by the Exchange, the System will disseminate information about resting orders in the Book that remain from the prior business day and any orders and quotes submitted before the opening,](the length of which is determined by the Exchange) or less frequently if there are no updates to the opening information since the previously disseminated EOI. EOIs contain information based on resting orders and quotes in the Book, which may include[ing] the expected opening price (“EOP”)[and], the expected opening size (“EOS”), any reason why a series may not open pursuant to paragraph (d) below, and any imbalance information, including the size and side of the imbalance[given the current resting orders and quotes to all users that have elected to receive such information]. The EOP is the price at which any opening trade is expected to execute, and the EOS is the size of any expected opening trade. Notwithstanding the foregoing, the System only disseminates EOP and EOS messages: (A) if the width between the highest quote bid and lowest quote offer on the Exchange is no wider than the OEPW range (as defined below), in classes in which HAL is not activated for openings; or (B) if the width between the highest quote bid and lowest quote offer on the Exchange or disseminated by other exchanges is no wider than the OEPW range, in classes in which HAL is activated for openings (“HALO”)[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].

(b) *Opening Rotation Initiation and Notice.[:]*

(i) Unless unusual circumstances exist, the System initiates the opening rotation procedure on a class-by-class basis:[at a randomly selected time within a number of seconds]

(A) for Regular Trading Hours:

(1) with respect to equity and ETP options, after the opening trade [and/]or the opening quote is disseminated in the market for the underlying security, or at 8:30 for classes determined by the Exchange (including over-the-counter equity classes); [(]or

(2) with respect to index options, at[after] 8:30 a.m. [for index options) with respect to Regular Trading Hours], or at the later of 8:30 a.m. and the time the Exchange receives a disseminated index value for classes determined by the Exchange; and

(B) for Extended Trading Hours, at[after] 2:00 a.m.[, with respect to Extended Trading Hours,

the System initiates the opening rotation procedure and sends a notice (“Rotation Notice”) to market participants.] For purposes of this subparagraph (i), the “market for the underlying security” [shall be]is either the primary listing exchange[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]exchange to open the underlying security (as determined by the Exchange on a class-by-class basis).

(ii) Upon initiating the opening rotation procedure, the System notifies market participants of such opening rotation initiation ([The]“Rotation Notice”)[will be sent following the opening trade and/or opening quote or whichever occurs first (as determined by the Exchange on a class-by-class basis)].

[(ii) For Regular Trading Hours, in the event an underlying security has not opened within a reasonable time after 8:30 a.m., the DPM or LMM, as applicable, acting in option contracts on such security shall report the delay to a Floor Official and an inquiry shall be made to determine the cause of the delay. The opening rotation for option contracts in such security shall be delayed until the underlying security has opened unless two Floor Officials determine that the interest of a fair and orderly market are best served by opening trading in the option contracts. However, in the particular event where the underlying security has not opened within a reasonable time after 8:30 a.m. and the DPM or LMM believes the delay is because the market for the underlying security has not reported an opening trade in the underlying security but has disseminated opening quotations and not given an indication of a delayed opening, the DPM or LMM shall instead report the delay directly to the Exchange’s Control Room.

Following such report by the DPM or LMM to the Control Room, or following notification by the Control Room to the DPM or LMM of such an event, the senior official in the Control Room may authorize the initiation of the opening rotation process in the affected option class where necessary to ensure a fair and orderly market.]

(c) Opening Rotation Period.[:] After the System initiates the opening rotation procedure and sends the Rotation Notice[is sent], the System [will enter into a]begins the opening [R]rotation [P]period[, during which the opening price will be established for each series]. During the opening rotation period for a series:

(i) The System matches and executes resting orders and quotes against each other in order to establish an opening BBO and trade price, if any, for the series.

(A) The opening trade price of a series is the “market-clearing” price, which is the single price at which the largest number of contracts in the Book can execute, leaving bids and offers that cannot trade with each other. If there are multiple prices at which the same number of contracts would clear, the System uses: (1) the price at or nearest to the midpoint of the opening BBO, or the widest offer (bid) point of the OEPW range if the midpoint is higher (lower) than that price point, in classes in which the Exchange has not activated HALO; or (2) the price at or nearest to the midpoint of the range consisting of the higher of the opening NBB and widest bid point of the OEPW range, and the lower of the opening NBO and widest offer point of the OEPW range, in classes in which the Exchange has activated HALO.

(B) All orders (except complex orders and, in classes in which the Exchange has not activated HALO, all-or-none orders and orders with a stop contingency) and quotes in a series in the Book prior to the opening rotation period participate in the opening rotation for that series. Contingency orders that participate in the opening rotation may execute during the opening rotation period only if their contingencies are triggered.

(C) The System prioritizes orders in the following order: (I) market orders, (II) limit orders and quotes whose prices are better than the opening price, and (III) resting orders and quotes at the opening price. Contingency orders are prioritized as set forth in Rules 6.45A and 6.45B.

(ii) [During the Rotation Period, t]The System [will]continues to [calculate and provide the EOP and EOS given the current resting orders and quotes]disseminate EOIs (the Exchange may determine a shorter interval length for the dissemination of EOIs during the Rotation Period than during the pre-opening period).

(iii) After a period of time determined by the Exchange for all classes, the System opens series of a class in a random order, staggered over regular intervals of time (the Exchange determines the length and number of these intervals for all classes).[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] Subject to paragraph (d) below, the opening rotation period (including these intervals) may not

exceed [sixty]60 seconds[, will be established on a class-by-class basis by the Exchange)].

[(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 (as 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 by the Exchange on a class-by-class basis).

(iv) The opening price of a series is the “market-clearing” price that will leave bids and offers which cannot trade with each other. In determining the priority of orders and quotes to be traded, the System gives priority to market orders first, then to limit orders and quotes whose price is better than the opening price, and then to resting orders and quotes at the opening price. One or more series of a class may not open because of conditions cited in paragraph (e) of this Rule.]

[(d) *Opening Quote and Trade Price:* As the opening price is determined by series, the System will disseminate through OPRA the opening quote and the opening trade price, if any, for each trading session.]

[(e)d) *Opening Conditions.[:]* Notwithstanding paragraph (c) above:

(i) In classes in which the Exchange has not activated HALO: [The System will not open a series if one of the following conditions is met:]

[(i)A] if [T]there [is]are no quotes [present]in the series on the Exchange, the System does not open the series;

(B) [as provided in paragraph (c)(iii)]if the width between the Exchange’s best quote bid and best quote offer (for purposes of this subparagraph (d)(i), the “opening quote”) is wider than an acceptable opening price range (as determined by the Exchange on a class-by-class and premium basis) (the “Opening Exchange Prescribed Width range” or “OEPW range”) and there are orders or quotes marketable against each other, the System does not open the series. However, if the opening quote width is no wider than the intraday acceptable price range as set forth in Rule 6.13(b)(v) (the “Intraday Exchange Prescribed Width range” or “IEPW range”) and there are no orders or quotes marketable against each other, the System opens the series. If the opening quote width is wider than the IEPW range, the System does not open the series;

[(ii)C] if [T]the opening trade price [is not within an acceptable range (as determined by the Exchange) compared to the lowest quote offer and the highest quote bid]would be outside of the OEPW range, the System does not open the series; or

[(iii)D] if [T]the opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the [limit]orders[,] and quotes [and market orders] on the opposite side), the System does not open the series.[:] [h]However, [in series that will open at a minimum price

increment (e.g., at a price of \$0.05 or, in penny series, at a price of \$0.01), the System will open even] if a sell market order imbalance exists, there is no bid in the series and the best offer is \$0.50 or less, the System opens the series (see Rule 6.13(b)(vi)). If a sell market order imbalance exists, there is no bid in the series and the best offer is greater than \$0.50, the System does not open the series.

[If the condition in paragraph (e)(i) or (e)(ii) is present, the senior official in the Control Room may authorize the opening of the affected series where necessary to ensure a fair and orderly market. If the condition in paragraph (e)(ii) is present, the System will not open the series but will send a notification to market participants indicating the reason. When the condition in (e)(iii) is present, a notification will be sent to market participants indicating the size and direction (buy or sell) of the market order imbalance. The System will not open the series until the condition causing the delay is satisfied. The System will repeat this process until the series is open.]

(ii) In classes in which the Exchange has activated HALO:

(A) if there are no quotes on the Exchange or disseminated from at least one away exchange present in the series, the System does not open the series;

(B) if the width between the best quote bid and best quote offer, which quotes may consist of Market-Maker quotes or bids and offers disseminated from an away exchange(s) (for purposes of this subparagraph (d)(ii), the “opening quote”) is wider than the OEPW range and there are orders or quotes marketable against each other or that lock or cross the OEPW range, the System does not open the series. However, if the opening quote width is no wider than the IEPW range and there are no orders or quotes marketable against each other or that lock or cross the OEPW range, the System opens the series. If the opening quote width is wider than the IEPW range, the System does not open the series. If the opening quote for a series consists solely of bids and offers disseminated from an away exchange(s), the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price. The System then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher);

(C) if the opening trade price would be outside of the OEPW range or NBBO, the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at an opening trade price not outside either the OEPW range or NBBO. The System then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher);

(D) if the opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the orders and quotes on the opposite side), the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price. The System then exposes any remaining marketable buy

(sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher); or

(E) if the opening quote bid (offer) or NBB (NBO) crosses the opening quote offer (bid) or NBO (NBB) by more than a specified amount determined by the Exchange on a class-by-class and premium basis, the System does not open the series. If the opening quote bid (offer) or NBB (NBO) crosses the opening quote offer (bid) or NBO (NBB) by no more than the specified amount, the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price, then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher). If the best away market bid and offer are inverted by no more than the specified amount, there is a marketable order on each side of the series, and the System opens the series, the System exposes the order on the side with the larger size and routes for execution the order on the side with the smaller size to an away exchange that is at the NBBO.

The exposure of any orders pursuant to this subparagraph (ii) will be conducted via HAL pursuant to Rule 6.14A for an exposure period designated by the Exchange for a class (which period of time will not exceed 1.5 seconds). Any remaining balances of orders not executed after the exposure period enter the book at their limit prices (to the extent consistent with Rule 6.53) or route via the order handling system pursuant to Rule 6.12 in accordance with their routing instructions.

Any orders exposed under this subparagraph (d)(ii) that are priced or would be executed at a price not within an acceptable tick distance from the initial HAL price will route via the order handling system pursuant to Rule 6.12 (except any remaining balances of opening contingency orders will be cancelled). The Exchange determines an “acceptable tick distance” on a class-by-class and premium basis, which may be no less than two minimum increment ticks and, in classes in which HAL is also activated intraday, will be the same as the acceptable tick distance established under Rule 6.13(b)(v).

(iii) If the System does not open a series pursuant to subparagraphs (i) or (ii), notwithstanding paragraph (c) above, the opening rotation period continues (including dissemination of EOIs) until the condition causing the delay is satisfied or if the Exchange otherwise determines it is necessary to open a series in accordance with paragraph (e).

([f]e) [Floor Officials]Help Desk[:] [Two Floor Officials]Senior Help Desk personnel may deviate from the standard manner of the opening procedure in this Rule 6.2B, including delay[ing] or compel the opening of any series in any option class, modify timers or settings described in this rule, and not use the modified opening procedure set forth in Interpretation and Policy .01 below, when necessary in the interests of commencing or maintaining a fair and orderly market, in the event of unusual market conditions or in the public interest. The Exchange will make and maintain records to document all determinations to deviate from the standard manner of the opening procedure, and periodically review these determinations for consistency with the interests of a fair and orderly market.

([g]f) *Trading Halts.*[:] The procedure described in this Rule may be used to reopen a class or series after a trading halt; however, based on then-existing facts and circumstances, there may be no pre-opening period or a shorter pre-opening period than the regular pre-opening period. The Exchange will announce the reopening of a class or series after a trading halt as soon as practicable via verbal message to the trading floor and electronic message to Trading Permit Holders that request to receive such messages. The Exchange may also reopen a class after a trading halt as otherwise set forth in the Rules, including Rules 6.3, 6.3B, and 6.3C.

([h]g) *Closing Rotation Procedure.* [The decision whether to employ a closing rotation in a series trading on the HOSS is governed by this paragraph (h) and not Interpretations and Policies .02, .03 or .05 of Rule 6.2. The procedure described in this Rule may be employed] For any series that opens pursuant to the procedure described in this Rule, senior Help Desk personnel and senior management may decide to conduct a closing rotation pursuant to the procedure described in this Rule after the end of the normal close of any trading session whenever the Exchange concludes that such action is appropriate in the interests of a fair and orderly market. The factors that may be considered in holding a closing rotation procedure include, but are not limited to, whether there has been a recent opening or reopening of trading in the underlying security, a declaration of a fast market, or a need for a closing procedure in connection with expiring individual security options, an end of the year procedure, or the restart of a procedure which is already in progress. The Exchange will notify Trading Permit Holders of the decision to [employ]conduct a closing rotation procedure as soon as practicable via verbal message to the trading floor and electronic message to Trading Permit Holders that request to receive such messages[shall be disseminated prior to the commencement of such procedure].

(h) *Hybrid 3.0 Classes.* All provisions set forth above in this Rule apply to opening series in Hybrid 3.0 classes during Regular Trading Hours, except as follows:

(i) *Opening Quotes.* Notwithstanding paragraph (a)(i) above, only the DPM(s) or LMM(s) with an allocation or appointment, respectively, to the class or series may enter quotes prior to the opening of trading, subject to the obligation set forth in Rule 8.15 or 8.85, respectively.

(ii) *Opening Orders.* During the pre-opening period, the System will accept all order types eligible for entry as set forth in paragraph (a)(i) above from public customers and only opening rotation orders from non-public customers.

... *Interpretations and Policies:*

.01 *Modified Opening Procedure for [Hybrid 3.0 Classes]Series Used to Calculate the Exercise/Final Settlement Values of Volatility Indexes.*[:] [Notwithstanding paragraph (a) to Rule 6.2B, for purposes of Hybrid 3.0 classes during Regular Trading Hours, the following shall apply:

(a) Only the DPM or LMM will be required to enter opening quotes in opening rotations. Public customers, broker-dealers, Exchange Market-Makers, away Market-Makers and

Specialists will not be permitted to enter opening quotes but may enter opening orders in opening rotations.

(b) The DPM or LMM must enter opening quotes that comply with the bid/ask differential requirements determined by the Exchange on a class-by-class basis.

(c) All provisions set forth in Rule 6.2B [shall] remain in effect unless superseded or modified by this [Rule 6.2B.01] Interpretation and Policy .01. [To facilitate the calculation of exercise or final settlement values for options or futures contracts on volatility indexes and the CBOE Short-Term Volatility Index (“VXST”),] On the dates on which the exercise and final settlement values are calculated for options (as determined under Rule 24.9(a)(5) or (6)) or (security) futures contracts on a volatility index (i.e., expiration and final settlement dates), the Exchange [shall] utilize [a] the modified [HOSS] opening procedure described below for [any Hybrid 3.0 index option] all series [with respect to which] used to calculate the exercise/final settlement value of the [a] volatility index for expiring options and (security) futures contracts (these option series referred to as “constituent options”). [(including VXST) is calculated. This modified HOSS opening procedure will be utilized only on the expiration and final settlement dates of the options or futures contracts on the applicable volatility index (including VXST) for each expiration.

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

(i) All orders (including public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist orders), other than spread or non-OPG contingency orders, will be eligible to be placed on the electronic book for those option contract expirations whose prices are used to derive the volatility indexes (including VXST) on which options and futures are traded, for the purpose of permitting those orders to participate in the opening price calculation for the applicable index option series.

(ii) In addition to the LMM quoting requirement, all LMMs, if applicable, shall be required to enter opening orders during the modified HOSS opening procedures.]

[(iii)] a) 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 [(including VXST)] options or (security) futures (“strategy orders”), and any change to or cancellation of any such order:

[(A)] i) must be received prior to the applicable strategy order cut-off time for the [affected index option] constituent option series ([established] as determined by the Exchange on a class-by-class basis), [provided that the strategy order cut-off time will] which may be no earlier than 8:00 a.m. and no later than the opening of trading in

the [option]series. The Exchange will announce [A]all [pronouncements]determinations regarding changes to the applicable strategy order cut-off time [will be announced]at least one day prior to implementation.

([B]ii) may not be cancelled or changed after the applicable strategy order cut-off time [established in accordance with paragraph (A) to Rule 6.2B.01(c)(iii)], unless the strategy 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 strategy order may be changed or cancelled after the applicable strategy order cut-off time [established in accordance with paragraph (A) to Rule 6.2B.01(c)(iii)] and prior to the applicable non-strategy order cut-off time [established in accordance with paragraph (iv) to Rule 6.2B.01(c)] in order to correct a legitimate error, in which case the Trading Permit Holder submitting the change or cancellation [shall]will prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and [shall]will 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]will consider [index option]orders to be [related to positions in, or a trading strategy involving, volatility index (including VXST) options or futures]strategy orders for purposes of this Rule 6.2B.01[(c)] if the orders possess the following three characteristics:

((1)A) The orders are for option series with the expiration[s] that will be used to calculate the exercise [settlement]or final settlement value of the applicable volatility index [(including VXST)]option or futures contract.

((2)B) The orders are for option series spanning the full range of strike prices for the appropriate expiration for option series that will be used to calculate the exercise [settlement]or final settlement value of the applicable volatility index [(including VXST)]option or futures contract, but not necessarily every available strike price.

((3)C) The orders are for put options with strike prices less than the “at-the-money” strike price and for call options with strike prices greater than the “at-the-money” strike price. The orders may also be for put and call options with “at-the-money” strike prices.

Whether [index option]orders are [related to positions in, or a trading strategy involving, volatility index (including VXST) options or futures]strategy orders for purposes of this Rule 6.2B.01[(c)] depends upon specific facts and circumstances. The Exchange may also deem[O]order types other than those provided above [may also be deemed by the Exchange to fall within this category of]as strategy 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)b) All other [index option]orders for participation in the modified [HOSS]opening procedures (“non-strategy orders”), and any change to or cancellation of any such order, must be received prior to the applicable cut-off time (as determined by the Exchange on a class-by-class basis) 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 which may be no earlier than 8:25 a.m. and no later than the opening of trading in the option series. The Exchange will announce [A]all [pronouncements]determinations regarding changes to the applicable non-strategy order cut-off time [will be announced]at least one day prior to implementation.

(v) The HOSS system shall automatically generate cancels immediately prior to the opening of the applicable index option series for broker-dealer, Exchange Market-Maker, away Market-Maker, and Specialist orders which remain on the electronic book following the modified HOSS opening procedures.

(vi) Any imbalance of contracts to buy over contracts to sell in the applicable index option series, or vice versa, as indicated on the electronic book, will be published as soon as practicable up through the opening of trading in the affected series on days that the modified HOSS opening procedures are utilized.]

.02 Market-Maker Quotes.[:] The Exchange determines on a class-by-class basis (a) the minimum number of contracts for the initial size of a Market-Maker’s opening quote [must be for the minimum number of contracts determined by the Exchange on a class-by-class basis], which minimum [shall]must be at least one contract, and (b) the bid/ask differential requirements with which Market-Makers’ opening quotes must comply, which minimum and differential requirements may be different for the opening than those applicable intraday. [For purposes of this paragraph, the term “Market-Maker” includes a DPM, LMM, or Market-Maker.]

.03 Reserved.*[HAL Opening Procedure:* This Interpretation and Policy governs the operation of the Hybrid Agency Liaison (“HAL”) for openings for a trading session. The Exchange shall designate the classes in which HAL shall be activated for openings. The Exchange shall also determine on a class-by-class basis the exposure period (which period of time shall not exceed 1.5 seconds) and allocation period (which period of time, when combined with the designated exposure time period (as opposed to an exposure period that is terminated early), shall not exceed a total of 3 seconds). For such classes, the following procedures shall apply in lieu of paragraph (e) above.

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

- (i) There is no quote present in the series as provided in paragraph (c)(iii);
- (ii) The opening price is not within an acceptable range (as determined by the Exchange) compared to the lowest quote offer and the highest quote bid;
- (iii) The opening trade would be at a price that is not the NBBO; or

(iv) The opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the limit orders, quotes and market orders on the opposite side).

(b)(i) If the condition in paragraph (a)(i) of this Interpretation and Policy is present, the System will check to see if there is an NBBO quote on another market that falls within the acceptable opening range. If such an NBBO quote is present, the series will open and expose the marketable order(s) at the NBBO price. If such an NBBO quote is not present, the System will not open the series and will send a notification to market participants indicating the reason.

(ii) If the condition in paragraph (a)(ii) of this Interpretation and Policy is present, the System will match orders and quotes to the extent possible and report the opening trade, if any, at a single clearing price within the acceptable range, then expose the remaining marketable order(s) at the widest price point within the acceptable opening range or the NBBO price, whichever is better.

(iii) If the condition in paragraph (a)(iii) of this Interpretation and Policy is present, the System will match orders and quotes to the extent possible and report the opening trade, if any, at a single clearing price within the acceptable opening range or the NBBO price, whichever is better, then expose the remaining marketable order(s) at the NBBO price.

(iv) If the condition in paragraph (a)(iv) of this Interpretation and Policy is present, the System will match orders and quotes to the extent possible and report the opening trade, if any, at a single clearing price, then expose the remaining marketable order(s) at the widest price point within the acceptable opening range or the NBBO price, whichever is better.

(c) For purposes of this Interpretation and Policy:

(i) In determining the priority of orders and quotes to be traded on the opening trade or through the subsequent exposure process, the System gives priority to market orders first then to limit orders and quotes whose price is better than the opening price and then to limit orders and quotes at the opening price.

(ii) The exposure process will be conducted via HAL pursuant to Rule 6.14A. In addition, any remaining balance of orders not executed via HAL on the opening that are priced or would be executed at a price that is not within an acceptable tick distance from the initial HAL price will route via the order handling system pursuant to Rule 6.12 (except that any remaining balance of opening contingency orders will be cancelled). An “acceptable tick distance” shall be determined by the Exchange on a series-by-series and premium basis and shall be no less than 2 minimum increment ticks. For classes in which HAL is activated, the acceptable tick distance will be the same as the acceptable tick distance established under Rule 6.13(b)(v).]

.04 Allocation Algorithm.[:] The [Exchange may determine on a class-by-class basis which]electronic allocation algorithm from Rule 6.45A or 6.45B, as applicable, that applies to a

class intraday also [shall apply]applies to the class during rotations, unless the Exchange determines to apply a different algorithm from Rule 6.45A or 6.45B, as applicable, to a class during rotations if the Exchange deems necessary or appropriate. The Exchange may determine to apply a separate electronic allocation algorithm for series that open at a minimum price increment due to a sell market order imbalance.

.05 Exchange Determinations.[:] The Exchange will announce to Trading Permit Holders [A]all [pronouncements regarding] determinations it makes [by the Exchange]pursuant to Rule 6.2B and [the]its Interpretations and Policies [thereunder will be announced to Trading Permit Holders]via Regulatory Circular with appropriate advanced notice or as otherwise provided. To the extent the Exchange authorizes groups of series of a class to trade on different trading platforms pursuant to Rule 8.14, Interpretation and Policy .01, the Exchange may make determinations pursuant to this Rule 6.2B and its Interpretations and Policies on a group-by-group basis that would otherwise be made on a class-by-class basis.

.06 SPX Non-Trading Closing Rotations. Following the close of trading on the last business day of each calendar month, the Exchange will conduct special non-trading closing rotations for each series of S&P 500 Index (“SPX”) options in order to determine the theoretical “fair value” of such series as of time of the close of trading in the underlying cash market. During such special non-trading closing rotations, an LMM in the SPX options designated by the Exchange in each series of SPX options, will provide bid and offer quotations, the midpoint of which will reflect the theoretical fair value of the series of SPX options, as determined by the LMM pursuant to the LMM’s algorithmic analysis of relevant and available data. Notwithstanding that trading in SPX options on the Exchange continues until fifteen minutes after the close of trading in the underlying cash market, on the last business day of each month, after the close of trading, the Exchange shall disseminate the fair value quotations as of the close of trading in the underlying cash market provided by the designated LMM as the quotations used to calculate the theoretical fair value for each series of SPX options, provided, however, that the Exchange may determine, in the interest of fair and orderly markets, not to disseminate such quotations.

.07 Limit Up-Limit Down States.[:] If the underlying security for an option class is in a limit up- limit down state as defined in Rule 6.3A when the class moves to opening rotation, then all market orders in the system will be cancelled except market orders that are considered limit orders pursuant to Rule 6.13(b)(vi) and entered the previous trading day. In addition, if the opening rotation has already begun for an options class when a limit up-limit down state initiates for the underlying security of that class, market and limit orders will continue through the end of the opening rotation.

[.08 Modified Opening Procedures For Hybrid Classes and Series Used to Calculate Volatility Indexes: Notwithstanding paragraph (a) to Rule 6.2B, for purposes of Hybrid classes and series that are used to calculate a volatility index, the following shall apply during Regular Trading Hours:

(a) *Applicable Days.* All provisions set forth in Rule 6.2B shall remain in effect unless superseded or modified by this Rule 6.2B.08. The modified HOSS opening procedures described below shall apply on the following days:

(i) *30-Day Volatility Indexes.* On the dates that the exercise settlement and final settlement values are calculated for options (as determined under Rule 24.9(a)(5)) or (security) futures contracts on volatility indexes measuring a 30-day volatility period; and

(ii) *CBOE Short-Term Volatility Index (VXST).* On the dates that the exercise settlement and final settlement values are calculated for VXST options (as determined under Rule 24.9(a)(6)) or futures.

(b) On applicable days, all orders in Hybrid classes and series used to calculate 30-day and short-term volatility indexes (including public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist orders), other than spread or contingency orders, are eligible to be placed on the electronic book for the purpose of permitting those orders to participate in the opening price calculation for the applicable option class or series.

On the days that the modified HOSS opening procedures are utilized, the following provisions shall apply to volatility index option components:

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

(i) must be received prior to the applicable strategy order cut-off time for the affected 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. 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 at least one day prior to implementation.

(ii) may not be cancelled or changed after the applicable strategy order cut-off time established in accordance with paragraph (c)(i) to Rule 6.2B.08, unless the order is not executed in the modified HOSS opening procedures and the cancellation or change is submitted after the modified HOSS opening procedures are concluded (provided that any such order may be changed or cancelled after the applicable strategy order cut-off time established in accordance with paragraph (c)(i) to Rule 6.2B.08 and prior to applicable cut-off time established in accordance with paragraph (d) to Rule 6.2B.08 in order to correct a legitimate error, in which case the Trading Permit Holder 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 option orders to be related to positions in, or a trading strategy involving, volatility index options or (security) futures for purposes of this Rule 6.2B.08 if the orders possess the following three characteristics:

(A) The orders are for option series with the expirations that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index option or (security) futures contract.

(B) The orders are for options series spanning the full range of strike prices for the appropriate expiration for options series that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index option or (security) futures contract, but not necessarily every available strike price.

(C) The orders are for put options with strike prices less than the "at-the-money" strike price and for call options with strike prices greater than the "at-the-money" strike price. The orders may also be for put and call options with "at-the-money" strike prices.

Whether option orders are related to positions in, or a trading strategy involving, volatility index options or (security) futures for purposes of this Rule 6.2B.08 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.08 may be suspended by two Floor Officials in the event of unusual market conditions.

(d) All other 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 option series. The applicable cut-off time for the affected 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. 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 at least one day prior to implementation.

(e) Any imbalance of contracts to buy over contracts to sell in the applicable option series, or vice versa, as indicated on the electronic book, will be published as soon as practicable up through the opening of trading in the affected series on days that the modified HOSS opening procedures are utilized.]

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Rule 6.13. CBOE Hybrid System Automatic Execution Feature

(a) No change.

(b) Automatic Execution: Orders eligible for automatic execution through the CBOE Hybrid System may be automatically executed in accordance with the provisions of this Rule, Rule 6.13A or 6.14A, as applicable. This section governs automatic executions and split-price automatic executions. The automatic execution and allocation of orders or quotes submitted by market participants also is governed by Rules 6.45A(c) and (d) and Rules 6.45B(c) and (d).

(i) – (iv) No change.

(v) Market-Width and Drill Through Price Check Parameters:

(A) No change.

(B) *Drill Through Price Check Parameter.*

(I) – (IV) No change.

(V) This subparagraph (B) does not apply to executions of orders following an exposure via HAL at the open, which are subject to the drill through protection in Rule 6.2B[, Interpretation and Policy .03(c)(ii)](~~(d)~~)(ii).

(C) No change.

(vi) No change.

(c) 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) – (k) No change.

(l) *Opening Rotation Order.* An opening rotation order is a market or limit order which is to be executed in whole or in part during the opening rotation of a[n option] series or not at all. Any portion not so executed is to be treated as cancelled.

(m) – (x) No change.

... *Interpretations and Policies:*

.01 – .02 No change.

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Rule 8.15. Lead Market-Makers

(a) No change.

(b) LMM Obligations: Each LMM must fulfill all the obligations of a Market-Maker under the Rules and satisfy each of the following requirements:

(i) – (iv) No change.

(v) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)]) and participate in other rotations described in Rule 6.2B (including the modified opening rotation[s] set forth in Interpretation[s] and Policy[ies] .01[and .08]) or 24.13, as applicable. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (b)(v) will be that of the Off-Floor DPM or Off-Floor LMM and not the On-Floor LMM;

(vi) – (viii) No change.

(c) – (d) No change.

... *Interpretations and Policies:*

.01 – .04 No change.

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Rule 8.85. DPM Obligations

(a) *Dealer Transactions.* Each DPM must fulfill all of the obligations of a Market-Maker under the Rules, and must 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)(xi) of this Rule and the general obligations of a Market-Maker under the Rules, subparagraphs (a)(i) through (a)(xi) of this Rule will govern. Each DPM must:

(i) – (x) No change.

(xi) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)]) and participate in other rotations described in Rule 6.2B (including the modified opening rotation[s] set forth in Interpretation[s] and Policy[ies] .01[and .08]) or 24.13, as applicable. In option classes in which both an On-

Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (a)(xi) will be that of the Off-Floor DPM or Off-Floor LMM and not on the On-Floor LMM.

(b) – (e) No change.

... *Interpretations and Policies:*

.01 – .02

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Rule 17.50. Imposition of Fines for Minor Rule Violations

(a) – (f) No change.

(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) – (13) No change.

(14) Failure to Meet Exchange Quoting Obligations

A fine shall be imposed upon a Market-Maker, Designated Primary Market-Maker or Lead Market Maker (as applicable) in accordance with the fine schedule set forth below for the following conduct:

- Failure to meet the continuous quoting obligation (Rule 8.7, 8.15, and 8.85);
- Failure to meet the applicable quote width requirements (Rule 8.7);
- Failure to meet the initial quote volume requirements (Rule 8.7); and
- Failure of a Lead Market-Maker or Designated Primary Market-Maker to enter opening quotes within one minute following the initiation of an opening rotation (e.g. 8:31 a.m. (CT)) in a series in its appointed or allocated class, respectively, that is not open due to the lack of a quote (see Rule 6.2B([e]d)(i)(A) or (ii)(A)[Interpretation and Policy .03(a)(i)], as applicable) (Rules 8.15 and 8.85), respectively.

Number of Offenses in any Rolling Twenty-Four Month Period

Fine Amount

1st Offense	\$2,000 to \$4,000
2nd Offense	\$4,000 to \$5,000
Subsequent Offenses	Referral to Business Conduct Committee

(15) – (19) No change.

... Interpretations and Policies:

.01 – .03 No change.

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