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Page 1 of * 430

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

File No.* SR - 2018 - * 003
Amendment No. (req. for Amendments *)

Filing by Cboe Exchange, Inc.

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

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☑ Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

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

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 *).

Proposed rule change to delete obsolete rules.

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.

Date 01/03/2018
By Kyle Edwards
(Name *)

(Title *)
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

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, 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)

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

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Exhibit Sent As Paper Document ☐

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document ☐

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

Item 1. Text of the Proposed Rule Change

(a) Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to delete Rules that no longer apply to the Exchange and make other nonsubstantive changes to the Rules. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on January 2, 2018.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Laura G. Dickman, (312) 786-7572, Cboe Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

The purpose of this rule change is to delete Rules that no longer apply to the Exchange and to make other nonsubstantive changes to the Rules.

Deletion of Rules

The Exchange proposes to delete the following rules and chapters from its rulebook:

- Rule 2.40 – Market-Maker Surcharge for Brokerage. Rule 2.40 operated as a pilot program until March 30, 2000, at which time the program expired (and the Exchange did not request renewal). The Exchange does not impose a surcharge on

Market-Maker transactions pursuant to this rule. Any fees and rebates applicable to any Market-Maker transactions are included in the Cboe Options Fees Schedule.

- Rule 6.2 – Trading Rotations. Rule 6.2 states the Exchange may use the procedures described in current Rules 6.2, 6.2A, or 6.2B to conduct trading rotations in all options listed on the Exchange. Currently, the Exchange only uses the procedures set forth in current Rule 6.2B to conduct trading rotations, and no longer conducts trading rotations pursuant to current Rule 6.2. Therefore, this provision no longer applies to trading on the Exchange.[1]

- Rule 6.2A – Rapid Opening System ("ROS"). The Exchange used ROS prior to open options prior to implementation of the Exchange's Hybrid Trading System, which includes the Hybrid 3.0 Platform. Currently, all options listed on the Exchange trade on its Exchange's Hybrid Trading System. As stated in Rule 6.2A, ROS does not apply to series trading on the Hybrid Trading System, which open on the Cboe Options Hybrid Opening System ("HOSS") (pursuant to Rule 6.2B). Therefore, Rule 6.2A no longer applies to any options listed for trading on the Exchange.[2]

- Rules 6.8 – RAES Operations and 6.9 – Automatic ORS Order Execution Against Booked Orders. The Exchange's Retail Automatic Execution System

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[1] The proposed rule change makes corresponding changes to the following rules to delete references to ROS and the rule proposed to be deleted: Rules 6.6, 6.18, 6.25(b)(1), 6.73(c), 8.60(c)(7) and Interpretation and Policy .02, 21.11, 22.11, and 24.13.

[2] The proposed rule change makes corresponding changes to the following rules to delete references to ROS and the rule proposed to be deleted: Rules 1.1(fff) and (ggg), 6.2, 6.6, 6.18, 6.25(b)(1), 8.60(c)(7) and Interpretation and Policy .02, 22.11, 24.13. Because the proposed rule change deletes both Rules 6.2 and 6.2A, the proposed rule change also renumbers Rule 6.2B to be Rule 6.2, and makes corresponding changes throughout the Rules.

("RAES") was an automated execution system feature of the Exchange's Order Routing System ("ORS") operated by the Exchange and that provided automated order execution and reporting services for options. RAES and ORS are no longer used, as all options trading on the Exchange currently occurs on the Hybrid Trading System, which includes Exchange's Order Handling System ("OHS"). Therefore, RAES and ORS no longer apply to any options listed for trading on the Exchange.[3]

- Rule 6.10 – LOU System Operations. The Large Order Utility ("LOU") System was a facility of the Exchange that provided order routing, handling, and execution for eligible options orders routed electronically to the Exchange. The LOU System is no longer used, as all options trading on the Exchange trade on the Hybrid Trading System. Therefore, the LOU System no longer applies to any options listed for trading on the Exchange.

- Rule 6.13B – Penny Price Improvement. Pursuant to Rule 6.13B, the Exchange may designate one or more options trading on the Hybrid Trading System in a Penny Price Improvement Program, which allows Trading Permit Holders to

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[3] The proposed rule change makes corresponding changes to the following rules to delete references to RAES and ORS, change references from ORS to OHS, and the rules proposed to be deleted: Rules 1.1(fff) and (ggg), 6.3, Interpretation and Policy .05, 6.6(b) and (e) and Interpretation and Policy .01, 6.7(b) (the Hybrid System includes OHS and the book), 6.8C (which the proposed rule change renumbers as 6.8), 6.13(a) and (c), 6.18, 8.7(b)(iii) and Interpretations and Policies .07 (which is being deleted in its entirety, as described below) .11(a) (the Exchange deleted the paragraph letter for current paragraph (b), as it will be the only paragraph in that Interpretation and Policy, as well as the introduction to that paragraph regarding its applicability to classes on the Hybrid System, because all classes are on the Hybrid System), 8.13, 8.16, 8.51(c)(1)(a)(iii), 8.60(c)(7) (the proposed rule change renumbers provisions (8) through (10) as (7) through (9)) and Interpretation and Policy .02, 8.85(a)(ix) (the proposed rule change renumbers subparagraphs (x) and (xi) as (ix) and x), and deletes from current subparagraph (x) (proposed subparagraph (xi) the introduction to that paragraph regarding its applicability to classes on the Hybrid System, because all classes are on the Hybrid System), 23.7, 24.15, 24.17, 24.21(j)(1), and 24B.15.

provide price improvement beyond the Exchange's disseminated quote for classes not already quote in penny increments and for which the simple auction liaison system is not in effect. The Exchange currently has not designated, and has no intention to designate, any options for participation in this program. Therefore, this program no longer applies to any options listed for trading on the Exchange.[4]

- Rule 6.54(a) – Accommodation Liquidation (Cabinet Trades) for Classes Not Trading on the Cboe Options Hybrid System. Rule 6.54 describes cabinet trading permitted on the Exchange. Paragraph (a) describes cabinet trading for classes not trading on the Hybrid System, while paragraph (b) describes cabinet trading for classes trading on the Hybrid System. All options trading on the Exchange currently trade on the Hybrid Trading System, and thus Rule 6.54 (a) no longer applies to any options listed for trading on the Exchange.[5]

- Chapter VII – Order Book Officials. Order Book Officials were Exchange employees responsible for maintaining the book with respect to classes assigned to them, effecting proper executions of orders placed with them, displaying bids and offers, and monitoring the market for classes assigned to them. The Exchange currently has no employees designated as, and does not intend to designate any employees as, Order Book Officials, as Order Book Official functions are generally obsolete now that most trading occurs electronically.

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[4] The proposed rule change makes corresponding changes to the following rules to delete references to the Penny Price Improvement Program and the rules proposed to be deleted: Rules 1.1(fff) and (ggg), 6.45, Interpretations and Policies .01 and .02, Rule 6.47, Interpretation and Policy .02, and Rule 6.74, Interpretation and Policy .09.

[5] The proposed rule change makes a corresponding change to current paragraph (b), eliminates paragraph lettering for paragraph (b) (as that will be the only paragraph in the rule), and reletters subparagraphs (i) and (ii) as (a) and (b), consistent with paragraph lettering throughout the rules.

The proposed rule change deletes Rules 7.1 through 7.3, 7.4 except for subparagraph (a)(1) (which is being moved to Rule 6.11, with some modifications described below), 7.5, 7.7 through 7.10, and Chapter VII, Section B, as they relate solely to responsibilities of Order Book Officials.

Rule 7.4(a)(1) states public customer orders in Hybrid and Hybrid 3.0 classes are eligible for entry into the electronic book, and the Exchange may determine on a class-by-class basis other orders that are eligible for entry into the electronic book. Currently, after a class is open for trading (see Rule 6.2B for a description of orders the System accepts prior to opening), the System accepts for entry into the Book (1) quotes of all Market-Makers and order of any origin code in Hybrid classes and (2) quotes of Lead Market-Makers ("LMMs") and orders of priority customers in Hybrid 3.0 classes, while the Exchange continues to have flexibility to permit orders of other origin codes be eligible for book entry. The Exchange proposes to codify this current book eligibility (which is consistent with the Exchange's authority in current Rule 7.4(a)(1)) in Rule 6.11. The proposed rule change also deletes the provision in current Rule 7.4(a)(1) that states Trading Permit Holders submitting orders or quotes for entry in to the book must do so electronically and in the format announced by the Exchange. It is redundant to state orders and quotes for entry in the electronic book must be submitted electronically, and Rule 6.53A describes the types of order formats Trading Permit Holders must use.[6]

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[6] The proposed rule change makes corresponding changes to the following rules to change cross-references to Rule 7.4 to Rule 6.11: Rules 6.13(b)(i)(A)(2) and (iii),

Rule 7.5, Interpretation and Policy .03 states every Floor Broker who represents a Market-Maker with an order in any options class must, by public outcry at the post, indicate the identify of such Market-Maker at the request of any Trading Permit Holder or Order Book Official. The proposed rule change moves this provision (with the reference to Order Book Official deleted) to Rule 6.73, which relates to responsibilities of Floor Brokers.

Rule 7.6 regarding the requirement for PAR Official to report unusual activity is proposed to move to Rule 6.12B(b)(vi).[7] The proposed rule change moves currently applicable provisions in Rule 7.12 (regarding PAR Officials) to Rule 6.12B (with some nonsubstantive changes).[8] PAR Officials are Exchange employees or independent contractors whom the Exchange may designate as being

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23.3(b), and 24.11A (the proposed rule change also deletes the Interpretations and Policies section of this rule, as there are currently none)

[7] The proposed rule change makes corresponding changes to the following rules to delete references to Order Book Officials and the rules proposed to be deleted: Rules 6.2 and Interpretation and Policy .01 (the proposed rule change also indicates the exchange may direct how trading rotations occur in Interpretation and Policy .01, which is consistent with the remainder of Rule 6.2), 6.3, Interpretations and Policies .01 and .02 (these interpretations also delete references to post directors, which are no longer used at the Exchange), 6.6(b) and (e) (which also deletes references to post directors, which are no longer used at the Exchange), 6.12A, 6.20(a) and Interpretations and Policies .02 and .04(ii), 6.43(A), 6.45, Interpretations and Policies .01 and .02 (the proposed rule change replaces references to Order Book Officials to PAR Officials, consistent with Interpretation and policy .02, which indicates PAR Officials may perform the functions of Order Book Officials for purposes of that rule), 6.73 Interpretation and Policy .01, 8.7(c) (the Exchange notes Market-Makers not permitted to enter a trading station in a floor brokerage capacity, as set forth in Rule 8.8) and Interpretation and Policy .09 (changes cross-reference to Rule 7.5 to Rule 8.7(d)(iv), which describes current Market-Maker obligations, including the obligation of Market-Maker to provide a quote upon Exchange request), and 24.13 and Interpretation and Policy .03 (which the proposed rule change renumbers to .02).

[8] The proposed rule change makes corresponding changes to the following rules to change cross-references to Rule 7.12 to Rule 6.12B: Rules 6.12A, 6.18(d)(i), and 6.20(a).

responsible for operating a PAR workstation and effecting proper executions of orders placed with them. PAR Officials no longer maintain the book with respect to assigned classes, as the electronic book manages electronic orders and quotes. The proposed rule change deletes the provision in current Rule 7.12(b)(i) regarding the definition of customer limit orders, as customer orders are now defined in Rule 1.1(www) and (yyy) (which are proposed to be relettered as (yyy) and (zzz), as described below). The proposed rule change deletes current Rule 7.12(b)(i)(C) and (e), which apply to the Intermarket Options Linkage Plan that no longer exists,[9] and Rule 7.12(b)(1)(E), which relates to orders received during a trading rotation pursuant to Rule 6.2 or HOSS pursuant to Rule 6.2B, as those rules describe how orders received prior or before a rotation are handled. The proposed rule change deletes Rule 7.12(b)(iii), as PAR Officials no longer maintain the book (as described above) and do not have the ability to remove orders from the book. The proposed rule change replaces the term "senior Trading Operations official" with "senior Help Desk personnel" in current Rule 7.12(b)(iv) (proposed Rule 6.12B(b)(iii), which term is used throughout the rules. The proposed rule change deletes Rule 7.12, Interpretation and Policy .01, as it relates to the Exchange's responsibility to appoint PAR Officials to trading stations prior to March 24, 2006. The Exchange currently has PAR Officials appointed to all trading stations on the trading floor.

- Autoquote. Autoquote was an Exchange electronic quotation system that automatically monitored and updated market quotes using a mathematical formula measuring certain characteristics of the option and underlying interest. Rules related

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9 Chapter VI, Section E describes Exchange responsibilities pursuant to the current linkage plan, the Options Order Protection and Locked/Crossed Market Plan.

to LMMs and DPMs require them to provide continuous electronic quotes in appointed classes using Autoquote or a proprietary automated quotation updating system. Currently, all Market-Makers that submit electronic quotes use a proprietary system, and Autoquote is no longer used. The proposed rule change deletes Rule 8.7, Interpretation and Policy .07, which describes Autoquote, as well as the requirement of LMMs and DPMs to provide electronic quotes, which requirement is included in Rules 8.15 and 8.85, respectively.[10]

- S&P 100 Modified Opening Rotation. Rule 24.13, Interpretation and Policy .02 provides a modified opening rotation that the Exchange may use for S&P 100 options, but the rule also provides the Exchange with the authority to open this class using HOSS pursuant to Rule 6.2B. The Exchange currently uses HOSS to open S&P 100 options, and does not intend to use the modified opening in the future. Therefore, this provision no longer applies to the opening of S&P 100 options.[11]

- Rule 8.7(c) – Market-Maker Entry into Trading Station in Unappointed Class other than As Floor Broker. Rule 8.7(c) states whenever a Market-Maker enters the trading station for a class of options contracts in a class in which it is not appointed, in other than a floor brokerage capacity, the Market-Maker must fulfill obligations established in Rule 8.7(b) and, for the rest of the trading day, as well as

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[10] The proposed rule change also deletes references to Autoquote in Rules 6.43(b), 8.15(c), 8.51(c)(1)(a)(iii), 8.60 Interpretation and Policy .02. Rules 8.7, Interpretation and Policy .07, 8.15(c), and 8.85(a)(x) provide components of a formulate used for automated quoting by Market-Makers using proprietary automated quoting systems will be disclosed unless the Exchange exempts them from disclosing this information. For competitive reasons, the Exchange exempts all Market-Makers from disclosing this information, so the proposed rule change deletes those provisions.

[11] The proposed rule change also renumbers current Interpretation and Policy .03 to .02.

undertake certain additional obligations. This rule text essentially requires a Market-Maker to act like a Market-Maker when it enters a trading station in the capacity of a Market-Maker in an unappointed class. However, pursuant to Rule 8.3, on the trading floor, Market-Makers have an appointment to trade in all hybrid classes, so if it goes to any trading station on the floor as a Market-Maker, it has an appointment for the classes at that station and is subject to Market-maker obligations. That provision, in conjunction with the restriction on acting as a Market-Maker and Floor Broker on the same day, make the provision in Rule 8.7(c) unnecessary and duplicative. Therefore, the proposed rule change deletes this provision.

- Chapter XXIVA – Flexible Exchange Options ("FLEX Options"). When the Exchange began offering FLEX Options for trading, FLEX Options traded pursuant to Rule XXIVA on the trading floor. The Exchange then developed the FLEX Hybrid Trading System on which FLEX Options could trade both on the trading floor and electronically. Chapter XXIVB describes FLEX Options trading on this system, and provides the Exchange with ability to permit FLEX trading pursuant to Chapter XXIVA or XXIVB. The open outcry rules in Chapter XXIVA are substantially similar to those in Chapter XXIVB. The Exchange has determined all FLEX trading must occur on the FLEX Hybrid Trading System pursuant to Chapter XXIVB. Therefore, Chapter XXIVB no longer applies to the trading of any FLEX Options.[12]

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[12] The proposed rule change also deletes references to Chapter XXIVA in the following rules: Rules 3.2(b), 5.9, 6.1A(c), 6.20A, Interpretation and Policy .05, 6.49A(c)(6), Introduction to Chapter XX, 20.12, Introduction to Chapter XXII, 22.16, Introduction to Chapter XXIVB, 24B.3, 28.17, 29.18, and Introduction to Chapter XXIX.

- Chapter XXVI – Market Baskets. Chapter XXVI describes rules applicable to market basket contracts, which are contracts obligating the seller to sell and the purchaser to purchase a designated number of shares of each of the stocks comprising the index on which the market basket is based. The Exchange currently does not list, and does not intend to list in the future, market basket contracts for trading. Therefore, Chapter XXVI no longer applies to any options trading on the Exchange.[13]

- Chapter XXVII – Buy-Write Option Unitary Derivatives ("BOUNDS"). Chapter XXVIII describes rules applicable to BOUNDS, which are securities issued, or subject to issuance, by the Options Clearing Corporation pursuant to its rules, which gives holders and writers thereof such rights and obligations as may be provided in its rules. The Exchange currently does not list, and does not intend to list in the future, BOUNDS for trading. Therefore, Chapter XXVII no longer applies to any options trading on the Exchange.

- Chapter XXXI – Approval of Securities for Original Listing. Chapter XXXI describes rules pursuant to which the Exchange may list equity securities for listing on the Exchange. The Exchange currently does not list any equity securities on the Exchange. Therefore, Chapter XXXI currently applies to no securities listed on the Exchange.[14]

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[13] The proposed rule change also deletes references to market baskets and the rules proposed to be deleted in: Rules 8.8, Interpretation and Policy .02 and 24B.10 (which is proposed to be renumbered as 24A.10).

[14] Options may be listed for trading on the Exchange pursuant to Chapter V and XXIV. The proposed rule change leaves a placeholder in Chapters XXX and XXXI for rules related to listing and trading of equity securities. The Exchange would file a

Section 957 of the Dodd-Frank adopted Section 6(b)(10) of the Act,[15] which requires the rules of each national securities exchange to prohibit any member that is not the beneficial owner of a security registered under Section 12 of the Act[16] from granting a proxy to vote the security in connection with certain shareholder votes, unless the beneficial owner of the security has instructed the member to vote the proxy in accordance with the voting instructions of the beneficial owner. The shareholder votes covered by Section 957 include any vote with respect to (1) the election of a member of the board of directors of an issuer (except for a vote with respect to the uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940 (the "Investment Company Act"), (2) executive compensation, or (3) any other significant matter, as determined by the Commission, by rule.[17]

Rules 31.82 through 31.88 currently include provisions that cover these proxy voting requirements with respect to Trading Permit Holders. However, because this proposed rule change deletes Chapter XXXI, the proposed rule change adds Rule 4.25 to retain these provisions in accordance with Section 957.

- Chapters XL through XLIX – Screen-Based Trading. Chapters XL through XLIX describe trading on the Exchange's screen-based trading system. The screen-based trading system is no longer used, as all options trading on the Exchange trade

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proposed rule change to adopt new rules if it determines to list and trade equity securities in the future.

15 15 U.S.C. 78f(b)(10).

16 15 U.S.C. 78l.

17 15 U.S.C. 78f(b)(10)(B).

on the Hybrid Trading System. Therefore, the screen-based trading rules no longer apply to any options listed for trading on the Exchange.[18]

- Chapters L through LIV – CBOE Stock Exchange ("CBSX"). Chapters L through LIV describe trading on CBSX, which is the Exchange's facility for trading stocks, warrants, IPRs, IPSs, and Trust Issued Receipts (non-options securities). CBSX ceased market operations on April 30, 2014. Therefore, the CBSX rules no longer apply to any trading on the Exchange.[19] The Exchange would file a proposed rule change to adopt new rules if it determines to list and trade non-options securities in the future.

Additional Nonsubstantive Changes

In addition to nonsubstantive changes described above, the proposed rule change makes the following nonsubstantive changes:

- The proposed rule change moves Interpretation and Policy .01 to the definition of Professional in Rule 1.1(ggg) to Interpretation and Policy .06 to Rule 1.1, so that all Interpretations and Policies to Rule 1.1 are in the same place.
- Currently, there are two paragraphs erroneously lettered as (mmm) and (ppp). The proposed rule change corrects this lettering and updates the paragraph lettering to reflect these corrections.

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[18] The proposed rule change makes corresponding changes to the following rules to delete references to screen-based trading and the rules proposed to be deleted: Rules 1.1(fff) and (ggg), 3.2(b), and 3.3.

[19] The proposed rule change makes corresponding changes to the following rules to delete references to CBSX and the rules proposed to be deleted: Rules 3.1A, 3.2(b), 3.3, and 6.20A, Interpretation and Policy .01.

- The proposed rule change makes updates throughout the rules to conform paragraph lettering and numbering to other rules, as well as to reflect deleted rule provisions.
- Rule 6.2, Interpretation and Policy .01(b) and (c) erroneously refer to LMMs as LLMs. The proposed rule change corrects those erroneous references.
- The proposed rule change amends Rule 6.43(b) to indicate it only applies to Hybrid 3.0 classes, which is consistent with the current rule text and current trading practices.
- Renumber Chapter XXIVB and the rules in that chapter to Chapter XXIVA, and update cross-references throughout the rules.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[20] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[21] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with

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20 15 U.S.C. 78f(b).

21 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)[22] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, by deleting rules that no longer apply to Cboe Options trading (which rules have generally not been applicable in years), and making other nonsubstantive changes to better organize and more consistently number and letter rules, the rules will more clearly identify currently applicable rules, which the Exchange believes removes impediments to and perfects the mechanism of a free and open market. The Exchange believes the proposed rule change will eliminate confusion regarding which rules apply to current trading, which ultimately protects investors and the public interest. The proposed rule change has no impact on current trading on Cboe Options.

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

Cboe Options does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change deletes rules that no longer apply to Cboe Options trading and makes other nonsubstantive changes, and thus has no impact on current trading on Cboe Options. Therefore, the proposed rule change has no impact on competition. The proposed rule change eliminates confusion with respect to rules applicable to current trading on Cboe Options.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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22 Id.

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[23] and Rule 19b-4(f)(6)[24] thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The proposed rule change deletes rules that no longer apply to Cboe Options trading and makes other nonsubstantive changes, and thus has no impact on current trading on Cboe Options. Therefore, the proposed rule change has no impact on competition. The proposed rule change eliminates confusion with respect to rules applicable to current trading on Cboe Options, which protects investors and the public interest. The proposed rule change has no impact on current trading on Cboe Options.

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23 15 U.S.C. 78s(b)(3)(A).

24 17 CFR 240.19b-4(f)(6).

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved. The Exchange respectfully requests that the Commission partially waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective for the reasons discussed above. The Exchange believes implementing these changes as soon as possible will benefit investors to eliminate any current confusion about rule applicability, and as stated above, the proposed rule change will have no impact on Cboe Options trading.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2018-003]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delete Obsolete Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on [insert date], Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to delete Rules that no longer apply to the Exchange and make other nonsubstantive changes to the Rules. The text of the proposed rule change is available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).
2 17 CFR 240.19b-4.
3 15 U.S.C. 78s(b)(3)(A)(iii).
4 17 CFR 240.19b-4(f)(6).

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this rule change is to delete Rules that no longer apply to the Exchange and to make other nonsubstantive changes to the Rules.

Deletion of Rules

The Exchange proposes to delete the following rules and chapters from its rulebook:

- Rule 2.40 – Market-Maker Surcharge for Brokerage. Rule 2.40 operated as a pilot program until March 30, 2000, at which time the program expired (and the Exchange did not request renewal). The Exchange does not impose a surcharge on Market-Maker transactions pursuant to this rule. Any fees and rebates applicable to any Market-Maker transactions are included in the Cboe Options Fees Schedule.

- Rule 6.2 – Trading Rotations. Rule 6.2 states the Exchange may use the procedures described in current Rules 6.2, 6.2A, or 6.2B to conduct trading rotations in all options listed on the Exchange. Currently, the Exchange only uses the procedures set forth in current Rule 6.2B to conduct trading rotations, and no longer conducts trading

rotations pursuant to current Rule 6.2. Therefore, this provision no longer applies to trading on the Exchange.[5]

- Rule 6.2A – Rapid Opening System ("ROS"). The Exchange used ROS prior to open options prior to implementation of the Exchange's Hybrid Trading System, which includes the Hybrid 3.0 Platform. Currently, all options listed on the Exchange trade on its Exchange's Hybrid Trading System. As stated in Rule 6.2A, ROS does not apply to series trading on the Hybrid Trading System, which open on the Cboe Options Hybrid Opening System ("HOSS") (pursuant to Rule 6.2B). Therefore, Rule 6.2A no longer applies to any options listed for trading on the Exchange.[6]

- Rules 6.8 – RAES Operations and 6.9 – Automatic ORS Order Execution Against Booked Orders. The Exchange's Retail Automatic Execution System ("RAES") was an automated execution system feature of the Exchange's Order Routing System ("ORS") operated by the Exchange and that provided automated order execution and reporting services for options. RAES and ORS are no longer used, as all options trading on the Exchange currently occurs on the Hybrid Trading System, which includes Exchange's Order Handling System ("OHS"). Therefore, RAES and ORS no longer apply to any options listed for trading on the Exchange.[7]

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[5] The proposed rule change makes corresponding changes to the following rules to delete references to ROS and the rule proposed to be deleted: Rules 6.6, 6.18, 6.25(b)(1), 6.73(c), 8.60(c)(7) and Interpretation and Policy .02, 21.11, 22.11, and 24.13.

[6] The proposed rule change makes corresponding changes to the following rules to delete references to ROS and the rule proposed to be deleted: Rules 1.1(fff) and (ggg), 6.2, 6.6, 6.18, 6.25(b)(1), 8.60(c)(7) and Interpretation and Policy .02, 22.11, 24.13. Because the proposed rule change deletes both Rules 6.2 and 6.2A, the proposed rule change also renumbers Rule 6.2B to be Rule 6.2, and makes corresponding changes throughout the Rules.

[7] The proposed rule change makes corresponding changes to the following rules to delete references to RAES and ORS, change references from ORS to OHS, and the rules proposed to be deleted: Rules 1.1(fff) and (ggg), 6.3, Interpretation and Policy .05, 6.6(b) and (e) and Interpretation and Policy .01, 6.7(b) (the Hybrid System includes OHS and the book), 6.8C (which the proposed rule change renumbers as 6.8), 6.13(a) and (c), 6.18,

- Rule 6.10 – LOU System Operations. The Large Order Utility ("LOU") System was a facility of the Exchange that provided order routing, handling, and execution for eligible options orders routed electronically to the Exchange. The LOU System is no longer used, as all options trading on the Exchange trade on the Hybrid Trading System. Therefore, the LOU System no longer applies to any options listed for trading on the Exchange.

- Rule 6.13B – Penny Price Improvement. Pursuant to Rule 6.13B, the Exchange may designate one or more options trading on the Hybrid Trading System in a Penny Price Improvement Program, which allows Trading Permit Holders to provide price improvement beyond the Exchange's disseminated quote for classes not already quote in penny increments and for which the simple auction liaison system is not in effect. The Exchange currently has not designated, and has no intention to designate, any options for participation in this program. Therefore, this program no longer applies to any options listed for trading on the Exchange.[8]

- Rule 6.54(a) – Accommodation Liquidation (Cabinet Trades) for Classes Not Trading on the Cboe Options Hybrid System. Rule 6.54 describes cabinet trading permitted on the Exchange. Paragraph (a) describes cabinet trading for classes not

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8.7(b)(iii) and Interpretations and Policies .07 (which is being deleted in its entirety, as described below) .11(a) (the Exchange deleted the paragraph letter for current paragraph (b), as it will be the only paragraph in that Interpretation and Policy, as well as the introduction to that paragraph regarding its applicability to classes on the Hybrid System, because all classes are on the Hybrid System), 8.13, 8.16, 8.51(c)(1)(a)(iii), 8.60(c)(7) (the proposed rule change renumbers provisions (8) through (10) as (7) through (9)) and Interpretation and Policy .02, 8.85(a)(ix) (the proposed rule change renumbers subparagraphs (x) and (xi) as (ix) and x), and deletes from current subparagraph (x) (proposed subparagraph (xi) the introduction to that paragraph regarding its applicability to classes on the Hybrid System, because all classes are on the Hybrid System), 23.7, 24.15, 24.17, 24.21(j)(1), and 24B.15.

[8] The proposed rule change makes corresponding changes to the following rules to delete references to the Penny Price Improvement Program and the rules proposed to be deleted: Rules 1.1(fff) and (ggg), 6.45, Interpretations and Policies .01 and .02, Rule 6.47, Interpretation and Policy .02, and Rule 6.74, Interpretation and Policy .09.

trading on the Hybrid System, while paragraph (b) describes cabinet trading for classes trading on the Hybrid System. All options trading on the Exchange currently trade on the Hybrid Trading System, and thus Rule 6.54 (a) no longer applies to any options listed for trading on the Exchange.[9]

- Chapter VII – Order Book Officials. Order Book Officials were Exchange employees responsible for maintaining the book with respect to classes assigned to them, effecting proper executions of orders placed with them, displaying bids and offers, and monitoring the market for classes assigned to them. The Exchange currently has no employees designated as, and does not intend to designate any employees as, Order Book Officials, as Order Book Official functions are generally obsolete now that most trading occurs electronically.

The proposed rule change deletes Rules 7.1 through 7.3, 7.4 except for subparagraph (a)(1) (which is being moved to Rule 6.11, with some modifications described below), 7.5, 7.7 through 7.10, and Chapter VII, Section B, as they relate solely to responsibilities of Order Book Officials.

Rule 7.4(a)(1) states public customer orders in Hybrid and Hybrid 3.0 classes are eligible for entry into the electronic book, and the Exchange may determine on a class-by-class basis other orders that are eligible for entry into the electronic book. Currently, after a class is open for trading (see Rule 6.2B for a description of orders the System accepts prior to opening), the System accepts for entry into the Book (1) quotes of all Market-Makers and order of any origin code in Hybrid classes and (2) quotes of Lead Market-Makers ("LMMs") and orders of priority customers in Hybrid 3.0 classes, while the Exchange continues to have flexibility to permit orders of other origin codes be

[9] The proposed rule change makes a corresponding change to current paragraph (b), eliminates paragraph lettering for paragraph (b) (as that will be the only paragraph in the rule), and reletters subparagraphs (i) and (ii) as (a) and (b), consistent with paragraph lettering throughout the rules.

eligible for book entry. The Exchange proposes to codify this current book eligibility (which is consistent with the Exchange's authority in current Rule 7.4(a)(1)) in Rule 6.11. The proposed rule change also deletes the provision in current Rule 7.4(a)(1) that states Trading Permit Holders submitting orders or quotes for entry in to the book must do so electronically and in the format announced by the Exchange. It is redundant to state orders and quotes for entry in the electronic book must be submitted electronically, and Rule 6.53A describes the types of order formats Trading Permit Holders must use.[10]

Rule 7.5, Interpretation and Policy .03 states every Floor Broker who represents a Market-Maker with an order in any options class must, by public outcry at the post, indicate the identify of such Market-Maker at the request of any Trading Permit Holder or Order Book Official. The proposed rule change moves this provision (with the reference to Order Book Official deleted) to Rule 6.73, which relates to responsibilities of Floor Brokers.

Rule 7.6 regarding the requirement for PAR Official to report unusual activity is proposed to move to Rule 6.12B(b)(vi).[11] The proposed rule change moves currently

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[10] The proposed rule change makes corresponding changes to the following rules to change cross-references to Rule 7.4 to Rule 6.11: Rules 6.13(b)(i)(A)(2) and (iii), 23.3(b), and 24.11A (the proposed rule change also deletes the Interpretations and Policies section of this rule, as there are currently none)

[11] The proposed rule change makes corresponding changes to the following rules to delete references to Order Book Officials and the rules proposed to be deleted: Rules 6.2 and Interpretation and Policy .01 (the proposed rule change also indicates the exchange may direct how trading rotations occur in Interpretation and Policy .01, which is consistent with the remainder of Rule 6.2), 6.3, Interpretations and Policies .01 and .02 (these interpretations also delete references to post directors, which are no longer used at the Exchange), 6.6(b) and (e) (which also deletes references to post directors, which are no longer used at the Exchange), 6.12A, 6.20(a) and Interpretations and Policies .02 and .04(ii), 6.43(A), 6.45, Interpretations and Policies .01 and .02 (the proposed rule change replaces references to Order Book Officials to PAR Officials, consistent with Interpretation and policy .02, which indicates PAR Officials may perform the functions of Order Book Officials for purposes of that rule), 6.73 Interpretation and Policy .01, 8.7(c) (the Exchange notes Market-Makers not permitted to enter a trading station in a floor brokerage capacity, as set forth in Rule 8.8) and Interpretation and Policy .09

applicable provisions in Rule 7.12 (regarding PAR Officials) to Rule 6.12B (with some nonsubstantive changes).[12] PAR Officials are Exchange employees or independent contractors whom the Exchange may designate as being responsible for operating a PAR workstation and effecting proper executions of orders placed with them. PAR Officials no longer maintain the book with respect to assigned classes, as the electronic book manages electronic orders and quotes. The proposed rule change deletes the provision in current Rule 7.12(b)(i) regarding the definition of customer limit orders, as customer orders are now defined in Rule 1.1(www) and (yyy) (which are proposed to be relettered as (yyy) and (zzz), as described below). The proposed rule change deletes current Rule 7.12(b)(i)(C) and (e), which apply to the Intermarket Options Linkage Plan that no longer exists,[13] and Rule 7.12(b)(1)(E), which relates to orders received during a trading rotation pursuant to Rule 6.2 or HOSS pursuant to Rule 6.2B, as those rules describe how orders received prior or before a rotation are handled. The proposed rule change deletes Rule 7.12(b)(iii), as PAR Officials no longer maintain the book (as described above) and do not have the ability to remove orders from the book. The proposed rule change replaces the term "senior Trading Operations official" with "senior Help Desk personnel" in current Rule 7.12(b)(iv) (proposed Rule 6.12B(b)(iii), which term is used throughout the rules. The proposed rule change deletes Rule 7.12, Interpretation and Policy .01, as it relates to the Exchange's responsibility to appoint PAR Officials to trading stations prior

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(changes cross-reference to Rule 7.5 to Rule 8.7(d)(iv), which describes current Market-Maker obligations, including the obligation of Market-Maker to provide a quote upon Exchange request), and 24.13 and Interpretation and Policy .03 (which the proposed rule change renumbers to .02).

[12] The proposed rule change makes corresponding changes to the following rules to change cross-references to Rule 7.12 to Rule 6.12B: Rules 6.12A, 6.18(d)(i), and 6.20(a).

[13] Chapter VI, Section E describes Exchange responsibilities pursuant to the current linkage plan, the Options Order Protection and Locked/Crossed Market Plan.

to March 24, 2006. The Exchange currently has PAR Officials appointed to all trading stations on the trading floor.

- Autoquote. Autoquote was an Exchange electronic quotation system that automatically monitored and updated market quotes using a mathematical formula measuring certain characteristics of the option and underlying interest. Rules related to LMMs and DPMs require them to provide continuous electronic quotes in appointed classes using Autoquote or a proprietary automated quotation updating system. Currently, all Market-Makers that submit electronic quotes use a proprietary system, and Autoquote is no longer used. The proposed rule change deletes Rule 8.7, Interpretation and Policy .07, which describes Autoquote, as well as the requirement of LMMs and DPMs to provide electronic quotes, which requirement is included in Rules 8.15 and 8.85, respectively.[14]

- S&P 100 Modified Opening Rotation. Rule 24.13, Interpretation and Policy .02 provides a modified opening rotation that the Exchange may use for S&P 100 options, but the rule also provides the Exchange with the authority to open this class using HOSS pursuant to Rule 6.2B. The Exchange currently uses HOSS to open S&P 100 options, and does not intend to use the modified opening in the future. Therefore, this provision no longer applies to the opening of S&P 100 options.[15]

- Rule 8.7(c) – Market-Maker Entry into Trading Station in Unappointed Class other than As Floor Broker. Rule 8.7(c) states whenever a Market-Maker enters the

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[14] The proposed rule change also deletes references to Autoquote in Rules 6.43(b), 8.15(c), 8.51(c)(1)(a)(iii), 8.60 Interpretation and Policy .02. Rules 8.7, Interpretation and Policy .07, 8.15(c), and 8.85(a)(x) provide components of a formulate used for automated quoting by Market-Makers using proprietary automated quoting systems will be disclosed unless the Exchange exempts them from disclosing this information. For competitive reasons, the Exchange exempts all Market-Makers from disclosing this information, so the proposed rule change deletes those provisions.

[15] The proposed rule change also renumbers current Interpretation and Policy .03 to .02.

trading station for a class of options contracts in a class in which it is not appointed, in other than a floor brokerage capacity, the Market-Maker must fulfill obligations established in Rule 8.7(b) and, for the rest of the trading day, as well as undertake certain additional obligations. This rule text essentially requires a Market-Maker to act like a Market-Maker when it enters a trading station in the capacity of a Market-Maker in an unappointed class. However, pursuant to Rule 8.3, on the trading floor, Market-Makers have an appointment to trade in all hybrid classes, so if it goes to any trading station on the floor as a Market-Maker, it has an appointment for the classes at that station and is subject to Market-maker obligations. That provision, in conjunction with the restriction on acting as a Market-Maker and Floor Broker on the same day, make the provision in Rule 8.7(c) unnecessary and duplicative. Therefore, the proposed rule change deletes this provision.

- Chapter XXIVA – Flexible Exchange Options ("FLEX Options"). When the Exchange began offering FLEX Options for trading, FLEX Options traded pursuant to Rule XXIVA on the trading floor. The Exchange then developed the FLEX Hybrid Trading System on which FLEX Options could trade both on the trading floor and electronically. Chapter XXIVB describes FLEX Options trading on this system, and provides the Exchange with ability to permit FLEX trading pursuant to Chapter XXIVA or XXIVB. The open outcry rules in Chapter XXIVA are substantially similar to those in Chapter XXIVB. The Exchange has determined all FLEX trading must occur on the FLEX Hybrid Trading System pursuant to Chapter XXIVB. Therefore, Chapter XXIVB no longer applies to the trading of any FLEX Options.[16]

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[16] The proposed rule change also deletes references to Chapter XXIVA in the following rules: Rules 3.2(b), 5.9, 6.1A(c), 6.20A, Interpretation and Policy .05, 6.49A(c)(6), Introduction to Chapter XX, 20.12, Introduction to Chapter XXII, 22.16, Introduction to Chapter XXIVB, 24B.3, 28.17, 29.18, and Introduction to Chapter XXIX.

- Chapter XXVI – Market Baskets. Chapter XXVI describes rules applicable to market basket contracts, which are contracts obligating the seller to sell and the purchaser to purchase a designated number of shares of each of the stocks comprising the index on which the market basket is based. The Exchange currently does not list, and does not intend to list in the future, market basket contracts for trading. Therefore, Chapter XXVI no longer applies to any options trading on the Exchange.[17]

- Chapter XXVII – Buy-Write Option Unitary Derivatives ("BOUNDS"). Chapter XXVIII describes rules applicable to BOUNDS, which are securities issued, or subject to issuance, by the Options Clearing Corporation pursuant to its rules, which gives holders and writers thereof such rights and obligations as may be provided in its rules. The Exchange currently does not list, and does not intend to list in the future, BOUNDS for trading. Therefore, Chapter XXVII no longer applies to any options trading on the Exchange.

- Chapter XXXI – Approval of Securities for Original Listing. Chapter XXXI describes rules pursuant to which the Exchange may list equity securities for listing on the Exchange. The Exchange currently does not list any equity securities on the Exchange. Therefore, Chapter XXXI currently applies to no securities listed on the Exchange.[18]

Section 957 of the Dodd-Frank adopted Section 6(b)(10) of the Act,[19] which requires the rules of each national securities exchange to prohibit any member that is not

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17 The proposed rule change also deletes references to market baskets and the rules proposed to be deleted in: Rules 8.8, Interpretation and Policy .02 and 24B.10 (which is proposed to be renumbered as 24A.10).

18 Options may be listed for trading on the Exchange pursuant to Chapter V and XXIV. The proposed rule change leaves a placeholder in Chapters XXX and XXXI for rules related to listing and trading of equity securities. The Exchange would file a proposed rule change to adopt new rules if it determines to list and trade equity securities in the future.

19 15 U.S.C. 78f(b)(10).

the beneficial owner of a security registered under Section 12 of the Act[20] from granting a proxy to vote the security in connection with certain shareholder votes, unless the beneficial owner of the security has instructed the member to vote the proxy in accordance with the voting instructions of the beneficial owner. The shareholder votes covered by Section 957 include any vote with respect to (1) the election of a member of the board of directors of an issuer (except for a vote with respect to the uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940 (the "Investment Company Act"), (2) executive compensation, or (3) any other significant matter, as determined by the Commission, by rule.[21]

Rules 31.82 through 31.88 currently include provisions that cover these proxy voting requirements with respect to Trading Permit Holders. However, because this proposed rule change deletes Chapter XXXI, the proposed rule change adds Rule 4.25 to retain these provisions in accordance with Section 957.

- Chapters XL through XLIX – Screen-Based Trading. Chapters XL through XLIX describe trading on the Exchange's screen-based trading system. The screen-based trading system is no longer used, as all options trading on the Exchange trade on the Hybrid Trading System. Therefore, the screen-based trading rules no longer apply to any options listed for trading on the Exchange.[22]

- Chapters L through LIV – CBOE Stock Exchange ("CBSX"). Chapters L through LIV describe trading on CBSX, which is the Exchange's facility for trading stocks, warrants, IPRs, IPSs, and Trust Issued Receipts (non-options securities). CBSX

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20 15 U.S.C. 78l.

21 15 U.S.C. 78f(b)(10)(B).

22 The proposed rule change makes corresponding changes to the following rules to delete references to screen-based trading and the rules proposed to be deleted: Rules 1.1(fff) and (ggg), 3.2(b), and 3.3.

ceased market operations on April 30, 2014. Therefore, the CBSX rules no longer apply to any trading on the Exchange.[23] The Exchange would file a proposed rule change to adopt new rules if it determines to list and trade non-options securities in the future.

Additional Nonsubstantive Changes

In addition to nonsubstantive changes described above, the proposed rule change makes the following nonsubstantive changes:

- The proposed rule change moves Interpretation and Policy .01 to the definition of Professional in Rule 1.1(ggg) to Interpretation and Policy .06 to Rule 1.1, so that all Interpretations and Policies to Rule 1.1 are in the same place.
- Currently, there are two paragraphs erroneously lettered as (mmm) and (ppp). The proposed rule change corrects this lettering and updates the paragraph lettering to reflect these corrections.
- The proposed rule change makes updates throughout the rules to conform paragraph lettering and numbering to other rules, as well as to reflect deleted rule provisions.
- Rule 6.2, Interpretation and Policy .01(b) and (c) erroneously refer to LMMs as LLMs. The proposed rule change corrects those erroneous references.
- The proposed rule change amends Rule 6.43(b) to indicate it only applies to Hybrid 3.0 classes, which is consistent with the current rule text and current trading practices.
- Renumber Chapter XXIVB and the rules in that chapter to Chapter XXIVA, and update cross-references throughout the rules.

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[23] The proposed rule change makes corresponding changes to the following rules to delete references to CBSX and the rules proposed to be deleted: Rules 3.1A, 3.2(b), 3.3, and 6.20A, Interpretation and Policy .01.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[24] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[25] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[26] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, by deleting rules that no longer apply to Cboe Options trading (which rules have generally not been applicable in years), and making other nonsubstantive changes to better organize and more consistently number and letter rules, the rules will more clearly identify currently applicable rules, which the Exchange believes removes impediments to and perfects the mechanism of a free and open market. The Exchange believes the proposed rule change will eliminate confusion regarding which rules apply to current trading, which ultimately protects investors and the public interest. The proposed rule change has no impact on current trading on Cboe Options.

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24 15 U.S.C. 78f(b).
25 15 U.S.C. 78f(b)(5).
26 Id.

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

Cboe Options does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change deletes rules that no longer apply to Cboe Options trading and makes other nonsubstantive changes, and thus has no impact on current trading on Cboe Options. Therefore, the proposed rule change has no impact on competition. The proposed rule change eliminates confusion with respect to rules applicable to current trading on Cboe Options.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[27] and Rule 19b-4(f)(6)[28] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or

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27 15 U.S.C. 78s(b)(3)(A).

28 17 CFR 240.19b-4(f)(6).

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2018-003 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2018-003. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld

from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2018-003 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[29]

Secretary

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[29] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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Cboe Options Rules

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Rule 1.1. Definitions
When used in these Rules, unless the context otherwise requires:

(a) – (eee) No change.

Voluntary Professional

(fff) The term "Voluntary Professional" means any person or entity that is not a broker or dealer in securities that elects, in writing, to be treated in the same manner as a broker or dealer in securities for purposes of Rules [6.2A,]6.2[B], 6.8[C], 6.9, 6.13A, [6.13B,]6.25, 6.45 (except for Interpretation and Policy .02), 6.47, 6.53C(c)(ii), 6.53C(d)(v), subparagraphs (b) and (c) under Interpretation and Policy .06 to Rule 6.53C, 6.74 (except Voluntary Professional orders may be considered public customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, and 24.19[, 43.1, 44.4, 44.14], and for cancellation fee treatment. The Voluntary Professional designation is not available in Hybrid 3.0 classes.

Professional

(ggg) The term "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Professional will be treated in the same manner as a broker or dealer in securities for purposes of Rules [6.2A,]6.2[B], 6.8[C], 6.9, 6.13A, [6.13B,]6.25, 6.45 (except for Interpretation and Policy .02), 6.47, 6.53C(c)(ii), 6.53C(d)(v), subparagraphs (b) and (c) under Interpretation and Policy .06 to Rule 6.53C, 6.74 (except Professional orders may be considered public customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, and 24.19[, 43.1, 44.4, 44.14]. The Professional designation is not available in Hybrid 3.0 classes. All Professional orders shall be marked with the appropriate origin code as determined by the Exchange.

[. . . *Interpretations and Policies:*

.01 Except as noted below, each order of any order type counts as one order for Professional order counting purposes.

(a) Complex Orders:

(1) A complex order comprised of eight (8) legs or fewer counts as a single order;

(2) A complex order comprised of nine (9) legs or more counts as multiple orders with each option leg counting as its own separate order;

(b) "Parent"/"Child" Orders:

(1) Same Side and Same Series: A "parent" order that is placed for the beneficial account(s) of a person or entity that is not a broker or dealer in securities that is broken into multiple "child" orders on the same side (buy/sell) and series as the "parent" order by a broker or dealer, or by an algorithm housed at a broker or dealer or by an algorithm licensed from a broker or dealer, but which is housed with the customer, counts as one order even if the "child" orders are routed across multiple exchanges.

(2) Both Sides and/or Multiple Series: A "parent" order (including a strategy order) that is broken into multiple "child" orders on both sides (buy/sell) of a series and/or multiple series counts as multiple orders, with each "child" order counting as a new and separate order.

(c) Cancel/Replace:

(1) Except as provided in paragraph (c)(2) below, any order that cancels and replaces an existing order counts as a separate order (or multiple new orders in the case of a complex order comprised of nine (9) legs or more).

(2) Same Side and Same Series: An order that cancels and replaces any "child" order resulting from a "parent" order that is placed for the beneficial account(s) of a person or entity that is not a broker, or dealer in securities that is broken into multiple "child" orders on the same side (buy/sell) and series as the "parent" order by a broker or dealer, by an algorithm housed at a broker or dealer, or by an algorithm licensed from a broker or dealer, but which is housed with the customer, does not count as a new order.

(3) Both Sides and/or Multiple Series: An order that cancels and replaces any "child" order resulting from a "parent" order (including a strategy order) that generates "child" orders on both sides (buy/sell) of a series and/or in multiple series counts as a new order.

(4) Pegged Orders: Notwithstanding the provisions of paragraph (c)(2) above, an order that cancels and replaces any "child" order resulting from a "parent" order being "pegged" to the BBO or NBBO or that cancels and replaces any "child" order pursuant to an algorithm that uses BBO or NBBO in the calculation of "child" orders and attempts to move with or follow the BBO or NBBO of a series counts as a new order each time the order cancels and replaces in order to attempt to move with or follow the BBO or NBBO.]

(hhh) – (mmm) No change.

API

([mmm]nnn) The term "Application Programming Interface" or "API" means the computer interface that allows market participants with authorized access to interface electronically with the Exchange.

Order

([nnn]ooo) The term "order" means a firm commitment to buy or sell option contracts.

Quote

([ooo]ppp) The term "quote" or "quotation" means a bid or offer entered by a Market-Maker that is firm and that updates the Market-Maker's previous quote, if any. Electronic quotes may be updated in block quantities.

OCC Cleared OTC Option Contract

([ppp]qqq) The term "OCC cleared OTC option contract" means an over-the-counter option contract that is issued and guaranteed by the Clearing Corporation. Except as otherwise provided, an OCC cleared OTC option contract is not an "options contract" as defined in the Rules.

Book

([ppp]rrr) The term "Book" (also referred to as "book," "electronic book," and "EBook" in the Rules) means the electronic book of buy and sell orders and quotes maintained by the Hybrid Trading System. "Book" will refer to the Book used during Regular Trading Hours or Extended Trading Hours, as applicable.

Regular Trading Hours

([qqq]sss) "Regular Trading Hours" are the hours during which the Exchange will be open for trading as set forth in Rule 6.1 and may be referred to as a "trading session" in the Rules.

Extended Trading Hours

([rrr]ttt) "Extended Trading Hours" are the hours outside of Regular Trading Hours during which the Exchange may be open for trading as set forth in Rule 6.1 and may be referred to as a "trading session" in the Rules.

Business Days or Trading Days

([sss]uuu) "Business days" or "trading days" of the Exchange are the days the Exchange will be open for trading during Regular Trading Hours. A "business day" or "trading day" includes the Regular Trading Hours and Extended Trading Hours on that day. If the Exchange is not open for Regular Trading Hours on a day, then it will not be open for Extended Trading Hours on that day.

Broker-Dealer Order

([ttt]vvv) A "broker-dealer order" is an order for an account in which a Trading Permit Holder, a non-Trading Permit Holder broker or dealer in securities (including a foreign broker-dealer), a joint venture with a Trading Permit Holder and non-Trading Permit Holder participants, or, in Hybrid classes for purposes of the Rules listed in paragraphs (fff) and (ggg) of this Rule 1.1, a Voluntary Professional or Professional has an interest.

In-Crowd Market Participant

([uuu]www) The term "in-crowd market participant" or "ICMP" means an in-crowd Market-Maker, an on-floor DPM or LMM with an allocation or appointment, respectively, in the class, or a floor broker or PAR Official representing orders in the trading crowd.

Priority Customer

([vvv]xxx) In Hybrid classes, a "priority customer" means a person or entity that is a public customer and is not a Professional or Voluntary Professional. In Hybrid 3.0 classes, a "priority customer" means a person or entity that is a public customer.

Priority Customer Order

([www]yyy) A "priority customer order" is an order for the account of a priority customer.

Public Customer

([xxx]zzz) A "public customer" means a person or entity that is not a broker or dealer in securities.

Public Customer Order

([yyy]aaaa) A "public customer order" is an order for the account of a public customer.

National Spread Market

([zzz]bbbb) "National spread market" is the derived net market based on the NBBOs in the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg.

Exchange Spread Market

([aaaa]cccc) "Exchange spread market" is the derived net market based on the BBOs in the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg.

. . . *Interpretations and Policies:*

.01 - .05 No change.

.06 Except as noted below, each order of any order type counts as one order for Professional order counting purposes.

(a) Complex Orders:

(1) A complex order comprised of eight (8) legs or fewer counts as a single order;

(2) A complex order comprised of nine (9) legs or more counts as multiple orders with each option leg counting as its own separate order;

(b) "Parent"/"Child" Orders:

(1) Same Side and Same Series: A "parent" order that is placed for the beneficial account(s) of a person or entity that is not a broker or dealer in securities that is broken into multiple "child" orders on the same side (buy/sell) and series as the "parent" order by a broker or dealer, or by an algorithm housed at a broker or dealer or by an algorithm licensed from a broker or dealer, but which is housed with the customer, counts as one order even if the "child" orders are routed across multiple exchanges.

(2) Both Sides and/or Multiple Series: A "parent" order (including a strategy order) that is broken into multiple "child" orders on both sides (buy/sell) of a series and/or multiple series counts as multiple orders, with each "child" order counting as a new and separate order.

(c) Cancel/Replace:

(1) Except as provided in paragraph (c)(2) below, any order that cancels and replaces an existing order counts as a separate order (or multiple new orders in the case of a complex order comprised of nine (9) legs or more).

(2) Same Side and Same Series: An order that cancels and replaces any "child" order resulting from a "parent" order that is placed for the beneficial account(s) of a person or entity that is not a broker, or dealer in securities that is broken into multiple "child" orders on the same side (buy/sell) and series as the "parent" order by a broker or dealer, by an algorithm housed at a broker or dealer, or by an algorithm licensed from a broker or dealer, but which is housed with the customer, does not count as a new order.

(3) Both Sides and/or Multiple Series: An order that cancels and replaces any "child" order resulting from a "parent" order (including a strategy order) that generates "child" orders on both sides (buy/sell) of a series and/or in multiple series counts as a new order.

(4) Pegged Orders: Notwithstanding the provisions of paragraph (c)(2) above, an order that cancels and replaces any "child" order resulting from a "parent" order being "pegged" to the BBO or NBBO or that cancels and replaces any "child" order pursuant

to an algorithm that uses BBO or NBBO in the calculation of "child" orders and attempts to move with or follow the BBO or NBBO of a series counts as a new order each time the order cancels and replaces in order to attempt to move with or follow the BBO or NBBO.

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[Rule 2.40. Market-Maker Surcharge for Brokerage
(a) *Definitions*.

(i) Stationary Floor Broker. A Stationary Floor Broker ("SFB") in a particular option class is a floor broker (A) who has established a business in the trading crowd for that option class of accepting and executing orders for Trading Permit Holders or registered broker-dealers and (B) who transacted at least 80% of his orders for the previous month in the trading crowd at which that option class is traded.

(ii) Resident Market-Maker. A Resident Market-Maker in a particular class of options is a market-maker who transacted at least 80% of his market-maker contracts in option classes traded in the trading crowd where the particular option class is traded in the prior calendar month.

(iii) ORS Orders. For purposes of this Rule, an ORS order is an order that is (A) sent over the Exchange's Order Routing System ("ORS"), (B) given an ORS identification number and (C) not an order of the firm for which the SFB acts as a nominee.

(iv) Standard OBO Rate. The Standard OBO Rate is any rate for Order Book Official ("OBO") floor brokerage established by the Exchange for the particular equity option class traded on the Exchange floor, other than pursuant to this Rule.

(v) Standard Market-Maker Fees. Standard Market-Maker Fees are the total market-maker fees established by the Exchange for the particular option class other than any fees implemented pursuant to this Rule.

(vi) Market-Maker Surcharge. The Market-Maker Surcharge is the amount of the fee, not to exceed 25¢ per contract, that the Exchange may impose on market-makers for a particular class of option pursuant to this Rule that is in addition to the Standard Market-Maker Fees for that class of option.

(b) *Generally*.

(i) The Exchange may impose a Market-Maker Surcharge for transactions on a particular class of options, which Surcharge shall be imposed on a per contract basis for every contract traded by every market-maker, whether in-person or by order, in that option class during the period for which the Market-Maker Surcharge is in effect.

(ii) In imposing the fee, the Exchange shall consider the vote of the Resident Market-Makers for a particular option class, as described in paragraph (d) of this Rule. In addition, the Exchange shall consider the views of any market-maker in favor of or

opposed to the recommended Surcharge or in favor of some other Surcharge amount. The Exchange shall provide notice of its meeting schedule for the consideration of the Market-Maker Surcharge and the deadline for the submission of other materials for its consideration. The Exchange shall determine the manner in which it shall review the submitted materials and whether it shall allow personal appearances before the Exchange. A decision may be appealed pursuant to Chapter XIX.; however, the Surcharge will be effective until the matter has completed the Exchange's review process. The Exchange will submit a rule filing pursuant to Section 19(b)(3) of the Exchange Act before the implementation of any new Surcharge or any change in the Surcharge or change in the OBO rate made pursuant to this Rule.

(iii) The Market-Maker Surcharge will be used to reimburse the Exchange to the extent the Exchange reduces the OBO brokerage rate applicable to the particular class of options below the standard OBO Rate pursuant to paragraph (g) of this Rule. Any amount remaining after the Exchange has been reimbursed will be paid to every SFB in that option class who executed an ORS Order in that option class during the relevant period of time. To the extent more than one SFB executed ORS Orders during the relevant period, such remaining amount shall be paid to the SFBs on a pro rata basis based on the number of ORS contracts executed by the respective SFBs during the period. The Market-Maker Surcharge generally will be assessed after the end of the month in which transactions on which the Market-Maker Surcharge was based occurred.

(c) *Time Period*. The Market-Maker Surcharge generally shall be instituted for a minimum period of one month.

(d) *Vote to Recommend a Market-Maker Surcharge Amount*.

(i) Any Resident Market-Maker may recommend a Market-Maker Surcharge amount by the Friday prior to the vote or by any other time and date required by the Exchange. The vote of the Resident Market-Makers to recommend the Surcharge shall take place at the station where the applicable option class is traded on the Tuesday of expiration week for equity options, or on any other day selected by the Exchange. The Exchange shall provide 24 hour notice of the time and date of the vote to the trading crowd if the vote is to be held at a different time or on a different day. The Exchange shall determine how the vote shall be conducted. Any Resident Market-Maker personally present at the trading station when the vote is conducted may vote on the amount of the Surcharge to be recommended. The Order Book Official at the particular trading post shall conduct the vote.

(ii) Each Resident Market-Maker's vote shall be weighted equally.

(iii) Any Surcharge amount that receives a majority of the votes cast shall be the Surcharge recommended to the Exchange. If any Surcharge amount does not receive a majority on the first ballot, the OBO may conduct subsequent ballots with the proposed Surcharges receiving the most votes or may solicit Resident Market-Makers for other proposed Surcharge amounts.

(e) *Option Classes*. The Exchange may specify those option classes on which a Surcharge may be assessed pursuant to paragraph (b) of this Rule. In no event may the Exchange permit a Surcharge to be assessed on a class that is not also listed for trading on at least one other options exchange. In addition, the Surcharge may not be assessed for an option class that has been allocated to a Designated Primary Market-Maker.

(f) *Floor Brokerage Commission*. Although any SFB who executes ORS Orders may be paid a part of the Surcharge as provided in subparagraph (b)(iii) of this Rule, each SFB may charge any commission rate that SFB desires.

(g) *Book Brokerage Rates*. The Exchange may reduce the Exchange's OBO brokerage rate for a particular option class below the Standard OBO Rate upon a recommendation of the Resident Market-Makers pursuant to the terms of the vote in paragraph (d). In determining to reduce the OBO brokerage rate, the Exchange shall consider not only the vote of the Resident Market-Makers, but also the views of any other floor broker or market-maker who submits views to the Exchange pursuant to the published schedule for such submissions. Notice of the hearing, governance of the hearing, and all appeal rights shall be the same as those set forth in paragraph (b)(ii) of this Rule. If the Exchange determines to reduce the OBO brokerage rate below the Standard OBO Rate, the Exchange will make the appropriate filing as required by the Exchange Act. To the extent the Exchange reduces the OBO brokerage rate below the Standard OBO Rate, any Market-Maker Surcharge shall be used to reimburse the Exchange for the difference pursuant to paragraph (b)(iii). If the Exchange determines on its own initiative, otherwise than pursuant to this Rule, to lower the Standard OBO Rate for a particular equity option class, the Market-Maker Surcharge will not be used to reimburse the Exchange for such reduction.

(h) *Disclosure of payments*. Any SFB who receives any payment pursuant to paragraph (b)(iii) of this Rule must disclose the fact of such payment to its customers in a manner and frequency required by the Exchange or as otherwise may be required by Rule 10b-10 of the Securities Exchange Act of 1934.

(i) *Pilot program*. This Rule will be in effect as a pilot program until March 31, 2000.]

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Rule 3.1A. Issuance of Trading Permits in Respect of Memberships and Pre-Restructuring Transaction Trading Permits

(a) *The Restructuring Transaction*. Notwithstanding paragraph (b) of Rule 3.1, prior to the date of the Restructuring Transaction, a person who is, or is treated the same as, a "member" of the Exchange under Sections 1.1 and 2.1 of the Constitution of the Exchange then in effect may submit a post-Restructuring Transaction trading application to the Exchange in accordance with such procedures as shall be established by the Exchange. Provided such applicant is in good standing as of the date of the Restructuring Transaction, complies with the application procedures established by the Exchange and pays any applicable fees, the Exchange in connection with the Restructuring Transaction shall issue to such applicant, as applicable, a Trading Permit in respect of: (A) each membership not subject to an effective lease as of the date of the Restructuring Transaction that is owned by such applicant;

(B) each membership that is leased as a lessee by such applicant as of the date of the Restructuring Transaction; (C) each trading permit issued by the Exchange prior to the Restructuring Transaction that is held by such applicant[, provided that in the case of a CBSX trading permit, the Exchange shall issue a Trading Permit in respect of such CBSX trading permit that only provides the right to effect transactions on the CBSX]; and (D) each Temporary Membership that is held by such applicant. Such applicant must select the term(s) of the Trading Permit(s) to be issued to such applicant. Subject to the Exchange's authority in subparagraphs (a)(vi) and (a)(ix) of Rule 3.1 and to the continuing satisfaction of any applicable qualification requirements, such applicant shall have the ability pursuant to those Trading Permit(s) to continue after the Restructuring Transaction trading any product, and acting in any trading function, that such applicant traded, or acted in, at the time of the Restructuring Transaction. Those Trading Permit(s) shall be subject to the terms and conditions set forth in paragraphs (a), (c) and (d) of Rule 3.1, including the processes described in paragraph (c) of that rule once the initial term(s) for those permit(s) expire. In the event such applicant seeks to hold an additional Trading Permit other than one issued pursuant to this paragraph, such applicant must submit an application for that Trading Permit pursuant to paragraph (b) of Rule 3.1.

(b) – (c) No change.

Rule 3.2. Qualifications of Individual Trading Permit Holders
(a) No change.

(b) The individual must be approved to engage in one or more of the following trading functions authorized for individual Trading Permit Holders under the Rules: (i) Market-Maker (Rule 8.2); (ii) Floor Broker (Rule 6.71); (iii) Proprietary Trading Permit Holder (Rule 1.1(kkk)); (iv) [Trading Permit Holder eligible to trade securities traded pursuant to Chapter L (Rule 50.4); (v)] DPM Designee (Rule 8.81); (v[i]) FLEX Appointed Market-Maker (Rule[s] 24A.9 [and 24B.9]); and (vi[i]) FLEX Qualified Market-Maker (Rule[s] 24A.9 [and 24B.9])[; and (viii) all categories of SBT Traders including SBT Market-Makers, SBT Brokers, and SBT Proprietary Traders (Rule 41.2)].

Rule 3.3. Qualifications of TPH Organizations
(a) No change.

(b) An organization also must be approved to engage in one or more of the following trading functions authorized for TPH organizations under the Rules: (i) TPH organization approved to transact business with the public (Rule 9.1); (ii) Clearing Trading Permit Holder; (iii) order service firm (Rule 6.77); (iv) Market-Maker (Rule 8.1); (v) Lead Market-Maker (Rule 8.15); (vi) Designated Primary Market-Maker (Rule 8.83); and (vii) Proprietary Trading Permit Holder (Rule 1.1(kkk))[; (viii) SBT Designated Primary Market-Maker and SBT Lead Market-Maker (Rule 41.2); and (ix) Trading Permit Holder eligible to trade securities traded pursuant to Chapter L (Rule 50.4)].

* * * * *

Rule 4.25. Proxy Voting

(a) No Trading Permit Holder may give a proxy to vote stock that is registered in its name, unless:

(1) such Trading Permit Holder is the beneficial owner of such stock;

(2) pursuant to the written instructions of the beneficial owner; or

(3) pursuant to the rules of any national securities exchange or association of which it is a member provided that the records of the Trading Permit Holder clearly indicate the procedure it is following

(b) Notwithstanding the foregoing, a Trading Permit Holder that is not the beneficial owner of a security registered under Section 12 of the Exchange Act is prohibited from granting a proxy to vote the security in connection with a shareholder vote on the election of a member of the board of directors of an issuer (except for a vote with respect to uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940), executive compensation, or any other significant matter, as determined by the Commission, by rule, unless the beneficial owner of the security has instructed the Trading Permit Holder to vote the proxy in accordance with the voting instructions of the beneficial owner.

* * * * *

Rule 5.9. Single Stock Dividend Options
(a) – (h) No change.

(i) *FLEX Eligibility*. The Exchange designates SSDOs as eligible for trading as Flexible Exchange Options as provided for in Chapter[s XXIVA (Flexible Exchange Options) and] XXIV[B]A (FLEX Hybrid Trading System).

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Rule 6.1A. Extended Trading Hours
(a) – (b) No change.

(c) *Eligibility*. The Exchange may designate as eligible for trading during Extended Trading Hours any exclusively listed index option designated for trading under Rules 24.2 and 24.9. The following options are approved for trading on the Exchange during Extended Trading Hours:

(i) – (iii) No change.

Any series in these classes that are expected to be open for trading during Regular Trading Hours will be open for trading during Extended Trading Hours on that same trading day (subject to Rules 6.2[B] and 24.13, Interpretation and Policy .03). FLEX options (pursuant

to Chapter[s] XXIVA[and XXIVB]) will not be eligible for trading during Extended Trading Hours.

(d) No change.

(e) Market-Makers.

(i) – (iii) No change.

(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 6.2[B](d)(i)(A) or (ii)(A)), 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 6.2. Trading Rotations
A "trading rotation" is a series of very brief time periods during each of which bids, offers, and transactions in only a single, specified option contract can be made. For purposes of the Exchange's rules, a "trading rotation" may be conducted using the procedures as described in this Rule 6.2, the Exchange's Rapid Opening System ("ROS") as described in Rule 6.2A or the Exchange's Hybrid Opening System ("HOSS") as described in Rule 6.2B, as appropriate. The Exchange, or any two Floor Officials, may direct that one or more trading rotations be employed on any business day to aid in producing a fair and orderly market. For each rotation so employed, except as the Exchange may direct, rotations shall be conducted in the order and manner the Designated Primary Market-Maker ("DPM"), Lead Market-

Maker ("LMM") or Order Book Official ("OBO") acting in such class of options determines to be appropriate under the circumstances. The DPM, LMM or OBO, with the approval of two Floor Officials, may deviate from any rotation policy or procedure issued by the Exchange. The power to determine the rotation order and manner or deviate from rotation policy or procedure may be exercised before and during a rotation. Two or more trading rotations may be employed simultaneously, if the Exchange or OBO so prescribes. Any two Floor Officials may delay the commencement of the opening rotation in any class of options in the interests of a fair and orderly market.

. . . *Interpretations and Policies:*

.01 The following shall apply to trading rotations for Regular Trading Hours.

(a) Trading rotations shall be employed at the opening of Regular Trading Hours each business day. For each class of option contracts that has been approved for trading, the opening rotation shall be conducted by the DPM, LMM or OBO acting in such class of options. The opening rotation in each class of options shall be held promptly after the primary market for the underlying security disseminates the opening trade and/or the opening quote or after 8:30 a.m. for index options (unless unusual circumstances exist). As a rule, a DPM, LMM, or OBO acting in more than one class of options should open them in the same order in which the underlying securities are opened.

(b) In conducting each such opening rotation, the DPM, LLM, or OBO should ordinarily first open the one or more series of options of a given class having the nearest expiration, then proceed to the series of options having the next most distant expiration, and so forth, until all series have been opened. If both puts and calls covering the same underlying security are traded, the DPM, LLM, or OBO shall determine which type of option will open first, and shall alternate the opening of put series and call series. A DPM, LLM, or OBO may conduct the opening rotation in another manner only with the approval of two Floor Officials or at the direction of the Exchange. A modified opening rotation such as that described in Interpretation .02 to Rule 24.13 may be conducted for certain index options classes.

(c) In the event an underlying security has not opened within a reasonable time after 8:30 a.m. (CT), the DPM, LLM, or OBO 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 interests of a fair and orderly market are best served by opening trading in the option contracts.

.02 Transactions may be effected in a class of options after the end of Regular Trading Hours, 3:00 p.m. or 3:15 p.m. (CT), as appropriate, in connection with a trading rotation. Such a trading rotation may be employed whenever any two Floor Officials conclude in their judgment that such action is appropriate in the interests of a fair and orderly market. The factors that may be considered 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" pursuant to Rule 6.6, or a need for a rotation in connection with expiring individual

security options, an end of the year rotation, or the restart of a rotation which is already in progress. The decision to employ a trading rotation after 2:30 p.m. in non-expiring options shall be publicly announced on the trading floor and over the Cboe Options newswire prior to the commencement of such rotation. In general, no more than one trading rotation will be commenced after the end of Regular Trading Hours. If a trading rotation is in progress and Floor Officials determine that a final trading rotation after the end of Regular Trading Hours is needed to assure a fair and orderly close, the rotation in progress shall be halted and a final rotation begun as promptly as possible after the end of Regular Trading Hours. Any trading rotation in non-expiring options conducted after the end of Regular Trading Hours may not begin until five minutes after news of such rotation is disseminated.

.03 A closing trading rotation shall be employed for each series of individual security options at the end of Regular Trading Hours on the last business day prior to its expiration (hereinafter "closing rotation"). Open trading in such expiring series shall be permitted until 3:00 p.m. or 3:15 p.m. (CT), as appropriate. The closing rotation shall commence at 3:00 p.m. or 3:15 p.m. (CT), as appropriate, or after a closing price of the security in its primary market is established, whichever is later. Open trading on expiring series of index options shall be permitted during Regular Trading Hours on the last business day prior to expiration until 3:00 p.m. or 3:15 p.m. (CT), as appropriate, but a closing rotation for such expiring series of index options is not ordinarily employed. Open trading on expiring series of interest rate options shall be permitted during Regular Trading Hours on the last business day prior to expiration until 2:00 p.m. (CT), but as soon as possible thereafter, a closing rotation shall commence.

Two Floor Officials may deviate from the procedures set forth in the above paragraph if they determine such deviation is in the interest of a fair and orderly market.

.04 The decision to conduct an abbreviated rotation is one of the deviations from rotation policy or procedure and one of the modifications of the rotation order and manner that is permitted under Rule 6.2.

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

[Rule 6.2A. Rapid Opening System
This rule applies only to Regular Trading Hours. This rule has no applicability to series trading on the Cboe Options Hybrid Opening System. Such series will be governed by Rule 6.2B.

(a) *Operation*

(i) *Orders on the Electronic Book.* The Rapid Opening System ("ROS") is an Exchange automated system for opening classes of options at the beginning of Regular Trading Hours or for re-opening classes of options during Regular Trading Hours. The use of ROS will be governed on a class basis by the Exchange. All pre-open orders entered into the electronic book will be included in the ROS calculations. Quotes for all series of each option class, as generated by AutoQuote, will be sent to ROS. AutoQuote values can be adjusted by the Market-Makers before those values are sent to ROS. In those cases where thresholds for aggregate risk and aggregate contracts to trade are exceeded, AutoQuote values may be adjusted after they have been sent to ROS. ROS will check the thresholds against the actual risk and contracts to trade once AutoQuote has received an input for the underlying security value. A pricing algorithm, *i.e.*, a set of rules coded into the system, will be used to determine the opening price at or between the quotes sent by AutoQuote. The algorithm was designed to maximize the number of priority customer orders able to be executed on the opening. ROS will automatically cross priority customer orders that can be crossed; the balance of orders, if any, to be traded at that price will be assigned to participating Market-Makers if the opening price is at either the AutoQuote bid or offer. If the opening price is between the AutoQuote bid or offer, then no trades will be assigned to participating Market-Makers. However, any orders which are not executed as part of the opening will remain in the Exchange's electronic book and will be reflected in the opening bid or offer improving the AutoQuote bid or offer.

(ii) *Non-Booked Orders*. In order to ensure participation on the opening, brokers representing orders that may not be placed on the electronic book (broker-dealer orders and public customer contingency orders) must inform the OBO or DPM and the logged-in ROS Market-Makers of the terms of such orders (including limit price and volume) prior to the time the Market-Makers for a particular class lock that class under ROS. By informing the Market-Makers prior to the opening bell, the participating Market-Makers can ensure that the class does not auto-open by adjusting their thresholds. The Market-Makers can then incorporate this non-bookable order information in determining how and if they should adjust the AutoQuote values that are sent to ROS. Once ROS determines the opening price, the participating Market-Makers will trade at the opening price and via open outcry with these non-bookable orders that are deserving a fill at the opening price established by ROS. An order is deserving of a fill for its entire size by the Market-Makers in the crowd (assuming any contingency accompanying the order is satisfied) at the opening price if that order is a (1) market order; (2) a limit order and the limit price betters the opening price; or (3) a public customer limit order with a contingency where the limit price equals the opening price.

(b) *Participation Rights on ROS*

ROS contracts to trade will be assigned to participating Market-Makers equally, to the greatest extent possible.

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

(i) A Market-Maker may choose to log onto ROS for any or all of the classes that are traded at the particular trading station at which he will be present for the opening. A Market-Maker may participate on ROS only in classes traded at one trading station at any given time. Login / logout can be done at any time prior to the opening (or prior to the operation of ROS when employed at some time other than at the opening) of the underlying or by some other earlier time determined by the Exchange.

(ii) Unless exempted by the Exchange, once a Market-Maker has logged onto ROS for a particular class during an expiration cycle, the Market-Maker is obliged to log onto ROS for that class for the duration of the expiration cycle whenever the Market-Maker will be present in the crowd where that class is traded for the opening.

(iii) The Exchange may determine to require a Market-Maker to log onto ROS for specified classes traded at a particular trading station.

(iv) Notwithstanding the limitations of paragraph (c)(i) of this Rule, if insufficient Market-Maker participation exists for a particular class, two Floor Officials shall have the authority to log onto ROS any Market-Makers who are members of the trading crowd, as defined in Rule 8.50, and may allow Market-Makers in other classes of options to log onto ROS in such classes.

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

. . . *Interpretation and Policies:*

.01 ROS may be used by LMMs, appointed pursuant to Rule 8.15, to conduct rotations in options classes. Notwithstanding paragraph (b) of this Rule, ROS contracts to trade will be assigned to the LMMs logged onto the ROS system. In addition, subject to the review of the Board of Directors, the Exchange may establish from time to time a participation entitlement formula that is applicable to the LMM who determines the formula for generating automatically updated market quotations during the trading day and provides the primary quote feed for an option class during an expiration cycle. The participation entitlement formula only applies to ROS contracts to trade and is subject to the following conditions: (i) the LMM will receive this participation right only during expiration cycles (and only with respect to time periods during those expiration cycles) when the LMM is providing the primary quote feed, and (ii) the LMM logs onto ROS the designated number of times as established by the Exchange.

.02 For purposes of this Rule, "AutoQuote" means either the Exchange's Autoquote system or a proprietary autoquote system operated by a member of the trading crowd where the particular ROS class is traded.

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

All provisions set forth in Rule 6.2A and the accompanying interpretations and policies shall remain in effect unless superseded or modified by this Rule 6.2A.03. To facilitate the calculation of a settlement price for futures and options contracts on volatility indexes, the Exchange shall utilize a modified ROS opening procedure for any index option series with respect to which a volatility index is calculated (including any index option series opened under Rule 6.2A.01). This modified ROS opening procedure will be utilized only on the final settlement date of the options and futures contracts on the applicable volatility index in each expiration month.

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

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

(ii) All Market-Makers, including any LMMs, if applicable, who are required to log on to ROS or RAES for the current expiration cycle shall be required to log on to ROS during the modified ROS opening procedure if the Market-Maker is physically present in the trading crowd for that index option class.

(iii) If the ROS system is implemented in an option contract for which LMMs have been appointed, the LMMs will collectively set the Autoquote values that will be used by ROS.

(iv) ROS contracts to trade for that index option series will be assigned equally, to the greatest extent possible, to all logged-on Market-Makers, including any LMMs, if applicable.

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

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

(B) may not be cancelled or changed after 8:00 a.m. (CT), unless the order is not executed in the modified ROS opening procedure and the cancellation or change is submitted after the modified ROS opening procedure is concluded (provided that any such order may be changed or cancelled after 8:00 a.m. (CT) and prior to applicable cut-off time established in accordance with paragraph (vi) in order to correct a legitimate error, in which case the Trading Permit Holder submitting the change or cancellation shall prepare and maintain a memorandum setting forth the circumstances that resulted

in the change or cancellation and shall file a copy of the memorandum with the Exchange no later than the next business day in a form and manner prescribed by the Exchange).

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

(i) The orders are for options series with the expiration month that will be used to calculate the settlement price of the applicable volatility index option or futures contract.

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

(iii) 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 options or futures for purposes of this Rule 6.2A.03(v) 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 6.2A.03(v) may be suspended by two Floor Officials in the event of unusual market conditions.

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

(vii) All orders for participation in the modified ROS opening procedure must be submitted electronically, except that Market-Makers on the Exchange's trading floor may submit paper tickets for market orders only.

(viii) The ROS system shall automatically generate cancellation orders immediately prior to the opening of the applicable index option series for Exchange Market-Maker, away Market-Maker, specialist, and broker dealer orders which remain on the electronic book following the modified ROS opening procedure.

(ix) 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 after 8:00 a.m. (CT) and thereafter at approximately 8:20 a.m. (CT) on days that the modified ROS opening procedure is utilized.]

Rule 6.2[B]. Hybrid Opening (and Sometimes Closing) System ("HOSS")

(a) – (d) No change.

(e) Help Desk. Senior Help Desk personnel may deviate from the standard manner of the opening procedure in this Rule 6.2[B], including delay 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.

(f) – (h) No change.

. . . *Interpretations and Policies:*

.01 Modified Opening Procedure for Series Used to Calculate the Exercise/Final Settlement Values of Volatility Indexes. All provisions set forth in Rule 6.2[B] remain in effect unless superseded or modified by this Interpretation and Policy .01. 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 utilizes the modified opening procedure described below for all series used to calculate the exercise/final settlement value of the volatility index for expiring options and (security) futures contracts (these option series referred to as "constituent options").

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

(i) No change.

(ii) may not be cancelled or changed after the applicable strategy order cut-off time, unless the strategy order is not executed in the modified opening procedure and the cancellation or change is submitted after the modified opening procedure is concluded (provided that any such strategy order may be changed or cancelled after the applicable strategy order cut-off time and prior to the applicable non-strategy order cut-off time in order to correct a legitimate error, in which case the Trading Permit Holder submitting the change or cancellation will prepare and maintain a

memorandum setting forth the circumstances that resulted in the change or cancellation and 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 will consider orders to be strategy orders for purposes of this Rule 6.2[B].01 if the orders possess the following three characteristics:

(A) – (C) No change.

Whether orders are strategy orders for purposes of this Rule 6.2[B].01 depends upon specific facts and circumstances. The Exchange may also deem order types other than those provided above as strategy orders if the Exchange determines that to be the case based upon the applicable facts and circumstances.

(b) No change.

.02 – .04 No change.

.05 Exchange Determinations. The Exchange will announce to Trading Permit Holders all determinations it makes pursuant to Rule 6.2[B] and its Interpretations and Policies 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 6.2[B] and its Interpretations and Policies on a group-by-group basis that would otherwise be made on a class-by-class basis.

.06 – .07 No change.

Rule 6.3. Trading Halts
(a) – (b) No change.

. . . *Interpretations and Policies:*

[.01 A Post Director (which is the designation given to the Exchange employee at a trading post whose function is to assist the Order Book Official ("OBO") and the Designated Primary Market-Maker ("DPM") at each station at the post) or the OBO at a station may suspend trading (including a rotation) for a class or classes of option contracts traded at that station for a period of time not to exceed five minutes whenever trading in the underlying security is halted or suspended in one or more of the markets trading the underlying security, but only if such trading halt or suspension is evidenced by an "ST" symbol (for an exchange-listed security) or an "H" symbol (for a security traded primarily in the over-the-counter market) appears on the Class Display Screen for that underlying security, or if such trading halt or suspension is verified by the senior person then in charge of the Exchange's Control Room. * A Post Director or OBO may not combine successive suspensions of trading under this Interpretation .01; any suspension of trading longer than five minutes may only be declared by two Floor Officials pursuant to Rule 6.3(a). [Concurrently with any

suspension of trading of a class of options under this Interpretation .01, and until such time as an automated shut-off is implemented, the Post Director, OBO or DPM at the station shall turn off the Retail Automatic Execution System applicable to the affected options class or classes.] In addition, the Post Director, the OBO or the DPM shall disseminate the designation 998-999 on the Exchange's quote reporting system, which indicates the option is not trading on the Cboe Options.]

[.02 During the period of time when trading is temporarily suspended under Interpretation .01 above, the responsible Post Director or OBO shall notify two Floor Officials in order to obtain a determination by them whether or not a trading halt should be imposed under the provisions of Rule 6.3(a). If two Floor Officials determine to halt trading, the procedures provided in Rule 6.3(a) shall govern. If, on the other hand, two Floor Officials determine not to halt trading in accordance with Rule 6.3(a), immediately following such determination it shall be announced to the crowd and trading (or a rotation in the option) shall resume at once, and in no event more than five minutes after the suspension of trading implemented under Interpretation .01. A re-opening rotation is not required if the Floor Officials determine not to institute a halt in trading, but may nevertheless be instituted upon the determination of two Floor Officials that the interests of fair and orderly market warrant a re-opening rotation.]

.0[3]1 No Trading Permit Holder or person associated with a Trading Permit Holder shall effect a trade in any option class in which trading has been suspended or halted under the provisions of this Rule and its Interpretation and Policies during the time in which the suspension or halt remains in effect.

.0[4]2 Generally, in the case of an option on a security, trading will be halted when a regulatory halt in the underlying security has occurred in the primary market for that security.

[.05 The senior person then in charge of the Exchange's Control Room shall have the authority to turn off the Retail Automatic Execution System ("RAES") with respect to a stock option if that person confirms that the Control Room has received a credible indication (including, but not limited to, a verified report from the trading crowd) that trading in the underlying stock has been halted or suspended in one or more of the markets trading that stock. After exercising such authority, that senior person shall immediately seek approval by two Floor Officials, who may confirm or overrule the decision.

After the trading halt or suspension has ceased, the Post Director, Order Book Official, or their representative will re-start RAES in accordance with other requirements regarding RAES operation.]

.0[6]3 If a primary listing market issues an individual stock trading pause in an underlying eligible NMS stock, as defined in this Rule, the Exchange will halt trading in options on that stock until trading has resumed on the primary listing market for the stock, which generally will occur after a period of five minutes. If, however, trading has not resumed on the primary listing market for the stock after ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the

Exchange may resume trading in the options if at least one market has resumed trading in the stock.

(a) – (b) No change.

(c) Upon reopening, a rotation shall be held in the options in accordance with Rule 6.2[B], unless the Exchange concludes that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation or any other variation in the manner of the rotation.

(d) – (e) No change.

.0[7]4 The Exchange shall nullify any transaction that occurs: (a) during a trading halt in the affected option on the Exchange; or (b) with respect to equity options (including options overlying ETFs), during a regulatory halt as declared by the primary listing market for the underlying security.

[* The Exchange has automated the function of suspending trading in a class or classes of option contracts whenever there is a halt or suspension of trading in an exchange-listed underlying security in the primary market as evidenced by the dissemination by that market of an "ST" symbol. In such event, without the need for action by the Post Director or OBO, all trading in the affected class or classes of options shall be suspended within the limits and subject to the conditions of this Interpretation .01[and the Retail Automatic Execution System shall be disabled in respect of such class or classes of options]; the Exchange shall disseminate to its trading floor and over OPRA a "T" symbol and the quotation dissemination "998-999" in respect of such class or classes of options, indicating that trading has been suspended, and a record of the time and duration of the suspension shall be made available to vendors of the Exchange's Time and Sales Display.]

Rule 6.3A. Equity Market Plan to Address Extraordinary Market Volatility

This Rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility (the "Limit Up-Limit Down Plan" or the "Plan").

The Exchange shall modify option order processing during a limit up-limit down state. For purposes of this rule, a "limit up-limit down state" shall mean the period of time when the underlying security of an option enters a limit or straddle state as defined in the Plan.

(a) No change.

(b) Order Handling. The following electronic order handling features shall operate differently during a limit up-limit down state:

(1) HOSS. Refer to Rule 6.2[B] for a description of how HOSS will behave during a limit up-limit down state.

(2) – (4) No change.

(c) – (d) No change.

* * * * *

Rule 6.6. Unusual Market Conditions
(a) No change

(b) If a market is declared fast, any two Floor Officials shall have the power to do one or more of the following with respect to the class or classes involved. (i) [Assign one or more classes or series of options traded at the post to Order Book Officials at other posts. (ii) Authorize Order Book Official clerks to execute transactions. (iii)]Direct that one or more trading rotations be employed pursuant to Rule[s] 6.2[, 6.2A or 6.2B, as appropriate]. (ii[v]) Suspend the firm quote requirement as permitted under Rule 8.51. ([v]iii) [Turn off the Retail Automatic Execution System ("RAES"). (vi)] Take such other actions as are deemed necessary in the interest of maintaining a fair and orderly market.

(c) – (d) No change.

[(e) A Post Director or Order Book Official ("OBO") at a station at a trading post may turn off RAES for a class or classes of options contracts traded at that station for a period of time not to exceed five minutes if, because of an influx of orders or other unusual conditions or circumstances in respect of such options or their underlying securities, the Post Director or OBO determines that such action is appropriate in the interest of maintaining a fair and orderly market. Whenever such action is taken, notice thereof shall immediately be given to two Floor Officials who may continue the deactivation of RAES for more than five minutes or take such actions as they deem necessary pursuant to their authority under this Rule 6.6.]

[. . . Interpretations and Policies:

.01 The Exchange has implemented an automatic system that monitors news wires for announcements pertaining to stocks underlying stock options at the end of each trading day, commencing shortly before the close of trading in the primary markets for underlying stocks and continuing for so long as stock options continue to be traded, and automatically suspends RAES in a class of stock options whenever the system notes that a news announcement pertaining to the underlying stock has been made. Two Floor Officials are notified promptly by senior help desk personnel each time RAES is automatically suspended. Depending on the Floor Officials' judgment as to the significance of the news announcement and whether its impact has been reflected in current options quotations, and depending on how much time remains before the close of options trading on Cboe Options, the Floor Officials will consider whether to resume operation of RAES in the affected classes of options. During the time that RAES is suspended, customer orders are routed to terminals on the trading floor for execution. The implementation of this system does not affect the authority of Floor Officials to halt trading under Rule 6.3, or to declare a fast market under Rule 6.6(a) and to take the actions described in Rule 6.6(b).]

* * * * *

Rule 6.7. Exchange Liability Disclaimers and Limitations
(a) No change.

(b) Whenever custody of an unexecuted order or quote is transmitted by a Trading Permit Holder to or through the Exchange's [Order Routing System, Electronic Book, Retail Automatic Execution System,]Hybrid System, or to any other facility of the Exchange whereby the Exchange assumes responsibility for the transmission or execution of the order or quote, provided that the Exchange has acknowledged receipt of such order or quote, the Exchange may, in its sole discretion, compensate one or more Trading Permit Holders for their losses alleged to have resulted from the failure to process an order or quote correctly due to the acts or omissions of the Exchange or due to the failure of its systems or facilities (each, a "Loss Event"), subject to the following limits:

(i) – (iii) No change.

A Trading Permit Holder may not make a request for compensation under this Rule for less than $100. Losses incurred on the same trading day and arising out of the same underlying act or omission of the Exchange or failure of the Exchange's systems or facilities may be aggregated to meet the $100 minimum. Nothing in this Rule shall obligate the Exchange to seek recovery under any applicable insurance policy.

(c) – (g) No change.

* * * * *

Rule 6.8. [RAES Operations]Prohibition Against Customers Functioning as Market-Makers

(a) TPH organizations may neither enter nor permit the entry of priority customer orders into the Hybrid System if (1) the orders are limit orders for the account or accounts of the same beneficial owner(s) and (2) the limit orders are entered in such a manner that the beneficial owner(s) effectively is operating as a market maker by holding itself out as willing to buy and sell such securities on a regular or continuous basis.

(b) In determining whether a beneficial owner effectively is operating as a market maker, the Exchange will consider, among other things, the simultaneous or near simultaneous entry of limit orders to buy and sell the same security and the entry of multiple limit orders at different prices in the same security.

[This rule has no applicability to options classes traded on the Cboe Options Hybrid System.

This Rule governs RAES operations in all classes of options, except to the extent otherwise expressly provided in this or other Rules in respect of specified classes of options.

(a) Firms on the Exchange's Order Routing System ("ORS") will automatically be on the Exchange's Retail Automatic Execution System ("RAES") for purposes of routing eligible orders into the RAES system.

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

(i) The term "RAES" means the automated execution system feature of ORS that is owned and operated by the Exchange and that provides automated order execution and reporting services for options.

(ii) The term "User" means any person or firm that obtains access to RAES through an Order Entry Firm.

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

(iv) The term "options quotations with size" refers to any series of option for which the Exchange disseminates a quotation size that is able to be decremented to reflect previous executions.

(c) *Eligible Orders*

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

(i) The order must be a market order or a marketable limit order. A marketable limit order is a limit order where the specified price at which to sell is below or at the current bid, or if to buy is above or at the current offer.

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

(iii) Those orders which are eligible for routing to RAES may be subject to such contingencies as the Exchange shall approve.

(iv) For purposes of this Rule, the term "broker-dealer" includes the term "foreign broker-dealer" as defined in Rule 1.1(xx).

(v) The Exchange shall determine the size of orders eligible for entry into RAES. Except for classes in which the Exchange disseminates options quotations with size, the eligible order size may not be for more than one hundred contracts. For classes in which the Exchange disseminates options quotations with size, the eligible order size may be set as the disseminated size. Further, the Exchange , in its discretion, may determine to restrict the size and kind of eligible orders, including but not limited to, lowering contract limits on particular option issues. Announcements concerning the size and kind of eligible orders will be made promptly as these are adjusted. The Exchange will have discretion to place on the system such series in classes of options subject to its jurisdiction as it determines is appropriate.

(vi) Notwithstanding the provisions of sub-paragraph (c)(v), the Exchange may increase the size or orders in one or more classes of multiply-traded options eligible for entry into RAES to the extent necessary to match the size of orders in options of the same class or classes eligible for entry into the automated execution system of any other options

exchange, provided that the effectiveness of any such increase shall be conditioned upon its having been filed with the Securities and Exchange Commission pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934.

(vii) For purposes of determining whether an order meets the maximum size requirement set forth in sub-paragraph (c)(v), a customer's order cannot be split up (i.e., unbundled) such that its parts are eligible for entry into RAES. Orders entered in compliance with Cboe Options Rule 6.8(e)(iii) (i.e., outside of any 15-second period) will not be considered to have been unbundled.

(d) *Execution on RAES.*

(i) When RAES receives an order, the system automatically will attach to the order its execution price, determined by the prevailing market quote at the time of the order's entry to the system, except as otherwise provided in this Rule 6.8 and the Interpretations to this Rule. A buy order will pay the offer, a sell order will sell at the bid. Marketable limit orders will not be executed to sell for less or buy for more than the specified price, but the order can be executed to sell for a higher price or buy for a lower price. However, if the order's limit price is under $3, RAES will execute the order only if the necessary bid or offer is 1/2point or less from the limit price. If the order's limit price is $3 or more, RAES will execute the order only if the necessary bid or offer is one dollar or less from the limit price.

(ii) A Market-Maker logged on to participate in RAES (a "Participating Market-Maker") will be designated as contra-broker on the trade.

(iii) Reserved.

(iv) When the best bid or offer on the Exchange's book constitutes the best bid or offer on the Exchange, contra-side incoming RAES orders shall be executed in accordance with either (A) or (B) below, as determined by the Exchange on a class-by-class basis.

(A) When the best bid or offer on the Exchange's book constitutes the best bid or offer on the Exchange and is for a size less than the RAES order eligibility size for that class, an incoming RAES order will be executed against the order in the book. In the event the order in the book is for a smaller number of contracts than the RAES order, the balance of the RAES order will be assigned to participating Market-Makers at the same price at which the initial portion of the order was executed up to an amount prescribed by the Exchange on a class-by-class basis (the "Book Price Commitment Quantity"). Any remaining balance thereafter shall be (1) routed to the crowd PAR terminal (or to another location in the event of system problems or contrary firm routing instructions) if Autoquote is not in effect for that series; (2) assigned to participating Market-Makers at the AutoQuote price if AutoQuote constitutes the new prevailing market bid or offer; or (3) executed against any order in the book that constitutes the new prevailing market bid or offer with the balance of the RAES order being assigned to participating Market-Makers at that price up to

the Book Price Commitment Quantity. Any additional remaining balance of a RAES order shall be handled in accordance with (2) or (3) of this paragraph.

(B) An incoming RAES order will be executed against the order in the book. In the event the order in the book is for a smaller number of contracts than the RAES order, the balance of the RAES order will be assigned to participating Market-Makers at the same price at which the initial portion of the RAES order was executed.

(v) Notwithstanding sub-paragraph (d)(iv), for classes of options as determined by the Exchange, for any series of options where the bid or offer generated by AutoQuote (Exchange or proprietary) is equal to or crosses the Exchange's best bid or offer as established by an order in the Exchange's limit order book, orders in the book for options of that series will be automatically executed against participants on RAES ("Trigger") up to a size not to exceed the number of contracts equal to the applicable maximum size of RAES-eligible orders for that series of options ("Trigger Volume"). The Exchange is responsible for determining the Trigger Volume for a particular series of options. In the event a Trading Permit Holder in the trading crowd verbally initiates a trade with a book order prior to the time the book staff announces to the trading crowd that the order has been removed from the book by Trigger, the book staff will manually endorse the book order to that Trading Permit Holder(s). In the event the order in the book is for a larger number of contracts than the applicable Trigger Volume, the balance of the book order may be executed manually by the trading crowd. In the limited circumstance where contracts remain in the book after an execution (or partial execution) of a book order up to the applicable Trigger Volume, the bid or offer generated by AutoQuote will be one-tick inferior to the price of the book order such that the disseminated quote will not cross or lock with the AutoQuote bid or offer. In these instances, or for any series where Trigger has not yet been implemented by the Exchange, orders in RAES for options of that series may either be automatically executed or be rerouted on ORS to the crowd PAR terminal or to another location in the event of system problems or contrary firm routing instructions, as determined by the Exchange.

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

(e) *Order Entry Firms.* Order Entry Firms shall:

(i) Comply with all applicable Cboe Options trading rules and procedures;

(ii) Provide written notice to all Users regarding the proper use of RAES;

(iii) Neither enter nor permit the entry of multiple orders on the same side of the market in an option issue within any 15-second period for an account or accounts of the same beneficial owner.

Violations of this rule may be referred for appropriate disciplinary action pursuant to Chapter XVII of the Rules.

(f) *Participating Market-Makers.* (i) Participating Market-Makers will be assigned trades by RAES in accordance with procedures adopted by the Exchange pursuant to Interpretation .06 of this Rule. Exchange rules shall not apply to the extent that they are inconsistent with these terms, including but not limited to Rules 6.45, 6.43, and 8.1. Applicable position and exercise limits will remain in effect for RAES transactions. Transactions executed through RAES orders will count towards fulfillment of the in-person requirement of Rule 8.7.

(i) To the extent possible, all participants will be informed of trades immediately upon execution. A fill report may be generated to the firm at the firm's point of entry into the system (i.e., either its branch office or floor booth), and a trade acknowledgement ticket ("TAT") will be made available to Participating Market-Makers in a manner prescribed by the Exchange.

(g) Each day the system is available, a post director or his representative will start the system, after quotes in the eligible series have been updated following the opening of the option class. If the system is or becomes unavailable, for any reason, eligible orders will be handled as they are handled currently in non-eligible option series.

. . . *Interpretations and Policies*

.01 (a) Notwithstanding Rule 6.8(c)(ii), the Exchange may determine, by class and/or series to allow the following types of orders to be executed on RAES in accordance with the requirements of Rule 6.8, subject to the conditions set forth below in subparagraphs (b) and (c):

(1) Broker-dealer orders; or

(2) Broker-dealer orders that are not for the accounts of Market-Makers or specialists on an exchange who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Securities Exchange Act of 1934.

(b) The Exchange may permit broker-dealer orders to be automatically executed pursuant to this Interpretation and Policy .01, subject to the following provisions:

(1) Broker-dealer orders entered through the Exchange's order routing system will not be automatically executed against orders in the limit order book unless permitted on a class-by-class basis by the Exchange. Broker-dealer orders may interact with orders in the limit order book only after being re-routed to a floor broker for representation in the trading crowd unless permitted on a class-by-class basis by the Exchange pursuant to a pilot program that will expire on November 30, 2007. Broker-dealer orders are not eligible to be placed in the limit order book pursuant to Rule 7.4.

(2) The maximum order size eligibility for the broker-dealer orders may be less than the applicable order size eligibility for non-broker-dealer orders.

(3) Non-broker-dealer orders may be eligible for automatic execution at the NBBO pursuant to Interpretations and Policies .02 of Rule 6.8, while broker-dealer orders may not be so eligible. In the event broker-dealer orders are not so eligible, they shall instead route to either PAR or BART.

(4) The Exchange may determine, by class and/or series, to prohibit access to RAES for broker-dealer orders after 3 pm.

(c) Cboe Options Market-Makers must assure that orders for their own accounts are not entered on the Exchange and represented or executed in violation of the following provisions: Interpretations and Policies .02 of Rule 6.55 and Interpretations and Policies .06 of Rule 8.9 (concurrent representation of a joint account), Rule 6.55 (concurrent representation of a Market-Maker account), and Section 9 of the Securities Exchange Act of 1934 (wash sales).

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

.02 (a) Orders to buy or sell options that are multiply traded in one or more markets in addition to the Exchange will not be automatically executed on RAES at prices inferior to the current best bid or offer in any other market, as such best bids or offers are identified in RAES.

Under circumstances where two Floor Officials determine that quotes from one or more particular markets in one or more classes of options are not reliable, the Floor Officials may direct the senior person in charge of the Exchange's Control Room to exclude the unreliable quotes from the RAES determination of the NBBO in the particular option class(es).

I. Two Floor Officials may determine quotes in one or more particular options classes in a market are not reliable under any of the following circumstances:

(a) QUOTES NOT FIRM: A market's quotes in a particular options class are not firm based upon direct communication to the Exchange from the market or the dissemination through OPRA of a message indicating that disseminated quotes are not firm; or

(b) CONFIRMED QUOTE PROBLEMS: A market has directly communicated to the Exchange or otherwise confirmed that the market is experiencing systems or other problems affecting the reliability of its disseminated quotes.

In all such cases, the situation will be documented by the Exchange Control Room and reported to regulatory authorities at the appropriate market.

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

(b) In respect of those classes of options that have been specifically designated by the Exchange as coming within the scope of this sentence ("automatic step-up classes"), under circumstances where the Exchange's best bid or offer is inferior to the current best bid or offer in another market by no more than the "step-up amount" as defined below, such orders will be automatically executed on RAES at the current best bid or offer in the other market.

(i) In respect of automatic step-up classes of options under circumstances where the Exchange's best bid or offer is inferior to the current best bid or offer in another market by more than the step-up amount, or

(ii) In respect of series of option classes designated by the Exchange, under circumstances where the NBBO for one of the series is crossed (*e.g.*, 6.10 bid, 6 asked) or locked (*e.g.*, 6 bid, 6 asked), or

(iii) In respect of specified automatic step-up classes or series of options or specified markets under circumstances where the Chairman of the Exchange or his designee has determined that automatic step-up should not apply because quotes in such options or markets are deemed not to be reliable, or

(iv) In respect of classes of equity options other than automatic step-up classes where the Exchange's best bid or offer is inferior to the current best bid or offer in another market by any amount, such orders will be rerouted for non-automated handling to a PAR workstation in the trading crowd for that class of options, or to any other location in the event of system problems or contrary routing instructions from the firm that forwarded the order to RAES. If the order has been rerouted to the PAR workstation in the trading crowd, the OBO, or PAR Official will report the execution or non-execution of such orders to the firm that originally forwarded the order to RAES. With respect to the orders that are rerouted for manual handling pursuant to (ii) above, the Exchange may determine to have the orders for a particular series within a designated class of options

executed on RAES notwithstanding the fact that the NBBO is either crossed or locked. Also, with respect to (ii) above, the Exchange may determine to have the orders rerouted for manual handling only when the Cboe Options RAES becomes crossed or locked as a result of applying the step-up amount.

As used in this Interpretation and Policy .02, the "step-up amount" shall be expressed in an amount consistent with the minimum trading increment for options of that series established pursuant to Rule 6.42. The Exchange shall determine the step-up amount in respect of specified automatic step-up classes or series of options and may vary the "step-up amount" on the basis of order size parameters. The procedures described in this Interpretation .02 shall not apply in circumstances where a "fast market" in the options that are the subject of the orders in question has been declared on the Exchange or where comparable conditions exist in the other market such that firm quote requirements do not apply.

(c) For purposes of the Interpretation and Policy .02, the term "Exchange's best bid or offer" shall mean the price for the series as established by the DPM's AutoQuote or proprietary automated quotation updating system. Classes of options in which AutoQuote or a proprietary automated quotation updating system are not operative shall not be deemed to be "automatic step-up classes," as that term is defined in paragraph (b) of this Interpretation.

.03 The senior person then in charge of the Exchange's Control Room shall have the authority to turn off RAES with respect to a class of options if there is a system malfunction that affects the Exchange's ability to disseminate or update market quotes. Once the system malfunction has been corrected and the market quotes have been updated, either the senior person then in charge of the Exchange's Control Room, or the Order Book Official, or the RAES Supervisor may re-start RAES.

.04 In those option classes where the Automated Book Priority ("ABP") system is not operational or has not yet been implemented, if a RAES order would be executed at the price of one or more booked orders, the order will be rerouted on ORS to either the DPM or to another location pursuant to the firm's routing parameters. Under ordinary circumstances, in those option classes where the Automated Book Priority system is not operational or has not yet been implemented, when one or more RAES eligible orders in a class of options is rerouted on ORS as described (but not in cases when the orders are routed to the firm's booth), the crowd will be obligated to sell (buy) the rerouted order (or the first order in any group of rerouted orders at the same price) up to the number of contracts represented by the booked order(s) and, in the event a balance remains on the rerouted order (or the first order in any group of rerouted orders at the same price), up to the Book Price Commitment Quantity (as defined in paragraph (d)(iv)(A) of this Rule) where applicable, at the offer (bid) which existed at the time of the order's entry into the RAES system. Because the first such rerouted order will be entitled to a price that existed when the order was initially entered into the RAES system, it is imperative that such an order be represented by the floor brokers as quickly as possible. Orders rerouted to the firm's booth and orders rerouted to the trading station that are not entitled to the above protection will be entitled to be filled by the trading crowd at the bid or offer existing when the Floor Broker represents the order in open outcry in the crowd, pursuant to Rule 8.51.

.05 The Exchange may increase the size of orders in one or more classes of options eligible for RAES when the Exchange believes that the action is in the interest of alleviating a potential backlog of unexecuted orders in situations where a particular class of options is experiencing a large influx of orders and provided the decision is made for no more than one trading day. To the extent the conditions exist on the following trading day, the Exchange must review the situation and make an independent decision to increase the RAES eligible order size for that subsequent day. Any decisions made by the Exchange to increase the RAES eligible order size for a particular option class for consecutive days will be reviewed by the Exchange on a regular basis.

The Exchange may decrease the size of orders in one or more classes of options eligible for RAES when the Exchange believes that unusual market conditions exist provided the decision is made for no more than one trading day. To the extent the conditions exist on the following trading day, the Exchange must review the situation and make an independent decision to decrease the RAES eligible order size for that subsequent day. Any decisions made by the Exchange to decrease the RAES eligible order size for a particular option class for consecutive days will be reviewed by the Exchange on a regular basis.

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

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

contracts in the order have been assigned to one or more Market-Makers, even if this necessitates making more than one assignment to the same Market-Maker as the assignment rotation continues. The Exchange will notify the Trading Permit Holders of each class of options that is subject to Variable RAES.

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

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

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

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

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

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

(e) The effectiveness of any other methodology for assigning RAES orders to Participating Market-Makers that may be adopted by the Exchange shall be conditioned upon its having been filed with the Securities and Exchange Commission pursuant to Section 19(b) of the Securities Exchange Act of 1934.

.07 Notwithstanding the provisions of paragraph (e) of this Rule, the Exchange may establish the size of orders eligible for entry into RAES in options on the Dow Jones High Yield Select 10 Index at any amount up to 100 contracts.

.08 The Exchange will document in its Control Room log, or in any other format provided for by the Exchange, any action taken to disengage RAES or to operate RAES in a manner other than normal, the option classes affected by such action, the time such action was taken, the Exchange officials who undertook such action, and the reasons why such action was taken.

.09 (a)(1) If the Exchange disseminates options quotations with size in a particular series, the number of contracts that may receive automatic execution at the disseminated price may not exceed the disseminated size in that series. Automatic executions will decrement the disseminated size by the amount of the automatic execution. When the number of contracts receiving automatic execution at a particular price exhausts the accompanying disseminated size for that series, subsequent orders that are otherwise eligible for RAES will not execute automatically for a period not to exceed 30-seconds ("re-route period") and instead shall be automatically rerouted to PAR, BART or Live Ammo. When an incoming order is within the eligible order size yet is for a greater number of contracts than the disseminated size, that order will receive a partial automatic execution in an amount up to the disseminated size. The balance of the order and any subsequent orders otherwise eligible for RAES that are entered during the reroute period will route automatically to PAR, BART, or Live Ammo.

(2) Orders rerouted from Live Ammo to RAES. In the event any orders previously routed to Live Ammo as described in Subparagraph (a)(1) above are rerouted to RAES

("rerouted orders") pursuant to Rule 7.4(g), all rerouted orders will receive automatic execution at the disseminated price even if the cumulative size of these rerouted orders exceeds the disseminated size. In addition, any orders rerouted to RAES pursuant to Rule 7.4(g) will maintain priority over subsequently-received RAES orders.

(b) If the Exchange disseminates options quotations with size in a particular class, the entity responsible for determining a formula for generating automatically updated market quotations for that class pursuant to Rule 8.7(b) and (c) shall also have responsibility for determining the size of the undecremented disseminated quote for that same class. For those classes in which a DPM, LMM, or Market-Maker in good standing has been appointed the responsibility to determine the size of the disseminated quote, the DPM, LMM, or appointed Market-Maker may, but is not required to, consult with and/or agree with members of the trading crowd in determining the size of the disseminated quote. The members of the trading crowd are not required to provide input in these decisions, and in all instances, the DPM, LMM, or appointed Market-Maker has the responsibility to make the final determination as to the size of the undecremented disseminated quote. For those classes in which a DPM, LMM, or appointed Market-Maker does not have the responsibility set forth in Rule 8.7(b), the trading crowd shall determine the size of the undecremented disseminated quote.]

* * * * *

[Rule 6.8B. Automatic ORS Order Execution Against Booked Orders.
(a) When the best bid or offer on the Exchange's book constitutes the best bid or offer on the Exchange, any marketable public customer order routed through the Exchange's Order Routing System ("ORS") will be automatically executed against the book up to the size of the booked order(s) establishing the best bid or offer on the Exchange to the extent such execution is not at a price inferior to the current best bid or offer in any other market. Any remaining balance of the marketable public customer ORS order shall be rerouted through ORS and handled in accordance with all applicable Exchange rules and policies.

(b) The Exchange may determine which option classes will be subject to paragraph (a) of this Rule.

(c) In unusual market conditions, the Exchange or two Floor Officials exempt an option class from paragraph (a) of this Rule.]

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

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

(b) In determining whether a beneficial owner effectively is operating as a market maker, the Exchange will consider, among other things, the simultaneous or near simultaneous entry of limit orders to buy and sell the same security and the entry of multiple limit orders at different prices in the same security.]

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Rule 6.10. [LOU System Operations]Reserved

Reserved

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

(a) *Definitions.* For purposes of this Rule, the following definitions shall apply.

(i) The term "LOU" means a facility of the Exchange that provides order routing, handling, and execution for eligible options orders routed electronically to the Exchange.

(ii) The term "In-Person Wheel" means an order allocation mechanism whereby orders are evenly assigned to Market-Makers logged onto the In-Person Wheel for up to five contracts per Market-Maker for each order.

(iii) The term "Linkage Order" means an order routed to the Exchange through the Options Intermarket Linkage pursuant to the Plan for the Purpose of Creating and Operating an Intermarket Options Linkage.

(b) *LOU Eligibility.*

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

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

(ii) The order must be of a size greater than the RAES eligibility limit for the subject option series as established pursuant to Rule 6.8(c);

(iii) the order may not be a Linkage Order;

(iv) at the time the order is received, the Exchange must be disseminating a quote at the national best bid or offer (NBBO) for the appropriate side of the market;

(v) at the time the order is received, the Exchange's disseminated quote may not be a manual quote;

(vi) the order must be in an option class which is designated as subject to the terms of Rule 6.8.B concerning booked orders; and

(vii) the order must be in an option class designated by the Exchange as subject to this Rule 6.10.

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

(c) *Order Receipt.*

(i) *Orders Equal to or Smaller than the Exchange's Disseminated Quotation Size.* When LOU receives an order smaller than the Exchange's disseminated quotation size, the system will automatically stop the order against the Exchange's disseminated market. The order will then be automatically routed for representation in the crowd to allow for price improvement and to allocate the order to members of the trading crowd pursuant to paragraph (d) below.

(ii) *Orders Larger than the Exchange's Disseminated Quotation Size.* When LOU receives an order larger than the Exchange's disseminated quotation size, the system will automatically stop a portion of the order against the Exchange's disseminated market up to the Exchange's disseminated size. The stopped portion of the order will then be automatically routed for representation in the crowd to allow for price improvement and to allocate the order to members of the trading crowd pursuant to paragraph (d) below. Simultaneously, the balance of the order that was not stopped at the Exchange's disseminated price will be routed for normal order handling.

(d) *Execution and Allocation.* Upon receipt, the LOU order (or the stopped portion of the LOU order) shall be announced and exposed to the crowd to allow for price improvement. Any portion of a LOU order that does not receive price improvement will be allocated as follows:

(i) The LOU order will be assigned in open outcry consistent with Rule 6.45 and Rule 8.87. To the extent an order is not fully assigned in open outcry, the remaining portion of the order will be assigned to Market-Makers via the In-Person Wheel. If a portion of the LOU order still remains after the In-Person Wheel allocations are exhausted, the balance of the order shall be assigned in accordance with the RAES trade allocation methodology in effect for the subject option class pursuant to Rule 6.8 Interpretation and Policy .06.

(e) *Obligations of Participating Market-Makers.* Any Market-Maker who is present in the trading crowd and who makes markets in a particular security traded in that crowd, must be logged onto the In-Person Wheel for that security.

. . . *Interpretations and Policies:*

.01 The provisions of Rule 8.17 regarding stopping of option orders shall not apply to orders received pursuant to this Rule 6.10.

.02 Broker-Dealer Access to LOU. The Exchange may determine, by class and/or series to allow the following broker-dealer orders to be eligible for LOU, provided that such broker-dealer orders will not be stopped pursuant to this Rule against orders in the limit order book:

(a) broker-dealer orders, or

(b) broker-dealer orders that are not for the accounts of market-makers or specialists on an exchange who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Securities Exchange Act of 1934.]

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Rule 6.11. Origins Eligible for Book Entry

After a class opens for trading, the System accepts for entry into the Book (a) quotes of Market-Makers (including DPMs and LMMs) and orders of any origin in Hybrid classes and (b) quotes of LMMs and orders of priority customers and other origins determined by the Exchange in Hybrid 3.0 classes, which the Exchange will announce by Regulatory Circular.

Rule 6.12. Cboe Options Hybrid Order Handling System

This rule describes the process for routing orders through the Exchange's order handling system in classes designated for trading on the Cboe Options Hybrid System. The order handling system is a feature within the Hybrid System to route orders for automatic execution, book entry, open outcry, or further handling by a broker, agent, or PAR Official, in a manner consistent with Exchange Rules and the Act (e.g., resubmit the order to the Hybrid System for automatic execution, route the order from a booth to a PAR workstation, cancel the order, contact the customer for further instructions, and/or otherwise handle the order in accordance with Exchange Rules and the order's terms).

(a) Orders may route through the order handling system for electronic processing in the Hybrid System or to a designated order management terminal or PAR Workstation in any of the circumstances described below. Routing designations may be established based on various parameters defined by the Exchange, order entry firm or Trading Permit Holder, as applicable.

> (1) AutoEx and Book Kick-Outs: Under Rules 6.2[B], 6.13 and 6.53C, orders or the remaining balance of orders initially routed from an order entry firm for electronic processing that are not eligible for automatic execution or book entry will by default route to a PAR workstation designated by the order entry firm. If an order entry firm has not designated a PAR workstation or if a PAR workstation is unavailable, the remaining balance will route to an order management terminal designated by the order entry firm. If it is not eligible to route to a PAR workstation or order management terminal designated by the order entry firm, the remaining balance will be returned to the order entry firm.
>
> (2) – (7) No change.

(b) No change.

. . . Interpretations and Policies:

.01 No change.

Rule 6.12A. Public Automated Routing System (PAR)
The PAR workstation (PAR) is an Exchange-provided order management tool for use on the Exchange's trading floor by Trading Permit Holders or Exchange PAR Officials (see Rule [7.12]6.12B for a description of the responsibilities of PAR Officials). The Exchange's Order Handling System allows for orders to be routed to and from PAR in accordance with TPH and Exchange order routing parameters and the Rules including, but not limited to, this Rule 6.12A and Chapters VI[, VII,] and VIII of the Rules and Rules 6.2[B], 6.12B, 6.13, 6.14B, 6.53, 6.53C, 6.74, [7.12,]and 8.51 thereunder.

(a) – (d) No change.

Rule 6.12B. PAR Officials
(a) *Designation.* A PAR Official is an Exchange employee or independent contractor whom the Exchange may designate as being responsible for (i) operating a PAR workstation; and (ii) effecting proper executions of orders placed with him/her. The PAR Official may not be affiliated with any Trading Permit Holder that is approved to act as a Market-Maker.

(b) *Obligations.* A PAR Official is responsible for the following obligations:

(i) Display Obligation: Each PAR Official must display immediately the full price and size of any customer limit order that improves the price or increases the size of the best disseminated Cboe Options quote. For purposes of this Rule 6.12B(b), "immediately" means, under normal market conditions, as soon as practicable but no later than 30 seconds after receipt ("30-second standard") by the PAR Official.

The following are exempt from the Display Obligation as set forth under this Rule:

(A) An order executed upon receipt;

(B) An order where the customer who placed it requests that it not be displayed, and upon receipt of the order, the PAR Official announces in public outcry the information concerning the order that would be displayed if the order were subject to being displayed;

(C) The following orders as defined in Rule 6.53: contingency orders; one-cancels-the-other orders; all or none orders; fill or kill orders; immediate or cancel orders; complex orders (e.g., spreads, straddles, combinations); and stock-option orders;

(D) Orders received before or during a trading rotation (as defined in Rule 6.2[and 6.2B]), including Opening Rotation Orders as defined in Rule 6.53(l), are exempt from the 30-second standard, but they must be displayed promptly following conclusion of the applicable rotation; and

(E) Orders for more than 100 contracts, unless the customer placing such order requests that the order be displayed.

(ii) Execution. A PAR Official must use due diligence to execute the orders placed in the PAR Official's custody at the best prices available to him or her under the Rules.

(iii) Autobook: A PAR Official must maintain and keep active on the PAR workstation at all times the automated limit order display facility ("Autobook") provided by the Exchange. Only senior Help Desk personnel may determine the length of the Autobook timer for PAR Officials, and a PAR Official may deactivate Autobook only with the approval of senior Help Desk personnel.

(v) Representation: A PAR Official must electronically record the time an order is initially represented in the trading crowd via Exchange-approved functionality.

(vi) Duty to Report: When, in the opinion of a PAR Official, there is any unusual activity, transaction, or price change, or there are other unusual market conditions or circumstances that are detrimental to the maintenance of a fair and orderly market, the PAR Official must promptly report this unusual activity to a Floor Official. To the extent unusual activity is apparent only through the inspection of trade tickets, a PAR Official is not responsible for reporting this activity unless the trade tickets are brought to the PAR Official's attention.

(c) *Compensation.* A PAR Official is be compensated exclusively by the Exchange, which determines the amount and form of compensation. No DPM, LMM or Market-Maker may directly or indirectly compensate or provide any other form of consideration to a PAR Official.

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

Rule 6.13. Cboe Options Hybrid System Automatic Execution Feature

(a) Applicability: This rule is applicable only to those classes specifically designated for trading on the Cboe Options Hybrid System. The Cboe Options Hybrid System is a trading platform that allows automatic executions to occur electronically and open outcry trades to occur on the floor of the Exchange pursuant to the priority and allocation principles contained in Rule 6.45. [Rule 6.8 has no applicability to any transactions occurring on the Cboe Options Hybrid System, unless otherwise specifically indicated. Classes not specifically designated for trading through the Cboe Options Hybrid System will continue to be subject to Rule 6.8.]

(b) Automatic Execution: Orders eligible for automatic execution through the Cboe Options 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 allocation of orders or quotes that automatically execute through the Cboe Options Hybrid System is governed by Rule 6.45.

(i) Eligibility: The Exchange shall designate the eligible order size, eligible order type, eligible order origin code (i.e., public customer orders, non-Market-Maker broker-dealer orders, and Market-Maker broker-dealer orders), and classes in which the automatic execution feature shall be activated, subject to the following:

(A)(1) No change.

(2) Hybrid 3.0 Eligibility and Process: For Hybrid 3.0 classes, all eligible orders will receive automatic execution against public customer orders in the electronic book. Any remaining balance of the order may be represented in the electronic book provided such order is eligible for book entry pursuant to Rule [7.4]6.11. If the order is not eligible for book entry, or at the order entry firm's discretion, the order will route via the order handling system pursuant to Rule 6.12.

(B) – (C) No change.

(ii) No change.

(iii) Split Price Executions: For Hybrid classes, incoming eligible orders of a size greater than the disseminated size shall receive an automatic execution for a size up to the disseminated size. The remaining balance of the order if marketable, will automatically execute at the revised disseminated price provided the revised disseminated price represents the NBBO (if the revised price is inferior to NBBO the remaining balance of the order will route via the order handling system pursuant to Rule 6.12, or for processing pursuant to 6.14A). If not marketable, the remaining balance of the order will be automatically represented in the electronic book provided such order is eligible for book entry pursuant to Rule [7.4]6.11. If the order is not eligible for book entry, it will route via the order handling system pursuant to Rule 6.12. Pronouncements pursuant to this provision shall be made by the Exchange and announced via Regulatory Circular.

(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 6.2[B](d)(ii).

(C) No change.

(vi) No change.

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

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

(i) – (ii) No change.

* * * * *

Rule 6.13B. [Penny Price Improvement]Reserved

Reserved

[The Exchange may designate one or more options trading on the Hybrid System for inclusion in the Penny Price Improvement Program. This program is not available for Hybrid 3.0 classes. Under this program, the Exchange will allow all Trading Permit Holders to provide price improvement beyond the Exchange's disseminated quotation ("Penny Pricing") for classes or series that are not already quoted in one-cent increments and for which the Simple Auction Liaison system in Rule 6.13A is not in effect.

(a) Electronic Penny Pricing. Electronic penny prices may be established as follows:

(1) Market-Makers. Market-Makers may electronically provide the Exchange with indications of interest that are superior to their own quotations in increments no smaller than one-cent. Such indications shall be firm for all interest received by the Exchange. The Exchange shall disseminate such interest using standard quoting increments by rounding the limit price to the nearest standard quoting increment that does not violate the limit price.

(2) Orders. Trading Permit Holders may electronically submit to the Exchange orders priced in one-cent increments. The Exchange shall disseminate such orders using standard quoting increments by rounding the limit price to the nearest standard quoting increment that does not violate the limit price.

All Penny Pricing submitted pursuant to (1) or (2) above shall be filed by the System for order allocation purposes but shall not be displayed.

If an order is received by the Hybrid System that could trade against Penny Pricing and where the Exchange's disseminated quotation is the NBBO, it will automatically execute against the Penny Pricing pursuant to the Exchange's normal allocation procedures.

(b) Open Outcry Penny Pricing. Oral bids (offers) provided by in-crowd market participants may be expressed in one-cent increments in response to an order represented in open outcry provided that: (1) the oral bids (offers) better the corresponding bid (offer) in the Exchange's disseminated quotation; and (2) any resulting transaction(s) is consistent with the requirements of Rule 6.83.

The Exchange may also determine on a class-by-class basis to make the split-price priority provisions of Rule 6.47 applicable to a class that is subject to Penny Pricing under this rule.

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

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

* * * * *

Rule 6.18. Disaster Recovery
(a) – (c) No change.

(d) *Loss of Trading Floor.* If the Exchange trading floor becomes inoperable, the Exchange will continue to operate in a screen-based only environment using a floorless configuration of the Hybrid Trading System located in the primary data center that is operational while the trading floor facility is inoperable. The Exchange will operate using this configuration only until the Exchange's trading floor facility is operational. Open outcry trading will not be available in the event the trading floor becomes inoperable, except in accordance with paragraph (ii) below and pursuant to Rule 6.16 (Back-up Trading Arrangements), as applicable.

(i) *Applicable Rules.* In the event that the trading floor becomes inoperable, trading will be conducted pursuant to all applicable Hybrid System rules, except that open-outcry rules shall not be in force. In these circumstances, a non-exclusive list of trading rules that will not apply include either all or some portion of Rules 6.2, [6.2A, 6.8, 6.8B,] 6.9, 6.12A, <u>6.12B,</u> 6.13A, 6.20, 6.22, 6.23, 6.45, 6.47, 6.54, 6.74, [7.12,] 8.15, and 8.17. All non-trading rules of the Exchange shall continue to apply.

(ii) No change.

(e) – (f) No change.

* * * * *

Rule 6.20. Admission to and Conduct on the Trading Floor; Trading Permit Holder Education
(a) *Admission to Trading Floor.* Unless otherwise provided in the Rules, no one but a Trading Permit Holder[, an Order Book Official designated by the Exchange pursuant to Rule 7.3,] or PAR Official designated by the Exchange pursuant to Rule [7.12]<u>6.12B</u> shall make any transaction on the floor of the Exchange. Admission to the floor shall be limited to Trading Permit Holders, employees of the Exchange, clerks employed by Trading Permit Holders and registered with the Exchange, service personnel and Exchange visitors authorized admission to the floor pursuant to Exchange policy, and such other persons permitted admission to the floor by the President of the Exchange or his designee.

(b) – (e) No change.

. . . *Interpretations and Policies:*

.01 No change.

.02 [Order Book Officials and PAR Officials may effect transactions on the floor only in the classes of option contracts to which they have been assigned and only in their capacity as Order Book Officials or PAR Officials.]Reserved

.03 No change.

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

(i) No change.

(ii) [Failure of a Market-Maker to respond to a request for a market by an Order Book Official pursuant to Rule 7.5;]Reserved

(iii) – (vii) No change.

.05 – .10 No change.

Rule 6.20A. Sponsored Users
(a) – (c) No change.

. . . *Interpretations and Policies:*

.01 Sponsored Users shall be permitted for the following Exchange Systems: the FLEX Hybrid Trading System ("FLEX")[, CBSX] and Cboe Options. For FLEX[and CBSX], the number of Sponsored Users shall be unlimited. Except for FLEX[and CBSX], the number of Sponsored Users having electronic access to Cboe Options shall be limited to a total of 15 persons/entities ("Sponsored User Slots"). Sponsored User applications for the Cboe Options Sponsored User Slots shall be submitted to the Exchange's TPH Department in a manner acceptable to the Exchange and will be processed in the order they are received on a time-stamped basis. For applications received via facsimile or email the time-stamp shall be the time the email/facsimile is received by the TPH Department. If there are more Sponsored User applications than Sponsored User Slots, the Exchange will maintain a waitlist and use a First In, First Out ("FIFO") method for filling the 15 Sponsored User Slots. In the event a Sponsored User application is determined by the TPH Department to be incomplete, the application will not be considered to have been submitted under the FIFO method until a completed application is submitted.

* * * * *

Rule 6.24. Required Order Information
(a) – (c) No change.

. . . *Interpretations and Policies:*

.01 – .04 No change.

.05 FLEX Options, as described in Chapter[s] XXIVA [and XXIVB] of the Rules, are exempt from the requirements of this Rule. However, the Exchange will maintain as part of its audit trail quotation, order and transaction information for FLEX Options in a form and manner that is substantially similar to the form and manner as the COATS data is maintained, and will make such information available to the SEC upon request.

.06 – .07 No change.

Rule 6.25. Nullification and Adjustment of Options Transactions including Obvious Errors
The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. Unless otherwise stated, the provisions contained within this Rule are applicable to electronic transactions only. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. An electronic or open outcry trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 7:30 a.m. Central Time on the first trading day following the execution. It is considered conduct inconsistent with just and equitable principles of trade for any TPH to use the mutual adjustment process to circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) No change.

(b) *Theoretical Price.* Upon receipt of a request for review and prior to any review of a transaction execution price, the "Theoretical Price" for the option must be determined. For purposes of this Rule, if the applicable option series is traded on at least one other options exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in sub-paragraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to the Exchange's receipt of the order. The Exchange will rely on this paragraph (b) and Interpretation and Policy .08 of this Rule when determining Theoretical Price.

(1) *Transactions at the Open.* Except as provided in subparagraph (A) below, for a transaction occurring as part of the Opening Process (as defined in Rule[s] 6.2[—Trading Rotations, 6.2A—Rapid Opening Process ("ROS"), and 6.2B—Hybrid Opening System ("HOSS")]) the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in sub-paragraph

(b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

(A) No change.

(2) – (3) No change.

(c) – (m) No change.

. . . *Interpretations and Policies:*

.01 – .07 No change.

* * * * *

Rule 6.43. Manner of Bidding and Offering
(a) Bids and offers to be effective must either be entered electronically in a form and manner prescribed by the Exchange via Exchange-approved quoting devices or made at the post by public outcry[, except that bids and offers made by the Order Book Official shall be effective if displayed in a visible manner in accordance with Rule 7.7]. All bids and offers shall be general ones and shall not be specified for acceptance by particular Trading Permit Holders.

(b) [Except for Hybrid classes designated for trading on the Cboe Options Hybrid System]In Hybrid 3.0 classes, [members of]floor brokers and market-makers in the trading crowd may verbalize quotes ("manual quotes") to be input into Exchange systems by quote reporters for dissemination to the Options Price Reporting Authority ("OPRA"). Manual quotes must be for a minimum size of five (5) contracts. A manual quote will remain as the Exchange's disseminated quote until executions deplete the size, until the market maker or floor broker withdraws the quote, or until matched or improved [by Autoquote or improved] by an order in the electronic Book.

(i) [For Hybrid 3.0 classes, i]If Trading Permit Holders and PAR Officials are eligible to submit orders for entry into the electronic book pursuant to Rule 7.4(a)(1)(i), then the Exchange may determine to disable manual quotes.

(ii) [For Hybrid 3.0 classes, a]Automatic execution against a manual quote will not be permissible. However, in accordance with Rule 6.13, automatic execution against public customer orders in the electronic book will be permissible when the electronic book matches a manual quote.

* * * * *

Rule 6.45. Order and Quote Priority and Allocation
(a) – (c) No change.

. . . *Interpretations and Policies:*

.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) agency orders are first exposed on the Hybrid System for at least one (1) second, (ii) the order entry firm has been bidding or offering for at least one (1) second prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74. [This paragraph also applies to orders resting on the Hybrid System in penny increments pursuant to Rule 6.13B.]In such cases, agency orders priced in penny increments are deemed "exposed" pursuant to (i) above, and order entry firm orders priced in penny increments are deemed bids or offers pursuant to (ii) above. For Hybrid 3.0 classes, the minimum exposure time in (i) and (ii) above must be at least one (1) second but no more than thirty (30) seconds, which the Exchange will determine on a class-by-class basis.

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least one (1) second before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from Trading Permit Holders and non-Trading Permit Holder broker-dealers to transact with such orders. [This paragraph also applies to agency orders resting on the Hybrid System in penny increments pursuant to Rule 6.13B.]In such cases, agency orders priced in penny increments are deemed "exposed" pursuant to this paragraph. For Hybrid 3.0 classes, the minimum exposure time must be at least one (1) second but no more than thirty (30) seconds, which the Exchange will determine on a class-by-class basis.

.03 – .06 No change.

* * * * *

Rule 6.47. Priority on Split-Price Transactions Occurring in Open Outcry
(a) – (e) No change.

. . . *Interpretations and Policies:*

.01 No change.

[.02 The availability of split-price priority when an order is executed in a one-cent increment pursuant to Rule 6.13B shall be determined in accordance with Rule 6.13B(b).]

* * * * *

Rule 6.49A. Transfer of Positions
(a) – (b) No change.

(c) *Transfer Procedure.*

(1) – (5) No change.

(6) To the extent applicable and as modified pursuant to this paragraph, Transfer Packages offered at the FLEX post would be subject to the procedures set forth in Rule

24A.5 [(FLEX Trading Procedures and Principles), sections (a) through (c), or Rule 24B.5] (FLEX Trading Procedures and Principles), sections (a)(2)(i) through (iii).

(7) – (13) No change.

(d) No change.

. . . *Interpretations and Policies:*

.01 – .03 No change.

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Rule 6.53C. Complex Orders on the Hybid System

(a) – (d) No change.

. . . *Interpretations and Policies:*

.01 – .10 No change.

.11 Execution of Complex Orders on the COB Open:

(a) Complex orders, including stock-option orders, do not participate in opening rotations for individual component option series legs conducted pursuant to Rule 6.2[B]. When the last of the individual component option series legs that make up a complex order strategy has opened (and, in the case of a stock-option order, the underlying stock has opened), the COB for that strategy will open. The COB will open with no trade, except as follows:

(i) – (ii) No change.

(b) No change.

.12 No change.

Rule 6.54. Accommodation Liquidations (Cabinet Trades)
Cabinet trading under the following terms and conditions shall be available in each series of option contracts open for trading on the Exchange. However, Rule 6.54 is not applicable to trading in option classes participating in the Penny Pilot Program.

[(a) For classes not trading on the Cboe Options Hybrid System:

(i) Trading shall be conducted in accordance with other Exchange Rules except as otherwise provided herein.

(ii) Limit orders labeled at a price of $1 per option contract must be placed with the Order Book Official or with a Floor Broker.

(iii) Orders may be placed for customer, firm, and Market-Maker accounts and, to the extent such orders are placed with the Order Book Official, priority in the cabinet book will be based upon the sequence in which such orders are placed with the Order Book Official.

(iv) Bids and offers for opening and closing transactions may be represented by an Order Book Official, Floor Broker or Market-Maker subject to the following: Bids and offers for opening transactions at a price of $1 per option contract may be placed with the Order Book Official only to the extent that the cabinet book contains unexecuted contra closing orders with which the opening orders immediately may be matched. Bids and offers at a price of $1 per option contract may be represented by a Floor Broker or by a Market-Maker or provided in response to a request by an Order Book Official, a Floor Broker or a Market-Maker, but must yield priority to all orders in the cabinet book.

(v) Market-Makers shall not be subject to the requirements of Rule 8.7 for orders placed pursuant to this Rule.

(vi) The Order Book Official appointed to each class of option contracts shall be responsible for $1 orders that are placed with him for that class. All bids and offers that are submitted to the Order Book Official must be submitted to the Order Book Official in writing and displayed as such in accordance with Rule 7.7, and the Order Book Official shall effect transactions during the day by matching such orders placed with him or by executing such orders placed with him with a Floor Broker or Market-Maker representing a contra order.

(vii) All cabinet transactions at a price of $1 per option contract shall be reported to the Exchange following the close of each business day.

(b) For classes trading on the Cboe Options Hybrid System]

([i]a) Trading shall be conducted in accordance with other Exchange Rules except as otherwise provided herein.

([ii]b) Limit orders labeled at a price of $1 per option contract must be traded on the Exchange in a form and manner prescribed by the Exchange. Currently, accommodation liquidations are only eligible for Exchange trading via open outcry and hence are not eligible for placement into the Electronic Book.

. . . *Interpretations and Policies:*

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

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

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

[.02 PAR Officials: For purposes of this Rule, a PAR Official may also perform the functions of an Order Book Official.]

.0[3]2 Limit Orders Priced Below $1: Limit orders with a price of at least $0 but less than $1 per option contract may trade under the terms and conditions in Rule 6.54 above in each series of option contracts open for trading on the Exchange, except that:

(a) – (d) No change.

* * * * *

Rule 6.73. Responsibilities of Floor Brokers
(a) – (b) No change.

(c) [A Floor Broker shall not be held responsible for executing a single order combining different series of options based upon transaction prices that are established at the opening or close of trading or during any trading rotation employed in accordance with Rule 6.2.]

Every Floor Broker who represents a Market-Maker with an order in any options class must, by public outcry at the post, indicate the identity of such Market-Maker at the request of any Trading Permit Holder.

. . . *Interpretations and Policies:*

.01 [Pursuant to Rule 6.73(a), a Floor Broker's use of due diligence in executing an order shall include ascertaining whether a better price than is being displayed by the Order Book Official is being quoted by another Floor Broker or a Market-Maker. If a market satisfying the standards of Rule 8.7 is not present, then the Floor Broker should request the Order Book Official to call for bids and offers by Market-Makers in accordance with Rule 7.5.]Reserved

.02 – .06 No change.

Rule 6.74. Crossing Orders
Generally. No change.

(a) – (e) No change.

. . . *Interpretations and Policies:*

.01 – .08 No change.

.09 [For purposes of paragraphs (a), (b), and (d), the minimum increment for bids and offers shall be one cent for orders that are subject to the open outcry penny price improvement under Rule 6.13B. Open outcry penny price improvement under Rule 6.13B shall not be available for orders executed pursuant to paragraphs (c) and (f).]Reserved

.10 No change.

* * * * *

CHAPTER VII [Order Book Officials (7.1-7.50)]Reserved
[Rule 7.1. Order Book Official

(a) An Order Book Official is an Exchange employee designated pursuant to Rule 7.3 who is responsible for (i) maintaining the book with respect to the classes of options assigned to him; (ii) effecting proper executions of orders placed with him; (iii) displaying bids and offers pursuant to Rule 7.7 of these Rules; and (iv) monitoring the market for the classes of options assigned to him.

Rule 7.2. Reserved
Reserved

Rule 7.3. Designation of Order Book Officials
(a) The Exchange may at any time designate an Exchange employee to act as an Order Book Official to perform the functions set forth in Rule 7.1(a) in one or more classes of option contracts. The Exchange may also designate other qualified employees to assist the Order Book Official as the need arises.

. . . *Interpretations and Policies:*

.01 It is the stated policy of the Exchange to designate Order Book Officials for each options class traded on the Exchange.

.02 Deleted

Rule 7.4. Obligations for Orders
(a) *Eligibility and Acceptance:*

(1) Eligibility: Trading Permit Holders and PAR Officials may enter eligible orders into the electronic book. Public customer orders in Hybrid and Hybrid 3.0 classes are eligible for entry into the electronic book. The Exchange may determine on an issue-by-issue basis that the following types of orders may also be eligible for entry into the electronic book:

(i) Broker-dealer orders in Hybrid 3.0 Classes;

(ii) Broker-dealer orders in Hybrid classes; or

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

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

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

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

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

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

(ii) limit orders (as defined in Rule 6.53(b)), provided however that an Order Book Official may refuse to accept limit orders other than orders to cancel and replace limit orders already left with the Order Book Official, or restrict the manner in which such orders may be placed with the Order Book Official if, based upon market conditions, the Order Book Official anticipates that the flow of limit orders to the book will excessively burden or impede trading or lead to a trading halt; and

(iii) such orders as may be designated by the Exchange.

(iv) Orders from Trading Permit Holders or PAR Officials.

(c) *Execution.* An Order Book Official shall use due diligence to execute the orders placed in his custody at the best prices available to him under the Rules of the Exchange.

(d)(1) If an Order Book Official holds orders to buy and sell the same option series, and if the highest bid and lowest offer displayed by the Order Book Official in that series differs by more than the minimum increment, he may cross such orders, provided he proceeds in the following manner:

(i) An Order Book Official shall request bids and offers for such option series and make all persons in the trading crowd aware of his request;

(ii) After providing an opportunity for such bids and offers to be made, he must bid above the highest bid or offer below the lowest offer at prices differing by the minimum increment;

(iii) If neither his bid nor his offer is taken, he may cross the orders at such higher bid or lower offer if possible, or at a price determined by the limit order to be crossed, by announcing by public outcry that he is crossing and giving the quantity and price.

(2) If an Order Book Official holds orders to buy and sell the same option series, and if the highest bid and lowest offer displayed by the Order Book Official in that series differ by the minimum increment, he may cross such orders, by announcing by public outcry that he is crossing and giving the quantity and the price.

(3) The provisions of paragraph (d) of this Rule shall not apply to matching buy and sell orders under Rule 6.54.

(4) The provisions of paragraph (d) of this rule shall not apply to matching certain opening buy and sell orders in S&P 100 options. The procedures for such orders are set forth in Interpretation .02 to Rule 24.13.

(e) Notwithstanding anything to the contrary in paragraph (d) of this Rule, during the opening rotation for a class of option contracts, in the interests of achieving a single price opening, an Order Book Official may proceed as follows:

(i) The Order Book Official may match all market orders in his possession;

(ii) He shall then announce by public outcry the number of contracts he has matched and will cross at the opening price to be established;

(iii) He may then continue to bid or offer the remaining unmatched and unexecuted orders he has in his possession for execution during opening rotation.

(f) *Electronic Execution in Non-Cboe Options Hybrid System Classes:* Notwithstanding the priority provisions of Rule 6.45(b), when the OBO or DPM believes there are more orders

on the electronic book screen that displays market orders or limit orders that improve the market ("live ammo screen") than can be expeditiously handled in open outcry, an OBO or DPM should select orders from the "live ammo screen" to be electronically executed. In order to be electronically executed, the order selected from the live ammo screen must be marketable and must meet the RAES eligible order size criteria for the appropriate options class pursuant to the terms of Rule 6.8 or other applicable RAES rule. A Market-Maker that is signed onto RAES for that options class will be assigned as the contra-party to any electronically executed order sent by the OBO from live ammo pursuant to the RAES assignment methodology in place for that options class. This paragraph has no applicability to options classes trading on the Cboe Options Hybrid System.

. . . *Interpretations and Policies:*

.01 In addition to market and limit orders, an Order Book Official may only accept such other types of orders as has been designated by the Exchange.

.02 Order Book Officials and Designated Primary Market-Makers shall accept orders, including cancels and changes, at the opening on the same time sequence basis as pertains during the balance of the day. However, an Order Book Official or a Designated Primary Market-Maker shall not be held for orders accepted during a time interval from five (5) minutes prior to the report of a transaction in an underlying security through the end of the opening rotation in that class of option contracts for execution of such orders at the opening. In the case of the S&P 100 options, an Order Book Official shall not be held for orders accepted during a time interval from ten (10) minutes prior to the opening of trading through the end of opening rotation for execution of such orders at the opening. In most situations where a Fast Market has been declared in any options class before 8:00 a.m., an order must be time-stamped and placed into the designated order shoe (accepted) prior to 8:10 a.m. to be entitled to the opening price. However, the Exchange has the authority to set an earlier entitlement cut-off time.

.03 Reserved

.04 Reserved

.05 An Order Book Official who refuses to accept limit orders or restricts the manner in which such orders may be entered into the shoe based on a determination that the flow of orders will excessively burden or impede trading or lead to a trading halt shall, as soon as practicable, notify two Floor Officials, who shall then decide when the restrictions imposed by the Order Book Official should be discontinued.

.06 Electronic execution of certain orders on the Exchange's electronic limit order book is provided for under sub-paragraphs (d)(iv) and (v) of Rule 6.8, Rule 6.45, and subparagraph (b) of Rule 6.13.

Rule 7.5. Obligation for Fair and Orderly Market

At the request of a Floor Broker who holds an order for a particular option contract, or before any crossing transaction is effected in accordance with Rule 6.74, or whenever it is requested by a Floor Broker, or whenever in the Order Book Official's opinion the interests

of a fair, orderly and competitive market are best served by such action, an Order Book Official shall call upon those Market-Makers with Appointments in that class of option contracts and each Market-Maker who does not have such an Appointment if a transaction has been effected for his account on that day in that class of option contracts to make bids and/or offers that contribute to meeting the standards set forth in Rule 8.7. The Order Book Official shall make a record of Market-Makers who fail to respond to such request. Copies of all records kept in accordance with this rule shall be forwarded to the Department of Market Regulation.

. . . *Interpretations and Policies:*

.01 In the interests of maintaining a fair and orderly market, a request for a quotation may be made by Exchange personnel at any time for purposes of dissemination over the Exchange's price-reporting network.

.02 In order to facilitate the call for Market-Makers, the Exchange shall maintain a current list of Market-Makers' Appointments with each Order Book Official.

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

.04 The obligations and duties of Market-Makers set forth in Rule 7.5 apply only when a Market-Maker is present on the floor of the Exchange.

Rule 7.6. Duty to Report Unusual Activity

When, in the opinion of a PAR Official or Order Book Official, there is any unusual activity, transaction, or price change or there are other unusual market conditions or circumstances which are, with respect to any option contract in which he is acting as PAR Official or Order Book Official, detrimental to the maintenance of a fair and orderly market, he shall promptly make a report to a Floor Official.

. . . *Interpretations and Policies:*

.01 To the extent unusual activity is apparent only through the inspection of trade tickets, a PAR Official or Order Book Official is not responsible for reporting such activity unless the trade tickets are brought to his attention.

Rule 7.7. Displaying Bids and Offers in the Book

The limit orders in the custody of an Order Book Official shall constitute his book. So far as practicable, an Order Book Official shall continuously display, in a visible manner, the highest bid and lowest offer, along with an indication of the number of option contracts bid for at the highest bid and offered at the lowest offer in his book in each option contract for which he is acting as Order Book Official. When required by market conditions, he may make such quotations available orally rather than by displaying them.

. . . *Interpretations and Policies:*

.01 Reserved

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

.03 Prior to the opening of trading, whether at the beginning of a trading day or after a trading halt, an Order Book Official has the discretion not to display, or to remove from display, high bids or low offers in his Book, where circumstances are such that such bids or offers appear to be materially away from the expected market in that series.

Rule 7.8. Disclosure of Orders
Equal Access to Book Depth and Size. Upon the request of a Trading Permit Holder, and so long as such request does not interfere with operation of the book, an Order Book Official, or such other person designated by the Exchange, may disclose the price and number contracts bid below or offered above the book information displayed pursuant to Rule 7.7. The Exchange may, in its discretion, from time to time, establish the depth to which such information may be disclosed.

. . . *Interpretations and Policies:*

.01 It shall not be deemed a violation of Rule 7.8 for an Order Book Official to give a Floor Broker a reasonable indication of where his order stands in priority among the orders displayed pursuant to Rule 7.7.

Rule 7.9. Reserved
Reserved

Rule 7.10. Reserved
Reserved

Rule 7.12. PAR Official
(a) A PAR Official is an Exchange employee or independent contractor whom the Exchange may designate as being responsible for (i) operating the PAR workstation in a DPM trading crowd with respect to the classes of options assigned to him/her; (ii) when applicable, maintaining the book with respect to the classes of options assigned to him/her; and (iii) effecting proper executions of orders placed with him/her. The PAR Official may not be affiliated with any Trading Permit Holder that is approved to act as a Market-Maker.

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

(i) Display Obligation: Each PAR Official shall display immediately the full price and size of any customer limit order that improves the price or increases the size of the best disseminated Cboe Options quote. For purposes of this Rule 7.12(b), “immediately”

means, under normal market conditions, as soon as practicable but no later than 30 seconds after receipt ("30-second standard") by the PAR Official. The term "customer limit order" means an order to buy or sell a listed option at a specified price that is not for the account of either a broker or dealer; provided, however, that the term "customer limit order" shall include an order transmitted by a broker or dealer on behalf of a customer.

The following are exempt from the Display Obligation as set forth under this Rule:

(A) An order executed upon receipt;

(B) An order where the customer who placed it requests that it not be displayed, and upon receipt of the order, the PAR Official announces in public outcry the information concerning the order that would be displayed if the order were subject to being displayed;

(C) An order for which immediately upon receipt a related order for the principal account of a DPM reflecting the terms of the customer order is routed to another options exchange that is a participant in the Intermarket Options Linkage Plan;

(D) The following orders as defined in Rule 6.53: contingency orders; one-cancels-the-other orders; all or none orders; fill or kill orders; immediate or cancel orders; complex orders (e.g., spreads, straddles, combinations); and stock-option orders;

(E) Orders received before or during a trading rotation (as defined in Rule 6.2, 6.2A, and 6.2B), including Opening Rotation Orders as defined in Rule 6.53(l), are exempt from the 30-second standard, however, they must be displayed immediately upon conclusion of the applicable rotation; and

(F) Large Sized Orders: Orders for more than 100 contracts, unless the customer placing such order requests that the order be displayed.

(ii) Execution. The PAR Official shall use due diligence to execute the orders placed in the PAR Official's custody at the best prices available to him or her under the Rules of the Exchange.

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

(iv) Autobook: A PAR Official shall maintain and keep active on the PAR workstation at all times the automated limit order display facility ("Autobook") provided by the Exchange. Only a senior trading operations official of the Exchange may determine the length of the Autobook timer for PAR Officials and a PAR Official may deactivate Autobook only with the approval of a senior trading operations official. For the purposes

of this rule, a "senior Trading Operations official" is any duly appointed officer in the Exchange's Trading Operations Division.

(v) A PAR Official shall electronically record the time an order is initially represented by the PAR Official in the trading crowd.

(c) Compensation of PAR Officials. The PAR Official shall be compensated exclusively by the Exchange, which shall determine the amount and form of compensation. No DPM or Market-Maker shall directly or indirectly compensate or provide any other form of consideration to a PAR Official.

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

(e) Linkage Obligations. In connection with the performance of the PAR Official's duties, the PAR Official shall be responsible for manually or automatically (1) routing linkage Principal Acting as Agent ("P/A") Orders, Principal ("P") Orders on behalf of orders in the custody of the PAR Official that are for the account of a broker-dealer ("P-BD Orders"), and Satisfaction Orders to other markets based on prior written instructions that must be provided by the DPM to the PAR Official (utilizing the DPM's account); and (2) handling all linkage orders or portions of linkage orders received by the Exchange that are not automatically executed. When handling outbound P/A Orders, P-BD Orders and Satisfaction Orders, the PAR Official shall use due diligence to execute the orders entrusted to him/her and shall act in accordance with the prior written instructions provided by the DPM for P/A Orders, P-BD Orders, and Satisfaction Orders that the PAR Official represents. A PAR Official also shall act in accordance with Cboe Options rules regarding P/A, P, and Satisfaction Orders received through the Linkage.

. . . *Interpretations and Policies:*

.01 The Exchange shall assign a PAR Official to all applicable trading stations on or before March 24, 2006.

Section B: Reserved

Rule 7.50. Reserved

Rule 7.51. Reserved

Rule 7.52. Reserved]

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Rule 8.7. Obligations of Market-Makers
(a) No change.

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

(i) – (ii) No change.

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

(A)[.] With respect to trading in appointed classes:

(1) – (2) No change.

(3) Market-Makers may also submit orders for automatic execution in accordance with the requirements of Rule[s 6.8 or] 6.13.

(B)[.] With respect to trading in non-appointed classes, Market-Makers may submit orders for automatic execution in accordance with the requirements of Rule[s 6.8 or] 6.13.

(iv) No change.

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

(i) Congregate in a particular class of option contracts; or

(ii) Individually or as a group, intentionally or unintentionally, dominate the market in option contracts of a particular class; or

(iii) Effect purchases or sales on the floor of the Exchange except in a reasonable and orderly manner.]

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

No change.

. . . *Interpretations and Policies:*

.01 – .06 No change.

.07 Reserved[Additional Obligations for Hybrid 3.0 Classes:

(a) Market-Makers are expected to participate in and support Exchange sponsored automated programs, including but not limited to the Retail Automatic Execution System and AutoQuote. AutoQuote is the Exchange's electronic quotation system that automatically monitors and updates market quotations using a mathematical formula measuring certain characteristics of the option and the underlying interest. The formula for generating automatically updated market quotations requires the input of certain components including an option pricing calculation model, volatility, interest rate, dividend, and the measure used to represent the value of the underlying.

(b) For those classes in which a DPM or LMM has been appointed, the responsibility to determine a formula for generating automatically updated market quotations is done by either the DPM pursuant to Rule 8.85(a)(ix) or the LMM pursuant to Rule 8.15(c). The DPM or LMM may choose to use either the Exchange's AutoQuote system or a proprietary automated quotation updating systems to monitor and update market quotations. For those options classes in which a DPM or LMM has not been appointed, the Exchange may appoint one or more Market-Makers in good standing with an appointment in the particular option class to determine a formula for generating automatically updated market quotations for a particular period of time using the Exchange's AutoQuote system or a proprietary automated quotation updating system.

(c) For those option classes in which a DPM, LMM, or appointed Market-Maker does not have the responsibility set forth in paragraph (b) above, the components in the formula used in each trading crowd to generate automatically updated market quotations shall be as agreed upon by the respective trading crowds. For those classes in which a DPM, LMM, or Market-Maker in good standing has been appointed the responsibility to determine a formula for generating automatically updated market quotations, the DPM, LMM, or appointed Market-Maker may, but is not required to, consult with and/or agree with members of the trading crowd in setting the components of the formula, but the members of the trading crowd are not required to provide input in these decisions, and in all instances, the DPM, LMM, or appointed Market-Maker has the responsibility to make the final determination as to the components. The provisions of this Interpretation and Policy .07 shall also apply to the use of automated quotation updating systems to generate indicative prices that are indications of interest and not firm quotes.]

.08 No change.

.09 The obligations and duties of Market-Makers set forth in Rule 8.7 paragraphs (a) and (b) apply to an in-crowd Market-Maker only when the in-crowd Market-Maker is present in the

trading crowd and to a Market-Maker electronically quoting only when the Market-Maker is logged on to the Cboe Options Hybrid system. Market-Makers remain subject to Rule [7.5]8.7(d)(iv) while on the floor of the Exchange.

.10 No change.

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

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

.12 No change.

[.13 Market-Makers will be exempt from the requirements of subparagraph (b)(iv) of this Rule for a period of 30 seconds in cases where the Exchange automatically adjusts one side of the disseminated quote to one minimum increment below (above) the NBBO bid (offer): (1) because the size associated with that quote has been exhausted by automatic executions; or (2) to comply with the terms of the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage. This exemption will be in effect until February 17, 2007 on a pilot basis.]

Rule 8.8. Restriction on Acting as Market-Maker and Floor Broker
No change.

. . . *Interpretations and Policies:*

.01 No change.

.02 For purposes of this Rule, the Exchange has determined that index options (as provided in Chapter XXIV), [market baskets (as provided in Chapter XXVI),] index participations, index warrants and index UIT interests, based on either the Standard & Poor's 100-Stock Price Index or the Standard & Poor's 500-Stock Price Index are all related to each other.

.03 No change.

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

(b) – (d) No change.

. . . *Interpretations and Policies:*

.01 – .03 No change.

* * * * *

Rule 8.15. Lead Market-Makers
(a) No change.

(b) LMM Obligations: Each LMM must fulfill all the obligations of a Market-Makerunder 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 6.2[B](d)(i)(A) or (ii)(A)) and participate in other rotations described in Rule 6.2[B] (including the modified opening rotation set forth in Interpretation and Policy .01) 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. In an option class in which the Exchange appointed an On-Floor LMM that has open-outcry obligations only, that On-Floor LMM will not be obligated to comply with this paragraph (b)(v);

(vi) – (viii) No change.

(c) Additional LMM Obligations in Hybrid 3.0 Classes: In addition to satisfying the obligations set forth in paragraph (b) above, each LMM in Hybrid 3.0 classes must satisfy the following requirements:

(i) determine a formula for generating automatically updated market quotations during the trading day for the period in which it acts as LMM using [the Exchange's AutoQuote system or]a proprietary automated quotation updating system[. In addition,

the LMM must disclose the following components of the formula to the other Trading Permit Holders trading at the trading station at which the formula is used: option pricing calculation model, volatility, interest rate, dividend, and what is used to represent the price of the underlying. Notwithstanding the foregoing, the Exchange may in its discretion exempt LMMs using proprietary automated quotation updating systems from having to disclose proprietary information concerning the formulas used by those systems];

(ii) serve during such times as may be requested by the Exchange as a backup LMM, which must [assume autoquoting responsibilities]generate automatically updated market quotations as set forth in subparagraph (c)(i) in the event the Exchange determined that the LMM originally appointed to [run the autoquote]generate such quotes is unable to do so; and

(iii) No change.

(d) No change.

. . . *Interpretations and Policies:*

.01 – .04 No change.

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

Reserved

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

(i) The Market-Maker personally must log on the system using his own acronym and individual password. All RAES trades to which the Market-Maker is a party will be assigned to and will clear into his designated account.

(ii) The Market-Maker may designate that his trades be assigned to and clear into either his individual account or a joint account in which he is a participant. Each individual member of the joint account must be physically present in the trading crowd while that member is signed onto RAES and each joint account member is subject to all of the following provisions of the rule.

(iii)

(A) The RAES orders which a Market-Maker executes in any calendar quarter must not exceed a maximum percentage of that Market-Maker's total transactions for the quarter and the volume resulting from his RAES orders must not exceed a maximum percentage of that Market-Maker's total contract volume for the quarter. The Exchange shall from time to time determine these applicable maximum percentages,

either of which may not be less than 15%. The Exchange shall publish notice of such percentages in a Regulatory Circular in advance of the period under which the percentages shall be applied.

(B) The Exchange may determine to require market-makers to satisfy the percentage requirements with respect to their trading in a single option class or with respect to their aggregate trading in all the option classes at a particular trading station. The Exchange may determine to apply these percentage requirements only to those option classes where it believes there to be a need to impose them.

(C) The Exchange may exempt from the foregoing requirements all market maker activity in one or more option classes for certain days. To the extent the data is provided to an Exchange designee consisting of non-Exchange staff, the data will not contain the identities of individual market-makers.

(D) A DPM and its designees, when acting in that capacity in an option class, shall be exempt from section (a)(iii) of this Rule in that class.

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

Number of Failures in a Twelve-Month Period	*Fee Amount*
1-3	$100
4-6	$250
7+	$500

(b) Notwithstanding the limitations in Paragraphs (a)(iii) and (a)(iv) above, if there is inadequate RAES participation in a particular options class, Floor Officials may require Market-Makers who are members of the trading crowd, as defined in Rule 8.50 to log on RAES absent reasonable justification or excuse for non-participation or may allow Market-Makers in other classes of options to log on RAES in such classes.

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

. . . Interpretations and Policies:

.01 In determining to apply the percentage requirements to a particular option class, the Exchange may consider: complaints from Floor Brokers or other market-makers that certain market-makers in a particular trading crowd generally have not been actively fulfilling their market-maker obligations; the results of routine market performance surveys; data concerning the percentage of RAES trades performed by particular market-makers or a market-maker trading crowd; or any other factors that the Exchange deems relevant.

.02 In determining to exempt all market-maker activity for one or more days in certain option classes, the Exchange will consider to what extent trading for a particular day in a particular option class experienced an unusually large percentage of RAES trades compared to normal and any other factors the Exchange deems relevant. Generally, the Exchange will exempt market-maker activity for any option class on any days where the percentage of RAES trades (by volume or by transactions) is more than the requirement set for that option class by the Exchange.

[1] RAES eligibility rules for broad-based index options and options on exchange traded funds on broad-based indexes are contained in Cboe Options Rule 24.17.]

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Rule 8.51. Firm Disseminated Market Quotes
(a) – (b) No change.

(c) *Firm Quote Size.*

(1) The Exchange may establish separate firm quote requirements for each series of option, which shall be for at least one contract, for (i) non-broker-dealer orders and (ii) broker-dealer orders, as provided below. For purposes of this Rule, the term broker-dealer includes foreign broker-dealers as defined in Rule 1.1(xx).

(a)

(i) – (ii) No change.

[(iii) For those series in which the Exchange disseminates options quotations with size (as defined in Rule 6.8(b)(iv), it may authorize the use of a replenishment timer. The replenishment timer, which shall be configurable by class is a feature that automatically increases the size of the disseminated quote for a particular series to the original AutoQuote (Exchange or proprietary) size parameter after a pre-established time period during which no automatic executions at the disseminated quote have occurred.]

(d) – (f) No change.

. . . *Interpretations and Policies*

.01 – .11 No change

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Rule 8.60. Evaluation of Trading Crowd Performance
(a) – (b) No change.

(c) A finding by the Exchange that a Market Participant has failed to satisfy its market responsibilities may result in one or more of the following actions, as determined by the Exchange: (1) suspension, termination, or restriction of the registration of a Market Participant (which may also include terminating, placing conditions upon, or otherwise limiting a Market Participant's approval to act as a DPM), (2) suspension, termination or restriction of an appointment to one or more option classes or other securities, (3) relocation or reallocation of option classes or other securities to other trading crowds, (4) prohibiting a Market Participant from trading at a particular trading station, (5) requiring the Market Participant to submit a business plan to the Exchange detailing those steps that the Market Participant intends to take to improve its performance, (6) requiring that one or more Market Participants in a crowd execute 100% of their opening transactions in that crowd in person, (7) [restricting the ability of Market Participants to participate on RAES, (8)] restricting the eligibility of a crowd to be allocated new option classes or other securities, ([9]8) requiring that one or more Market Participants attend a meeting or series of meetings as the Exchange shall require for the purpose of education or improving their performance as Market Participants, and ([10]9) requiring that all bookable orders be booked if not executed immediately upon presentation in the crowd[, and (11) restricting the ability of Market Participants to participate on ROS].

(d) – (g) No change.

. . . *Interpretations and Policies:*

.01 No change.

[.02 The quality of markets shall include consideration of a Market Participant's participation in and support for Exchange sponsored automated programs, including but not limited to the Retail Automatic Execution System, Rapid Opening System and AutoQuote.]

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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) – (viii) No change.

(ix) [participate at all times in any Exchange sponsored automated order handling system, including the Retail Automatic Execution System (RAES);

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

(x[i]) 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 6.2[B](d)(i)(A) or (ii)(A)) and participate in other rotations described in Rule 6.2[B] (including the modified opening rotation set forth in Interpretation and Policy .01) 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 No change.

* * * * *

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 6.2[B](d)(i)(A) or (ii)(A), as applicable) (Rules 8.15 and 8.85), respectively.

* * * * *

(15) – (18) No change.

. . . *Interpretations and Policies:*

.01 – .03 No change.

* * * * *

CHAPTER XX Range Option Contracts

Introduction
The rules in this Chapter are applicable only to Range Options. Trading of Range Options shall also be subject to the rules in Chapters I through XIX, XXIV, [XXIVA,]and XXIV[B]A, in some cases supplemented by the rules in this Chapter, except for rules that have been replaced by rules in this Chapter and except where context otherwise requires.

* * * * *

Rule 20.12 FLEX Trading
Range Options on indexes that are eligible for options trading on the Exchange shall be eligible for trading as Flexible Exchange Options as provided for in Chapter XXIVA [and XXIVB], even if the Exchange does not list and trade Non-FLEX Range Options or Non-FLEX traditional options on such indexes. For purposes of Rule[s] 24A.4 [and 24B.4], the parties shall designate the Range Length, Range Interval and Maximum Range Exercise Value. Rule[s] 24A.9 [and 24B.9], regarding the minimum quote width, shall not apply to Range Options.

* * * * *

Rule 21.11. Trading Rotations

(a) – (b) No change.

Rule 21.11 supplements Interpretation and Policy 6.2[.01].

* * * * *

CHAPTER XXII Binary Options

Introduction
The rules in this Chapter are applicable only to binary options. Trading of binary options shall also be subject to the rules in Chapters I through XIX, XXIV, [XXIVA,]and XXIV[B]A, in some cases supplemented by the rules in this Chapter, except for rules that have been replaced by rules in this Chapter and except where context otherwise requires.

* * * * *

Rule 22.11. Trading Rotations
Rules 6.2[, 6.2A, 6.2B] and 24.13 and their Interpretations and Policies thereunder shall be applicable to binary options.

* * * * *

Rule 22.16. FLEX Trading
Binary options on indexes that are eligible for options trading on the Exchange shall be eligible for trading as Flexible Exchange Options as provided for in Chapter XXIVA [and XXIVB], even if the Exchange does not list and trade Non-FLEX binary options or Non-FLEX traditional options on such indexes. For purposes of Rule[s] 24A.4 [and 24B.4], the applicable exercise settlement value shall be designated by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term "index multiplier" shall refer to the contract multiplier. Rule[s] 24A.7 [and 24B.7] shall not apply to binary options and the position limit methodology set forth in Rule 22.6 shall apply. Rule[s] 24A.9 [and 24B.9], regarding minimum quote width, shall not apply to binary options and the minimum quote width set forth in Rule 22.14 shall apply.

* * * * *

Rule 23.3. Position Limits

(a) No change.

(b) Bona fide hedging positions that are traded on the Exchange and held in the aggregate by a public customer (whose orders would be eligible to be placed on the book under Rule [7.4(a)]6.11) are exempt from subsection (a)(2) of Rule 23.3 to the extent that the following procedures and criteria are satisfied:

(i) – (ix) No change.

* * * * *

Rule 23.7. [RAES Operations in Interest Rate Options]Reserved

Reserved[The operations of the Retail Automated Execution System (RAES) for interest rate options are subject to Rule 6.8.]

* * * * *

Rule 24.11A. Debit Put Spread Cash Account Transactions

Debit put spread positions in European-style, broad-based index options traded on the Exchange (hereinafter "debit put spreads") may be maintained in a cash account as defined by Federal Reserve Board Regulation T Section 220.8 by a public customer (whose orders would be eligible to be placed on the book under Rule [7.4(a)]6.11), provided that the following procedures and criteria are met:

(a) – (k) No change.

[. . . Interpretations and Policies:

.01 Deleted May 9, 1994.]

* * * * *

Rule 24.13. Trading Rotations

The opening rotation for index options shall be held at or as soon as practicable after 8:30 a.m. (CT) for Regular Trading Hours and at or as soon as practicable after 2:00 a.m. (CT) for Extended Trading Hours. Except as the Exchange may direct, opening rotations shall be conducted in the order and manner the Designated Primary Market-Maker ("DPM")[,] or Lead Market-Maker ("LMM") [or Order Book Official ("OBO")] acting in such class of options determines to be appropriate under the circumstances. The Exchange may provide for the opening rotation to be conducted using the procedures as described in this Rule 24.13 or in Rule 6.2[, or by use of the Exchange's Rapid Opening System as set forth in Rule 6.2A or the Exchange's Hybrid Opening System as set forth in Rule 6.2B]. The DPM[,] or LMM[or OBO], with the approval of two Floor Officials, may deviate from any rotation policy or procedure issued by the Exchange when they conclude in their judgment that such action is appropriate in the interests of a fair and orderly market.

. . . Interpretations and Policies:

.01 Rule 24.13 sets forth particularized procedures relating to trading in index options during opening rotation. [Rule 6.2 defines a trading rotation generally and describes procedures for modification of a rotation, which are applicable to index options. In addition, Rule 6.2 provides procedures for other aspects of rotations, such as initiation of a rotation at times other than the opening of trading, which procedures also are applicable to index options.] Procedures relating to closing rotations in expiring index options series are set forth in [Interpretation .03 to Rule 6.2 or, for series trading on the Exchange's Hybrid Opening System, in] Rule 6.2[B].

.02 [Modified Opening Rotation—In conducting the opening rotation in S&P 100 options, certain option series having the nearest expiration may be opened as described in Interpretation .01 to Rule 6.2 ("main rotation"). The remaining series having the nearest expiration and other series having more distant expirations may be divided into one or more zones and be opened simultaneously with the main rotation by an OBO in the following

manner. One or more LMMs in each zone shall be responsible for quoting a two-sided market in each of the series assigned to the zone. The markets will generally be set without prior indication of the imbalances to be facilitated. Only in the case of extreme market conditions or an extremely large imbalance of opening orders may the OBO indicate the direction or size of the order imbalance. Upon receiving the LMM market, the OBO will state the net imbalance in each series to the LMM who shall buy or sell it.

Instead of the procedure described in the paragraph above, the opening rotation in S&P 100 options may be conducted using the Exchange's Rapid Opening System. Index options that trade on the Hybrid System must utilize the Hybrid Opening System, as described in Cboe Options Rule 6.2B.

Upon conclusion of the main rotation, the OBO conducting the main rotation will declare open trading in all series. Such declaration shall apply to the main rotation and to all zones which have completed opening rotation. Open trading in the series assigned to the zones shall not commence before the OBO conducting the main rotation has made such declaration.

Market-Makers who wish to participate in the opening of series in which they do not hold LMM appointments may transmit written non-cancellable proprietary and Market-Maker orders to the LMM in that zone ten minutes prior to the opening of trading.

.03] The commencement of the opening rotation in an index option may be delayed whenever in the judgment of two Floor Officials such action is appropriate in the interests of a fair and orderly market. Among the factors that may be considered by the Floor Officials are: (i) unusual conditions or circumstances in other markets; (ii) an influx of orders that has adversely affected the ability of [the OBO and/or]Market-Makers to provide and to maintain fair and orderly markets; (iii) activation of opening price limits in stock index futures on one or more futures exchanges; (iv) activation of daily price limits in stock index futures on one or more futures exchanges; (v) the extent to which either there has been a delay in opening or trading is not occurring in stocks underlying the index; (vi) circumstances such as those which would result in the declaration of a fast market under Rule 6.6.

* * * * *

Rule 24.15. Automatic Execution of Index Options
[The operations of the Retail Automated Execution System (RAES) for index options not trading on the Hybrid System are subject to Rule 6.8.] Rule 6.13 governs the automatic execution of index options trading on the Hybrid System.

* * * * *

Rule 24.17. [RAES Eligibility in Broad-Based Index Options and Options on Exchange-Traded Funds on Broad-Based Indexes]Reserved

Reserved

[(a) Scope.

(i) The eligibility standards and other conditions of this Rule apply to Market-Makers in broad-based index options and options on exchange-traded funds on broad-based indexes. (For purposes of this rule, TIRs or holding company depositary receipts (as defined in Interpretation .04 to Cboe Options Rule 1.1), as well as IPRs (as defined in Interpretation .02 to Cboe Options Rule 1.1) and IPSs (as defined in Interpretation .03 to Cboe Options Rule 1.1), are all included within the meaning of the term "exchange-traded fund.") To be eligible to participate in RAES in broad-based index options and options on exchange-traded funds on broad based indexes, a Market-Maker must separately qualify for such participation in each class except to the extent the classes are traded in the same physical trading structure as described in paragraph (b)(vi).

(ii) For purposes of this Rule, the term "the Option Class" means one or more broad-based index option classes and/or option classes on exchange-traded funds on broad-based indexes as appropriate.

(b) Individuals.

(i) Any Trading Permit Holder who is registered as a Market-Maker, who has signed the RAES Participation Agreement applicable to individuals, and who has completed the RAES instructional program is eligible to sign onto RAES, so long as the Trading Permit Holder meets the Option Class Market-Maker requirements set forth in paragraph (b)(v) below.

(ii) The Market-Maker must log onto the system using his own acronym and individual password. All RAES trades to which the Market-Maker is a party will be assigned to and will clear into his Market-Maker account.

(iii) Any Market-Maker who has logged onto RAES at any time during an expiration month must continue to do so each time he is present in that trading crowd until the expiration occurring in that expiration month. A Trading Permit Holder may apply to the Exchange for prospective relief from that log-on requirement during a particular expiration cycle. In deciding such applications, the Exchange may limit the grant of relief by imposing time periods during which the applicant will not be eligible to participate in RAES.

(iv) An individual Trading Permit Holder who is logged onto RAES must log off the system whenever he leaves the trading crowd, unless the departure is for a brief interval.

(v) RAES participation in the Option Class is limited to Market-Makers in that Option Class. To qualify, a Market-Maker must:

(A) be approved under Exchange rules as a Market-Maker with a letter of guarantee, and,

(B) maintain his principal business on the Cboe Options as a Market-Maker,

(vi) A Market-Maker may be eligible to participate in RAES in more than one of the broad-based index options and/or options on exchange-traded funds on broad-based indexes during the same calendar month as long as:

(A) the broad-based index options and options on exchange-traded funds on broad-based indexes are trading in the same physical trading structure on the floor of the Exchange, and,

(B) that Market-Maker satisfies the requirements of sub-paragraphs (b)(v)(A) and (b)(v)(B).

A Market-Maker must be present in the particular trading crowd where the class is traded while he is participating in RAES for that class.

(vii)

(A) The RAES orders which a Market-Maker executes in any calendar quarter must not exceed a maximum percentage of that Market-Maker's total transactions for the quarter and the volume resulting from his RAES orders must not exceed a maximum percentage of that Market-Maker's total contract volume for the quarter. The Exchange shall from time to time determine these applicable maximum percentages, either of which may not be less than 15%. The Exchange shall publish notice of such percentages in a Regulatory Circular in advance of the period under which the percentages shall be applied.

(B) The Exchange may determine to require market-makers to satisfy the percentage requirements with respect to their trading in a single option class or with respect to their aggregate trading in all the option classes at a particular trading station. The Exchange may determine to apply these percentage requirements only to those option classes where it believes there to be a need to impose them.

(C) The Exchange may exempt from the foregoing requirements all market maker activity in one or more option classes for certain days. To the extent the data is provided to an Exchange designee consisting of non-Exchange staff, the data will not contain the identities of individual market-makers.

(D) A DPM and its designees, when acting in that capacity in an option class, shall be exempt from section (b)(vii) of this Rule in that class.

(c) Joint Accounts

(i) Exchange-approved joint accounts [1] may use RAES once all the members of the joint account have executed the RAES Participation Agreement applicable to joint accounts and the manager of the joint account has satisfactorily completed the RAES instructional program. Thereafter, the members of the joint account may use RAES only as members of such account, and not as individuals or nominees of a TPH organization. No Trading Permit Holder or TPH organization may participate directly or indirectly in more than one joint account. Members of the joint account will be jointly and severally liable for

each of the joint account's trades. Members of joint accounts must all have letters of guarantee from the clearing firm in which the trades will clear. Members of joint accounts must each meet the Market-Maker obligations set forth in (b)(v) or (b)(vi) above.

(ii) The manager of the joint account may log onto RAES all eligible members of the joint account that are present in the trading crowd for the Option Class, using their individual acronyms and passwords. The system already will have been programmed to recognize that all such members are trading "for the account of" [2] the joint account. The trades of each joint account member will be assigned to and will clear into the joint account.

(iii) Members of the joint account that are not present in the trading crowd for the Option Class may not be logged onto RAES. Any member of the joint account that has been logged onto RAES must log off the system whenever he leaves the trading crowd for the Option Class for other than a brief interval. Once a member of a joint account has been logged onto RAES for that Option Class at any time during an expiration cycle, each member of that account must be logged onto RAES for that Option Class at any time that he enters the trading crowd for that Option Class from the date of the initial log on through the business day immediately preceding expiration.

(iv) To obtain relief from the obligations set forth in paragraphs (ii) and (iii) above, and/or to reduce the number of participants in the joint account, a representative of the joint account must make application to the Exchange. The Exchange may, in its sole discretion, condition the granting of relief from the obligations with imposition of time periods during which applicants (including all members of the joint account) for relief will be precluded from participating in the RAES system.

(v) The Exchange may bar, restrict or condition a joint account's participation in RAES if any member thereof fails to meet the Market-Maker requirements for that Option Class.

(d) TPH Organizations with Multiple Nominees

(i) A TPH organization with multiple Market-Maker/nominees on the floor may arrange to have the RAES trades of all its nominees assigned to a single Market-Maker account, provided that the firm's participating nominees have first executed the RAES Participation Agreement applicable to firms and the manager of the multiple nominee account has satisfactorily completed the RAES instructional program. Thereafter, each of the participating nominees will be able to trade through RAES only in the manner described below, and not as a member of a joint account or as an individual. Each eligible nominee must meet the Market-Maker obligations for that Option Class set forth in paragraph (b)(v) or (b)(vi) above. Members of a multiple nominee RAES account may only participate in that one account and may not participate directly or indirectly in any other RAES account, nor may a TPH organization participate directly or indirectly in more than one account in RAES in that Option Class.

(ii) The manager of the multiple nominee account may log onto RAES all eligible nominees that are present in the trading crowd for that Option Class, using their acronyms and passwords. As with joint accounts, the system will have been programmed to treat such nominees' RAES trades as trades "for the account of" the designated nominee. [3] All RAES trades will clear into the account of the designated nominee.

(iii) Nominees that are not present in the trading crowd for the Option Class may not be logged onto RAES. A participating nominee that has been logged onto RAES must log off the system whenever he leaves the trading crowd for that Option Class.

(iv) Once a participating nominee has been logged onto RAES for the Option Class at any time during an expiration cycle, each participating nominee of the TPH organization must be logged onto RAES for that Option Class at any time that he enters the trading crowd for that Option Class from the date of the initial log on through the business day immediately preceding expiration.

(v) To obtain relief from the obligations set forth in paragraphs (ii), (iii), and (iv) above, and/or to reduce the number of its participating nominees, a TPH organization must make application to the Exchange. The Exchange may, in its sole discretion, condition the granting of relief from the obligations with imposition of time periods during which applicants (including all nominees of the TPH organization) for relief will be precluded from participating in the RAES system.

(vi) The Exchange may bar, restrict or condition a TPH organization's participation in RAES if any nominee thereof on RAES in the Option Class fails to meet the Market-Maker requirements.

(e) Authority to Disapprove

(i) No person or entity may participate directly or indirectly in RAES, or share in the profits, directly or indirectly, with more than one RAES group.

(ii) The Exchange retains the right to disallow any group from participating in RAES where it appears to the Exchange that such group:

(A) has "purchased" RAES rights from members of the group;

(B) does not afford each group participant a reasonable participation in profits and losses (as a guideline: no RAES participant may receive a flat fee, and a minimum participation level of any group member is 1/4of an equal distribution to all group members, with responsibility for losses equivalent to share of profits); [4]

(C) is managed by a person who is not a member of the group; or

(D) is managed by a person who has a financial interest in another group.

(f) Authority to Require RAES Participation

(i) Notwithstanding the limitations in paragraph (b)(v) and paragraph (b)(vi), if there appears to be inadequate RAES participation in the Option Class, the Exchange may require Market-Makers who are members of the trading crowd, as defined in Rule 8.50 to log on to RAES absent reasonable justification or excuse for non-participation. If there continues to be inadequate RAES participation, the Exchange may request participation of all Market-Makers whether or not they are members of the Option Class crowd.

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

(g) Fee Schedule for Failure to Adhere to Log-on and Log-off Requirements

(i) Except as otherwise provided in paragraph (g)(ii) of this Rule, a fee in the following amounts shall be due from any Trading Permit Holder who fails to observe the log-on or log-off requirements set forth in paragraphs (b)(iii), (b)(iv), (c)(iii), (d)(iii), or (d)(iv) above:

Number of Failures Within One Calendar Year	*Fee Amount*
1 - 3	$100
4 - 6	$250
7+	$500

(ii) Notwithstanding the provisions of paragraph (g)(i) of this Rule, a fee in the amount of $500 shall be due from any Trading Permit Holder participating in a joint account or a nominee account of a TPH organization who has logged onto RAES and thereafter terminates participation on RAES at any time prior to the next succeeding expiration date, unless the Trading Permit Holder, contemporaneously with such termination, either participates in another RAES account for that Option Class or terminates his Trading Permit Holder status with the Exchange. In the event that all the participants in a joint account or a TPH organization having multiple nominee accounts terminate participation on RAES for the joint account or all the nominee accounts in the circumstances described in the previous sentence, a fee in the amount of $500 shall be due from each participant in the respective account(s).

. . . *Interpretations and Policies:*

.01 The guideline set forth in paragraph (d)(ii)(B) of Rule 24.17 concerning what constitutes "reasonable participation in profits and losses" assumes each participant is logged onto the

RAES system all of the time the system is in operation. In the case of a participant who is logged onto the system for a lesser period of time, a proportionate reduction may be made in such participant's participation in profits and losses.

.02 Deleted.

.03 In determining to apply the percentage requirements to a particular option class, the Exchange may consider: complaints from Floor Brokers or other market-makers that certain market-makers in a particular trading crowd generally have not been actively fulfilling their market-maker obligations; the results of routine market performance surveys; data concerning the percentage of RAES trades performed by particular market-makers or a market-maker trading crowd; or any other factors that the Exchange deems relevant.

.04 In determining to exempt all market-maker activity for one or more days in certain option classes, the Exchange will consider to what extent trading for a particular day in a particular option class experienced an unusually large percentage of RAES trades compared to normal and any other factors the Exchange deems relevant. Generally, the Exchange will exempt market-maker activity for any option class on any days where the percentage of RAES trades (by volume or by transactions) is more than the requirement set for that option class by the Exchange.

[1] To establish a joint account, Trading Permit Holders must submit an application to the TPH Department and furnish any additional information requested by the Surveillance and/or Financial Compliance Departments. See generally Exchange Rule 8.9(c) and the Interpretations and Policies thereunder.

[2] The joint account will incur the usual trade match and processing fees for each RAES trade executed "for the account of" the joint account.

[3] The designated nominee will incur the usual trade match and processing fees for all RAES trades executed "for the account of" such nominee.

[4] For example, if there are ten group participants, a minimum participation level would be a 2.5% share in profits and losses.]

* * * * *

Rule 24.21. Index Crowd Space Dispute Resolution Procedures
This Rule applies only to Trading Permit Holders who trade OEX, SPX, DJX and DIA options on the floor of the Exchange, or who trade any other index option not located at a station shared with equity options as determined by the Exchange.

(a) – (i) No change.

(j) Crowd Space Dispute Resolution Guidelines. In resolving a crowd space dispute, the Panel's guiding principles shall be: (i) to determine what shall "best promote a liquid and competitive market", (ii) to give no preference to Market-Makers, floor brokers, or representatives of DPMs merely because of their status as such, and (iii) to recognize and

apply the principles that no Trading Permit Holder has any ownership `rights' in any crowd space, and that no Trading Permit Holder may sell or assign any supposed `right' to use a particular space in a trading crowd. The Panel shall examine the following factors and determine, in the Panel's sole judgment, how each relates to each of the parties competing for the space (the numerical ranking of the factors does not necessarily indicate the relative importance to be given to any particular factors in any particular case):

1. Quality and Quantity of Business:

The Panel shall review the quality and quantity of business that each party to the dispute conducts. Evidence of the quality and quantity of each party's business shall include, but is not limited to, evidence of the average daily number of contracts traded, the percentage of transactions that are traded in-person, [participation on RAES,]and the typical size of markets made by each party.

2. – 8. No change.

(k) – (m) No change.

* * * * *

CHAPTER XXIVA [Flexible Exchange Options (Rules 24A.1-24A.17)]Reserved

[Introduction

The rules in this Chapter apply only to Flexible Exchange Options as defined below. Except as indicated at the end of each rule herein, the rules in Chapters I through XIX and XXIV are also applicable to the options provided for in this Chapter. To the extent the rules in this Chapter are inconsistent with other Exchange rules, the rules in this Chapter take precedence in relation to Flexible Exchange Options

Rule 24A.1. Definitions

BBO

(a) The term "BBO" means the best bid or offer, or both, as applicable, entered in response to a Request for Quotes.

BBO Improvement Interval

(b) The term "BBO Improvement Interval" refers to the period of time during which FLEX-participating Trading Permit Holders may submit FLEX Quotes to meet or improve the BBO established during the Request Response Time.

(c) Reserved.

Flexible Exchange Option

(d) The term "Flexible Exchange Option" (referred to herein as "FLEX Option") means an option contract that is subject to the rules in this Chapter.

FLEX Equity Option

(e) The term "FLEX Equity Option" means an option on a specified underlying equity security that is subject to the rules in this Chapter.

FLEX Index Option

(f) The term "FLEX Index Option" means an index option that is subject to the Rules in this Chapter.

FLEX Post Official

(g) The term "FLEX Post Official" means the Exchange employee or independent contractor designated pursuant to Rule 24A.12 to perform the FLEX post functions set forth in that rule.

FLEX Quote

(h) The term "FLEX Quote" refers to (i) FLEX bids and offers entered by Market-Makers and (ii) orders to purchase and orders to sell FLEX Options entered by Trading Permit Holders other than Market-Makers, in each case in response to a Request for Quotes.

Index Multiplier

(i) The term "Index Multiplier" means the monetary amount by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the option. The Index Multiplier for FLEX Index Options is $100.

Non-FLEX Option

(j) The term "Non-FLEX Option" means an option contract that is not a FLEX Option.

Non-FLEX Equity Option

(k) The term "Non-FLEX Equity Option" means a Non-FLEX Option that is an option on a specified underlying equity security.

Non-FLEX Index Option

(l) The term "Non-FLEX Index Option" means a Non-FLEX Option that is an index option.

Request Response Time

(m) The term "Request Response Time" means the period of time during which Trading Permit Holders participating in FLEX Options may provide FLEX Quotes in response to a Request for Quotes.

Request for Quotes

(n) The term "Request for Quotes" means the initial request supplied by a Submitting Trading Permit Holder to initiate FLEX bidding and offering.

Series of FLEX Options

(o) The term "Series of FLEX Options" means, in the case of FLEX Index Options, all such option contracts of the same class having the same exercise price, exercise style, exercise settlement value, expiration date, and index multiplier, and, in the case of FLEX Equity Options, all such option contracts of the same class having the same exercise price, exercise style and expiration date.

Submitting Trading Permit Holder

(p) The term "Submitting Trading Permit Holder" means the Trading Permit Holder that initiates FLEX bidding and offering by submitting a FLEX Request for Quotes.

Underlying Equivalent Value

(q) The term "Underlying Equivalent Value" in respect of a given number of FLEX Index Options means the aggregate underlying monetary value covered by that number of contracts, derived by multiplying the index multiplier by the current index value times the given number of FLEX Index Options.

(r) The term "Asian style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is based on an arithmetic average of the specified closing prices of an underlying broad-based index taken on 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Asian style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non Cboe Options business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Asian style settlement have European-style exercise.

(s) The term "Cliquet style settlement" is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is equal to the greater of $0 or the sum of capped monthly returns (i.e., percent changes in the closing value of the underlying broad-based index from one month to the next month) applied over 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Cliquet style settlement have "preceding business day convention," meaning that if a monthly observation date falls on a non Cboe Options business day (e.g., holiday or weekend), the monthly observation would

be on the immediately preceding business day. FLEX Broad-Based Index Options with Cliquet style settlement have European-style exercise.

Rule 24A.2. Hours of Trading

FLEX transactions may be effected during normal Exchange option trading hours on any business day; provided, however, that the Board in its discretion at any time may determine to narrow or otherwise restrict the times set for FLEX Options trading.

Rule 24A.3. Trading Rotations

There shall be no trading rotations in FLEX Options, either at the opening or at the close of trading.

This rule supercedes Exchange Rule 6.2.

Rule 24A.4. Terms of FLEX Options

(a) *General*

(1) Options series will not be pre-established for FLEX trading. A new series of FLEX Options may be established on any business day prior to the expiration date as provided for in this Rule 24A.4. The variable terms of FLEX Options as provided for in this Rule 24A.4 shall be established through the Request for Quotes process and the bidding and offering mechanics detailed in this Rule. Other terms of FLEX Option contracts shall be the same as those that apply to Non-FLEX Options.

(2) Every FLEX Request for Quotes and every FLEX Option contract shall contain one element, as designated by the parties to the contract, from each of the following contract term categories:

(i) Underlying security in the case of FLEX Equity Options and underlying index in the case of FLEX Index Options;

(ii) type (put, call, or spread);

(iii) Exercise Style (American or European);

(iv) Expiration date (any business day specified as to day, month and year, not to exceed a maximum term of fifteen years, except that a FLEX Index Option that expires on any business day that falls on, or within two business days of, a third Friday-of-the-month expiration day for any Non-FLEX Option other than a QIX option) (“Expiration Friday”), may only have an exercise settlement value on the expiration date determined by reference to the reported level of the index as derived from the opening prices of the component securities (“a.m. settlement”)); and

(v) Exercise prices (specified as described in subparagraph (b)(2) below for FLEX Index Options and in subparagraph (c)(2) below for FLEX Equity Options).

(3) In addition to the terms listed in subparagraph (a)(2) of this Rule 24A.4., every Request for Quotes shall contain the following additional transaction specifications:

(i) Quote Type and Form Sought (*i.e.*, specify whether bid, offer, or both is sought, and whether the quote is to be submitted as a specific dollar amount, or in the case of a FLEX Equity Option, as a percentage of the underlying security price, or in the case of a FLEX Index Option, as a percentage of the Underlying Equivalent Value, and whether such price is contingent on specified factors in other related markets);

(ii) Submitting Trading Permit Holder Crossing Intention (specify any intention to cross or act as principal with respect to any part of the FLEX Option trade) and;

(iii) Request Response Time interval (to be specified in minutes, provided that the length of the interval must fall within the time ranges established by the Exchange in the case of FLEX Index Options and FLEX Equity Options).

(b) *Special Terms for FLEX Index Options*

(1) The Exchange may approve and open for trading any FLEX options series on any index that is eligible for Non-FLEX options trading under Rule 24.2, even if the Exchange does not list and trade Non-FLEX options on such index.

(2) Exercise prices shall be specified in terms of (i) a specific index value number, (ii) a method for fixing such a number at the time a FLEX Quote is accepted, or (iii) a percentage of index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date. Premiums may be stated in (i) a dollar amount, (ii) a method for fixing such a number at the time a FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of the index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date.

Exercise prices may be rounded to the nearest minimum tick or other decimal increment determined by the Exchange on a class-by-class basis that may not be smaller than $0.01. Premiums will be rounded to the nearest minimum tick. For exercise prices and premiums stated using a percentage-based methodology, such values may be stated in a percentage increment determined by the Exchange on a class-by-class basis that may not be smaller than 0.01% and will be rounded as provided above.

(3) Exercise Settlement Value on the expiration date shall be specified, for use in setting the exercise settlement amount, as the index value determined by reference to the reported level of the index as derived from opening or closing prices of the component securities or as a specified average, provided that any average index value must conform to the averaging parameters established by the Exchange, and provided further that in the case of FLEX Index Options on the NYSE Composite Index, the Exercise Settlement Value on the expiration date must be determined by reference to the reported level of the index value as derived from opening prices of the component securities in accordance with Rule 24.9(a)(4) governing A.M.-Settled Index Options.

(4) FLEX Index Options shall be designated for settlement in U.S. Dollars.

(5) Asian style settlement. The parties to FLEX Broad-Based Index Options may designate Asian style settlement. FLEX Broad-Based Index Options with Asian style settlement shall be call options (no puts) and designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the strike price; (iii) the expiration date which must be a Cboe Options business day; and (iv) a set of monthly observation dates.

(6) Cliquet style settlement. The parties to FLEX Broad-Based Index Options may designate Cliquet style settlement. FLEX Broad-Based Index Options with Cliquet style settlement shall be call options (no puts) and be designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the capped monthly return that must be expressed in dollars and cents and in increments not less than $0.05 and must be a value between $0.05 and $25.95; (iii) the expiration date which must be a Cboe Options business day; and (iv) a set of monthly observation dates. The capped monthly return will serve as the "exercise (strike) price" for a FLEX Broad-Based Index Option with Cliquet style settlement.

(c) *Special Terms for FLEX Equity Options*

(1) The Exchange may approve and open for trading any FLEX Equity options series on any security that is eligible for Non-FLEX options trading under Rule 5.3, even if the Exchange does not list and trade Non-FLEX options on such security.

(2) Exercise prices and premiums may be stated in (i) a dollar amount, (ii) a method for fixing such a number at the time a FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of the price of the underlying security at the time of the trade or as of the close of trading on the Exchange on the trade date. Exercise prices may be rounded to the nearest minimum tick or other decimal increment determined by the Exchange on a class-by-class basis that may not be smaller than $0.01. Premiums will be rounded to the nearest minimum tick. For exercise prices and premiums stated using a percentage-based methodology, such values may be stated in a percentage increment determined by the Exchange on a class-by-class basis that may not be smaller than 0.01% and will be rounded as provided above.

(3) Exercise settlement shall be by physical delivery of the underlying security.

(4) FLEX Equity Options shall be subject to the exercise by exception provisions of Clearing Corporation Rule 805.

This rule supersedes Exchange Rules 5.5, 5.6, 6.5, 6.41, 24.8 and 24.9.

. . . *Interpretations and Policies:*

.01 FLEX Index Option PM Settlements Pilot Program: Notwithstanding subparagraph (a)(2)(iv) above, for a pilot period ending the earlier of May 3, 2018 or the date on which the pilot program is approved on a permanent basis, a FLEX Index Option that expires on an

Expiration Friday may have any exercise settlement value that is permissible pursuant to subparagraph (b)(3) above.

.02 Provided the options on an underlying security or index are otherwise eligible for FLEX trading, FLEX Options shall be permitted in puts and calls that do not have the same exercise style, same expiration date and same exercise price as Non-FLEX Options that are already available for trading on the same underlying security or index. FLEX Options shall also be permitted before the options are listed for trading as Non-FLEX Options. Once and if the option series are listed for trading as Non-FLEX Options, (i) all existing open positions established under the FLEX trading procedures shall be fully fungible with transactions in the respective Non-FLEX Option series, and (ii) any further trading in the series would be as Non-FLEX Options subject to the Non-FLEX trading procedures and rules. However, in the event the Non-FLEX series is added intra-day, a position established under the FLEX trading procedures would be permitted to be closed using the FLEX trading procedures for the balance of the trading day on which the Non-FLEX series is added against another closing only FLEX position.

Rule 24A.5. FLEX Trading Procedures and Principles

(a) *Initiating a FLEX Request for Quotes.*

(i) To initiate a FLEX transaction, a Submitting Trading Permit Holder shall submit to the FLEX Post Official a Request for Quotes, utilizing for that purpose the forms, formats, procedures and time frames established by the Exchange.

(ii) On receipt of a Request for Quotes in proper form, the FLEX Post Official shall cause the terms and specifications of the Request for Quotes to be immediately communicated to FLEX-participating Trading Permit Holders, including FLEX Appointed Market-Makers. Such communication shall be made over facilities maintained by the Exchange for that purpose, including off-floor communications networks approved by the Exchange.

(b) *FLEX Bidding and Offering in Response to Requests for Quotes.*

(i) FLEX-participating Trading Permit Holders may enter at the FLEX post FLEX Quotes responsive to each Request for Quotes. FLEX Quotes must be entered during the Request Response Time by public outcry.

(ii) Each FLEX Quote shall refer to the identifier assigned to the Request for Quotes, or to such other reference indicator as the Exchange determines appropriate from time to time.

(iii) All FLEX Quotes may be entered, modified or withdrawn at any point during the Request Response Time (provided, however, that FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24A.9.). At the expiration of the Request Response Time, the BBO shall be identified in accordance with the price and time priority principles set forth in paragraph (e) of this Rule 24A.5.

(c) *Formation of Contracts Following the Processing of Initial Quotes.*

(i) At the expiration of the Request Response Time, the BBO shall be visibly displayed to all FLEX-participating Trading Permit Holders, both at the post and over the FLEX network. Submitted FLEX Quotes other than the BBO shall not be displayed over the network.

(ii) If the Submitting Trading Permit Holder has not indicated an intention to cross or act as principal with respect to any part of the FLEX trade, the Trading Permit Holder shall promptly accept or reject the displayed BBO; provided, however, that if such a Submitting Trading Permit Holder either rejects the BBO or is given a BBO for less than the entire size requested, all FLEX-participating Trading Permit Holders other than the Submitting Trading Permit Holder will have an opportunity during the BBO Improvement Interval in which to match, or improve, as applicable, the BBO. At the expiration of any such BBO Improvement Interval, the Submitting Trading Permit Holder must promptly accept or reject the BBO(s).

(iii) If the Submitting Trading Permit Holder has indicated an intention to cross or act as principal with respect to any part of the FLEX trade, acceptance of the displayed BBO shall be automatically delayed until the expiration of the BBO Improvement Interval. Prior to the BBO Improvement Interval, the Submitting Trading Permit Holder must indicate at the post the price at which the Trading Permit Holder expects to trade. In these circumstances, the Submitting Trading Permit Holder may participate with all other FLEX-participating Trading Permit Holders in attempting to improve or match the BBO during the BBO Improvement Interval. At the expiration of the BBO Improvement Interval, the Submitting Trading Permit Holder must promptly accept or reject the BBO(s).

(iv) The Submitting Trading Permit Holder has no obligation to accept any FLEX bid or offer.

(v) Whenever, following the completion of FLEX bidding and offering responsive to a given Request for Quotes, the Submitting Trading Permit Holder rejects the BBO or the BBO size exceeds the FLEX transaction size indicated in the Request for Quotes, FLEX-participating Trading Permit Holders may accept the unfilled balance of the BBO. Such acceptance must occur by public outcry promptly following the Submitting Trading Permit Holder's determination whether to accept or reject the BBO at the expiration of any applicable BBO Improvement Interval.

(d) *Quote Acceptance and Rejection.* Acceptance of the BBO(s) creates a binding contract under Rule 6.48. Rejection of the BBO(s) or failure promptly to accept the BBO(s) results in expiration of the BBO(s) and the Request for Quotes.

(e) *Priority of Bids and Offers.* Quote priorities are based on price and time as set forth below. All transactions must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder.

(i) Bids. The highest bid shall have priority, but where the two or more best bids are submitted at the same price, the bid(s) submitted first in time will have priority, and where the two or more best bids are submitted at the same time and at the same price, priority will be given to such of those bid(s) as were submitted by FLEX Appointed Market-Maker(s) appointed to that class, then to FLEX Qualified Market-Makers appointed to that class.

(ii) Offers. The lowest offer shall have priority, but where the two or more best offers are submitted at the same price, the offer(s) submitted first in time will have priority, and where the two or more best offers are submitted at the same time and at the same price, priority will be given to such of those offer(s) as were submitted by FLEX Appointed Market-Maker(s) appointed to that class, then to FLEX Qualified Market-Makers appointed to that class.

(iii) Notwithstanding the foregoing sub-paragraphs (i) and (ii) of this paragraph (e), whenever the Submitting Trading Permit Holder has indicated an intention to cross or act as principal on the trade and has matched or improved the BBO during the BBO Improvement Interval, the following priority principles will apply:

(A) In the case of FLEX Equity Options, where the Submitting Trading Permit Holder has matched the BBO or in the event the Submitting Trading Permit Holder has improved the BBO and any other FLEX participating Trading Permit Holder matched the improved BBO, the Submitting Trading Permit Holder will have priority to execute the contra side of the trade that is the subject of the Request for Quotes, but only to the extent of the applicable crossing participation entitlement percentage. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations and the applicable crossing participation entitlement percentage, which shall not exceed 40% of the trade.

(B) In the case of FLEX Index Options, where the Submitting Trading Permit Holder has matched the BBO or in the event the Submitting Trading Permit Holder has improved the BBO and any other FLEX participating Trading Permit Holder matched the improved BBO, the Submitting Trading Permit Holder will have priority to execute the contra side of the trade that is the subject of the Request for Quotes, but only to the extent of the largest of the applicable crossing participation entitlement percentage, a proportional share of the trade, $1 million Underlying Equivalent Value, or the remaining Underlying Equivalent Value on a closing transaction valued at less than $1 million. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations and the applicable crossing participation entitlement percentage, which shall not exceed 40% of the trade.

(C) A Submitting Trading Permit Holder may not cross an order pursuant to subparagraphs (iii)(A) or (B) above that he is holding with a solicited order from a FLEX Market-Maker that is then in the trading crowd, except in accordance with Rule 6.55.

(iv) Notwithstanding subparagraphs (i), (ii) and (iii), the Exchange may establish from time to time a participation entitlement formula that is applicable to FLEX Appointed Market-Makers on a class-by-class basis. Any such FLEX Appointed Market-Maker participation entitlement shall: (A) be divided equally by the number of FLEX Appointed Market-Makers quoting at the best bid/offer on the Exchange; (B) collectively be no more than: 50% of the amount remaining in the order when there is one other FLEX-participating Trading Permit Holder also quoting at the best bid/offer on the Exchange, 40% when there are two other FLEX-participating Trading Permit Holders also quoting at the best bid/offer on the Exchange; and 30% when there are three or more FLEX-participating Trading Permit Holders also quoting at the best bid/offer on the Exchange and (C) when combined with any crossing participation entitlement, shall not exceed 40% of the original order.

(v) Pronouncements regarding the applicable participation entitlement rates pursuant to subparagraphs (iii) and (iv), if any, shall be announced to the Trading Permit Holders via Regulatory Circular.

(f) *Incremental Changes for Bids and Offers.* Changes in decimal bids and offers for FLEX Options shall be determined by the Exchange on a class-by-class basis, but may not be smaller than $0.01. For premiums stated using a percentage-based methodology, changes in such bids and offers shall determined by the Exchange on a class-by-class basis, but may not be smaller than 0.01%, and shall be rounded to the nearest minimum tick. Pronouncements regarding the applicable minimum increment shall be announced to the Trading Permit Holders via Regulatory Circular.

This rule supersedes Exchange Rules 6.5, Rule 6.9(d) (in those situations where a Submitting Trading Permit Holder representing an eligible order determines to take advantage of the crossing participation entitlement provisions of this Rule), 6.41, 6.42(paragraphs (1) through (3) and those provisions of paragraph (4) pertaining to complex orders in options on the S&P 500 Index or on the S&P100 Index that are not box/roll spreads), 6.44, 6.45, 6.53 (paragraphs (l) and (m)), 6.74, (except that the Exchange may designate a class to be eligible for the tied hedge procedures set forth in Interpretation and Policy .10), 24.8 and 24.9.

Rule 24A.6. Discretionary Transactions

Notwithstanding Rule 6.75, a Floor Broker may be given discretion with respect to the number of FLEX contracts to be purchased or sold. Such discretion must be granted by the customer in clear terms and must be reflected in a contemporaneously-prepared, time-stamped document prepared by the Floor Broker, one copy of which shall be promptly sent to the customer and one copy of which shall be maintained by the Floor Broker for the full term of the FLEX contract or the time required under Securities and Exchange Commission Rule 17a-4 under the Securities Exchange Act of 1934, whichever is longer.

This rule supersedes Exchange Rule 6.75.

Rule 24A.7. Position Limits and Reporting Requirements

(a) *FLEX Index Options*

(1) In determining compliance with Rules 4.11, 24.4, 24.4A, 24.4B, and 24.4C FLEX Index Options shall be subject to FLEX contract position limitations fixed by the Exchange in accordance with the provisions of this Rule.

(2) Except as otherwise provided in this Rule, in no event shall the position limits for a broad-based FLEX Index Option class exceed in the aggregate 200,000 contracts on the same side of the market.

(3) In no event shall the position limits for an industry-based FLEX Index Option class exceed one times the applicable number of Non-FLEX Index Option contracts (whether long or short) of the put class and the call class on the same side of the market, as determined on the basis of the position limits established pursuant to Rule 24.4A; provided, however, the position limits for an industry-based FLEX Index Option class shall not exceed four times the applicable position limits established pursuant to Rule 24.4A, instead of one times as provided above, for: (i) the Dow Jones Transportation Average or the Dow Jones Utility Average; or (ii) an underlying industry-based index that is not a "narrow-based security index," as defined under Section 3(a)(55)(B)of the Exchange Act.

(4) In no event shall the position limits for a micro narrow-based FLEX Index Option class exceed one times the applicable number of Non-FLEX Index Option contracts (whether long or short) of the put class and the call class on the same side of the market, as determined on the basis of the position limits established pursuant to Rule 24.4B.

(5) The position limits for FLEX Individual Stock or ETF Based Volatility Index Options are equal to the position limits for Non-FLEX Options for the same underlying Individual Stock or ETF Based Volatility Index.

(6) The position limits for FLEX Index options on the FTSE 100 Index (1/10 th), FTSE China 50 Index (1/100 th), FTSE Emerging Index, FTSE Developed Europe Index, MSCI EAFE Index and MSCI Emerging Market Index are equal to the position limits for Non-FLEX options on the FTSE 100 Index (1/10 th), FTSE China 50 Index (1/100 th), FTSE Emerging Index, FTSE Developed Europe Index, MSCI EAFE Index and MSCI Emerging Market Index.

(b) *Certain Broad-Based FLEX Index Options.* There shall be no position limits for FLEX BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility, S&P 500 Dividend Index, or SPX option contracts (including reduced-value option contracts). However, each Trading Permit Holder or TPH organization (other than Cboe Market-Makers) that maintains a FLEX broad-based index option position on the same side of the market in excess of 100,000 contracts for OEX, XEO, NDX, RUT, S&P 500 Dividend Index, Cboe S&P 500 AM/PM Basis, or SPX and 1 million contracts for BXM (1/10th value) and DJX, for its own account or for the account of a customer, shall

report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form prescribed by the Exchange. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered. In addition, whenever the Exchange determines that a higher margin is warranted in light of the risks associated with an under-hedged FLEX BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility, S&P 500 Dividend Index, or SPX option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(c) *FLEX Equity Options.* There shall be no position limits for FLEX Equity Options. However, each Trading Permit Holder or TPH organization (other than a Market-Maker or a Designated Primary Market-Maker) that maintains a position on the same side of the market in excess of the standard limit under Rule 4.11 for Non-FLEX Equity options of the same class on behalf of its own account or for the account of a customer shall report information on the FLEX Equity option position, positions in any related instrument, the purpose or strategy for the position, and the collateral used by the account. This report shall be in the form and manner prescribed by the Exchange. In addition, whenever the Exchange determines that a higher margin requirement is necessary in light of the risks associated with a FLEX Equity option position in excess of the standard limit for Non-FLEX Equity options of the same class, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirement.

(d) *Aggregation of Positions.* For purposes of the position limits and reporting requirements set forth in this Rule, FLEX Option positions shall not be aggregated with positions in Non-FLEX Options other than as provided below, and positions in FLEX Index Options on a given index shall not be aggregated with options on any stocks included in the index or with FLEX Index Option positions on another index.

(1) Commencing at the close of trading two business days prior to the last trading day of the calendar quarter, positions in P.M.-Settled FLEX Index Options (*i.e.*, FLEX Index Options having an exercise settlement value determined by the level of the index at the close of trading on the last trading day before expiration) shall be aggregated with positions in Quarterly Index Options on the same index with the same expiration ("comparable QIX options") and shall be subject to the position limits set forth in Rule 24.4, 24.4A or 24.4B, as applicable.

(2) Commencing at the close of trading two business days prior to the last trading day of the week, positions in FLEX Options that are cash settled (*i.e.*, FLEX Index Options or Credit Default Options) shall be aggregated with positions in Short Term Option Series on the same underlying (*e.g.*, same underlying index as a FLEX Index Option) with the same means for determining exercise settlement value (*e.g.*, opening or closing prices of the underlying index) and same expiration ("comparable Weekly options") and shall be subject to the position limits set forth in Rule 24.4, 24.4A, 24.4B or 29.5, as applicable.

(3) As long as the options positions remain open, positions in FLEX Options that expire on a third Friday-of-the-month expiration day shall be aggregated with positions in Non-FLEX Options on the same underlying ("comparable Non-FLEX Options") and shall be subject to the position limits set forth in Rule 4.11, 24.4, 24.4A, 24.4B or 29.5, as applicable, and the exercise limits set forth in Rule 4.12, 24.5 or 29.7, as applicable.

(4) As long as the options positions remain open, positions in FLEX Individual Stock or ETF Based Volatility Index Options that expire on the same day as Non-FLEX Options on the same Individual Stock or ETF Based Volatility Index, as determined pursuant to Rule 24.9(a)(5), shall be aggregated with positions in Non-FLEX Individual Stock or ETF Based Volatility Index Options and shall be subject to the position limits set forth in Rules 4.11, 24.4, 24.4A, 24.4B and 24.4C, and the exercise limits set forth in Rules 4.12 and 24.5.

This rule supplements Rule 4.11 generally, but supersedes Interpretations .02 and .04 of Rule 4.11 and all of Rules 24.4, Rule 24.4A, Rule 24.4B, 24.4C and Rule 29.5 except to the extent those Rules are referred to in this rule.

Rule 24A.8. Exercise Limits

(a) In determining compliance with Rules 4.12 and 24.5, exercise limits for FLEX Index and FLEX Individual Stock or ETF Based Volatility Index Options shall be equivalent to the FLEX position limits prescribed in Rule 24A.7. There shall be no exercise limits for broad-based FLEX Index Options (including reduced-value option contracts) on BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility and XEO.

(b) The minimum value size for FLEX Equity Option exercises shall be 25 contracts or the remaining size of the position, whichever is less.

(c) The minimum value size for FLEX Index Option exercises shall be $1 million Underlying Equivalent Value or the remaining Underlying Equivalent Value of the position, whichever is less.

(d) Except as provided in Rule 24A.7(d)(3), FLEX Options shall not be taken into account when calculating exercise limits for Non-FLEX Option contracts.

This rule supersedes Rules 4.12 and 24.5.

Rule 24A.9. FLEX Market-Maker Appointments and Obligations

(a) (i) A registered Market-Maker may apply on a form prescribed by the Exchange to be a "FLEX Qualified Market-Maker" in one or more classes of FLEX Options. From among the applicants, the Exchange shall appoint two or more FLEX Qualified Market-Makers to each FLEX Index Option of a given class, and two or more FLEX Qualified Market-Makers to each FLEX Equity Option of a given class. In making such appointments and in taking other action with respect to FLEX Qualified Market-Makers, the Exchange shall take into account the factors enumerated in, and shall refer to the requirements of, Rule 8.3. In addition, as a condition to receiving and maintaining a FLEX Qualified Market-Maker appointment in a FLEX Index Option class or a FLEX Equity Option class, as applicable, the FLEX Qualified Market-Maker must maintain an appointment in one or more Non-FLEX Index Option classes or one or more Non-FLEX Equity Option classes, as applicable. Such Non-FLEX Option class appointment(s) need not be in a class(es) that has the same underlying index or security as the appointed FLEX Option class. (ii) Notwithstanding the foregoing provisions in subparagraph (a)(i) of this Rule, the Exchange may determine to solicit applications from registered Market-Makers to be FLEX Appointed Market-Makers in one or more specified classes of FLEX Index Options and/or classes of FLEX Equity Options, and from among such applicants may appoint one or more FLEX Appointed Market-Makers to such classes in addition to (or two or more FLEX Appointed Market-Makers to such classes in lieu of) appointing FLEX Qualified Market-Makers to such classes.

(b) A FLEX Appointed Market-Maker shall have an obligation to enter a FLEX Quote in response to any Request for Quotes on any FLEX Option of the class to which the Market-Maker is appointed. Except as provided in paragraph (c) of this Rule 24A.9, a FLEX Qualified Market-Maker may, but shall not be obligated to, enter a FLEX Quote in response to a Request for Quotes on a FLEX Equity Option of the class in which he is qualified. Every FLEX Quote entered by a FLEX Appointed Market-Maker or a FLEX Qualified Market-Maker shall be entered within the indicated Request Response Time plus any applicable BBO Improvement Interval. Unless withdrawn or modified during the Request Response Time, such Quotes shall be considered firm for the duration of the Request Response Time and, in the event the Quote is the BBO, the BBO Improvement Interval.

(c) A FLEX Post Official may call upon FLEX Qualified Market-Makers appointed in a class of FLEX Options to make FLEX Quotes in response to a specific Request for Quotes in that class of FLEX Options whenever in the opinion of the FLEX Post Official the interests of a fair, orderly and competitive market are best served by such action, and shall make such a call upon FLEX Qualified Market-Makers whenever no FLEX Quotes are made in response to a specific Request for Quotes.

(d) FLEX Appointed Market-Makers and FLEX Qualified Market-Makers need not provide continuous FLEX Quotes or quote a minimum bid-offer spread in FLEX Options, except as provided in paragraph (e) of this Rule.

(e) The maximum bid-ask spread for FLEX options with a European style exercise, an underlying of the S&P 100 Index or the S&P 500 Index; and two weeks or more to expiration and two years or less to expiration shall be as specified below; however, the

Exchange may establish differences other than as specified below for one or more FLEX Options.

(i) Options with a time to expiration greater than two weeks and less than or equal to one year shall have the following maximum bid/ask spreads:

Where the Bid Is	The Maximum Bid/Ask Spread Is
Less than $5	$0.80
At least $5 but not more than $10	$1
At least $10 but not more than $20	$1.50
At least $20	$2

(ii) Options with a time to expiration greater than one year and less than two years shall have the following maximum bid/ask spreads:

Where the Bid Is	The Maximum Bid/Ask Spread Is
Less than $10	$1.50
At least $10 but not more than $20	$2
At least $20 but not more than $40	$3
At least $40	$4

This rule supplements the rules in Chapter VIII of the Rules of the Exchange.

Rule 24A.10. [Reserved]

Rule 24A.11. Related Securities

For purposes of Rule 8.8, FLEX Index Options shall be considered related to index options, market baskets, index participations, and index warrants.

Rule 24A.12. FLEX Post Official

(a) The Exchange may at any time designate an Exchange employee or independent contractor to act as a FLEX Post Official in one or more classes of FLEX Options. The FLEX Post Official shall perform the functions set forth in paragraph (b) of this Rule 24A.12. The Exchange may also designate other qualified employees or independent contractors to assist the FLEX Post Official as the need arises.

(i) The FLEX Post Official and any designated assistants may not be affiliated with any Trading Permit Holder that is approved to act as a Market-Maker, including a FLEX Market-Maker.

(ii) The FLEX Post Official and any designated assistants shall be compensated exclusively by the Exchange, which shall determine the amount and form of compensation. No Market-Maker, including a FLEX Market-Maker, shall directly or indirectly compensate or provide any other form of consideration to a FLEX Post Official or any designated assistants.

(b) A FLEX Post Official is responsible for (i) reviewing the conformity of FLEX Requests for Quotes and FLEX Quotes to the terms and specifications contained in Rule 24A.4, (ii) posting FLEX Requests for Quotes for dissemination, (iii) determining the BBO, (iv) ensuring that FLEX contracts are executed in conformance with the priority principles set forth in Rule 24A.5(e), and (v) calling upon FLEX Qualified Market-Makers to make FLEX Quotes in specific classes of FLEX Options as provided in paragraph (c) of Rule 24A.9.

Rule 24A.13. FLEX Index Appointed Market-Maker Account Equity

No FLEX Index Appointed Market-Maker shall effect any FLEX Index Option transaction unless the Market-Maker has demonstrated, to the satisfaction of the Exchange, that the net liquidating equity maintained in the FLEX Index Appointed Market-Maker's individual or joint accounts, with any one Clearing Trading Permit Holder in which transactions in FLEX Index Options will be conducted is at least $100,000. Joint account equity may not be combined with the FLEX Index Appointed Market-Maker's individual account equity for this purpose unless the participants in the joint account and in the individual accounts all trade for the same broker-dealer through those accounts. Failure to remain in compliance with the foregoing requirements shall be grounds for suspension or termination of a FLEX Index Appointed Market-Maker's authorization to effect transactions in any class of FLEX Index Options, except for closing transactions and except as otherwise determined by the Exchange in unusual circumstances. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder, as applicable, shall inform the Exchange immediately whenever the FLEX Index Appointed Market-Maker ceases to remain in compliance with these requirements.

Rule 24A.14. FLEX Index Appointed Market-Maker Financial Requirements

A FLEX Index Appointed Market-Maker shall be required to maintain at least $1.0 million net liquidating equity and/or $1.0 million net capital, as applicable. As used herein, the term "net capital" shall mean a net capital amount computed in accordance with the requirements of Rule 15c3-1 under the Exchange Act. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder, as applicable, shall immediately inform the Exchange whenever the FLEX Index Appointed Market-Maker fails to be in compliance with such requirements. The Exchange may waive the financial requirements of this Rule 24A.14 in unusual circumstances.

Rule 24A.15. Letter of Guarantee or Authorization

(a) No FLEX Market-Maker shall effect any transaction in FLEX Options unless one or more effective Letter(s) of Guarantee has been issued by a Clearing Trading Permit Holder and filed with the Exchange accepting financial responsibility for all FLEX transactions made by the FLEX Market-Maker.

(b) No Floor Broker shall act as such in respect of FLEX Option contracts unless an effective Letter of Authorization has been issued by a Clearing Trading Permit Holder and filed with the Exchange specifically accepting responsibility for the clearance of FLEX Option transactions of the Floor Broker.

(c) Letters of Guarantee or Authorization under this Rule are also governed by Rule 3.28.

This rule supplements Exchange Rules 6.72 and 8.5.

Rule 24A.16. Nonavailability of RAES

The Retail Automatic Execution System shall not be available for FLEX transactions.

Rule 24A.17. Inapplicability of Split Price and Accommodation Liquidation Rules

Rules 6.47 and 6.54 do not apply to FLEX transactions.]

CHAPTER XXIV[B]A—FLEX Hybrid Trading System (Rules 24[B]A.1 – 24[B]A.16)

Introduction

[Transactions in Flexible Exchange Options may be effected pursuant to the rules in Chapter XXIVA or on the FLEX Hybrid Trading System pursuant to the rules in this Chapter, as determined by the Exchange on a class-by-class basis and announced to the Trading Permit Holders via Regulatory Circular.] The rules in this Chapter apply only to the trading of Flexible Exchange Options on the Exchange's FLEX Hybrid Trading System as defined below. Except as indicated at the end of each rule herein, the rules in Chapters I through XIX and XXIV are also applicable to the trading of Flexible Exchange Options on the FLEX Hybrid Trading System. To the extent the rules in this Chapter are inconsistent with other Exchange rules, the rules in this Chapter take precedence in relation to the trading of Flexible Exchange Options on the FLEX Hybrid Trading System.

Rule 24[B]A.1. Definitions

(a) – (g) No change.

FLEX Market-Maker

(h) The term "FLEX Market-Maker" means a FLEX Trader that is appointed as a FLEX Appointed Market-Maker or a FLEX Qualified Market-Maker, each as described in Rule 24[B]A.9.

FLEX Official

(i) The term "FLEX Official" means the Exchange employee or independent contractor designated pursuant to Rule 24[B]A.14 to perform the FLEX functions set forth in that rule.

(j) – (bb) No change.

Rule 24[B]A.2. Hours of Trading

No change.

Rule 24[B]A.3. Trading Rotations

There shall be no trading rotations in FLEX Options, either at the opening or at the close of trading. An existing FLEX Option series will automatically open for trading at a randomly selected time within a number of seconds after 8:30 a.m. (all times are CT), at which point FLEX Orders may be entered directly into the electronic book (if available) and/or a FLEX auction may be initiated pursuant to Rule 24[B]A.5, 24[B]A.5A, or 24[B]A.5B. A new FLEX Option series may be established on any business day prior to the expiration date as provided for in Rule 24A.4 and opened for trading pursuant to the procedures and principles as provided for in Rule 24[B]A.5, 24[B]A.5A, or 24[B]A.5B.

This rule supersedes Exchange Rule 6.2.

Rule 24[B]A.4. Terms of FLEX Options

(a) General

(1) Options series will not be pre-established for FLEX trading. A new series of FLEX Options may be established on any business day prior to the expiration date as provided for in this Rule 24[B]A.4. The variable terms of FLEX Options as provided for in this Rule 24[B]A.4 shall be established through the bidding and offering mechanics detailed in Rule 24[B]A.5. Other terms of FLEX Option contracts shall be the same as those that apply to Non-FLEX Options.

(2) No change.

(3) In addition to the terms listed in subparagraph (a)(2) of this Rule 24[B]A.4, every FLEX Request for Quotes shall contain the following additional transaction specifications:

(i) – (iv) No change.

(4) In addition to the terms listed in subparagraph (a)(2) of this Rule 24[B]A.4, every FLEX Order shall contain the following additional transaction specifications:

(i) – (ii) No change.

(b) – (c) No change.

. . . Interpretations and Policies:

.01 No change.

.02 Provided the options on an underlying security or index are otherwise eligible for FLEX trading, FLEX Options shall be permitted in puts and calls that do not have the same exercise style, same expiration date and same exercise price as Non-FLEX Options that are already available for trading on the same underlying security or index. FLEX Options shall also be permitted before the options are listed for trading as Non-FLEX Options. Once and if the option series are listed for trading as Non-FLEX Options, (i) all existing open positions established under the FLEX trading procedures shall be fully fungible with transactions in the respective Non-FLEX Option series and (ii) any further trading in the series would be as Non-FLEX Options subject to the Non-FLEX trading procedures and rules. However, in the event the Non-FLEX series is added intra-day, a position established under the FLEX trading procedures would be permitted to be closed using the FLEX trading procedures for the balance of the trading day on which the Non-FLEX series is added against another closing only FLEX position. For such FLEX series, the FLEX Official will make an announcement that the FLEX series is now restricted to closing transactions; a FLEX Request for Quotes may not be disseminated for any order representing a FLEX series having the same terms as a Non-FLEX series, unless such FLEX Order is a closing order (and it is the day the Non-FLEX series has been added); and only responses that close out an existing FLEX position are permitted. Any transactions in a restricted series that occur that do not conform to these requirements will be nullified by the FLEX Official pursuant to Rule 24[B]A.14.

Rule 24[B]A.5. FLEX Trading Procedures and Principles

(a) Request for Quotes Process. The Request for Quotes process may be used at any time, but is required to open trading in a new series (unless the auction process under Rule 24[B]A.5A or 24[B]A.5B is used to open trading in a new series). The Request for Quotes process may be conducted through the System or in open outcry pursuant to the following processes:

(1) Electronic RFQ Process.

(i) No change.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) No change.

(B) FLEX Quotes may be entered or withdrawn at any point during the RFQ Response Period (provided, however, FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24[B]A.9). FLEX Orders may not be submitted to the electronic book during the RFQ Reaction Period, but may be withdrawn.

(C) No change.

(iii) Formation of Contracts Following the RFQ Response Period.

(A) No change.

(B) During the RFQ Period:

(I) FLEX Quotes may be entered or withdrawn (provided, however, FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24[B]A.9). FLEX Orders may not be submitted to the electronic book during the RFQ Reaction Period, but may be withdrawn.

(II) – (IV) No change.

(C) – (E) No change.

(2) Open Outcry RFQ Process.

(i) No change.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) No change.

(B) All FLEX Quotes may be entered, modified or withdrawn at any point during the RFQ Response Period (provided, however, that FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24[B]A.9). At the expiration of the RFQ Response Period, the BBO shall be identified by the Submitting Trading Permit Holder considering FLEX Quotes and, if applicable, FLEX Orders resting in the electronic book. At the expiration of the RFQ Response Period, the Submitting Trading Permit Holder shall announce the BBO to the FLEX Traders in the trading crowd.

(iii) – (v) No change.

(b) – (c) No change.

(d) Priority of Bids and Offers:

(1) – (2) No change.

(3) Notwithstanding subparagraphs (d)(1) through (2), Trade Conditions detailed in Rule 24[B]A.1(x)may prevent a match from occurring.

(4) No change.

(e) No change.

. . . *Interpretations and Policies:*

.01 No change.

.02 Special Terms for FLEX Option Exercise Prices and Premiums: There is no electronic book for FLEX Options with exercise prices and premiums that are based on a methodology for fixing such a number or based on a percentage as provided in Rule 24[B]A.4(b)(2) and (c)(2). To trade electronically under Rule 24[B]A.5, such FLEX Option orders will only be eligible to trade through the electronic RFQ process described in paragraph (a)(1) of the Rule.

.03 No change.

Rule 24[B]A.5A. FLEX Automated Improvement Mechanism

Notwithstanding the provisions of Rule 24[B]A.5, a FLEX Trader that represents agency orders may electronically execute an order it represents as agent ("Agency Order") against principal interest and/or against solicited orders provided it submits the Agency Order for execution into the automated improvement mechanism auction ("AIM Auction") pursuant to this Rule.

* * * * *

Rule 24[B]A.5B. FLEX Solicitation Auction Mechanism

A FLEX Trader that represents agency orders may electronically execute orders it represents as agent ("Agency Order") against solicited orders provided it submits the Agency Order for electronic execution into the solicitation auction mechanism (the "SAM Auction") pursuant to this Rule.

(a) No change.

(b) SAM Auction Process. Only one SAM Auction may be ongoing at any given time in a series and SAM Auctions in the same series may not queue or overlap in any manner. In addition, unrelated FLEX Orders may not be submitted to the electronic book for the duration of a SAM Auction. The SAM Auction may not be cancelled and shall proceed as follows:

(1) SAM Auction Period and Requests for Responses ("RFR").

(i) – (iv) No change.

(v) The minimum price increment for responses shall be the same as provided in paragraph (a)(3) of Rule 24[B]A.5B.

(vi) – (vii) No change.

(2) No change.

(3) Order Allocation. At the conclusion of the SAM Auction, the Agency Order will be automatically executed in full or cancelled and allocated subject to the following:

(i) The Agency Order will be executed against the solicited order at the proposed execution price, provided that:

(A) – (C) No change.

(D) In the event the Agency Order will be executed against RFR responses and resting FLEX Orders pursuant to paragraph (B) or (C) above, the allocation will be as follows:

(I) No change.

(II) any RFR responses and FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to Rule 24[B]A.5(d)(2)(ii); then

(III) No change.

This rule supersedes Exchange Rule 6.74B.

. . . *Interpretations and Policies:*

.01 – .03 No change.

.04 Under this Rule 24[B]A.5B, FLEX Traders may enter contra orders that are solicited. The SAM Auction provides a facility for FLEX Traders that locate liquidity for their customer orders. FLEX Traders may not use the SAM Auction to circumvent provisions in Rule 24[B]A.5 limiting principal transactions. This may include, but is not limited to, FLEX Traders entering contra orders that are solicited from (a) affiliated broker-dealers, or (b) broker-dealers with which the FLEX Trader has an arrangement that allows the FLEX Trader to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, solicited contra orders entered by FLEX Traders to trade against Agency Orders may not be for the account of a FLEX Market-Maker assigned to the options class.

.05 No change.

Rule 24[B]A.6. Discretionary Transactions

No change.

Rule 24[B]A.7. Position Limits and Reporting Requirements

No change.

Rule 24[B]A.8. Exercise Limits

(a) In determining compliance with Rules 4.12 and 24.5, exercise limits for FLEX Index and FLEX Individual Stock or ETF Based Volatility Index Options shall be equivalent to the FLEX position limits prescribed in Rule 24[B]A.7. There shall be no exercise limits for broad-based FLEX Index Options (including reduced-value option contracts) on BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility and XEO.

(b) – (c) No change.

(d) Except as provided in Rule 24[B]A.7(d)(3), FLEX Options shall not be taken into account when calculating exercise limits for Non-FLEX Option contracts.

This rule supersedes Rules 4.12 and 24.5.

Rule 24[B]A.9. FLEX Market-Maker Appointments and Obligations

(a) – (b) No change.

(c) A FLEX Appointed Market-Maker shall have an obligation to enter a FLEX Quote (i) in response to any open outcry Request for Quotes respecting a class of FLEX Options to which the FLEX Appointed Market-Maker is appointed and trading in open outcry; and (ii) in response to at least that percentage of electronic Request for Quotes as determined by the Exchange respecting a class of FLEX Options to which the FLEX Appointed Market-Maker is appointed, provided that such percentage shall not be less than 80%. Except as provided in paragraph (d) of this Rule 24[B]A.9, a FLEX Qualified Market-Maker may, but shall not be obligated to, enter a FLEX Quote in response to a Request for Quotes on a FLEX Option of the class in which the FLEX Qualified Market-Maker is qualified. Every FLEX Quote entered by a FLEX Appointed Market-Maker or a FLEX Qualified Market-Maker shall be entered within the indicated RFQ Response Period plus any RFQ Reaction Period or BBO Improvement Interval, as applicable. Unless withdrawn during the RFQ Response or Reaction Period, such FLEX Quotes submitted in response to an electronic RFQ shall be considered firm for the duration of the RFQ Response and Reaction Periods. Unless withdrawn or modified during the RFQ Response Period, such FLEX Quotes submitted in response to an open outcry RFQ shall be considered firm for the duration of the RFQ and, in the event the FLEX Quote is the BBO, the BBO Improvement Interval.

(d) – (e) No change.

This rule supplements the rules in Chapter VIII of the Rules of the Exchange.

Rule 24[B]A.10. Related Securities

For purposes of Rule 8.8, FLEX Index Options shall be considered related to index options, [market baskets,] index participations, and index warrants.

Rule 24[B]A.11. FLEX Index Appointed Market-Maker Account Equity

No change.

Rule 24[B]A.12. FLEX Index Appointed Market-Maker Financial Requirements

A FLEX Index Appointed Market-Maker shall be required to maintain at least $1.0 million net liquidating equity and/or $1.0 million net capital, as applicable. As used herein, the term "net capital" shall mean a net capital amount computed in accordance with the requirements of Rule 15c3-1 under the Exchange Act. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder, as applicable, shall immediately inform the Exchange whenever the FLEX Index Appointed Market-Maker fails to be in compliance with such requirements. The Exchange may waive the financial requirements of this Rule 24[B]A.12 in unusual circumstances.

Rule 24[B]A.13. Letter of Guarantee or Authorization

No change.

Rule 24[B]A.14. FLEX Official

(a) The Exchange may at any time designate an Exchange employee or independent contractor to act as a FLEX Official in one or more classes of FLEX Options. The FLEX Official shall perform the functions set forth in paragraph (b) of this Rule 24[B]A.14. The Exchange may also designate other qualified employees or independent contractors to assist the FLEX Official as the need arises.

(i) – (ii) No change.

(b) A FLEX Official is responsible for (i) calling upon FLEX Market-Makers to make FLEX Quotes in specific classes of FLEX Options as provided in paragraph (d) of Rule 24[B]A.9; and (ii) reviewing the conformity of open outcry FLEX Requests for Quotes, to the terms and specifications contained in Rule 24[B]A.4. A FLEX Official may nullify a FLEX transaction if the transaction is determined by the FLEX Official to not conform to the terms and specifications contained in Rule 24[B]A.4 or the priority principles set forth in Rule 24[B]A.5. Trades subject to adjustment or nullification pursuant to Rule 6.25 shall be subject to the procedures set forth in Rule 6.25.

Rule 24[B]A.15. [Nonavailability of RAES

The Retail Automatic Execution System shall not be available for FLEX transactions.

Rule 24B.16.] Inapplicability of Split Price and Accommodation Liquidation Rules

No change.

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CHAPTER XXVI [Market Baskets (Rules 26.1-26.14)]Reserved

[Introduction

The rules in this Chapter are applicable only to market basket contracts (as defined below). Market basket contracts are also subject to the rules in Chapters I through XIX and in Chapter XXIV to the same extent as such rules apply to index options, in some cases supplemented by rules in this Chapter, except for rules that have been replaced in respect of market baskets by rules in this Chapter and except where the context otherwise requires. Whenever a rule in this Chapter supplements, or for purposes of this Chapter, replaces rules in Chapters I through XIX or in Chapter XXIV, that fact is indicated following the rule in this Chapter.

Rule 26.1. Definitions

(a) When used in Chapters I through XIX and in Chapter XXIV, the following terms have the following meanings in respect of the market basket contracts provided for in this Chapter, unless the context otherwise requires:

Class

(1) The term “class” means all market basket contracts based on the same stock index.

Replaces Rule 1.1(q).

Underlying Security

(2) The term “underlying security” means the stocks comprising the index on which the market basket is based.

Replaces Rules 1.1(u) and 24.1(e).

(b) When used in this Chapter, unless the context otherwise requires:

Designated Primary Market-Maker, DPM

(1) The term “Designated Primary Market-Maker” or “DPM” means one or more Designated Primary Market-Makers as described in Rule 8.80.

Index Multiplier

(2) The term “index multiplier” means the amount specified in the market basket contract as the index multiplier for that contract.

Replaces Rule 24.1(f).

Market Basket, Market Basket Contract

(3) The term "market basket" or "market basket contract" means a contract obligating the seller to sell and the purchaser to purchase a designated number of shares of each of the stocks comprising the index on which the market basket is based (i.e., the "component stocks"), with delivery of such shares to be made as provided in the Rules of the Clearing Corporation and the rules of correspondent stock clearing corporations. Market basket contracts shall be designated solely by reference to the index on which the market basket is based. Component stocks need not satisfy the requirements of Rule 5.3.

Replaces Rules 5.1, 5.3 and 24.2.

Rule 26.2. Terms of Market Basket Contracts

(a) The quantity of the component stocks deliverable upon settlement of a market basket equals the weighted number of shares of each stock included in the index upon which the market basket is based, multiplied by the index multiplier for that market basket and rounded to the nearest whole number of shares (a fraction of one-half or higher being rounded up).

(b) The index multiplier for market baskets based on the Standard & Poor's 100 Stock Price Index shall be 5,000. The index multiplier for market baskets based on the Standard & Poor's 500 Stock Price Index shall be 5,000.

. . . *Interpretations and Policies:*

.01 In determining the number of shares of each of the component stocks in a market basket that must be delivered upon settlement thereof, the total number of outstanding shares of each such stock, stated in millions of shares, is divided by the index divisor for that class of market basket contract. The resulting quotient (the "weighted number of shares") is then multiplied by the index multiplier for that class of market basket to determine the number of shares of that component stock that are deliverable upon settlement, subject to the requirement that any fractional amount is to be rounded to the nearest whole share. In determining the weighted number of shares of a component stock (which number is to be rounded to four decimal places), the number of shares outstanding is expressed in millions of shares rounded to three decimal places and the index divisor is rounded to four decimal places.

For example, if XYZ Corp. has 130.257 million shares outstanding and the index divisor for the Standard & Poor's ("S&P") 500 Stock Price Index market basket is 3022.4168, the weighted number of shares of XYZ stock will be 0.0431 (130.257 ÷ 3022.4168). The number of shares of XYZ stock deliverable upon settlement of an S&P 500 market basket purchased in a trade on that day would be equal to the weighted number of shares (0.0431) multiplied by 5,000 (the index multiplier for S&P 500 market baskets), or 216 shares ($0.0431 \times 5{,}000 = 215.5$).

.02 For the purpose of settling the obligations resulting from the purchase or sale of a market basket contract, the index composition, index divisor and the number of shares outstanding

of each of the component stocks shall be determined by the Exchange after the close of business on the business day preceding the trade date. The Exchange's determination shall be based solely upon information provided to the Exchange by the reporting authority and as reported to Clearing Trading Permit Holders by the Exchange prior to the opening of business on the trade date, through the Clearing Corporation's Data Service Network or otherwise, shall be final and conclusive.

Replaces Rules 5.6 and 24.9.

Rule 26.3. Meaning of Bids and Offers

Bids and offers shall be expressed in terms of dollars and decimals per unit of the index to two decimal places and shall be multiplied by the index multiplier for the applicable contract to arrive at the total amount of the bid or offer (e.g., a bid of 250.00 for a market basket having an index multiplier of 5,000 would represent a bid of $1,250,000 for that market basket).

Replaces Rules 6.41, 6.42 and 24.8.

Rule 26.4. Dissemination of Information

(a) The Exchange shall disseminate or cause to be disseminated after the close of business and from time-to-time on days on which transactions in market baskets are made on the Exchange: (i) the current index value; (ii) the price at which each transaction in market baskets has been effected and the transaction volume at such price; and (iii) the prices at which bids and offers are made on the floor of the Exchange. The Exchange shall maintain, in files available to the public, information identifying the component stocks whose prices are the basis for calculation of the index and the method used to determine the current index value.

(b) The Exchange shall, after the close of each trading day in which transactions in market baskets have been effected, disseminate or cause to be disseminated the volume of trading in each class of market basket contracts expressed as the number of market basket contracts traded and the aggregate number of shares of all component stocks, together with the total number of shares of each individual component stock, represented by such market basket trading.

Replaces Rule 24.3.

Rule 26.5. Opening of Trading

The DPM shall conduct the opening procedures for each class of market basket contracts at or as soon as practicable after 8:30 a.m. Chicago time, or upon a resumption in trading after trading has been halted or suspended (whether pursuant to Rule 6.3A, Rule 24.7, or otherwise), in such a manner as to result in a single price opening.

Supplements Rules 6.3A and 24.7 and replaces Rules 6.2 and 24.13.

. . . Interpretations and Policies:

.01 Rule 24.13, Interpretation and Policy .03 shall apply to the opening of trading in market basket contracts and any reference therein to the Order Book Official shall be deemed to mean the DPM.

Rule 26.6. Position Limits

Market baskets shall not be subject to, or taken into account in connection with, the provisions of Rule 4.11.

Replaces Rules 4.11 and 24.4.

Rule 26.7. Exercise Limits

Market baskets shall not be subject to, or taken into account in connection with, the provisions of Rule 4.12.

Replaces Rules 4.12 and 24.5.

Rule 26.8. Delivery and Payment

Delivery of the component stocks upon the sale of a market basket contract, and payment of the contract price in respect thereof, shall be in accordance with the Rules of the Clearing Corporation and the rules of correspondent stock clearing corporations. As promptly as possible after the entry into such a contract, the TPH organization shall require the customer: (i) in the case of a purchase, to make full cash payment of the contract price; or (ii) in the case of a sale, to deposit each of the component stocks, in the amounts specified in Rule 26.2, if those stocks are not carried in the customer's account in amounts sufficient to make delivery; or (iii) in either case, to deposit the required margin in respect thereof, if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board. Notwithstanding the foregoing, a Market-Maker that has on the same day purchased and sold one or more market baskets of the same class shall settle the obligations arising from such purchase and sale by the payment or receipt, as the case may be, of the difference between the cost of such purchase and sale, as provided in the Rules of the Clearing Corporation.

Replaces Rule 11.3.

Rule 26.9. Margins

The margin requirements for market basket contracts shall be determined in accordance with the provisions of Chapter XII of the Rules, which shall apply to the positions (long or short) in the component stocks deliverable pursuant to the market basket contract.

Replaces Rule 24.11.

Rule 26.10. Doing Business with the Public

(a) *Applicability of Rules*. The provisions of Chapter IX of the Rules shall be applicable to market baskets except as set forth herein. Rule 9.2 (relating to the registration of options principals), Rule 9.7 (relating to the opening of customer accounts), Rules 9.15 and 9.21(d) (relating to the options disclosure document), Rule 9.9 (relating to the suitability of recommendations), Rule 9.11 (relating to the confirmation of transactions), and Rule 9.21 (relating to communications to customers) shall not be applicable to market basket contracts. Whenever Chapter IX of the Rules requires a particular function to be performed by a Registered Options Principal that function may be performed in respect of market baskets by a principal of the TPH organization (including a branch office manager thereof) that is registered as such with a national securities exchange or a registered securities association.

(b) *Account Opening.* In approving a customer's account for market basket transactions, a TPH organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information which shall be retained in accordance with Rule 9.8. Based upon such information, the branch office manager or other principal of the TPH organization shall approve in writing the customer's account. A general securities account that has previously been approved by the TPH organization does not have to be separately approved for market basket contracts.

(c) *Confirmations.* A TPH organization shall promptly furnish to each customer a written confirmation of each transaction in market basket contracts. Each such confirmation shall show the class of market basket (i.e., the stock index on which the contract is based), the Exchange, contract price, number of market basket contracts purchased or sold, number of shares of each of the component stocks to be purchased or sold in settlement of the market basket contract, the derived price of each of the component stocks, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale and whether a principal or agency transaction.

(d) *Communications to Customers.* No Trading Permit Holder or TPH organization or person associated with a Trading Permit Holder shall utilize any advertisement, sales literature or other communication to any customer or member of the public concerning market basket contracts which:

(i) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(ii) contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labelled as forecasts;

(iii) contains hedge clauses or disclaimers which are not legible, but which attempt to disclaim responsibility for the content of such literature or for opinions expressed therein, or which are otherwise inconsistent with such advertisement or sales literature; or

(iv) fails to meet general standards of good taste and truthfulness.

All advertisements, sales literature (except completed work sheets), and educational material issued by a Trading Permit Holder or TPH organization pertaining to market basket contracts shall be approved in advance by a principal of the TPH organization (including a branch office manager). Copies thereof, together with the names of the persons who prepared the material, the names of the persons who approved the material and, in the case of sales literature, the source of any recommendations contained therein, shall be retained by the Trading Permit Holder or TPH organization and be kept at an easily accessible place for examination by the Exchange for a period of three years.

Replaces Rules 9.2, 9.7, 9.9, 9.11, 9.15, and 9.21.

. . . *Interpretations and Policies:*

.01 A TPH organization that participates in the Institutional Delivery System of The Depository Trust Company may use the confirmations generated by that System to satisfy the requirements of this Rule to the extent that such confirmations contain the information required to be furnished to customers, provided that the TPH organization shall remain responsible for seeing that all required information is furnished to its customers.

.02 Derived prices of component stocks of a market basket contract shall be based upon the market basket transaction price and shall be calculated in accordance with an algorithm provided by the Exchange.

.03 It shall be sufficient in any case where the customer has on the same date purchased and sold a market basket contract of the same class to provide a confirmation statement reflecting the terms of such purchase and sale, including the amount of any credit or debit to the customer's account, without regard to the component stocks underlying those contracts.

.04 For purposes of paragraph (d) of this Rule, the terms "advertisement," "educational material," and "sales literature" shall have the same meaning as in Rule 9.21(e).

Rule 26.11. Market-Makers

(a) *Appointment.* On a form or forms prescribed by the Exchange, a registered Market-Maker may apply for an Appointment in one or more classes of market basket contracts. A Market-Maker that is so appointed shall have the obligations set forth in this Rule and also shall be subject to the provisions of Chapter VIII of the Rules, except as otherwise provided herein. A Market-Maker that is not so appointed shall not be permitted to participate as a Market-Maker in market basket transactions. No Appointment for market basket contracts shall be made without the Market-Maker's consent to such Appointment. The Exchange may suspend or terminate any Appointment of a Market-Maker under this Rule and may make additional Appointments whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action. A Trading Permit Holder or prospective Trading Permit Holder adversely affected by a determination made by the Exchange under this Rule may obtain a review thereof in accordance with the provisions of Chapter XIX.

(b) *Account Equity.* A Market-Maker shall not be subject to Appointment in any class of market basket contracts unless the applicant shall have demonstrated, to the satisfaction of

the Department of Financial Compliance, that the net liquidating equity maintained in the applicant's accounts with any one Clearing Trading Permit Holder is not less than $450,000. Joint account equity may not be combined with a participant's individual account for this purpose. A Market-Maker shall not make any transaction in market basket contracts if such Market-Maker shall have failed to maintain a net liquidating equity of at least $225,000, except that such Market-Maker shall be permitted to effect market basket transactions to liquidate existing stock positions resulting from its prior Exchange market basket transactions. Failure to remain in compliance with such requirements shall be grounds for the suspension or termination of a Market-Maker's appointment in any class of market basket contracts, except as determined by the Exchange in unusual circumstances. A Market-Maker shall immediately inform the Department of Financial Compliance if such Trading Permit Holder fails to remain in compliance with these requirements at all times.

(c) *Letter of Guarantee*. No Market-Maker shall make any Exchange transaction in market basket contracts unless one or more effective Letters of Guarantee has been issued by a Clearing Trading Permit Holder in which the issuing Clearing Trading Permit Holder specifically accepts financial responsibility for all market basket transactions made by the Market-Maker. Letters of Guarantee under this Rule are also governed by Rule 3.28.

(d) *Obligations.* Transactions of a Market-Maker in market basket contracts should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no Market-Maker should enter into transactions or make bids or offers that are inconsistent with such a course of dealings. A Market-Maker appointed for a class of market basket contracts has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for that class of market basket contracts, or a temporary distortion of the price relationships between market baskets of the same class. Without limiting the foregoing, a Market-Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i) To compete with other Market-Makers to improve the market in each class of market basket contract for which the Market-Maker has been appointed at the station where the Market-Maker is present.

(ii) At the request of another Trading Permit Holder or at the request of the DPM, to make markets at the station where a Market-Maker is present by providing bid and/or offer quotations that are subject to immediate acceptance for one market basket contract.

(iii) To update market quotations in response to changed market conditions at the station where a Market-Maker is present.

[Supplements Rule 8.5 and replaces Rules 8.3, 8.7, and 8.50.]

. . . *Interpretations and Policies:*

.01 Rule 8.7, Interpretation and Policy .04 shall apply to market baskets.

.02 Market-Makers appointed to trade in any class of market basket contracts shall not effect purchases or sales on the floor of the Exchange except in a reasonable and orderly manner.

Rule 26.12. DPM Financial Requirements

A Designated Primary Market-Maker appointed for market basket contracts shall be required to maintain at least $10 million in excess net capital. As used herein, "net capital" shall be computed in accordance with the requirements of Rule 15c3-1 promulgated under the Securities Exchange Act of 1934. A Designated Primary Market-Maker shall immediately inform the Department of Financial Compliance if the DPM fails to remain in compliance with such requirements at all times. The Exchange may waive the financial requirements of this Rule in unusual circumstances.

Replaces Rule 8.80(a) and Rule 8.80, Interpretation and Policy .02.

Rule 26.13. Floor Broker Financial Requirements

(a) *Account Equity.* A Trading Permit Holder shall not be permitted to act as a Floor Broker in respect of any transaction in any class of market basket contracts unless the Trading Permit Holder shall have demonstrated, to the satisfaction of the Department of Financial Compliance, that the net liquidating equity maintained in the applicant's accounts with any one Clearing Trading Permit Holder is not less than $225,000. Joint account equity may not be combined with a participant's individual account for this purpose. A Trading Permit Holder shall not accept or execute any order for market basket contracts if such Trading Permit Holder shall have failed to maintain a net liquidating equity of at least $225,000. Failure to remain in compliance with such requirements shall be grounds for the suspension or termination of a Trading Permit Holder's registration in any class of market basket contracts, except as determined by the Exchange in unusual circumstances. A Trading Permit Holder shall immediately inform the Department of Financial Compliance if such Trading Permit Holder fails to remain in compliance with these requirements at all times.

(b) *Letter of Authorization*. No Floor Broker shall act as such in respect of market basket contracts unless an effective Letter of Authorization has been issued by a Clearing Trading Permit Holder in which the issuing Clearing Trading Permit Holder specifically accepts responsibility for the clearance of market basket transactions of the Floor Broker when the name of the Clearing Trading Permit Holder is given up. Letters of Authorization under this Rule are also governed by Rule 3.28.

Supplements Rule 6.72.

Rule 26.14. Exchange Authorization Required

A Trading Permit Holder that has satisfied the requirements of Rules 26.11 through 26.13, as applicable, will receive from the Exchange a badge authorizing such Trading Permit Holder to execute market basket transactions as permitted by the Rules. No Trading Permit Holder that is not in possession of such a badge shall be permitted to enter the trading crowd for any class of market basket contracts.

Supplements Rule 6.20.]

CHAPTER XXVII [Buy-Write Option Unitary Derivatives (“BOUNDs”) (Rules 27.1-27.10)]Reserved

[Introduction

The Rules in this Chapter are applicable only to Buy-Write Option Unitary Derivatives (“BOUNDs”) as defined below. BOUNDs are also subject to the rules in Chapters I through X and XIX, in some cases supplemented by Rules in this Chapter, except for rules that have been replaced in respect of BOUNDs by Rules in this Chapter and except where the context otherwise requires. Whenever a Rule in this Chapter supplements, or for purposes of this Chapter, replaces Rules in Chapters I through XIX, that fact is indicated following the Rule in this Chapter. Except as provided in this Chapter XXVII or where the context otherwise requires, references in Chapters VI through XIX and in Chapter XV to “options”, “options contracts”, “stock options” or “equity options” shall be deemed to include a reference to BOUNDs.

Rule 27.1. Definitions

The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified.

(a) Buy-Write Option Unitary Derivative (“BOUNDs”)—The term “BOUND” means a security issued, or subject to issuance, by The Options Clearing Corporation pursuant to the Rules of The Options Clearing Corporation which gives holders and writers thereof such rights and obligations as may be provided for in the Rules of The Options Clearing Corporation.

(b) Underlying Security—The term “underlying security” in respect of a BOUND contract means the security that is required to be delivered if the closing price of such security at expiration of the BOUND is less than or equal to the strike price of the BOUND.

(c) Strike Price—The term “strike price” in respect of a BOUND contract means a stated price per share for the underlying security which price shall be the basis for determining the manner of settlement for each BOUND contract at the specified expiration date. Any reference to the term “exercise price” in the Exchange’s Rules when applied to BOUNDs refers to the strike price of a BOUND.

(d) Closing Price—The term “closing price of the underlying security on the specified expiration date” in respect of a BOUND contract means the last transaction effected in the primary market for such underlying security during a regular trading session and reported by such market in accordance with the provisions of SEC Rule 11Aa3-1.

(e) Unit of Trading—The term “unit of trading” in respect of a BOUND contract means the number of shares of the underlying security covered by a single BOUND contract, which shall be 100 shares unless otherwise specified in accordance with the Rules of the Clearing Corporation.

(f) Class of BOUNDs—The term "class of BOUNDs" means all BOUNDs covering the same underlying security.

(g) Series of BOUNDs—The term "series of BOUNDs" means all BOUNDs of the same class having identical terms, including the same strike price, expiration date and unit of trading.

(h) Long Position—The term "long position" means a person's interest as the holder of one or more BOUND contracts of a given series of BOUNDs.

(i) Short Position—The term "short position" means a person's interest as the writer of one or more BOUND contracts of a given series of BOUNDs.

(j) Covered—The term "covered" in respect of a short position in BOUNDs means a short position for which no margin is required pursuant to the provisions of Rule 27.7(h).

(k) Certain Other terms—The definitions in Chapter I of the terms "uncovered", "opening purchase transaction", "opening writing transaction", "closing purchase transaction", "closing writing transaction" and "outstanding" shall apply to BOUNDs except that the word "option" as it appears in such definitions when applied to BOUNDs shall be read to mean "BOUND".

(l) Stock-Option Order—A stock-option order as used in respect of a BOUND means an order to buy or sell a stated number of units of an underlying or a related security coupled with a transaction in a BOUND contract on the opposite side of the market representing the same number of units of the underlying or a related security.

(m) Security Future-Option Order—Security Future-Option Order—A security future-option order as used in respect of a BOUND means an order to buy or sell a stated number of units of a security future or a related security convertible into a security future ("convertible security future") coupled with a transaction in a BOUND contract on the opposite side of the market representing the same number of underlying units for the security future or convertible security future.

[The definitions in this Rule replace or supplement, as the case may be, the definitions in Chapter 1 of the Rules.]

Approved January 11, 1996 (95-14); amended March 5, 2004 (04-14).

Rule 27.2. Rights and Obligations of Holders and Sellers

The rights and obligations of holders and sellers of BOUNDs dealt in on the Exchange shall be as set forth in the rules of the Clearing Corporation.

[This Rule supplements Rule 5.2]

Rule 27.3. BOUND Contracts to be Traded

(a) The Exchange may from time to time approve for listing and trading on the Exchange BOUND contracts in respect of underlying securities which have been selected in accordance with Rule 5.3 and the Interpretations and Policies thereunder. Only BOUND contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange. All such BOUND contracts shall be designated as to month and year of expiration, strike price and underlying security.

(b) The provisions of Rule 5.4 relating to withdrawal of approval of underlying securities, and the Interpretations and Policies thereunder, shall apply to the withdrawal of approval of securities underlying BOUNDs. The word "option" as it appears in such Rule and in such Interpretations and Policies shall mean "BOUND".

[This Rule replaces Rules 5.1 and 5.5 and supplements Rules 5.3 and 5.4]

Rule 27.4. Restrictions on Transactions in BOUNDs

The provisions of Rule 4.16, insofar as it applies to restrictions on transactions, shall apply to BOUNDs; and the words "option contract" as they appear therein shall be read to mean "BOUNDs contract". The provisions of Rule 4.16 relating to restrictions upon the exercise of contracts shall not apply to BOUNDs, nor shall Interpretations .01 and .02 apply to BOUNDs.

Rule 27.5. BOUND Expiration Schedule, Series of BOUNDs Open for Trading, Strike Prices

(a) After the Exchange has approved for listing and trading BOUND contracts relating to a specific underlying security, the Exchange shall from time to time open for trading additional BOUND contracts in respect of such underlying securities. Prior to opening of trading in such BOUNDs, the Exchange shall fix the expiration month, expiration year and strike price of such BOUND contracts. The Exchange may list BOUND contracts having the same expiration months as the LEAPS then available for trading.

(b) Strike price interval, bid/ask differential and continuity rules applicable to transactions in put and call options shall not apply to transactions in any series of BOUNDs until the time to expiration of such series is less than nine months. Further, BOUNDs will open for trading either when there is buying or selling interest, or 40 minutes prior to the close, whichever occurs first. No quotations need to be posted for such BOUNDs until they are opened for trading.

(c) BOUND contracts are subject to adjustments in accordance with the rules of the Clearing Corporation.

[This Rule supplements Rules 5.5 and 5.6 and replaces Rule 5.7]

Rule 27.6. Application of Certain Rules to BOUNDs

For purposes of Rule 6.51, a transaction in BOUNDs need not be identified as a put or a call. For purposes of Rule 9.15, the requirement to deliver an Options Disclosure Document shall include the obligation to deliver any supplement thereto pertaining to BOUNDs with respect to any customer whose account is approved for trading in BOUNDs.

[This Rule supplements Rules 6.51 and 9.15]

Rule 27.7. Position Limits

Position limits relating to BOUNDs shall be governed by the provision of Rule 4.11 except that, for purposes of determining BOUND position limits, the holder of a long BOUND shall be considered to be short a put on the underlying security, and the seller of a BOUND shall be considered to be long a put on the underlying security. In determining compliance with position limits, positions in BOUNDS shall be aggregated with positions in put and call options on the same side of the market.

[This Rule supplements Rule 4.11.]

Rule 27.8. Reporting of BOUNDs Positions and Related Rules

Positions in BOUNDs shall be reported pursuant to Rule 4.13 with the minimum position in an account to be reported being 200 BOUNDs. In computing and reporting reportable positions under Rule 4.13 and this Rule, positions in BOUNDs and put and call options on the same underlying security shall be aggregated on the basis of a long BOUND equaling one short put option and a short BOUND equaling one long put option. The provisions of Rules 4.14 and 4.15 shall apply to BOUNDs, and BOUNDs shall be treated as options for purposes of such Rules.

[This Rule supplements Rules 4.13 through 4.15].

Rule 27.9. Delivery and Payment

(a) Delivery of the strike price or shares of the underlying stock upon the expiration of a BOUND contract shall be effected in accordance with the rules of the Clearing Corporation. If the closing price of the underlying security on the specified expiration date is at or below the strike price for the contract, the TPH organization shall require the customer to deposit as promptly as possible after the expiration of the contract the underlying security if it is not already carried in the customer’s account. If the closing price of the underlying security on the specified expiration date is above the strike price, the TPH organization shall require the customer to make full cash payment of the aggregate strike price as promptly as possible after expiration of the contract.

(b) Delivery of the payments equal to the dividend or other cash distribution declared on the underlying security, and delivery of any non-cash distributions payable to holders of the underlying security, shall be effected in accordance with the rules of the Clearing

Corporation. TPH organizations shall require the customer to deliver the dividend, other cash distribution or non-cash distribution as promptly as possible.

[This Rule replaces Chapter XI of the Rules]

Rule 27.10. Margin

(a) This rule sets forth the minimum amount of margin which must be deposited and maintained in margin accounts of customers having positions in BOUNDs dealt in on a registered national securities exchange, or a registered securities association. The Exchange may at any time impose higher margin requirements in respect of such positions when it deems such higher margin requirements to be advisable . The initial deposit of margin required under this rule must be made within five full business days after the date on which a transaction given rise to margin requirement is effected.

(b) Except as provided below, no BOUND carried for a customer shall be considered of any value for the purpose of computing the margin required in the account of such customer.

(c) The terms “current market value” and “current market price,” when used with reference to a BOUND, shall mean the total cost or net proceeds of the BOUND on the day it was purchased or sold and at any other time shall mean the preceding business day’s closing price of that BOUND indicated by any regularly published reporting or quotation service.

(d) Subject to the exception set forth in subparagraphs (f) through (j) of this Rule, the minimum margin on any BOUND issued, guaranteed or carried “short” in a customer’s account shall be 100% of the BOUND price plus 20% of the market value of the BOUND, provided, however, that the maximum margin required on each such BOUND shall not exceed the strike price for such BOUND.

(e) Except as provided below, each BOUND issued, guaranteed or carried “short” in a customer’s account shall be margined separately.

(f) When a BOUND is carried “short” for a customer’s account and the account is also “long” a BOUND expiring on or before the expiration date of the “short” BOUND and written on the same number of shares of the same equity security, the minimum margin which must be maintained in respect of the “short” position shall be the lesser of (1) the margin required pursuant to (d) of this Rule, or (2) the amount, if any, by which the strike price of the “short” BOUND exceeds the strike price of the “long” BOUND.

(g)(i) When a BOUND is issued, guaranteed, or carried “short” against an existing net “long” position in the security underlying the BOUND, or in any security which meets the requirement of Exchange Rule 1.1(y) relating to covered options or in any security immediately exchangeable or convertible, other than warrants without restriction including the payment of money, into the security underlying the BOUND, no margin need be required on the BOUND, provided (1) such net “long” position is adequately margined in accordance with this Rule and (2) the right to exchange or convert the net “long” position does not expire on or before the expiration date of the “short” BOUND.

(ii) When a BOUND and a LEAP with the same expiration and strike price are issued, guaranteed, or carried "short" against an existing net "long" position in the security underlying the BOUND and LEAP, or in any security which meets the requirements of Exchange Rule 1.1(y) relating to covered options or in any security immediately exchangeable or convertible, other than warrants without restriction including the payment of money, into the security underlying the BOUND and LEAP, no margin need be required on either the BOUND or the LEAP, provided (1) such net "long" position is adequately margined in accordance with this Rule and (2) the right to exchange or convert the net "long" position does not expire on or before the expiration date of the "short" BOUND and LEAP.

(iii) When a BOUND is issued, guaranteed, or carried "short" against an existing net "long" position in a warrant convertible into an equivalent number of shares of the same underlying equity security, margin shall be required on the BOUND equal to the lesser of (1) the margin required pursuant to (d) of this Rule, or (2) the amount, if any, by which the conversion price of the "long" warrant exceeds the strike price of the "short" BOUND, provided such net "long" position is adequately margined in accordance with this Rule and the right to convert the net "long" position does not expire on or before the date of expiration of the "short" BOUND. Such warrant shall have no value for purposes of this Rule.

(iv) In determining net "long" and "short" positions for purpose of (g)(i), (ii), and (iii) above, offsetting "long" and "short" positions in exchangeable or convertible securities (including warrants) or in the same security, as discussed in Rule 12.3(b)(1)(A) and (b)(1)(D), shall be deducted. In computing margin on such existing net security position carried against a "short" BOUND, the current market price to be used shall not be greater than the strike price, and the required margin shall be increased by an unrealized loss on the short security position.

[This Rule Supplements Rule 12.3]

(h) The Exchange may at any time impose higher margin requirements than those set forth above in respect to any BOUND position(s) when it deems such higher margin requirements are appropriate.]

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Rule 28.17. FLEX Trading

Corporate Debt Security Options shall be eligible for trading as Flexible Exchange Options, even if the Exchange does not list and trade Non-FLEX options on Corporate Debt Securities. For purposes of Chapter[s] XXIVA [and XXIVB], references to the term "FLEX Equity Options" shall include a Corporate Debt Security Option and references to the "underlying security" or "underlying equity security" in respect of a Credit Option shall mean "Corporate Debt Security" as defined in Rule 28.1. FLEX Options on Corporate Debt Securities shall be physically-settled.

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CHAPTER XXIX Credit Option Contracts

Introduction
The rules in this Chapter are applicable only to Credit Options. In addition, the rules in Chapters I through XIX[, XXIVA] and XXIV[B]A are also applicable to the options provided for in this Chapter, in some cases supplemented by rules in this Chapter, except for rules that have been replaced in respect of Credit Options in this Chapter and except where the context otherwise requires. Whenever a rule in this Chapter supplements or, for purposes of this Chapter, replaces rules in Chapter I through XIX[, XXIVA] and XXIV[B]A, that fact is indicated following the rule in this Chapter.

* * * * *

Rule 29.12. Trading Rotations

Rule[s] 6.2 [and 6.2B] shall be applicable to Credit Options. In accordance with Rule 6.2[B], at a randomly selected time within a number of seconds after 8:30 a.m. (CT), unless unusual circumstances exist, the System will initiate the opening procedure and send a Rotation Notice.

* * * * *

Rule 29.17. Market-Maker Appointments & Obligations

(a) – (b) No change.

(c) In addition to the requirements of paragraph (b), a DPM or LMM, as applicable, appointed to a Credit Option class shall enter opening quotes in accordance with Rule 6.2[B] in 100% of the series of the class and shall be obligated to enter a quote in response to any open outcry request for quotes on any Credit Option class in which it is appointed.

Rule 29.18. FLEX Trading
Credit Options shall be eligible for trading as Flexible Exchange Options, even if the Exchange does not list and trade Non-FLEX Credit Options. For purposes of Chapter[s] XXIVA [and XXIVB], references to the term "FLEX Equity Options" shall include a Credit Option and references to the "underlying security" or "underlying equity security" in respect of a Credit Option shall mean the Reference Obligation as defined in Rule 29.1. For purposes of Rule[s] 24A.4 [and 24B.4], the FLEX Equity Option shall be cash-settled and the exercise by exception provisions of the Clearing Corporation Rule 805 shall not apply.

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[Cboe Options Rules—Chapter XXXI]

Chapter XXX. Cboe Options Equity Listing Rules

Reserved

Chapter XXXI [Approval of Securities for Original Listing]Cboe Options Equity Trading Rules

Reserved

[Listing Fees (Rules 31.1—31.4)

Rule 31.1. Original Listing Fees

Initial Processing fee of $5,000 plus

(A) *Equity Issues*

Less than 1 million shares	$ 5,000	15 to 25 million shares	$25,000
1 to 5 million shares	10,000	25 to 50 million shares	35,000
5 to 10 million shares	15,000	50 to 75 million shares	40,000
10 to 15 million shares	20,000	75 to 100 million shares	50,000

All shares over 100 million— 1/20¢ per share (no maximum)

(B) *Warrants*—The original (as well as the annual and additional) listing fees for long-term warrant issues are the same as those for equity issues, and are based upon the aggregate number of shares that the warrants evidence the right to purchase.

(C) *Bonds*—$100 per $1 million principal amount (or fraction thereof) with a minimum fee of $5,000 and a maximum fee of $10,000. In the case of an issuer listing more than one outstanding publicly traded debt security, the fee will be based on the aggregate principal amount of all of such issues provided they are included within a single application.

(D) *Special Rights Issue*—No original listing fees will be charged if such rights are neither exercisable or tradeable as a separate security. However, a processing fee of $1,000 will be charged. When the rights become exercisable and/or tradeable separately, original, additional and annual fees will apply.

(E) *Fees for Investment Trusts (or Other Similar Entities)*—The original, additional and annual fees of an entity having units divisible into separate trading components will be based on the total number of units being listed unless each of the separate trading components will also be listed and traded.

(F) *Dually Listed Warrants and Other Securities (Hybrid) Products*—The Exchange's original listing fee for products listed or approved for listing on the New York Stock Exchange or American Stock Exchange shall be $5,000 per application.

Rule 31.2. Annual Fees—Stock Issues

Shares Outstanding	*Fee*	
1 million or less	$2,500	(minimum)
1+ to 5	3,000	
5+ to 10	4,000	
In excess of 10 million	5,000	(maximum)

The annual fee is payable in January of each year and is based on the total number of all classes of shares outstanding (including treasury shares) and warrants (based on the aggregate number of shares to which the warrants evidence the right to subscribe) at December 31 of the preceding year.

In the calendar year in which a company first lists, the annual fee will be prorated to reflect only that portion of the year during which the security has been admitted to trading and will be payable in December.

Rule 31.3. Additional Listing Fees

A. *Previously Listed*

(1) Equity Issues—1¢ per share subject to a minimum fee of $1,000 (100,000 shares or less) and a maximum fee of $5,000 (500,000 shares or more) per application.

(2) Debt Issues—$50 per $1 million principal amount (or fraction thereof) with a minimum fee of $1,000 and a maximum fee of $5,000.

B. *Reclassified or Exchanged Security*—There is a fee of $5000 for an application to substitute the listing of shares originally listed which are reclassified or exchanged for another security, either with or without a change in par value. No fee or listing application is required for a change solely in par value.

The fee for an application for the substitution listing of bonds or warrants upon their assumption by a new obligor or issuer is $500.

Rule 31.4. Refunds of Listing Fees

Applications Withdrawn or Not Approved—If a listing application is withdrawn by the applicant, a service charge of $500 is deducted by the Exchange from the listing fee previously paid by the applicant, and the balance is refunded.

No cash refund of a listing fee is made after an application has been approved by the Exchange and the subject securities have been issued. However, if additional unissued

securities are authorized for listing "upon official notice of issuance" and all of such securities are not issued for the purpose specified in the application, a credit is allowed.

Criteria for Original Listing (Rules 31.5—31.16)

Rule 31.5. Criteria for Eligibility of Securities

The Exchange will evaluate and prepare a confidential preliminary opinion as to the eligibility of an applicant's securities for listing upon submission of the information listed in Rule 31.20. To assist issuers interested in applying for listing, the Exchange has established certain numerical and other criteria (Rules 31.9 through 31.16) which issuers will be required to meet. References in this Rule to "public shareholders" or "public holders" do not include any officer, director, controlling shareholder, or other owners of family or concentrated holdings.

The Exchange may extend unlisted trading privileges to any security for which the Exchange has in effect rules providing for transactions in such class or type of security. Provisions of this Rule that govern trading hours, dissemination of information (*e.g.*, intraday indicative value and index value) and surveillance procedures, and that relate to information circulars and prospectus delivery, shall apply to securities traded on an unlisted trading privileges basis.

A. *Equity Issues*

(1) *Net Worth*—Total assets (including the value of patents, copyrights and trademarks but excluding the value of goodwill) less total liabilities of $4,000,000.

(2) *Earnings*—Pre-tax income of $750,000 in its last fiscal year, or in two of its last three fiscal years and net income of at least $400,000.

(3) *Public Distribution*

Shares Publicly Held	*Public Shareholders*
500,000 shares and	800 holders
1,000,000 shares and	400 holders
500,000 shares and	400 holders

(4) *Stock Price/Market Value of Shares Publicly Held*—$5 per share and $3,000,000 aggregate market value.

(5) *Voting Rights*—See Rule 31.11.

B. *Preferred Stock*

(1) *Net Worth and Earnings*—The issuer meets the net worth and earnings criteria for equity issues (Rule 31.5A) and appears to be able to service the dividend requirements of the issue.

(2) *Public Distribution*—If issuer's common stock is traded on the Exchange (or the American Stock Exchange or New York Stock Exchange):

Preferred Shares Publicly Held	100,000
Aggregate Market Value/Price	$2,000,000/$10

If not so traded:

Preferred Shares Publicly Held	400,000
Public Round-Lot Holders	800
Aggregate Market Value/Price	$4,000,000/$10

(3) *Voting Rights*—See Rule 31.13

C. *Bonds and Debentures*

The listing of bond and debenture issues is considered on a case by case basis, in light of the suitability of the issue for an exchange market.

(1) *Market Value*—The debt issue must have an aggregate market value or principal amount of at least $5 million.

(2) *Issuer or Bond Rating Status*—For the Exchange to list a debt security, the security must be characterized by one of the following conditions:

(a) the issuer of the debt security has equity securities listed on the Exchange (or on the New York Stock Exchange or American Stock Exchange);

(b) an issuer of equity securities listed on the Exchange (or on the New York Stock Exchange or American Stock Exchange) directly or indirectly owns a majority interest in, or is under common control with, the issuer of the debt security;

(c) an issuer of equity securities listed on the Exchange (or on the New York Stock Exchange or American Stock Exchange) has guaranteed the debt security;

(d) a nationally recognized securities rating organization (an "NRSRO") has assigned a current rating to the debt security that is no lower than an S&P Corporation "B" rating or equivalent rating by another NRSRO; or

(e) if no NRSRO has assigned a rating to the issue, an NRSRO has currently assigned:

(i) an investment grade rating to an immediately senior issue; or

(ii) a rating that is no lower than an S&P Corporation "B" rating, or an equivalent rating by another NRSRO, to a *pari passu* or junior issue.

(3) Convertible Bonds.

(a) *Last Sale Information*—Current last sale information must be available in the United States with respect to the underlying security into which the bond or debenture is convertible.

(b) *Conversion Provisions*—The Exchange will not convertible debt issues containing a provision which gives the company the right, at its discretion, to reduce the conversion price for periods of time or from time to time unless the company establishes a minimum period of ten business days with in which such price reduction will be in effect.

(4) Redeemable issues, if subject to redemption in part, must provide for redemption pro rata or by lot.

D. *Warrants*

(1) *Net Worth and Earnings*—The issuer meets the net worth and earnings criteria for equity issues (Rule 31.5A).

(2) *Public Distribution*—The issuer meets the distribution criteria for equity issues (Rule 31.5A(3)). However, if the warrant issue is sold as part of a unit offering consisting of warrants and other securities, a minimum of 500,000 warrants must be publicly held by not less than 400 holders.

(3) The common stock or other securities underlying the warrants must be listed on the Exchange (or on the American Stock Exchange or the New York Stock Exchange).

E. *Currency, Currency Index and Stock Index Warrants*

(1) *Net Worth and Earnings*—The issuer substantially exceeds the criteria for equity issues (Rule 31.5A) and has a minimum tangible net worth in excess of $150,000,000.

(2) *Public Distribution* The Exchange may list warrants that meet either of the two alternative sets of criteria below.

(i) Alternative 1

Warrants outstanding	1,000,000
Principal amount/aggregate market value	$4,000,000
Number of public holders	400

(ii) Alternative 2

Warrants outstanding	2,000,000
Principal amount/aggregate market value	$12,000,000
Number of public holders	Case by case
Initial price	$6/warrant

(3) *Term of Warrant*—One to five years from date of issuance.

(4) *Limitations on Issuance.* Where an issuer has a minimum tangible net worth in excess of $150,000,000 but less than $250,000,000, the Exchange shall not list stock index, currency index or currency warrants of the issuer if the value of such warrants plus the aggregate value, based upon the original issuing price, of all outstanding stock index, currency index and currency warrants of the issuer and its affiliates combined that are listed for trading on a national securities exchange or traded through the facilities of NASDAQ exceeds 25% of the issuer's net worth.

(5) *A.M. Settlement.* The terms of stock index warrants for which 25% or more of the value of the underlying index is represented by securities that are traded primarily in the United States must provide that opening prices of the stocks comprising the index will be used to determine (i) the final settlement value (i.e., the settlement value for warrants at expiration) and (ii) the settlement value for such warrants that are valued on either of the two business days preceding the day on which the final settlement value is to be determined.

(6) *Automatic Exercise.* All stock index warrants, currency index warrants and any other cash-settled warrants must include in their terms provisions specifying (i) the time by which all exercise notices must be submitted, (ii) that all unexercised warrants that are in the money (or that are in the money by a stated amount) will be automatically exercised on their expiration date or on or promptly following the date on which such warrants are delisted by the Exchange (if such warrant issue has not been listed on another organized securities exchange in the United States).

(7) Foreign Country Securities. Foreign country securities or American Depositary Receipts ("ADRs") thereon that (i) are not subject to a comprehensive surveillance

agreement, and (ii) have less than 50% of their global trading volume in dollar value within the United States, shall not, in the aggregate, represent more than 20% of the weight of the index, unless such index is otherwise approved for warrant or option trading.

(8) *Changes in Number of Warrants Outstanding.* The Exchange expects that issuers of stock index warrants either will make arrangements with warrant transfer agents to advise the Exchange immediately of any change in the number of warrants outstanding due to the early exercise of such warrants or will provide this information themselves. With respect to stock index warrants for which 25% or more of the value of the underlying index is represented by securities traded primarily in the United States, such notice shall be filed with the Exchange no later than 3:30 p.m. Chicago time, on the date when the settlement value for such warrants is determined. Such notice shall be filed in such form and manner as may be prescribed by the Exchange from time to time.

. . . *Interpretations and Policies:*

.01 With the exception of sub-paragraphs (b)(1) and (b)(2) of Rule 24.2, paragraphs (b) and (c) of Rule 24.2 shall apply to narrow-based index warrants to the same extent these provisions apply to narrow-based index options. In addition, the Exchange will not list a warrant on an index consisting of fewer than nine stocks unless the Commission separately approves such index for warrant trading. The Exchange also will not allow any of the indices initially consisting of nine or more stocks on which warrants are traded on the Exchange to trade if the index falls below nine stocks unless the Commission separately approves the trading of such warrants

F. *Other Securities*

The Exchange will consider listing any security not otherwise covered by the criteria of paragraphs (A) through (E) and (G), provided the issue is otherwise suited for auction market trading. Such issues will be evaluated for listing against the following criteria:

(a) Assets/Equity—The issuer shall have assets in excess of $100 million and stockholders' equity of at least $10 million. In the case of an issuer which is unable to satisfy the earnings criteria set forth in paragraph (A), the Exchange generally will require the issuer to have the following: (i) assets in excess of $200 million and stockholders' equity of at least $10 million; or (ii) assets in excess of $100 million and stockholders' equity of at least $20 million.

(b) Distribution—Minimum public distribution of 1,000,000 trading units including a minimum of 400 holders or, if traded in thousand dollar denominations, no minimum number of holders.

(c) Principal Amount/Aggregate Market Value—Not less than $4 million.

Prior to commencement of trading of securities admitted to listing under this paragraph, the Exchange will evaluate the nature and complexity of the issue and, if appropriate,

distribute a circular to the Trading Permit Holders providing guidance regarding TPH organization compliance responsibilities when handling transactions in such securities.

G. *UIT Interests*

(1) The term "UIT interest" is defined in Rule 1.1. A UIT interest that represents an interest in a trust consisting of or otherwise based upon (i) a portfolio of stocks included in a domestic, broad-based stock market index, and/or (ii) a portfolio of domestic money market instruments or other debt securities may be listed on the Exchange subject to the criteria set forth below.

(a) *Net Worth*—Total trust assets of at least $60 million at the time of formation.

(b) *Public Distribution*—One million shares, units or other trading components held beneficially or of record by at least 400 holders.

(c) *Stated Term of the Trust*—Not less than two years, subject to earlier termination, under specific circumstances set forth in the trust's governing documents.

(d) *Voting*—Any right to vote which is conferred by the UIT interest may be divided between the separate components of the units and must be "passed through" to beneficial holders of the UIT interests.

(e) *Trustees*—The trustee of a UIT interest must be a trust company or banking institution having substantial capital and surplus. Such trustee shall not have an executive officer who is also an officer of the issuing sponsor nor shall the trustee and issuer be under common control. No change in the trustee shall be made without prior notice to and approval of the Exchange.

H. *Contingent Value Rights*

Contingent Value Rights ("CVRs") are unsecured obligations of the issuer providing for a possible cash payment at maturity based upon the value of a security issued by an affiliate of the issuer of the CVRs (the "related security").

At maturity, the holder of a CVR is entitled to a cash payment if the market price of the related security is less than a predetermined target price. In the event the market price of the related security equals or exceeds the predetermined target price, the holder of a CVR would not be entitled to receive such a payment. The Exchange will consider listing CVRs that satisfy the following requirements:

(1) the issuer of the CVR satisfies the net worth and earnings criteria set forth in Rule 31.5.A;

(2) the issuer of the CVRs has assets in excess of $100 million;

(3) there is a minimum public distribution of 1,000,000 CVRs and a minimum of 400 public holders of the CVRs;

(4) the aggregate market value of the CVRs equals or exceeds $4 million; and

(5) the CVRs have an initial term to maturity of at least one year.

. . . *Interpretations and Policies:*

.01 Each TPH organization transacting business on behalf of customers in CVRs must comply with the requirements of Rule 30.50(c) concerning a TPH organization's duty to know its customers and approve its customers' accounts.

.02 Prior to commencement of trading of CVRs admitted to listing under Rule 31.5.H, the Exchange will distribute a circular to the Trading Permit Holders providing guidance regarding TPH organization compliance responsibilities when handling transactions in CVRs.

I. *Equity Linked Term Notes*

Notes that are linked, in whole or in part, to the market performance of a common stock or a non-convertible preferred stock will be considered for listing and trading, pursuant to Rule 19b-4(e) under the Exchange Act, if they satisfy the following criteria:

(a) The notes have an original term to maturity of not less than one year.

(b) The issue and the issuer of the notes satisfy the requirements set forth in Rule 31.5.F and the issuer has a minimum tangible net worth of $150,000,000.

(c) The total original issue price of the notes (when combined with all of the issuer's other equity linked notes which are listed on a national securities exchange or traded through the facilities of NASDAQ), does not exceed 25% of the issuer's tangible net worth at the time of the issuance.

(d) The underlying stock must be listed for trading on a national securities exchange or traded through the facilities of NASDAQ and must be subject to last sale reporting pursuant to Rule 11A a3-1 under the Securities Exchange Act of 1934, as amended.

(e) The underlying stock either; (i) has a minimum market capitalization of $3 billion and trading volume in U.S. markets during the 12 month period preceding the listing of at least 2.5 million shares; (ii) has a minimum market capitalization of $1.5 billion and trading volume in U.S. markets during the 12 month period preceding the listing of at least 10 million shares; or (iii) has a minimum market capitalization of $500 million and trading volume in U.S. markets during the 12 month period preceding the listing of at least 15 million shares. If an issuer proposes to list an equity linked note on an underlying stock that meets the listing criteria set forth in this Rule except for the market capitalization and trading volume criteria set forth above, the Exchange, after evaluating the trading volume, public float and market capitalization of the underlying stock and other relevant factors, may file the proposed listing for approval by the Securities and Exchange Commission under Section 19(b) of the Act.

(f) The issuer of the underlying stock is subject to the reporting requirements set forth in Section 13 of the Securities Exchange Act of 1934.

(g) The amount of stock underlying the notes does not exceed 5% of the total number of shares of such stock outstanding, provided, however, that if the underlying stock is a non-U.S. security, whether traded in the U.S. market in the form of American Depositary Receipts ("ADRs") or otherwise, then the amount of stock underlying the notes does not exceed; (1) 2% of the total shares outstanding worldwide, provided at least 20% of the worldwide trading volume during the six month period preceding the date of listing is U.S. Trading Volume; (2) 3% of the total shares outstanding worldwide, provided at least 50% of the worldwide trading volume during the six month period preceding the date of listing is U.S. Trading Volume; or (3) 5% of the total shares outstanding worldwide, provided at least 70% of the worldwide trading volume during the six month period preceding the date of listing is U.S. Trading Volume. If an issuer proposes to list an equity linked note that relates to more than the allowable percentage set forth above in this paragraph, the Exchange, with the concurrence of the Division of Market Regulation of the Securities and Exchange Commission, may evaluate and determine the maximum percentage of equity linked notes (with respect to the underlying stock) that may be issued on a case-by-case basis.

(h) If the stock underlying the equity linked note is the stock of a non-U.S. Company, whether traded in the U.S. market in the form of ADRs or otherwise, then (1) the Exchange must have in place a comprehensive surveillance sharing agreement with the primary exchange on which the non-U.S. security is traded (in the case of an ADR, the primary exchange on which the security underlying the ADR is traded); (2) the combined trading volume of the non-U.S. security and other related non-U.S. securities (as defined below) occurring in the U.S. market or in markets with which the Exchange has in place an effective surveillance sharing agreement (the "U.S. Related Trading Volume") represent (on a share equivalent basis with respect to any ADRs) at least 50% of the combined worldwide trading volume in the foreign stock, any ADRs representing the foreign stock, other classes of common stock related to the foreign stock, and any ADRs representing such other stock ("other related non-U.S. securities") over the six month period preceding the date of listing; or (3) (a) the combined trading volume of the non-U.S. security and other related non-U.S. securities occurring in the U.S. market represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the non-U.S. security and in other related non-U.S. securities over the six month period preceding the date of selection of the non-U.S. security for equity linked term note trading, (b) the average daily trading volume for the non-U.S. security in U.S. markets over the six months preceding the selection of the non-U.S. security for equity linked term note trading is 100,000 or more shares, and (c) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the six months preceding the date of selection of the non-U.S. security for equity linked note trading ("Daily Trading Volume Standard").

(i) If the underlying stock is the stock of a non-U.S. company, whether traded in the U.S. market in the form of ADRs or otherwise, then there must be at least 2,000 holders of the underlying stock.

. . . Interpretations and Policies:

.01 For purposes of determining the combined trading volume of the foreign stock and other related stock occurring in the U.S. market or in markets with which the Exchange has in place an effective surveillance sharing agreement, as required in Rule 31.5.I(h)(2), the Exchange will use the same standards it uses for options on American Depositary Receipts (See Rule 5.3, Interpretations and Policy .03.)

.02 Equity linked notes will be treated as equity securities for margin and all other purposes.

.03 The Exchange will not consider for listing any equity linked note linked to an unsponsored ADR without the prior consent of the Commission staff.

.04 The 2% limit, based on at least 20% worldwide trading volume, referred to in Rule 31.5.I(g), applies only if the Exchange has in place a comprehensive surveillance sharing agreement with the primary exchange on which the non-U.S. security is traded (in the case of an ADR, the primary exchange on which the security underlying the ADR is traded) or if the Daily Trading Volume Standard set forth in Rule 31.5.I(h)(3) is met. If there is no such agreement or if the Daily Trading Volume Standard is not satisfied or if the Commission does not otherwise authorize the listing, Rule 31.5.I(h) requires that the U.S. Related Trading Volume represent at least 50% of the combined worldwide trading volume in the non-U.S. security and other related non-U.S. securities as a condition of Exchange listing.

.05 In the event the Exchange wants to list an equity linked note which will pay interest at a floating rate, the Exchange will notify the Commission staff before listing such equity linked note.

.06 For purposes of Rule 31.5.I, "non-U.S. company" means any company formed or incorporated outside the United States.

.07 Each TPH organization transacting business on behalf of customers in equity linked notes must comply with the requirements of Rule 30.50(c) concerning a TPH organization's duty to know its customers and approve its customers' accounts.

.08 Prior to commencement of trading of equity linked notes admitted to listing under Rule 31.5.I, the Exchange will evaluate the nature and complexity of the issue and, if appropriate, distribute a circular to the Trading Permit Holders providing guidance regarding TPH organization compliance responsibilities when handling transactions in equity linked notes.

J. *Paired Securities*

The Exchange may consider the listing of paired securities (that is, securities which may be transferred and traded only in combination with one another as a single economic unit, the stock certificates of which are printed back-to-back on a single certificate) based on the ability of the combined entity to satisfy the size and earnings criteria set forth in Rule 31.5.A(1) and (2).

In the event the pairing agreement is terminated, the entity which initially met the original listing guidelines need only satisfy the Exchange's continued listing guidelines in order to remain listed on the Exchange. The other entity, however, which at the time of listing did not by itself qualify under Rule 31.5.A(1) and (2), must, at the time of termination, meet both the financial criteria set forth in Rule 31.5.A(1) and (2) and the distribution criteria set forth in Rule 31.5.A(3) in order to remain listed on the Exchange.

K. *Limited Partnerships*

No security issued in a limited partnership rollup transaction (as defined by Section 14(h) of the Exchange Act), shall be eligible for listing unless (i) the rollup transaction was conducted in accordance with procedures designed to protect the rights of limited partners as provided in Section 6(b)(9) of the Exchange Act, as it may from time to time be amended and (ii) a broker-dealer which is a member of a national securities association subject to Section 15A(b)(12) of the Exchange Act participates in the rollup transaction. The issuer shall further provide the Exchange with an opinion of counsel stating that such broker-dealer's participation in the rollup transaction was conducted in compliance with the rules of a national securities association designed to protect the rights of limited partners, as specified in the Limited Partnership Rollup Reform Act of 1993.

In addition to any other applicable requirements, each limited partnership listed on the Exchange shall have a corporate general partner or co-general partner who must satisfy the independent director and audit committee requirements of Rule 31.10

. . . *Interpretations and Policies:*

.01 The only currently existing national securities association subject to Section 15A(b)(12) of the Exchange Act is the National Association of Securities Dealers, Inc. Its rules designed to protect the rights of limited partners, pursuant to the Limited Partnership Rollup Reform Act of 1993, are on the date of adoption of this Interpretation specified in Article III, Section 34 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc.

L. *IPRs.*

Notwithstanding any other provision in these Rules to the contrary, a series of IPRs representing interests in a particular Trust (as those terms are defined in Interpretations and Policies .02 following Rule 1.1) may be listed on the Exchange subject to the criteria set forth below.

(a) *Public Distribution*-For each Trust, the Exchange will establish a minimum number of IPRs required to be outstanding at the time of commencement of trading on the Exchange.

(b) *Stated Term of the Trust*-The stated term of the Trust shall be stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(c) *Voting* -Voting rights shall be as set forth in the Trust prospectus. The Trustee of a Trust may have the right to vote all of the voting securities of such Trust.

(d) *Trustee*-The trustee must be a trust company or a banking institution with substantial capital and surplus and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed as co-trustee.

(e) *Definitions.* For purposes of this Rule 31.5L, the following terms are defined below:

(1) The term "US Component Stock" shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Exchange Act or an American Depository Receipt, the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Exchange Act.

(2) The term "Non-US Component Stock" shall mean an equity security that is not registered under Sections 12(b) or 12(g) of the Exchange Act and that is issued by an entity that (a) is not organized, domiciled or incorporated in the United States, and (b) is an operating company (including real estate investment trusts (REITs) and income trusts, but excluding investment trusts, unit trusts, mutual funds, and derivatives).

(f) The Exchange will obtain a representation from the issuer of each series of IPRs that the net asset value per share for the series will be calculated daily and will be made available to all market participants at the same time.

. . . *Interpretations and Policies:*

.01 The Exchange may approve a series of IPRs for listing and trading (including pursuant to unlisted trading privileges) pursuant to Rule 19b-4(e) under the Exchange Act provided that the criteria in subparagraph (a)(1), (a)(2), or (a)(3) are satisfied, and the criteria in paragraphs (b) through (i) are satisfied:

(a) Eligibility Criteria for Index Components.

(1) Index or portfolio comprised solely of US Component Stocks. Upon the initial listing of a series of IPRs on the Exchange, each component of an index or portfolio of US Component Stocks underlying a series of IPRs shall meet the following criteria:

(A) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least $75 million;

(B) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares;

(C) The most heavily weighted component stock shall not exceed 30% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 65% of the weight of the index or portfolio;

(D) The index or portfolio shall include a minimum of 13 component stocks; and

(E) All securities in the index or portfolio shall be US Component Stocks listed on a national securities exchange and shall be NMS stocks as defined in Rule 600 of Regulation NMS under the Exchange Act.

(2) Index or portfolio comprised solely of Non-US Component Stocks or both US and Non-US Component Stocks. Upon the initial listing of a series of IPRs pursuant to Rule 19b-4(e) under the Exchange Act, the components of an index or portfolio underlying such series of IPRs shall meet the following criteria:

(A) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least $100 million;

(B) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares;

(C) The most heavily weighted component stock shall not exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 60% of the weight of the index or portfolio;

(D) The index or portfolio shall include a minimum of 20 component stocks; and

(E) Each US Component Stock shall be listed on a national securities exchange and shall be an NMS stock as defined in Rule 600 of Regulation NMS under the Exchange Act, and each Non-US Component Stock shall be listed and traded on an exchange that has last sale reporting.

(3) Index or portfolio approved in connection with options or other derivative securities. Upon the initial listing of a series of IPRs pursuant to Rule 19b-4(e)under the Exchange Act, the index or portfolio underlying a series of IPRs shall have been reviewed and approved for trading of options, Index Portfolio Receipts, Index Portfolio Shares, Index-Linked Exchangeable Notes, or index-linked securities by the Commission under Section 19(b)(2) of the Exchange Act and rules thereunder and the conditions set forth in the Commission’s approval order, including comprehensive surveillance sharing agreements with respect to Non-US Component Stocks and the requirements regarding dissemination of information, continue to be satisfied. Each component stock of the index or portfolio shall be either (i) a US Component Stock that is listed on a national securities exchange and is an NMS stock as defined in Rule 600 of Regulation NMS under the Exchange Act or (ii) a Non-US Component Stock that is listed and traded on an exchange that has last sale reporting.

(b) Index Methodology and Calculation.

(i) If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer or fund advisor;

(ii) The current index value for IPRs listed pursuant to (a) Interpretation .01(a)(1) above will be widely disseminated by one or more major market data vendors at least every 15 seconds during the time, within Normal Market Hours as defined in Rule 52.3(c)(2), in which the IPRs trade on the Exchange; (b) Interpretation .01(a)(2) above will be widely disseminated by one or more major market data vendors at least every 60 seconds during the time, within Normal Market Hours, in which the IPRs trade on the Exchange; or (c) Interpretation .01(a)(3) above will be widely disseminated by one or more major market data vendors at least every 15 seconds with respect to indexes containing only US Component Stocks and at least every 60 seconds with respect to indexes containing Non-US Component Stocks during the time, within Normal Market Hours, in which the IPRs trade on the Exchange. If the index value does not change during some or all of the period when trading is occurring on the Exchange (for example, for indexes of Non-US Component Stocks because of time zone differences or holidays in the countries where such indexes' component stocks trade), then the last official calculated index value must remain available throughout Normal Market Hours; and

(iii) Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index or portfolio composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

(c) Disseminated Information. During Normal Market Hours, the Reporting Authority will disseminate, for each series of IPRs listed or traded on the Exchange, an intraday indicative value, which is an estimate, updated at least every 15 seconds, of the value of a share of each series. This intraday indicative value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. During Normal Market Hours, the intraday indicative value will be updated at least every 15 seconds to reflect changes in the exchange rate between the US dollar and the currency in which any component stock is denominated. If the intraday indicative value does not change during some or all of the period when trading is occurring on the Exchange, then the last official calculated intraday indicative value must remain available throughout Normal Market Hours.

(d) Initial Shares Outstanding. A minimum of 100,000 shares of a series of IPRs is required to be outstanding at start-up of trading.

(e) Increment for Bids and Offers. The minimum increment for bids and offers is set in Rule 51.5.

(f) Hours of Trading. Trading will occur on the Exchange during the times set in Rule 51.2; provided, however, that the Exchange will not designate a series of IPRs for trading from 8:30 a.m. until 3:15 p.m. unless the requirements of Rules Rule 31.5L.01(b)(iii) and 31.5L.01(c) are satisfied.

(g) Surveillance Procedures. The Exchange will implement written surveillance procedures for IPRs.

(h) Disclosures. The disclosure requirements that are applicable to IPRs are set forth in Rule 54.1.

(i) Creation and Redemption. For Index Portfolio Receipts listed pursuant to Interpretation .01(a)(2) or (3) above, the statutory prospectus or the application for exemption from provisions of the Investment Company Act of 1940 for the series of Index Portfolio Receipts must state that the Trust must comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933.

M. *IPSs.* Notwithstanding any other provisions in these Rules to the contrary, a series of IPSs representing interests in a particular open-end management investment company (as those terms are defined in Interpretations and Policies .03 following Rule 1.1) may be listed on the Exchange subject to the criteria set forth below:

(a) *Public Distribution* -For each open-end management investment company, the Exchange will establish a minimum number of IPSs required to be outstanding at the time of commencement of trading on the Exchange.

(b) *Voting* -Voting rights shall be as set forth in the applicable open-end management investment company prospectus.

(c) Definitions. For purposes of this Rule 31.5M, the following terms are defined below:

(1) The term “US Component Stock” shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Exchange Act or an American Depository Receipt the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Exchange Act.

(2) The term “Non-US Component Stock” shall mean an equity security that is not registered under Sections 12(b) or 12(g) of the Exchange Act and that is issued by an entity that (a) is not organized, domiciled or incorporated in the United States, and (b) is an operating company (including real estate investment trusts (REITs) and income trusts, but excluding investment trusts, unit trusts, mutual funds, and derivatives).

(d) The Exchange will obtain a representation from the issuer of each series of IPSs that the net asset value per share for the series will be calculated daily and will be made available to all market participants at the same time.

. . . Interpretations and Policies:

.01 The Exchange may approve a series of IPSs for listing and trading (including pursuant to unlisted trading privileges) pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided that the criteria in subparagraph (a)(1), (a)(2), or (a)(3) are satisfied, and the criteria in paragraphs (b) through (h) are satisfied:

(a) *Eligibility Criteria for Index Components.*

(1) Index or portfolio comprised solely of US Component Stocks. Upon the initial listing of a series of IPSs on the Exchange, each component of an index or portfolio of US Component Stocks underlying a series of IPSs shall meet the following criteria:

(A) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least $75 million;

(B) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares;

(C) The most heavily weighted component stock shall not exceed 30% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 65% of the weight of the index or portfolio;

(D) The index or portfolio shall include a minimum of 13 component stocks; and

(E) All securities in the index or portfolio shall be US Component Stocks listed on a national securities exchange and shall be NMS stocks as defined in Rule 600 of Regulation NMS under the Exchange Act.

(2) Index or portfolio comprised solely of Non-US Component Stocks or both US and Non-US Component Stocks. Upon the initial listing of a series of IPSs pursuant to Rule 19b-4(e) under the Exchange Act, the components of an index or portfolio underlying such series of IPSs shall meet the following criteria:

(A) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum market value of at least $100 million;

(B) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each shall have a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares;

(C) The most heavily weighted component stock shall not exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks shall not exceed 60% of the weight of the index or portfolio;

(D) The index or portfolio shall include a minimum of 20 component stocks; and

(E) Each US Component Stock shall be listed on a national securities exchange and shall be an NMS stock as defined in Rule 600 of Regulation NMS under the Exchange Act, and each Non-US Component Stock shall be listed and traded on an exchange that has last sale reporting.

(3) Index or portfolio approved in connection with options or other derivative securities. Upon the initial listing of a series of IPSs pursuant to Rule 19b-4(e) under the Exchange Act, the index or portfolio underlying a series of IPSs shall have been reviewed and approved for trading of options, Index Portfolio Receipts, Index Portfolio Shares, Index-Linked Exchangeable Notes, or index-linked securities by the Commission under Section 19(b)(2) of the Exchange Act and rules thereunder and the conditions set forth in the Commission's approval order, including comprehensive surveillance sharing agreements with respect to Non-US Component Stocks and the requirements regarding dissemination of information, continue to be satisfied. Each component stock of the index or portfolio shall be either (i) a US Component Stock that is listed on a national securities exchange and is an NMS stock as defined in Rule 600 of Regulation NMS under the Exchange Act or (ii) a Non-US Component Stock that is listed and traded on an exchange that has last sale reporting.

(b) *Index Methodology and Calculation.*

(i) If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer or fund advisor;

(ii) The current index value for IPSs listed pursuant to (a) Interpretation .01(a)(1) above will be widely disseminated by one or more major market data vendors at least every 15 seconds during the time, within Normal Market Hours, in which the IPSs trade on the Exchange; (b) Interpretation .01(a)(2) above will be widely disseminated by one or more major market data vendors at least every 60 seconds during the time, within Normal Market Hours, in which the IPSs trade on the Exchange; or (c) Interpretation .01(a)(3) above will be widely disseminated by one or more major market data vendors at least every 15 seconds with respect to indexes containing only US Component Stocks and at least every 60 seconds with respect to indexes containing Non-US Component Stocks during the time, within Normal Market Hours, in which the IPSs trade on the Exchange. If the index value does not change during some or all of the period when trading is occurring on the Exchange (for example, for indexes of Non-US Component Stocks because of time zone differences or holidays in the countries where such indexes' component stocks trade), then the last official calculated index value must remain available throughout Normal Market Hours; and

(iii) Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index or portfolio composition, methodology and related matters, must implement and maintain, or be subject to,

procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

(c) *Disseminated Information.* During Normal Market Hours, the Reporting Authority will disseminate, for each series of IPSs listed or traded on the Exchange, an intraday indicative value, which is an estimate, updated at least every 15 seconds, of the value of a share of each series. This intraday indicative value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. During Normal Market Hours, the intraday indicative value will be updated at least every 15 seconds to reflect changes in the exchange rate between the US dollar and the currency in which any component stock is denominated. If the intraday indicative value does not change during some or all of the period when trading is occurring on the Exchange, then the last official calculated intraday indicative value must remain available throughout Normal Market Hours.

(d) *Initial Shares Outstanding.* A minimum of 100,000 shares of a series of IPSs is required to be outstanding at start-up of trading.

(e) *Increment for Bids and Offers.* The minimum increment for bids and offers is set in 51.5.

(f) *Hours of Trading.* Trading will occur on the Exchange during the times set in 51.2; provided, however, that the Exchange will not designate a series of IPSs for trading from 8:30 a.m. until 3:15 p.m. unless the requirements of Rules 31.5M.01(b)(iii) and 31.5M.01(c) are satisfied.

(g) *Surveillance Procedures.* The Exchange will implement written surveillance procedures for IPSs.

(h) *Disclosures.* The disclosure requirements that are applicable to IPSs are set forth in 54.2.

(i) *Creation and Redemption.* For Index Portfolio Shares listed pursuant to Interpretation .01(a)(2) or (3) above, the statutory prospectus or the application for exemption from provisions of the Investment Company Act of 1940 for the series of Index Portfolio Shares must state that the series of Index Portfolio Shares must comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933.

N. Trust Issued Receipts. Notwithstanding any other provisions in these Rules to the contrary, a series of Trust Issued Receipts (as defined in Interpretations and Policies .04 following Rule 1.1) may be listed or traded pursuant to unlisted trading privileges on the Exchange subject to the criteria set forth below:

(a) Initial Listing - For each Trust, the Exchange will establish a minimum number of Trust Issued Receipts required to be outstanding at the time of commencement of trading on the Exchange.

(b) Term - The stated term of the Trust shall be as stated in the Trust prospectus; however, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(c) Trustee - The trustee must be a trust company or banking institution having substantial capital and surplus and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed co-trustee.

(d) Voting - Voting rights shall be as set forth in the Trust prospectus.

. . . *Interpretations and Policies:*

.01 The Exchange may approve a series of Trust Issued Receipts for listing and trading (including pursuant to unlisted trading privileges) on the Exchange pursuant to Rule 19b-4(e) under Securities Exchange Act of 1934 ("Exchange Act"), provided each of the component securities satisfies the following criteria:

(i) each component security must be registered under Section 12 of the Exchange Act;

(ii) each component security must have a minimum public float of at least $150 million;

(iii) each component security must be listed on a national securities exchange or traded through the facilities of Nasdaq and a reported national market system security;

(iv) each component security must have an average daily trading volume of at lease 100,000 shares during the preceding sixty-day trading period;

(v) each component security must have an average daily dollar value of shares traded during the preceding sixty-day trading period of at lease $1 million; and

(vi) the most heavily weighted component security may not initially represent more that 20% of the overall value of the Trust Issued Receipt.

.02 The eligibility requirements for component securities that are represented by a series of Trust Issued Receipts and that became part of the Trust Issued Receipt when the security was either: (a) distributed by a company already included as a component security in the series of Trust Issued Receipts; or (b) received in exchange for the securities of a company previously included as a component security that is no longer outstanding due to a merger, consolidation, corporate combination or other event, shall be as follows:

(i) the component security must be listed on a national securities exchange or traded through the facilities of Nasdaq and a reported national market system security;

(ii) the component security must be under Section 12 of the Exchange Act; and

(iii) the component security must have a Standard & Poor's sector Classification that is the same as the Standard & Poor's Sector Classification represented by the component securities included in the Trust Issued Receipt at the time of the distribution or exchange.

O. Index-Linked Exchangeable Notes

Index-Linked Exchangeable Notes, which are debt securities that are exchangeable at the option of the holder (subject to the requirement that the holder in most circumstances exchange a specified minimum of notes), on call by the issuer or at maturity for a cash amount ("Cash Amount") based on the reported market prices of underlying stocks of an underlying index, will be considered for listing and trading on the Exchange pursuant to Rule 19b-4e under the Securities Exchange Act of 1934, provided:

(a) Both the issue and the issuer of such security shall meet the criteria set forth in Rule 31.5(F)(a)- (c), except that the minimum public distribution shall be 150,000 notes with a minimum of 400 public note-holders, except if traded in thousand dollar denominations, then no minimum number of holders.

(b) The notes have an original term to maturity of one year.

(c) Index-linked exchangeable notes will be treated as equity securities for margin and all other purposes.

(d) The issuer shall be expected to have a minimum tangible net worth in excess of $250,000,000 and to otherwise substantially exceed the earnings requirements set forth in Rule 31.5(A)(2). In the alternative, the issuer will be expected:

(i) to have a minimum tangible net worth of $150,000,000 and to otherwise substantially exceed the earnings requirements set forth in 31.5(A)(2); and

(ii) not to have issued index-linked exchangeable notes where the issue price of all the issuer's other index-linked exchangeable note offerings (combined with other index-linked exchangeable note offerings) listed on a national securities exchange or traded through the facilities of Nasdaq exceeds 25% of the issuer's net worth.

In the case of an issuer which is unable to satisfy the earnings criteria set forth in Cboe Options Rule 31.5(A)(2), then the Exchange generally will require the issuer to have the following: (i) assets in excess of $200 million and stockholders' equity of at least $10 million; or (ii) assets in excess of $100 million and stockholders' equity of at least $20 million.

(e) Any index to which an exchangeable note is linked shall either be: (i) an index that has been created by a third party and has been approved for the trading of options or other derivative securities (each, a "Third Party Index") either by the Commission under section 19(b)(2) of the Securities Exchange Act of 1934, as amended ("Act") and the rules thereunder or by the Exchange under rules adopted pursuant to Rule 19b-4(e); and, additionally, the securities underlying the Third Party index must be issued by a company that has a continuous reporting obligation under the Act and the security must

be listed on a national securities exchange or the Nasdaq National Market and be subject to last sale reporting pursuant to Rule 11Aa3-1 under the Act, and the Third Party Index shall comply with Rule 24.2(b)(12); or (ii) an index in which the issuer has created and for which an Exchange will have obtained approval from either the Commission pursuant to Rule 19(b)(2) and rules thereunder, or from the Exchange under rules adopted pursuant to Rule 19b-4(e). The Issuer Indices and their underlying securities must meet one of the following:

(i) the procedures and criteria set forth in Cboe Options Rule 24.2(b)- (c); or

(ii) the criteria set forth in Cboe Options Rules 31.5(I)(d)- (i), Interpretation and Policies .04 and .06 to Rule 31.5(I), Rule 24.2(b)(12), and the index concentration limits so established in Cboe Options Rule 24.2(b)(6) and Rule 24.2(c)(1) as it relates to Rule 24.2(b)(12).

(f) Beginning twelve (12) months after the initial issuance of a series of index-linked exchangeable notes, the Exchange will consider the suspension of trading in or removal from listing of that series of index-linked exchangeable notes under any of the following circumstances:

(i) if the series has fewer than 50,000 notes issued and outstanding;

(ii) if the market value of all index-linked exchangeable notes of that series issued and outstanding is less than $100,000,000; or

(iii) if such other event shall occur or such other condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable.

. . . *Interpretations and Policies:*

.01 The Exchange will not consider for listing any index-linked exchangeable note linked to an unsponsored ADR without the prior consent of the Commission staff.

.02 In the event the Exchange wants to list an index-linked exchangeable note which will pay interest at a floating rate, the Exchange will notify the Commission staff before listing such index-linked exchangeable note.

.03 Each TPH organization transacting business on behalf of customers in index-linked exchangeable notes must comply with the requirements of Rule 30.50(c) concerning a TPH organization's duty to know its customers and approve its customers' accounts.

P. Unlisted Trading Privileges

(1) Applicability. The Exchange may determine to extend unlisted trading privileges ("UTP") to an NMS Stock that is listed on another national securities exchange. Any such security will be subject to all Exchange trading rules applicable to NMS Stocks, unless otherwise noted.

(a) The term "New Derivative Securities Product" ("NDSP") shall have the same meaning as "new derivative securities product" in Rule 19b-4(e) under the Exchange Act. The Exchange shall file with the Commission a Form 19b-4(e) with respect to any NDSP.

(2) Any NDSP traded on the Exchange pursuant to UTP shall be subject to the additional following rules:

(a) Information Circular. The Exchange shall distribute an information circular prior to the commencement of trading in such NDSP that generally includes the same information as the information circular provided by the listing exchange, including: (1) the special risks of trading the NDSP; (2) the Exchange's rules that will apply to the NSDP, including the suitability rule; (3) information about the dissemination of value of the underlying assets or indexes; and (4) information about trading halts and the risks of trading during CBSX Extended Trading Hours due to the lack of calculation or dissemination of the underlying index or portfolio value, the Intraday Indicative Value, the Indicative Optimized Portfolio Value or other comparable estimate of the value of a share of the NSDP.

(b) Prospectus Delivery/Product Description. Trading Permit Holders and TPH organizations are subject to the prospectus delivery requirements under the Securities Act of 1933, unless the NDSP is the subject of an order by the Securities and Exchange Commission exempting the product from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and the product is not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. The Exchange shall inform its Trading Permit Holders and TPH organizations regarding the application of the provisions of this subparagraph to such NDSPs by means of an information circular.

The Exchange requires that Trading Permit Holders provide to all purchasers of such NDSPs a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, the Trading Permit Holders and TPH organizations shall include a written description with any sales material relating to such NDSPs that is provided to customers or the public. Any other written materials provided by a Trading Permit Holder or TPH organization to customers or the public making specific reference to such NDSPs as an investment vehicle must include a statement substantially in the following form: "A circular describing the terms and characteristics of [such NDSPs] has been prepared by the [open-ended management investment company name] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [such NDSPs]."

A Trading Permit Holder or TPH organization carrying an omnibus account for a non-Trading Permit Holder is required to inform such non-Trading Permit Holder that execution of an order to purchase such NDSPs for such omnibus account will be

deemed to constitute an agreement by the non-Trading Permit Holder to make such written description available to its customers on the same terms as are directly applicable to the Trading Permit Holder under this rule.

Upon request of a customer, a Trading Permit Holder or TPH organization shall also provide a prospectus for such NDSPs.

(c) Market Maker Restrictions. The following restrictions shall apply to each Trading Permit Holder registered as a Market Maker ("Restricted Market Maker") in an NDSP that derives its value from one or more currencies, commodities, or derivatives based on one or more currencies or commodities, or is based on a basket or index comprised of currencies or commodities (collectively, "Reference Assets"):

(i) A Restricted Market Maker in an NDSP is prohibited from acting or registering as a market maker in any Reference Asset of that NDSP or any derivative instrument based on a Reference Asset of that NDSP (collectively, with Reference Assets, "Related Instruments").

(ii) A Restricted Market Maker shall, in a manner prescribed by the Exchange, file with the Exchange and keep current a list identifying any accounts ("Related Instrument Trading Accounts") for which Related Instruments are traded:

(a) in which the Restricted Market Maker holds an interest;

(b) over which it has investment discretion; or

(c) in which it shares in the profits and/or losses.

A Restricted Market Maker may not have an interest in, exercise investment discretion over, or share in the profits and/or losses of a Related Instrument Trading Account which has not been reported to the Exchange as required by this Rule.

(iii) In addition to the existing obligations under Cboe Options rules regarding the production of books and records, a Restricted Market Maker shall, upon request by the Exchange, make available to the Exchange any books, records, or other information pertaining to any Related Instrument Trading Account or to the account of any registered or non-registered employee affiliated with the Restricted Market Maker for which Related Instruments are traded.

(iv) A Restricted Market Maker shall not use any material nonpublic information in connection with trading a Related Instrument.

(d) Comprehensive Surveillance Sharing Agreements. The Exchange shall enter into a comprehensive surveillance sharing agreement ("CSSA") with markets trading components of the index or portfolio on which the NDSP is based to the same extent as the listing exchange's rules require the listing exchange to enter into a CSSA with such markets.

Rule 31.6. Alternate Listing Criteria for Research and Development Type Issuers

(1) *History of Operations*—Three years of operations.

(2) *Net Worth*—Total assets (including the value of patents, copyrights and trademarks, but excluding the value of goodwill) less total liabilities of $12 million.

(3) *Public Distribution*—The company meets the following criteria:

Shares Publicly Held	*Public Shareholders*
1,000,000 shares and	400 holders

(4) *Stock Price/Aggregate Market Value of Publicly Held Shares*—$3 per share and $15,000,000.

(5) *Voting Rights*—See Rule 31.11.

(6) *Income*—It is recognized that certain financially sound companies are unable to meet fully the Exchange's regular listing criteria because, for example, of the nature of their business, or because of continuing large expenditures of funds for research and development. Such companies may qualify for listing provided they meet the other criteria set forth in this Rule, have sufficient financial resources to continue operating over an extended period of time, and are otherwise regarded as suitable for Exchange listing.

Rule 31.7. Securities of Foreign Issuers

(1) *Net Worth, Earnings and Public Distribution*—same as equity issues (Rule 31.5) or, if the public distribution requirements of Rule 31.5A(3) are not met by the U.S. distribution, then the following shall be met:

Share Distribution

Round-Lot Holders	2,000 worldwide
Publicly Held Shares	1,000,000 worldwide
Aggregate Market Value of Publicly Held Shares	$20,000,000 worldwide

Net Worth and Earnings

Shareholders'	$25,000,000

Equity	
Pre-Tax Income	$30,000,000 cumulative total for latest 3 fiscal years with a minimum of $7,500,000 in each year

(2) The Exchange will consider the law, and generally accepted commercial and business practice of the foreign issuer's domicile in evaluating (A) the election and composition of its Board of Directors, to the extent such law, and generally accepted commercial and business practice with respect to the election and composition of its Board of Directors is consistent with the federal securities laws, including, but not limited to, Exchange Act Rule 10A-3, (B) shareholder approval and quorum requirements for meetings, and (C) the issuance of quarterly earnings statements. A foreign issuer that receives an exemption under this Rule 31.7(2) shall disclose in its annual reports filed with the Securities and Exchange Commission each requirement from which it is exempted and describe the practice of the foreign issuer's domicile, if any, followed by the issuer in lieu of such requirements. In addition, a foreign issuer making its initial public offering or first United States listing on the Exchange shall disclose any such exemptions in its registration statement.

(3) *Form of Security*

(A) *ADRs*—Issued under an appropriate deposit agreement with an acceptable American bank or trust company, representing the deposit of an equivalent amount of underlying foreign shares.

(B) *Foreign Share Certificates*—If (i) the certificate is printed in English and is in registered form; (ii) the certificates are interchangeable and can be delivered and transferred in Chicago as well as the country of origin; and (iii) arrangements for distributing dividends and other rights and benefits to American holders are equivalent to those provided by the use of ADRs.

(4) *Voting/Ownership Restrictions*—Approval will not be given if securities are subject to restrictions on ownership and voting by non-residents.

(5) Financial Statements and other shareholder material must be furnished to U.S. holders in English and such financial statements shall be published at least semi-annually.

. . . Interpretations and Policies:

.01 A foreign private issuer listed on the Exchange may obtain exemptions from the corporate governance requirements described in Rule 31.7(2) that are consistent with the federal securities laws, including, but not limited to, Exchange Act Rule 10A-3, if such requirements would require the issuer to do anything contrary to the law, and generally accepted commercial and business practice of the foreign issuer's domicile. Issuers may request exemptions under this rule by submitting a letter from their home country counsel briefly describing the law, and generally accepted commercial and business practice of the home country. In the interest of transparency, the rule requires a foreign issuer to disclose the receipt of a corporate governance exemption in the issuer's annual filings with the

Securities and Exchange Commission (typically Form 20-F or 40-F) and at the time of the issuer's original listing in the United States, if that listing is on the Exchange, in its registration statement (typically Form F-1, 20-F, or 40-F). The disclosure should include a brief statement of what alternative measures, if any, the issuer has taken in lieu of the corporate governance requirement(s) from which it was exempted. For example, the issuer might state that it complies with the relevant standards of its domicile.

Rule 31.9. Conflicts of Interest

Applicants will be asked to eliminate material conflicts of interest between officers, directors or principal shareholders and the applicant issuer prior to approval of the listing. Each issuer shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the company's audit committee or another independent body of the board of directors. For purposes of this rule, the term "related party transaction" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

Rule 31.10. Corporate Governance

(a) Composition of Board of Directors

(1) A majority of the board of directors of an issuer must be comprised of independent directors. The company must disclose in its annual proxy (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) those directors that the board of directors has determined to be independent under Rule 31.10(h)(2). If an issuer fails to comply with this requirement due to one vacancy, or one director ceases to be independent due to circumstances beyond his or her reasonable control, the issuer shall regain compliance with the requirement by the earlier of its next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision shall provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(2) Independent directors must have regularly scheduled meetings at which only independent directors are present ("executive sessions").

(b) Audit Committee

(1) Audit Committee Composition

(A) Each issuer must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must (i) be independent as defined in Rule 31.10(h)(2); (ii) meet the criteria for independence set forth in Exchange Act Rule 10A-3(b)(1) (subject to the exemptions provided in Rule 10A-3(c)); and (iii) be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional

certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

(B) Notwithstanding Rule 31.10(b)(1)(A)(i), one director who: (i) is not independent as defined in Rule 31.10(h)(2); (ii) meets the criteria set forth in Section 10A(m)(3) of the Exchange Act and the rules thereunder; and (iii) is not a current officer or employee or a family member of such officer or employee, may be appointed to the audit committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual proxy statement subsequent to such determination (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for that determination. A member appointed under this exception may not serve longer than two years and may not chair the audit committee.

(2) Audit Committee Responsibilities and Authority

The audit committee must have the specific audit committee responsibilities and authority necessary to comply with Exchange Act Rules 10A-3(b)(2) - (5) (subject to the exemptions provided in Rule 10A-3(c)) concerning responsibilities relating to: (i) registered public accounting firms; (ii) complaints relating to accounting, internal accounting controls or auditing matters; (iii) authority to engage advisors; and (iv) funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

(3) Audit Committee Charter

Each issuer must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify:

(A) the scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;

(B) the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard 1, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the

full board take, appropriate action to oversee the independence of the outside auditor;

(C) the committee's purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer; and

(D) the specific audit committee responsibilities and authority set forth in Rule 31.10(b)(2).

(4) Cure Periods

(A) If a member of the audit committee ceases to be independent in accordance with the requirements of Exchange Act Rule 10A-3 and Rule 31.10(b)(1) for reasons outside the member's reasonable control, that person, with written notice to the Exchange, may remain an audit committee member of the listed issuer until the earlier of the next annual shareholders meeting of the listed issuer or one year from the occurrence of the event that caused the member to be no longer independent. An issuer relying on this provision must provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(B) If an issuer fails to comply with the audit committee composition requirement under Rule 31.10(b)(1)(A) due to one vacancy on the audit committee, and the cure period in Rule 31.10(b)(4)(A) is not otherwise being relied upon for another member, the issuer will have until the earlier of the next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on the provision must provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(c) Compensation of Officers

(1) Compensation of all executive officers of the company must be determined, or recommended to the board for determination, by a compensation committee. For purposes of this Rule 31.10, the term "compensation committee" shall mean:

(A) a committee of the board of directors that is designated as the compensation committee; or

(B) in the absence of a committee of the board of directors that is designated as the compensation committee, a committee of the board of directors performing functions typically performed by a compensation committee, including oversight of executive compensation, even if it is not designated as the compensation committee or also performs other functions; or

(C) in the absence of a committee as described in paragraphs (c)(1)(A) or (B) of this Rule 31.10, the members of the board of directors who oversee executive compensation matters on behalf of the board of directors.

(2) All members of a compensation committee must be "independent directors" as defined in this Rule 31.10(h)(2). If a member of a compensation committee ceases to be an "independent director" for reasons outside of that member's reasonable control, that person may remain a compensation committee member until the earlier of the next annual shareholders meeting of the issuer or one year from the occurrence of the event that caused the member to no longer be an "independent director". An issuer relying on this provision must provide notice to the Exchange immediately upon learning of the event or circumstance that caused the member to cease to be an "independent director".

(3) The executive officer for whom compensation is being determined may not be present during voting or deliberations regarding compensation of that executive officer.

(d) Nomination of Directors

(1) Director nominees must either be selected, or recommended for the Board's selection, either by:

(A) a majority of the independent directors; or

(B) a nominations committee comprised solely of independent directors.

(2) Each issuer must certify that it has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

(3) Notwithstanding subparagraph (d)(1)(B) above, if the nominations committee is comprised of at least three members, one director, who is not independent as defined in Rule 31.10(h)(2) and is not a current officer or employee or a family member of an officer or employee, may be appointed to the nominations committee if the board, under exceptional and limited circumstances, determines that such individual's membership on the committee is required by the best interests of the company and its shareholders, and the board discloses, in the proxy statement for the next annual meeting subsequent to such determination (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for the determination. A member appointed under this exception may not serve longer than two years.

(4) Independent director oversight of director nominations shall not apply in cases where the right to nominate a director legally belongs to a third party. However, this does not relieve a company's obligation to comply with the committee composition requirements set forth in Rules 31.10(a) - (d).

(5) This Rule 31.10(d) is not applicable to a company if the company is subject to a binding obligation that requires a director nomination structure inconsistent with this rule and such obligation pre-dates the approval date of this rule.

(e) Each issuer shall adopt a code of conduct applicable to all directors, officers and employees, which shall be publicly available. A code of conduct satisfying this rule must comply with the definition of a "code of ethics" set out in Section 406(c) of the Sarbanes-

Oxley Act of 2002 (the "Sarbanes-Oxley Act") and any regulations promulgated thereunder by the Securities and Exchange Commission. See 17 C.F.R. 228.406 and 17 C.F.R. 229.406. In addition, the code must provide for an enforcement mechanism. Domestic issuers shall disclose code of conduct waivers in a Form 8-K within five business days. Foreign private issuers shall disclose such waivers either in a Form 6-K or in the next Form 20-F.

(f) Exemptions

(1) *Controlled Companies.* A controlled company is exempt from the requirements of Rules 31.10(a), (c) and (d), except that a controlled company must comply with (i) the provision in subsection (a)(1) that requires a company to disclose in its annual proxy (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) those directors that the board of directors has determined to be independent under Rule 31.10(h)(2) and (ii) the requirements of subsection (a)(2), which pertains to executive sessions of independent directors. For purposes of this Rule 31.10, a controlled company is a company of which more than 50% of the voting power is held by an individual, a group or another company. A controlled company relying upon this exemption must disclose in its annual meeting proxy statement (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) that it is a controlled company and the basis for that determination.

(2) *Registered Management Investment Companies.* Management investment companies registered under the Investment Company Act of 1940 are exempt from the requirements of Rules 31.10(a), (c), (d) and (e). Such companies are otherwise required to comply with the remainder of Rule 31.10, except that open-end management investment companies are required to comply with Rule 31.10(b) only to the extent required by Exchange Act Rule 10A-3. In addition, open-end management investment companies must comply with the provision of Rule 31.10(b)(2) requiring audit committees of investment companies to establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company. This responsibility must be addressed in the audit committee charter. The exemption of management investment companies from the requirements of Rule 31.10(c) shall be controlling over any other potentially-conflicting exemptions that may arise under this Rule 31.10(f)(6).

(3) *Asset-backed Issuers and Other Passive Issuers.* The following are exempt from the requirements of Rules 31.10(a) - (e): (i) asset-backed issuers and (ii) issuers that are organized as trusts or other unincorporated associations that do not have a board of directors or persons acting in a similar capacity and whose activities are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

(4) *Cooperatives.* Cooperative entities, such as agricultural cooperatives, that are structured to comply with relevant state law and federal tax law and that do not have a publicly traded class of common stock are exempt from Rules 31.10(a), (c), (d) and (e).

However, such entities must comply with all federal securities laws, including without limitation Exchange Act Section 10A(m) and Rule 10A-3 thereunder.

(5) *Business Development Companies*. Business development companies, which are a type of closed-end management investment company defined in Section 2(a)(48) of the Investment Company Act of 1940 that are not registered under that Act, are subject to all corporate governance requirements.

(6) Additional Exemptions. In addition to the exemptions listed in this paragraph (f), the categories of issuers listed in §240.10C-1(b)(1)(iii)(A)(1)-(4) of the Securities Exchange Act of 1934 are also exempt from the requirements Rule 31.10(c)(2).

(g) Notifications. An issuer must provide the Exchange with prompt notification after an executive officer of the issuer becomes aware of any material noncompliance by the issuer with the requirements of Rule 31.10.

(h) Definitions

For purposes of Chapter XXXI, the following terms shall have the respective meanings:

(1) “Family member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.

(2) “Independent director” means a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the company or by any parent or subsidiary of the company;

(B) a director who accepted or who has a family member who accepted any payments from the company or any parent or subsidiary of the company in excess of $60,000 during the current or any of the past three fiscal years, other than the following:

(i) compensation for board or board committee service;

(ii) payments arising solely from investments in the company’s securities;

(iii) compensation paid to a family member who is a non-executive employee of the company or a parent or subsidiary of the company;

(iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or

(v) loans permitted under Exchange Act Section 13(k).

Provided, however, that audit committee members are subject to additional, more stringent requirements under Exchange Act Rule 10A-3, which requirements are incorporated by reference in the Exchange rules pursuant to Rule 31.10(b).

(C) a director who is a family member of an individual who is, or at any time during the past three years was, employed by the company or by any parent or subsidiary of the company as an executive officer;

(D) a director who is, or has a family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or $200,000, whichever is more, other than the following:

(i) payments arising solely from investments in the company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs;

(E) a director of the listed company who is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the listed company serve on the compensation committee of such other entity;

(F) a director who is, or has a family member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years; or

(G) in the case of an investment company, in lieu of Rules 31.10(h)(2)(A) - (F), a director who is an "interested person" of the company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

(i) Effective Dates/Transition

(1) In order to allow companies to make necessary adjustments in the course of their regular annual meeting schedule, and consistent with Exchange Act Rule 10A-3, Rules 31.10(a) - (d), (f) and (h) are effective as set forth below. During the transition period between July 9, 2004 and the applicable effective date, listed companies must comply with Rule 31.10 as in effect immediately prior to July 9, 2004 (see Rule 31.10.10).

• July 31, 2005 for foreign private issuers and small business issuers (as defined in Exchange Act Rule 12b-2); and

• For all other listed issuers, by the earlier of (1) the listed issuer's first annual shareholders meeting after July 31, 2004; or (2) October 31, 2004.

(2) In the case of an issuer with a staggered board, with the exception of the audit committee requirements, the issuer will have until its second annual meeting after January 15, 2004, but not later than December 31, 2005, to implement all of the new requirements, if the issuer would be required to change a director who would not normally stand for election at an earlier annual meeting. Such issuers must comply with the audit committee requirements pursuant to the implementation schedule bulleted above.

(3) Issuers that will be listed in conjunction with their initial public offering will be afforded exemptions from all board composition requirements set forth in Rule 31.10 consistent with the exemptions afforded in Exchange Act Rule 10A-3(b)(1)(iv)(A). That is, for each committee that the company adopts, the company will be required to have one independent member at the time of listing, a majority of independent members within 90 days of listing, and all independent members within one year. It should be noted, however, that investment companies are not afforded these exemptions in Exchange Rule 10A-3(b)(1)(iv)(A). Companies emerging from bankruptcy or which have ceased to be controlled companies will be required to meet the majority independent board requirement within one year. As provided under the proposal, issuers may choose not to adopt a compensation or nomination committee and could instead rely upon a majority of the independent directors to discharge responsibilities under Exchange rules. These issuers will be required to meet the majority independent board requirement within one year of listing.

(4) Companies transferring from other markets with substantially similar board composition requirements will be afforded the balance of any grace period afforded by the other market. Companies transferring from other listed markets that do not have a substantially similar board composition requirements will be afforded one year from the date of listing on the Exchange to comply with the Exchange's board composition requirements. This transition period is not intended to supplant any applicable requirements of Exchange Act Rule 10A-3.

(5) Proposed Rule 31.10(d), which pertains to nominating committees, will not apply if the company is subject to a binding obligation that requires a director nomination structure inconsistent with Rule 31.10(d) and such obligation pre-dates the approval date of Rule 31.10(d).

(6) Compliance with proposed Rule 31.10(e), which requires issuers to adopt a code of conduct, will be required on July 31, 2004.

. . . *Interpretations and Policies:*

.01 Definition of Independence. It is important for investors to have confidence that individuals serving as independent directors do not have a relationship with the listed company that would impair their independence. The board has a responsibility to make an affirmative determination that no such relationships exist through the application of Rule 31.10(h)(2). Rule 31.10(h)(2) also sets forth certain relationships that preclude a board finding of independence. These objective measures provide transparency to investors and

companies, facilitate uniform application of the rules, and ease administration. Because the Exchange does not believe that ownership of company stock by itself would preclude a board finding of independence, it is not included in the aforementioned objective factors. It should be noted that there are additional, more stringent requirements that apply to directors serving on audit committees pursuant to Rule 31.10(b).

The rule's reference to a "parent or subsidiary" is intended to cover entities the issuer controls and consolidates with the issuer's financial statements as filed with the Securities and Exchange Commission (but not if the issuer reflects such entity solely as an investment in its financial statements). The reference to executive officer means those officers covered in Exchange Act Rule 16a-1(f). In the context of the definition of family member under Rule 31.10(h)(1), the reference to marriage is intended to capture relationships specified in the rule (parents, children and siblings) that arise as a result of marriage, such as "in-law" relationships.

The three year look-back periods referenced in Rules 31.10(h)(2)(A), (C), (E) and (F) commence on the date the relationship ceases. For example, a director employed by the company is not independent until three years after such employment terminates.

Rule 31.10(h)(2)(B) is generally intended to capture situations where a payment is made directly to (or for the benefit of) the director or a family member of the director. For example, consulting or personal service contracts with a director or family member of the director or political contributions to the campaign of a director or a family member of the director would be captured under Rule 31.10(h)(2)(B).

Rule 31.10(h)(2)(D) is generally intended to capture payments to an entity with which the director or family member of the director is affiliated by serving as a partner, controlling shareholder or executive officer of such entity. Under exceptional circumstances, such as where a director has direct, significant business holdings, it may be appropriate to apply the corporate measurements in Rule 31.10(h)(2)(D), rather than the individual measurements in Rule 31.10(h)(2)(B). Issuers should contact the Exchange if they wish to apply the rule in this manner. The reference to a partner in Rule 31.10(h)(2)(D) is not intended to include limited partners. It should be noted that the independence requirements of Rule 31.10(h)(2)(D) are broader than Exchange Act Rule 10A-3(e)(8). Under Rule 31.10(h)(2)(D), a director who is, or who has a family member who is, an executive officer of a charitable organization may not be considered independent if the company makes payments to the charity in excess of the greater of 5% of the charity's revenues or $200,000. However, the Exchange encourages companies to consider other situations where a director or his or her family member and the company each have a relationship with the same charity when assessing director independence.

For purposes of determining whether a lawyer is eligible to serve on an audit committee, Exchange Act Rule 10A-3 generally provides that any partner in a law firm that receives payments from the issuer is ineligible to serve on that issuer's audit committee. In determining whether a director may be considered independent for purposes other than the audit committee, payments to a law firm would generally be considered under Rule 31.10(h)(2)(D), which looks to whether the payment exceeds the greater of 5% of the

recipients gross revenues or $200,000; however, if the firm is a sole proprietorship, Rule 31.10(h)(2)(B), which looks to whether the payment exceeds $60,000, applies.

Rule 31.10(h)(2)(G) provides a different measure for independence for investment companies in order to harmonize with the Investment Company Act of 1940. In particular, in lieu of Rules 31.10(h)(2)(A)- (F), a director who is an "interested person" of the company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee, would not be considered independent.

.02 Majority Independent Board. Independent directors play an important role in assuring investor confidence. Through the exercise of independent judgment, they act on behalf of investors to maximize shareholder value in the companies they oversee and guard against conflicts of interest. Requiring that the board be comprised of a majority of independent directors empowers such directors to carry out more effectively these responsibilities.

.03 Audit Committees.

Audit Committee Composition. Audit committees are required to have a minimum of three members and be comprised only of independent directors. In addition to satisfying the independent director requirements under Rule 31.10(h)(2), audit committee members must meet the criteria for independence set forth in Exchange Act Rule 10A-3(b)(1) (subject to the exemptions provided in Exchange Act Rule 10A-3(c)): they must not accept any consulting, advisory, or other compensatory fee from the company other than for board service, and they must not be an affiliated person of the company. It is recommended that an issuer disclose in its annual proxy (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) if any director is deemed independent but falls outside the safe harbor provisions of Exchange Act Rule 10A-3(e)(1)(ii). A director who qualifies as an audit committee financial expert under Item 401(h) of Registration S-K, Item 401(e) of Regulation S-B, or Item 3 of Form N-CSR (in the case of a registered management investment company) is presumed to qualify as a financially sophisticated audit committee member under Rule 31.10(b)(1)(A).

Audit Committee Responsibilities and Authority. Audit committees must have the specific audit committee responsibilities and authority necessary to comply with Exchange Act Rules 10A-3(b)(2) - (5) (subject to the exemptions provided in Exchange Act Rule 10A-3(c)), concerning responsibilities relating to registered public accounting firms; complaints relating to accounting; internal accounting controls or auditing matters; authority to engage advisors; and funding. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

Audit Committee Charter. Each issuer is required to adopt a formal written charter that specifies the scope of its responsibilities and the means by which it carries out those responsibilities; the outside auditor's accountability to the audit committee; and the audit committee's responsibility to ensure the independence of the outside auditor. Consistent

with this, the charter must specify all audit committee responsibilities set forth in Exchange Act Rules 10A-3(b)(2) - (5). Exchange Act Rule 10A-3(b)(3)(ii) requires that each audit committee must establish procedures for the confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters. The rights and responsibilities as articulated in the audit committee charter empower the audit committee and enhance its effectiveness in carrying out its responsibilities. Rule 31.10(b)(2) imposes additional requirements for investment company audit committees that must also be set forth in audit committee charters for these issuers.

.04 Executive Sessions of Independent Directors. Regularly scheduled executive sessions encourage and enhance communication among independent directors. It is contemplated that executive sessions will occur at least twice a year, and perhaps more frequently, in conjunction with regularly scheduled board meetings.

.05 Independent Director Oversight of Executive Compensation. Independent director oversight of executive officer compensation helps assure that appropriate incentives are in place, consistent with the board's responsibility to maximize shareholder value. The rule is intended to provide flexibility for an issuer to choose an appropriate board structure and to reduce resource burdens, while ensuring independent director control of compensation decisions.

.06 Independent Director Oversight of Director Nominations. Independent director oversight of nominations enhances investor confidence in the selection of well-qualified director nominees, as well as independent nominees as required by the rules. Rule 31.10(d) is also intended to provide flexibility for a company to choose an appropriate board structure to reduce resource burdens, while ensuring that independent directors approve all nominations.

Rule 31.10(d) does not apply in cases where the right to nominate a director legally belongs to a third party. For example, investors may negotiate the right to nominate directors in connection with an investment in the company, holders of preferred stock may be permitted to nominate or appoint directors upon certain defaults, or the company may be a party to a shareholders' agreement that allocates the right to nominate some directors. Because the right to nominate directors in these cases does not reside with the company, independent director approval would not be required. This rule is not applicable if the company is subject to a binding obligation that requires a director nomination structure inconsistent with Rule 31.10(d) and such obligation pre-dates the approval date of Rule 31.10(d).

.07 Code of Conduct. Ethical behavior is required and expected of every corporate director, officer and employee whether or not a formal code of conduct exists. The requirement of a publicly available code of conduct applicable to all directors, officers and employees of an issuer is intended to demonstrate to investors that the board and management of Exchange issuers have carefully considered the requirement of ethical dealing and have put in place a system to ensure that they become aware of and take prompt action against any questionable behavior. For company personnel, a code of conduct with enforcement provisions provides assurance that reporting of questionable behavior is protected and encouraged, and fosters an atmosphere of self-awareness and prudent conduct.

Rule 31.10(e) requires issuers to adopt a code of conduct complying with the definition of a "code of ethics" under Section 406(c) of the Sarbanes-Oxley Act and any regulations promulgated thereunder by the Securities and Exchange Commission. Thus, the code must include such standards as are reasonably necessary to promote the ethical handling of conflicts of interest, full and fair disclosure, and compliance with laws, rules and regulations, as specified by the Sarbanes-Oxley Act. However, the code of conduct required by Rule 31.10(e) must apply to all directors, officers and employees. Issuers can satisfy this obligation by adopting one or more codes of conduct, such that all directors, officers and employees are subject to a code that satisfies the definition of a "code of ethics."

As the Sarbanes-Oxley Act recognizes, investors are harmed when the real or perceived private interests of a director, officer or employee is in conflict with the interests of the company, as when the individual receives improper personal benefits as a result of his or her position with the company, or when the individual has other duties, responsibilities or obligations that run counter to his or her duty to the company. Also, the disclosures an issuer makes to the Securities and Exchange Commission are the essential source of information about the company for regulators and investors - there can be no question about the duty to make them fairly, accurately and timely. Finally, illegal action must be dealt with swiftly and the violators reported to the appropriate authorities. Each code of conduct must require that any waiver of the code for executive officers or directors may be made only by the board and must be promptly disclosed to shareholders, along with the reasons for the waiver. This disclosure requirement provides investors the comfort that waivers are not granted except where they are truly necessary and warranted, and that they are limited and qualified so as to protect the company to the greatest extent possible. Consistent with applicable law, domestic issuers shall disclose such waivers in a Form 8-K within five business days. Foreign private issuers shall disclose such waivers either in a Form 6-K or in the next Form 20-F.

Each code of conduct must also contain an enforcement mechanism that ensures prompt and consistent enforcement of the code, protection for persons reporting questionable behavior, clear and objective standards for compliance, and a fair process by which to determine violations.

.08 Exemptions. (a) *Controlled Companies.* This exemption recognizes that majority shareholders, including parent companies, have the right to select directors and control certain key decisions, such as executive officer compensation, by virtue of their ownership rights. In order for a group to exist for purposes of this rule, the shareholders must have publicly filed a notice that they are acting as a group (*e.g.*, a Schedule 13D). A controlled company not relying upon this exemption need not provide any special disclosures about its controlled status. It should be emphasized that this controlled company exemption does not extend to the audit committee requirements under Rule 31.10(b) or the requirement for executive sessions of independent directors under Rule 31.10(a)(2).

(b) *Registered Management Investment Companies.* Management investment companies registered under the Investment Company Act of 1940 are already subject to a pervasive system of federal regulation in certain areas of corporate governance covered by Rule 31.10.

In light of this, the Exchange exempts from Rules 31.10(a), (c), (d) and (e) management investment companies registered under the Investment Company Act of 1940.

(c) *Asset-backed Issuers and Other Passive Issuers.* Because of their unique attributes, Rules 31.10(a) - (e) do not apply to asset-backed issuers and issuers that are organized as trusts (including trusts issuing UIT interests (including IPRs) and Trust Issued Receipts, as those terms are defined in Rule 1.1 and the Interpretations and Policies thereunder, provided that such trusts meet the requirements of this Rule 31.10) or other unincorporated associations that do not have a board of directors or persons acting in a similar capacity and whose activities are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

(d) *Cooperatives.* Certain member-owned cooperatives that list their preferred stock are required to have their common stock owned by their members. Because of their unique structure and the fact that they do not have a publicly traded class of common stock, such entities are exempt from Rules 31.10(a), (c), (d) and (e).

.09 References to executive officers in Rule 31.10 mean those officers covered in Exchange Act Rule 16a-1(f).

.10 The following is the text of Rule 31.10 as in effect immediately prior to July 9, 2004.

Rule 31.10 Independent Directors

The Exchange requires an issuer to have at least two independent directors. For purposes of this section, “independent director” shall mean a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The issuer shall maintain an audit committee (i) composed of such independent directors and (ii) that complies with the listing standards set forth in Rule 10A-3 of the Securities Exchange Act of 1934, as amended (“Exchange Act”). If a member of the audit committee ceases to be independent in accordance with the requirements of Exchange Act Rule 10A-3 for reasons outside the member’s reasonable control, that person, with written notice to the Exchange, may remain an audit committee member of the listed issuer until the earlier of the next annual shareholders meeting of the listed issuer or one year from the occurrence of the event that caused the member to be no longer independent.

.11 Compensation Consultants, Independent Legal Counsel and Other Compensation Advisors

(a) *Authority to retain compensation consultants, independent legal counsel and other compensation advisers.*

(1) The compensation committee of an issuer, in its capacity as a committee of the board of directors, may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.

(2) The compensation committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel and other adviser retained by the compensation committee.

(3) Nothing in this Interpretation and Policy .11 to Rule 31.10 shall be construed:

(A) To require the compensation committee to implement or act consistently with the advice or recommendations of the compensation consultant, independent legal counsel or other adviser to the compensation committee; or

(B) To affect the ability or obligation of a compensation committee to exercise its own judgment in fulfillment of the duties of the compensation committee.

(b) *Funding.* Each listed issuer must provide for appropriate funding, as determined by the compensation committee, in its capacity as a committee of the board of directors, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the compensation committee.

(c) *Independence of compensation consultants and other advisers.* The compensation committee of a listed issuer may select a compensation consultant, legal counsel or other adviser to the compensation committee only after taking into consideration the following factors:

(1) The provision of other services to the issuer by the person that employs the compensation consultant, legal counsel or other adviser;

(2) The amount of fees received from the issuer by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

(3) The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;

(4) Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;

(5) Any stock of the issuer owned by the compensation consultant, legal counsel or other adviser; and

(6) Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive office of the issuer.

A compensation committee must consider the above factors with respect to any compensation consultant, legal counsel or other advisor that provides advice to the compensation committee (other than in-house legal counsel).

(d) The requirements of this section shall not apply to:

(1) Any controlled company or to any smaller reporting company.

(2) The listing of a security futures product cleared by a clearing agency that is registered pursuant to section 17A of the Act (15 U.S.C. 78q-1) or that is exempt from the registration requirements of section 17A(b)(7)(A) (15 U.S.C. 78q-1(b)(7)(A)).

(3) The listing of a standardized option, as defined in § 240.9b-1(a)(4), issued by a clearing agency that is registered pursuant to section 17A of the Act (15 U.S.C. 78q-1).

Rule 31.11. Common Voting Rights

(a) An application for the listing of a non-voting common stock issue will not be approved.

(b) No rule, stated policy, practice, or interpretation of the Exchange shall permit the listing, or the continuance of the listing, of any common stock or other equity security of a domestic issuer, if the issuer of such security issues any class of security, or takes other corporate action, with the effect of nullifying, restricting or disparately reducing the per share voting rights of holders of an outstanding class or classes of common stock of such issuer registered pursuant to Section 12 of the Exchange Act.

(c) *Definitions*—The following terms shall have the following meanings for purposes of this Rule:

(1) The term “common stock” shall include any security of an issuer designated as common stock and any security of an issuer, however designated, which by statute or by its terms, is a common stock (e.g., a security which entitles the holders thereof to vote generally on matters submitted to the issuer’s security holders for a vote).

(2) The term “equity security” shall include any equity security defined as such pursuant to Rule 3a11-1 under the Exchange Act.

(3) The term “domestic issuer” shall mean an issuer that is not a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act.

(4) The term “security” shall include any security defined as such pursuant to Section 3(a)(10) of the Exchange Act, but shall exclude any class of security having a preference or priority over the issuer’s common stock as to dividends, interest payments, redemption or payments in liquidation, if the voting rights of such securities only become effective as a result of specified events, not relating to an acquisition of the common stock of the issuer, which reasonably can be expected to jeopardize the issuer’s financial ability to meet its payment obligations to the holders of that class of securities.

. . . Interpretations and Policies:

.01 For the purposes of paragraph (b) of this Rule, the following shall be presumed to have the effect of nullifying, restricting, or disparately reducing the per share voting rights of an outstanding class or classes of common stock:

(1) Corporate action to impose any restriction on the voting power of shares of the common stock of the issuer held by a beneficial or record holder based on the number of shares held by such beneficial or record holder.

(2) Corporate action to impose any restriction on the voting power of shares of the common stock of the issuer held by a beneficial or record holder based on the length of time such shares have been held by such beneficial or record holder.

(3) Any issuance of securities through an exchange offer by the issuer for shares of an outstanding class of the common stock of the issuer, in which the securities issued have voting rights greater than or less than the per share voting rights of any outstanding class of the common stock of the issuer.

(4) Any issuance of securities pursuant to a stock dividend, or any other type of distribution of stock, in which the securities issued have voting rights greater than the per share voting rights of any outstanding class of the common stock of the issuer.

.02 For the purposes of paragraph (b) of this Rule, the following, standing alone, shall be presumed not to have the effect of nullifying, restricting, or disparately reducing the per share voting rights of holders of an outstanding class or classes of common stock:

(1) The issuance of securities pursuant to an initial registered public offering.

(2) The issuance of any class of securities, through a registered public offering, with voting rights not greater than the per share voting rights of any outstanding class of the common stock of the issuer.

(3) The issuance of any class of securities to effect a bona fide merger or acquisition, with voting rights not greater than the per share voting rights of any outstanding class of the common stock of the issuer.

(4) Corporate action taken pursuant to state law requiring a state’s domestic corporation to condition the voting rights of a beneficial or record holder of a specified threshold percentage of the corporation’s voting stock on the approval of the corporation’s independent shareholders.

Rule 31.12. Quorum

A quorum for any meeting of shareholders may not consist of less than 33 1/3percent of the shares issued and outstanding and entitled to vote. If less than a majority of the shares issued and outstanding and entitled to vote is specified, the Exchange is to be consulted when filing for the preliminary listing opinion.

Rule 31.13. Preferred Voting Rights

To be eligible for listing, a preferred stock shall give the holders the right to elect no later than two years after a default in the payment of fixed dividends at least two members of the issuer's Board of Directors and shall not provide for

(1) Any change in the rights, privileges or preferences of such issue without at least a two-thirds favorable vote of the preferred class, voting as a class; or

(2) The creation of any additional class of preferred stock senior to the issue to be listed or equal in preference to the issue to be listed without at least a favorable majority vote of the preferred class voting as a class.

Rule 31.14. Bondholders Remedies Upon Default

The trustee should be required to enforce any remedy given by the indenture on the occurrence of any event of default upon request or demand by the holders of at least one-third of the principal amount of the bonds or debentures. However, the indenture may provide that the action of a majority in principal amount of the bonds or debentures will negate any minority action.

Rule 31.15. Securities Act Registration

Issuers must register the security to be listed under the Securities Act of 1933, or provide an opinion as to why registration is not required, including exemptions claimed.

Rule 31.16. Additional Listings

Following listing, issuers and their registrars are not permitted to issue or countersign any securities in excess of those authorized for listing until approval has been received for an additional listing application covering the additional securities.

Procedures for Listing (Rules 31.17—31.19)

Rule 31.17. Confidential Opinion on Eligibility

A confidential opinion may be obtained by submitting one copy of the following documents, if applicable, to the Exchange:

A. *Domestic Issuers*

(1) Charter and By-Laws;

(2) Proxy statement for most recent annual meeting;

(3) Annual Report for last three fiscal years or audited financial statements for such years;

(4) Form 10K for latest fiscal year and Form 10Q for interim periods;

(5) Prospectuses filed in last three fiscal years; and

(6) Shareholder list or other indicia of public ownership of securities to be listed.

B. Foreign Issuers—See Rule 31.20 D.

Rule 31.18. Ticker Symbol

Prior to admission to trading, a ticker symbol is reserved for the security. Applicants may request a particular symbol, consisting of a maximum of three letters. Although every effort will be made to reserve the symbol requested, there is no assurance that it will be available.

Rule 31.19. Registration Under the Exchange Act

(1) A security approved for listing by the Exchange must be registered under Section 12(b) of the Securities Exchange Act of 1934 before it may be admitted to trading on the Exchange. Exchange Act registration is required even though the issuer may have previously registered all or part of the securities under the Securities Act. However, a security which has already been registered under Section 12(g) of the Exchange Act, or has recently been the subject of a public offering registered under the Securities Act, may normally be registered under Section 12(b) of the Exchange Act for Exchange trading on SEC Form 8-A. In addition, securities of an issuer which has another class or series of securities registered on another national securities exchange may also use SEC Form 8-A. If an applicant does not have a class of securities registered under Exchange Act Section 12(g) or another class of securities registered on a national securities exchange, SEC Form 10 may be required.

Applicants should prepare and file the SEC registration statement and exhibits concurrently with the Exchange listing application and exhibits. However, registration under Section 12(b) of the Exchange Act cannot become effective until after the issue has been approved for listing by the Exchange. Upon such approval, the Exchange is required to certify to the SEC that it has received its copy of the registration statement and has approved the particular securities for listing and registration. Ordinarily, registration becomes effective automatically thirty days after receipt by the SEC of the Exchange's certification, but may become effective within a shorter period, by order of the SEC, on request for acceleration of the effective date made by the issuer to the SEC.

(2) One manually signed copy of the Exchange Act registration statement, including exhibits, must be filed with the listing application.

Listing Applications (Rule 31.20)

Rule 31.20. Preparation of Original Listing Application

No prepared or blank forms are available for the listing application itself. The issuer prepares its own application, in typewritten narrative form, following the instructions outlined below.

Three preliminary drafts of the listing application (each copy signed by an executive officer of the applicant), together with all appropriate attachments, as outlined below, and one copy only of each of the required exhibits, should be initially filed with the Exchange for examination. If any deficiencies are noted, or any changes are considered necessary in the form or contents of the application and exhibits, the applicant will be notified.

(a) *Initial Application*—A copy of the following documents should be attached to each original listing application submitted and the information contained therein may be incorporated by reference:

1. Latest Form 10-K Annual Report, Form 10-Q Quarterly Report(s) and Form 8-K Reports filed pursuant to the Securities Exchange Act of 1934, and latest proxy statement for annual meeting of stockholders; or

2. A prospectus declared effective by the SEC which contains the latest audited financial statements of the applicant, Form 10-Q Quarterly Report(s) and Form 8-K Current Report(s) (or comparable periodic reports filed with the appropriate regulatory agency of the applicant pursuant to the Securities Exchange Act of 1934), for periods subsequent to the effective date of the prospectus, and latest available proxy statement for meeting of stockholders. In the event a Form 10-Q Quarterly Report (or comparable periodic report) for a quarter ended more than 45 days before the date of the listing application is not required to be filed with the SEC (or other appropriate regulatory agency), financial information comparable to that which would have been included in the Form 10-Q Quarterly Report shall be filed with the Exchange as part of the listing application; and

3. Latest annual report distributed to stockholders; and

4. Such information, documents or materials as may be deemed appropriate by the Exchange for inclusion in the applicant's listing application; and

5. Listing Fee—A check drawn to the order of "Chicago Board Options Exchange" should accompany the initial submission. (See Rule 31.1 for computation of amount.)

(b) *Accounting Review*—All financial statements are submitted to the Exchange's consulting accountants for approval as to form, content and agreement with Exchange requirements and generally accepted accounting principles ("GAAP"). Any inquires as to accounting procedures will normally be answered through the medium of the Exchange.

(c) *Final Application*—The listing application shall not be printed or distributed. Following receipt of comments from the staff, five (5) final copies of the application (with attachments listed in (a) above) shall be submitted with each copy manually signed by an authorized officer of the applicant.

A. *Stock Listing Applications*

An application for original listing of a stock issue shall recite the following:

1. Title Page, showing:

(a) the name of the applicant, address and telephone number of principal executive office; and

(b) date of application and formal request for listing, specifying the amount, class and par value of the security applied for, whether fully paid, non-assessable, and whether personal liability attaches to ownership.

Application shall be made to list only that part of an issue which is actually issued, including both outstanding and treasury shares. If an additional unissued amount is reserved for issuance for a specific purpose, application may also be made for authority to add that amount to the list, upon official notice of issuance for that specific purpose. The request for authority to list such additional amount should state briefly, but specifically, the purpose of issuance, and that the listing authorization of such shares is effective only if they are issued for that purpose. No additional unissued amount may be applied for which is not reserved for issuance for a specific purpose by the Board of Directors.

2. Attachments. A statement listing the appropriate documents which are attached to the listing application and incorporated therein by reference.

3. Capitalization.

(a) A table showing

(i) designation or title of each class of stock;

(ii) par value; and

(iii) number of shares authorized by charter, authorized for issuance (including unissued reserved shares), outstanding and applied for.

(b) As a footnote to “Capitalization”, insert table showing number of unissued shares of each class of stock reserved for issuance for any purpose.

4. Stock Provisions. Summarize the rights, preferences, privileges and priorities of the class of stock applied for and each class on a parity therewith or senior thereto. Describe fully any provisions of indentures or other agreements restricting payment

of dividends or affecting voting rights of the class of stock applied for. State whether or not shareholders of any class have preemptive rights to subscribe to additional shares, whether by charter provision or statute.

5. Registration with Securities and Exchange Commission. State whether securities (or any portion) applied for, including unissued shares reserved for issuance for a specific purpose, have been registered under the Securities Act of 1933. If securities (or any portion) have not been so registered, a statement must be made that legal opinion has been received that registration has not been and is not now required, the section of said Act or the rule of the Commission under which exemption from registration was claimed, and the basis of such claim for exemption.

With respect to any unissued securities applied for which, upon issuance, will not be registered, it is necessary that the certificates for such securities bear a legend relating to the sale or transfer restriction and that the listing application state that such certificates (identify blocks and purposes for which issuable) will bear a legend. Such legend (which must be quoted in the listing application) should read substantially as follows: “The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act.”

State that a registration statement (naming the form being used) is being filed concurrently with the Securities and Exchange Commission for the registration on the Chicago Board Options Exchange of the securities applied for under the provisions of the Securities Exchange Act of 1934.

6. Opinion of Counsel. Specify the name and address of counsel rendering the opinion filed in support of the listing application as to (a) validity of authorization and issuance of securities, and (b) the exemption from registration under the Securities Act of securities (or any portion) applied for if such exemption is claimed. If such counsel, or any partner of such counsel (or, if a firm, any member thereof) is an officer, director or shareholder of the applicant, this fact must be stated.

7. Dividend Record. State the number of consecutive years in which dividends have been paid. State the amount of dividends (per share and the aggregate) paid by the applicant (or its predecessors) each year for the five preceding years. Indicate whether dividends have been paid on a quarterly, semi-annual or annual basis. State the record date, payment date and date of declaration, with respect to each dividend paid during the past year. Show stock dividends separately, the percentage amount thereof, the number of shares issued in payment, the amount (per share and in the aggregate) charged against earnings or earned surplus, and the basis for determination of the amount so charged. State the aggregate and per share amount of any dividend arrearages.

8. General Information. Under this caption include:

(a) state or other sovereign power under which incorporated, date of incorporation, and date of termination of charter;

(b) date on which fiscal year ends;

(c) date and place of annual shareholders' meeting; percentage of voting stock constituting a quorum for meetings of shareholders;

(d) CUSIP number assigned to each issue being listed;

(e) name(s) of transfer agent(s) with address(es) of each; and

(f) name(s) of registrar(s) with address(es) of each.

9. Certificate. Certificate and signature of authorized officer of the applicant, to which the corporate seal has been affixed. Provision for Exchange approval should also be included.

10. Exhibits

(a) Listing Agreement. One copy of Agreement, executed by an executive officer of the applicant, on Listing Form 1 supplied by the Exchange.

(b) Certificate of Distribution. One copy, signed by an executive officer of the applicant, as of a recent date, prepared on Listing Form 2 supplied by the Exchange.

(c) Charter. One copy each of charter and all amendments to date, with (manually signed) certificate(s) of Secretary of State or corresponding authority covering filing of the original charter and each amendment. In lieu of the foregoing, the applicant may submit a copy of the charter as amended to date, with (manually signed) certificate(s) of Secretary of State or corresponding authority with respect thereto. Photostatic copies are acceptable.

(d) Specimen Certificates. One specimen copy of each denomination of certificate of class to be listed. If transfer agent(s) and registrar(s) are located in more than one city, furnish one specimen of each denomination of certificates used in each city. Specimens should be accompanied by certificate and agreement of the banknote company as specified under requirements for "Form of Securities-Engraving" in Rule 31.91.

(e) Opinion of Counsel. One copy of opinion of counsel of satisfactory standing, addressed to the Exchange, as to the following: (a) the legality of organization and valid existence of the applicant; (b) its qualification in jurisdictions other than that of incorporation (if applicable); (c) the validity of authorization and issuance (or proposed issuance) of the securities applied for; and (d) whether the

securities are (or will be) fully paid and non-assessable, and whether personal liability attaches to ownership. If such counsel, or any partner of such counsel (or, if a firm, any member thereof) is an officer, director or shareholder of the applicant, this fact must be disclosed in the opinion and in the listing application. In addition, the opinion should enumerate the circumstances of original issuance of the securities from the date of incorporation to the date of application and, if an exemption from registration under the Securities Act has been claimed for any such issuance, the basis of exemption should be set forth. With respect to any unissued securities applied for which, upon issuance, will be issued without registration under the Securities Act, in reliance upon an exemption therefrom, the opinion should state that such certificates (identify blocks and purposes for which issuable) will bear a legend relating to the sale or transfer restriction. Such legend (which must be quoted in the opinion) should read substantially as follows: "The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

(f) Listing Resolution. Certified copy of resolution of board of directors, authorizing the filing of the listing application and designating the officer or officers authorized to sign documents or agreements relative thereto and (if requested) to appear before officials of the Exchange. A suggested wording is as follows:

"RESOLVED, that application be made to the Chicago Board Options Exchange for the listing of (amount and designation of security) of this Corporation and that name(s) of officer(s) is (are) hereby authorized and directed by the Corporation to sign said application and any listing agreements or documents required by said Exchange in connection therewith and to make such changes in any of same as may be necessary to conform with the requirements for listing, and to appear (if requested) before officials of said Exchange."

(g) Contract with Transfer Agent. One copy of contract with each transfer agent relative to the issuance of additional shares. (Use printed Listing Form 3 supplied by the Exchange.)

(h) Contract with Registrar. One copy of contract of each registrar relative to the registration of additional shares. (Use printed Listing Form 4 supplied by the Exchange.)

(i) Option, Bonus, Profit-Participation, Pension and Retirement Plans. One certified copy of any such employee benefit plan.

(j) Patent, Royalty Agreements. If the applicant or subsidiaries pay or receive any substantial royalties (or similar payments) in connection with patents, patent rights, licenses or processes, it should furnish as a supporting paper one certified copy of each such agreement.

(k) Blue Sky Information. If the applicant has made a public offering of its securities in the past two years, a copy of the final prospectus and blue sky memorandum must be furnished. If a memorandum was not prepared, list the jurisdictions in which application was made, the date of application and the date and type of action in each state. If an application was denied or withdrawn, attach copies of all correspondence with, and orders issued by, the authorities of those states.

B. *Bond Listing Application*

An original listing application for bond or debenture issues should follow the format in A above except that the information in paragraphs 4 and 7 may be omitted, and in lieu thereof the following information substituted:

4(a). Description of Bonds. If a prospectus is attached to the listing application, the information called for in 4(a) and 4(b) may be incorporated by reference to such document. If not, give, in narrative form, under the caption "Description of Issue", the following information:

(1) full title of issue; (2) title of instrument under which created; (3) name of trustee; (4) dates of authorization by directors, shareholders and public authorities; (5) amounts authorized, issued to date, retired, and outstanding; (6) date of issue maturity, and interest rate; (7) places and dates for payment of principal and interest and standard of money in which payable; (8) tax exemptions; (9) whether issuable in coupon or registered form; (10) denominations issuable; (11) whether exchangeable as between registered and coupon form, and interchangeable as to denominations, together with places and times at which exchanges may be made; and (12) where registerable and transferable.

4(b). Indenture Provisions. Summarize the indenture provisions of the issue applied for with respect to the following:

(1) security, describing the lien created by the indenture or other instrument, properties covered (in general terms), and other assets pledged thereunder (describe also any underlying or prior liens); (2) additional issues, stating conditions under which additional amounts of indebtedness may be issued; (3) sinking fund; (4) redemption and call, including date on which redeemable, prices, method of selection in event of partial redemption, duration and place of published notice, disposition of bonds redeemed; (5) default, including events constituting default, remedies of bondholders' percentage of bonds necessary to direct or control trustee's action in regard to default (see Rule 31.14 for remedies available to bondholders upon default); (6) release of pledged property from lien, stating conditions under which pledged property may be released from lien of the indenture, or other property substituted for pledged property; (7) convertibility; (8) modifications, stating extent to which indenture may be modified in any particular circumstance and conditions under which it may be so

modified; (9) treatment of deposited funds, stating how funds deposited pursuant to the terms of the indenture are required to be held, whether deposit of funds operates to discharge the properties pledged from the lien of the indenture and whether deposit of funds for payment of principal, interest or redemption operates to discharge the obligation of the issuer with respect thereto; (10) summarize the more important covenants of the indenture; and (11) names and addresses of trustee, fiscal and paying agent(s), agent(s) for registry, exchange and interchange of bonds.

10. Exhibits. Applicants with no securities currently listed on the Exchange should submit all exhibits specified in A, except for exhibits 10b, e, g, and h, in lieu of which the following should be submitted:

l. Opinion of Counsel. One copy of opinion of counsel of satisfactory standing addressed to the Exchange, as to the following: (a) the legality of organization and valid existence of the applicant; (b) the validity of authorization and issuance of the bonds; and (c) the legal, valid and binding nature of the obligations enforceable against the applicant in accordance with the terms of the instrument creating such bonds with remedies exceptions, if appropriate. If the bonds are convertible into equity securities of the applicant, an opinion should be given as to due and valid authorization and issuance of such securities and that they will, when issued, be fully paid, non-assessable, and whether personal liability will attach to ownership. If applicable, the opinion should further set forth the basis for exemption from registration under the Securities Act that has been, or will be, claimed for the issuance of the bonds or the securities into which they are convertible; and, if they are to be issued under an exemption, the legend that such certificates will bear must be quoted in the opinion. If counsel, or any partner of such counsel (or, if a firm, any member thereof) is an officer, director or shareholder of the applicant, this fact must be disclosed in the opinion and in the listing application.

m. Indenture. One copy of the mortgage, indenture, or equivalent instrument certified by the trustee.

n. Trustee’s Certificate. A certificate from the trustee showing acceptance of the trust (See suggested Form.)

Applicants with securities already listed on the Exchange should file supporting exhibits l-n above, as well as exhibits a and d as set forth in A.

C. *Warrant Listing Application*

An original listing application for a warrant issue will follow the format for stock listing applications, as set forth in A.

Applicants with no securities currently listed on the Exchange should submit all exhibits specified in Rule 31.20A, except for exhibits e, g and h in lieu of which the following should be submitted:

p. Opinion of Counsel. One copy of opinion of counsel of satisfactory standing, addressed to the Exchange, as to the following: (a) the legality of organization and valid existence of the applicant; (b) the validity of authorization and issuance of the warrants; and (c) the legal, valid and binding nature of the obligations enforceable against the applicant in accordance with the warrant agreement, with remedies exceptions, if appropriate. An opinion should be given that the securities for which the warrants are exercisable have been validly authorized and reserved for issuance and, when issued in accordance with the warrant agreement, will be validly issued, fully paid, non-assessable and no personal liability will attach to ownership. If the warrants or securities for which they are exercisable have been or will be issued pursuant to an exemption under the Securities Act, the exemption and, if appropriate, the legend to be used on the certificates should be set forth.

If counsel, or a partner of such counsel, is an officer, director or shareholder of the applicant, this fact must be disclosed in the opinion and in the listing application.

q. Contract with Warrant Agent. One copy of contract from warrant agent(s) on printed Form 6.

r. Warrant Agreement. One certified copy of warrant agreement between issuer and warrant agent(s).

In the case of applicants with securities already listed on the Exchange, the supporting exhibits shall consist of p, q and r referred to above, plus exhibits a, b, d, f and k specified in A above.

D. *Foreign Issuer Listing Applications*

1. Registration under the Exchange Act of 1934—All securities (including ADRs) must be registered under Section 12(b) of the Exchange Act before they may be admitted to trading on the Exchange. This requirement applies regardless of whether the company previously registered any of its securities or ADRs in connection with a public offering in the U.S. or whether it previously registered such issues under Section 12(g) of the Exchange Act for purposes of over-the-counter trading. Companies registered under Section 12(g), or those having securities registered under the Securities Act, are able to file a short-form registration with the SEC incorporating previous Securities Act or Exchange Act filings by reference.

Registration under Section 12(b) of the Exchange Act for the securities or ADRs of non-Canadian foreign issuers should be made on Form 20-F. This Form, which must be prepared and signed by the foreign company, calls for general information as to the business, properties, capitalization, and management of the company and, if the securities are represented by ADRs, information concerning the depositary and the deposit agreement, but does not require some of the detailed information required to be furnished in an Exchange Act registration statement filed by a U.S. company. The

requirements for the financial statements, schedules and accountants' certificates are, however, substantially the same as those applicable to a company which files a registration statement on Form 10 and annual report on Form 10-K. The required financial statements include audited consolidated balance sheets as of the end of each of the two most recent fiscal years together with audited consolidated statements of income and changes in financial position for each of the three fiscal years preceding the date of the most recent consolidated balance sheet. In any instance where a listing applicant has not previously registered its shares or ADRs with the SEC under either the Securities Act or the Exchange Act, draft registration statements and Form 20-F should be submitted to the SEC for preliminary review and comment in advance of filing the company's listing application.

2. Listing Fee. The original listing fee (as well as additional and annual fees) is the same as that for domestic issues. However, if ADRs rather than common shares are listed, the fee is calculated on the basis of the number of outstanding ADRs, or 10% of the ADR equivalent of outstanding shares, whichever is greater.

3. An application to list foreign issues will be substantially the same as that for a similar domestic issue.

The application is generally a five or six page typewritten document which includes:

(a) the formal request for listing;

(b) any general information concerning the applicant and the legal status of the shares and the ADRs to be listed; (In the case of a recent U.S. public offering, such filing will normally include a copy of the prospectus. If the applicant's shares are currently registered under the Exchange Act, the listing application would include a copy of the most recent Form 20-F Annual Report and copies of any subsequent Form 6-K Interim Reports filed with the SEC. (If the applicant's shares are not registered under the Exchange Act, the filing would include a copy of the current Form 20-F Registration Statement.);

(c) copy of the applicant's most recent SEC filings;

(d) copy of the applicant's latest proxy statement or information statement covering the most recent annual (general) meeting of shareholders;

(e) a statement concerning any recent material developments or events not otherwise disclosed; and

(f) a summary of the principal provisions of the Deposit Agreement if ADRs are to be traded.

The listing application should be signed by the applicant. The bank or trust company depositary may also sign the part of the application and agreements which describes the deposit agreement, duties of the depositary, and any fees or charges not absorbed by the applicant.

4. The application should be accompanied by an English translation of all supporting papers and documents required, and should contain the following additional information:

(a) Foreign Stock Exchanges—There should be set forth the names of the stock exchanges upon which the security is dealt in, an indication of its status, i.e., whether it is officially listed, admitted to dealings, or otherwise, and a tabulation indicating the current quotation of the security and its recent price range. The terms of settlement of transactions in the security on such stock exchanges, (i.e., whether for term or fortnightly settlement, or for cash and delivery within a specified number of days), should also be indicated.

(b) Ownership Restrictions—Any restrictions on ownership of, or rights (including voting rights) normally attaching to, the ADRs or the underlying shares should be fully described.

(c) Monetary Restrictions—A succinct description of any governmental laws or restrictions as to the export or import of capital, including foreign exchange controls affecting the security applied for, and a statement of the current official rate of exchange of the monetary unit of the country of origin should be set forth.

(d) Taxes—There should be clearly stated all taxes to which, under existing laws of the foreign country of issue, the holders of ADRs and underlying shares are subject. Any foreign withholding taxes on dividends subject to credit against United States income tax under reciprocal tax treaties or otherwise should be described in detail.

(e) Fees—A detailed statement of any fees of the applicant, depositary, or transfer agent, other than those ordinarily applying in the case of domestic securities, which may be charged to anyone holding or dealing in the securities and to whom such fees are payable should be given.

(f) Defaults—There should also be set forth a statement describing the circumstances of any defaults on any obligations of the applicant within the last ten years.

Generally, the exhibits to be filed in support of an original listing application of a foreign issue will be substantially the same as those pertaining to an equivalent domestic issue.

(g) Where an application is made to list ADRs, rather than the underlying securities, a copy of the Deposit Agreement and a specimen ADR certificate should also be filed in support of the listing application.

Additional Listings (Rules 31.21—31.23)

Rule 31.21. Agreement to List Additional Securities

A listed company is not permitted to issue, or to authorize its transfer agent or registrar to issue or register, additional securities of a listed class until it has filed an application for listing of such additional securities and received notification from the Exchange that the securities have been approved for listing.

The Exchange regards the agreement to list additional shares as an essential safeguard for existing shareholders of, and potential investors in, listed companies.

An additional listing application is designed to supply to the Exchange and the public pertinent information concerning the purpose for which the additional shares are being issued, and to update information concerning the applicant and its securities given in previous applications.

The Exchange reviews each additional application in order to determine if shareholder approval will be required as a condition to approval.

Treasury shares may not be reissued, without first obtaining shareholders' approval, for any purpose whatsoever where the rules or policies of the Exchange would require such approval had the shares to be issued been previously authorized but unissued.

Rule 31.22. Additional Listing Applications

A draft of the listing application should be filed one to two weeks in advance of the date on which formal action is necessary. This will allow time for review of the application and suggestions for revisions as may be necessary.

The following chart indicates the form to be used.

Stock dividend or split-up of class listed.	Stock dividend Form (H).
Stock option or stock purchase plan covering shares of listed class.	Stock Option or Stock Purchase Form (G).
Public offering of additional amount of listed class.	Short Form (D).
Private sale for cash.	Standard Form (E).
Subscription offering of additional amount of listed class.	Short Form (D).
Acquisition, merger or consolidation involving	Short Form (D).

proxy statement relating to listed class.	
Acquisition not involving proxy statement.	Standard Form (E).
Exchange offer involving prospectus relating to listed class.	Short Form (D).
Additional amount of class listed other than as specified above.	Standard Form (E).
Material change in purpose or terms under which unissued securities were authorized for listing.	Supplement to, or revision of, form under which listing was authorized.
Any change in listed stock which creates a new security, or which alters any rights of the listed securities and under which shares listed are to be split up, changed or exchanged for a greater or lesser number of shares; or reincorporation, merger or consolidation.	Short form, if covered by prospectus or proxy statement (E); otherwise use Standard Form (F).
Change in par value.	None.
Change of Name.	None.

A. *Fees for Listing Additional Shares*—See Rule 31.3

B. *Copies of Additional Listing Application*—

(a) The application, signed by an authorized officer of the company, and prepared in the form outlined in D or E below and

(b) The separate exhibits specified in E.

No prepared or blank forms are available for the listing application itself. The applicant prepares its own application, in typewritten narrative form, following the instructions outlined in D or E.

Three preliminary typewritten drafts of the listing application (each copy signed by an officer of the applicant) accompanied by financial statements in duplicate (if required) and one copy of each of the required supporting papers and documents specified in F, should be initially filed for examination. If any deficiencies are noted, or any changes are considered necessary in the form or content of the application and supporting papers, the applicant will be notified.

Following receipt of comments and subsequent to approval of the application, the applicant will be instructed to file ten (10) copies of the final version of the application (including attachments, when necessary.) At least two copies shall be manually signed by a duly authorized officer of the applicant. Copies not manually signed shall be conformed.

NOTE: The final version of the listing application is not required to be printed.

C. *Registration with the Securities and Exchange Commission*

(1) Securities Act of 1933—If required under the Securities Act, registration must be effective prior to trading on the Exchange. If such registration covers additional shares or amounts of a previously listed security, the listing application should be filed with the Exchange while the Securities Act registration is pending, so that the additional amount may be authorized for listing in advance of (and subject to) the effectiveness of such registration. In such cases, a short-form listing application is filed.

(2) Exchange Act of 1934—No application for registration under the Exchange Act on Form 8-A, or otherwise, is required to be filed with the SEC for additional shares or amounts of a previously listed and registered security, pursuant to the Commission's rules (particularly SEC Rule 12d1-1). If the application covers a substitution listing, a registration statement (usually on Form 8-A or 8-B) must be filed with the SEC.

D. *Short Form*

A short form additional listing application must include each of the items specified in the Standard Form of Additional Listing Application (E). However, if a prospectus relating to the additional securities to be listed has recently been ordered effective by the SEC (or if a proxy statement describing the transaction in which the securities are to be issued has recently been sent to shareholders), the applicant may, at its option, attach the prospectus (or proxy) to the listing application and incorporate by reference, where applicable, the information contained therein.

E. *Standard Form*

When a company has disclosed to the public through its annual reports or otherwise the data required to be set forth in the application, the standard form may generally be used.

The application should include, in substantially the order given below, the following:

1. Title page, showing

(a) the name of the applicant, and when and where incorporated;

(b) the full title or designation of the security proposed for listing and "CUSIP" number;

(c) date of application, city and state where company is located, and formal request for listing, specifying the amount and title of the security applied for (and in the case of stock issues) the par value and the specific purpose of issuance;

(d) if additional shares, whether they are fully paid and non-assessable, and whether any personal liability attaches to ownership and, if bonds or warrants, that they are the legal, valid and binding obligations of the company;

(e) reference should be made to the most recent listing application previously filed with the Exchange, including application date and number (if applicable); and in the case of substitution listings only:

(f) a statement indicating that when the "new" securities are admitted to dealings trading in the "old" securities will be suspended by the Exchange.

NOTE: (i) Application shall be made to list unissued securities only if they have been authorized for issuance for a specific purpose.

(ii) When short form application with prospectus or proxy statement is used, include additional item captioned "Prospectus" or Proxy Statement", as appropriate, and incorporate by reference as specified in D above.

2. Capitalization. (Specify date). In tabular form, the following; (a) designation or title of each class of stock; (b) par value; and (c) number of shares (i) authorized by charter, (ii) authorized for issuance by the Board of Directors (including unissued reserved shares), (iii) outstanding, and (iv) applied for.

As a footnote to "Capitalization", insert table showing number of unissued shares of each class of stock reserved for issuance for any purpose, and purpose for which reserved (including previously listed and unlisted shares). If no unissued shares are reserved for issuance for any purpose, except the shares applied for, the footnote should so state.

3. Long-Term Debt. In tabular form, show for each issue or series of long-term debt of the applicant the following: (a) full title (including interest rate and maturity date), (b) amount authorized by indenture, (c) amount issued to date, (d) amount redeemed, and (e) amount outstanding. If none, so state.

4. Authority for and Purpose of Issuance. State the date(s) of meetings of directors (and shareholders, if such is the case) at which issuance of the securities applied for was authorized, and date of any certificate, order or proceedings of any public authority having jurisdiction.

In the case of acquisitions, refer (by date and names of parties thereto) to the contract pursuant to which the securities will be issued and state that a copy of such contract has been submitted in support of the listing application.

(a) Mergers, consolidations, or modifications of previously listed securities: Ordinarily these transactions are covered by a proxy statement to be attached to the listing application, so that only a statement of the dates of authorization by directors and shareholders is required, with a reference to the proxy statement for further details. If modification of a previously listed security is not covered by a proxy statement attached to the listing application, describe the nature and effect of the proposed change, and the basis of exchange.

(b) Sales for Cash: If an additional amount of a previously listed security is to be registered under the Securities Act of 1933, include a summary of all important provisions of the contract and per-unit market price of the outstanding securities of the same class at the time the transaction was authorized. State the number of purchasers, and whether any of them has any affiliation with management. Submit a separate letter showing names and addresses of purchasers and amount to be purchased by each.

(c) Shares Reserved for Conversion: If application is of an additional amount of a previously listed security reserved for issuance upon the other security, the conversion rate, and all other pertinent data. State the per-unit market price (of the class reserved for conversion) at the time the transaction was authorized in relationship to the conversion price.

(d) Acquisitions: If the securities applied for are to be issued as sole or partial consideration for the acquisition of a controlling interest in, or the major part of the business and assets of, another company, or specific assets or properties:

(i) describe the transaction, and the assets or business to be acquired, in sufficient detail to indicate the relative value thereof in relationship to the consideration to be paid;

(ii) state the principle followed, and the factors considered, in determining the consideration to be paid in the acquisition, and identify the persons making the determination and their relationship to the applicant;

(iii) State why the management of the applicant regards the acquisition as a favorable one from its viewpoint;

(iv) State whether this in an “arms-length” transaction and whether or not any officer, director or principal shareholder of the applicant (or any of its affiliates) has any direct or indirect beneficial interest in the assets to be acquired or the consideration to be paid and, if such interest does exist, describe it;

(v) if a controlling interest in, or the major part of the business and assets of another company is being acquired, describe briefly the history and business of such other company, and furnish financial statements of such other company as called for in exhibit A;

(vi) if any engineering, geological or appraisal reports, etc., were obtained in connection with the proposed acquisition, refer to and include appropriate excerpts from such reports in the application;

(vii) reference should be made to the fact that a copy of the Purchase Agreement is filed as an exhibit to the application and available for inspection at the Exchange library; and

(viii) indicate the market price of the listed company's stock on the date of the Purchase Agreement or on the date the Purchase Agreement was approved.

(e) Accounting Treatment: Describe the accounting treatment to be accorded the transaction on the books of the company, and/or in consolidation. In the case of acquisitions state whether the transaction will be treated as a "purchase" or a "pooling of interests". State the policy to be followed with respect to amortization whenever intangible assets are acquired or created. Where other than routine transactions such as the issuance of securities for case are involved, the accounting treatment should be reviewed with the company's independent accountants and a statement should be made that they have reviewed and approved such accounting treatment as being in accordance with generally accepted accounting principles.

5. Opinion of Counsel. State the name and address of counsel rendering the opinion filed in support of the application. If such counsel, or any partner of such counsel (or, if a firm, any member thereof) is an officer, director or shareholder of the applicant, this fact must be stated.

6. Registration Under Securities Act of 1933. State whether securities applied for (or any portion thereof) are registered under the Securities Act. If securities (or any portion) are not so registered, a statement must be made that legal opinion has been received that registration is not required. Indicate the section of said Act or the rule of the Commission under which exemption from registration is claimed, and the basis of such exemption. With respect to any unissued securities which will be issued in reliance upon an exemption under Section 4(2) of said Act, the Exchange requires that the face of the certificates for such securities bear a legend relating to the sale or transfer restriction and that the listing application state that the face of such certificates (identify blocks and purposes for which issuable) will bear a legend. Such legend (which must be quoted in the listing application) should read substantially as follows: "The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

7. Recent Developments. State whether there have been any important developments affecting the company or its business since the latest annual report of the company which have not received publicity. If so, describe such developments.

8. General Information. Under this caption state:

(a) date on which fiscal year ends;

(b) address of principal executive office of the applicant;

(c) date and place of annual shareholders' meeting and percentage of voting stock constituting a quorum; and

(d) names and addresses of transfer agent(s) and registrar(s) (if listing of stock is applied for), or names and addresses of trustee, paying agent(s), or agent(s) for registry or exchange (if listing of bonds is applied for).

9. Financial Statements. When the short form listing application is used, incorporating a prospectus or proxy statement (with financial), reference should be made to the company's consolidated financial statements appearing therein.

In the case of an application filed in connection with an acquisition, the financial statements of the acquired company shall be attached to, and incorporated by reference in, the listing application.

10. Certificate. Certificate and signature of duly authorized officer of the applicant.

F. *Exhibits*

The following exhibits are required to be filed in support of all additional listing applications and are considered a part thereof.

i. Contract. One copy of each contract, plan or agreement pursuant to which the additional securities applied for are to be issued.

ii. Opinion of Counsel. Opinion of counsel of satisfactory standing as to the legality of the authorization of issuance and the validity of the securities applied for. If shares are applied for, the opinion should be given that they are fully paid and non-assessable, and whether personal liability attaches to ownership. If such counsel, or any partner of such counsel (or if a firm, any member thereof) is an officer, director or stock holder of the issuing corporation, this fact must be disclosed in the opinion and in the listing application. If such securities have not been and will not be registered under the Securities Act of 1933, the opinion of counsel shall also state why, in counsel's opinion, registration is not required, citing the applicable section of the Act and/or the rule of the SEC under which exemption from registration is claimed, and the facts relied upon to make such exemption available. If an exemption from registration is, or will be, claimed under Section 4(2) of the Act, the opinion should state that such certificates (identify blocks and purposes for which issuable) will bear a legend relating to the sale or transfer restriction. Such legend (which must be quoted in the opinion) should read substantially as follows: "The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

iii. Resolutions. Certified copy of each of the following resolutions:

(a) resolution of the shareholders authorizing issuance (if required) with respect to any unissued securities for which listing application is made;

(b) resolution of the Board of Directors authorizing issuance with respect to any unissued securities for which listing application is made; and

(c) resolution of the Board of Directors authorizing listing. A suggested wording is set forth in Rule 31.20A.

Additional Required Papers (if applicable)

iv. Amendments to Charter. One copy of each amendment to the charter not previously filed with the Exchange, or, at the applicant's option, one copy of the charter as amended to date, certified by the Secretary of State or corresponding authority of the state of incorporation.

v. Financial Statements of Acquired Company. If the securities to be listed are to be issued in connection with the acquisition of a controlling interest in, or of all assets subject to the liabilities of, another company, there shall be submitted, in duplicate, the balance sheet and income statement of such company. Usually, the Exchange will require the most recent annual financial statements, supplemented by the latest available interim statements. Such statements should be accompanied by a report or opinion of independent auditors, but in cases where independently audited financial statements are not available, statements certified to by the chief accounting officer of such other company may be accepted.

vi. Engineering Report. If the securities applied for are to be issued in acquisition of a stock interest in another company, or properties or other assets, furnish one copy of any engineering, geological or appraisal report which may have been obtained in connection with the proposed acquisition.

vii. Amendments to By-Laws. One copy of each amendment to the by-laws not previously filed with the Exchange, certified by an officer of the applicant. If desired, there may be filed in lieu of such amendments, one certified copy of the by-laws as amended to date.

viii. Stock Certificates. If the form of stock certificate for the listed class of stock has been or is to be changed, furnish one specimen of each denomination of the changed form, with a certificate of the banknote company stating that the security has been prepared in accordance with the printing and engraving requirements of the Exchange.

ix. Listing Agreement. Execution and filing of the listing agreement (Listing Form 1) is required only if there has been a change in the standard form of agreement since the previous filing or if previously omitted sections become applicable in connection with the current application.

x. Additional Exhibits to be filed with Substitution Listing Applications—Stocks.

a. Contract with Transfer Agent. One copy of a contract with each transfer agent on printed Listing Form 3.

b. Contract with Registrar. One copy of contract with each registrar on printed Listing Form 4.

xi. Additional Exhibits to be filed with Substitution Listing Application—Bonds.

a. Specimen Bonds. One specimen of each denomination (both registered and bearer form) of security to be listed, with certificate of the bank note company.

b. Indenture. One copy of the mortgage, indenture, or amendments thereto certified by the trustee.

c. Trustee's Certificate. A certificate from the trustee showing acceptance of the trust.

xii. Additional Exhibits to be filed with Substitution Listing Applications—Warrants.

a. Specimen Warrant. One specimen of security to be listed with certificate of the bank note company.

b. Contract with Warrant Agent. One copy of contract with each warrant agent on printed Listing Form 6.

c. Warrant Agreement. One certified copy of warrant agreement.

G. *Employee Stock Benefit Plans—Form and Content of Application*

Applicants listing shares to be issued pursuant to a stock benefit plan should use either the Short Form (D) or Standard Form (E) application, omitting items 3,4,7,8,and 9, in lieu of which the information set forth below should be provided.

NOTE: When the Short Form (D) application is used, the applicant may attach a copy of the formal plan in lieu of a proxy statement or prospectus, provided the formal plan contains all of the essential details referred to below.

3. Authority for and Purpose of Issuance. Under this caption include the following:

(a) dates on which the Board of Directors and shareholders authorized the stock option plan, the stock purchase plan, or (in absences of a general plan) the granting of the options for the purchase of the shares applied for; and

(b) whether any options have been granted since the date of the proxy statement and, if so, the details thereof as called for by 3(c)(viii) below;

If proxy statement, prospectus or formal plan is not incorporated by reference include information specified below:

(c) in the case of a general formalized stock option plan, all pertinent provisions of the plan, including the following:

(i) purpose of and consideration for granting of options;

(ii) number (or estimated number) of options; specify number which are officers and/or directors;

(iii) administration of plan, whether by board of directors, committee, or otherwise;

(iv) basis or method of determining eligibility of participants;

(v) option price(s); (If established by formula such as percentage of market price, state method used.)

(vi) duration of options and method of exercise, whether in whole or only in part from time to time, and, if in part, state conditions;

(vii) terms and conditions of options with respect to transferability, termination of employment of optionees, adjustment in event of stock dividend, recapitalization, merger, etc; and

(viii) if no options have as yet been granted, so state. If options have been granted, furnish details as to number of shares, number of optionees, options prices and market value of the stock on the dates options were granted, unless such details are included in a proxy statement to be attached to the listing application. If additional options have been granted since the date of the proxy statement, so state and furnish the above details with respect thereto.

(d) in the case of a general formalized stock purchase plan, furnish such of the above details as are applicable, subject to such variations as may be necessary to cover the particular provisions of the plan, including basis of determining the limitations upon the amount of stock purchasable under the plan, the purchase price and its relationship to market value; and

(e) in the case of specific options (not part of general plan) granted to a limited number of specified officers, directors or key employees as part of employment contracts, or otherwise, in tabular form, the following:

Names and titles of Optionees	Date option granted	Number of shares granted	Exercise price of option	Market price of stock on date option	Expiration of option

granted

H. *Stock Dividend or Split-Up Listing Application*

If a stock dividend is to be paid or a stock split is to be effected, a company is required to apply to list the additional or split shares before paying the dividend or making the split effective. Such application may be made on the printed form provided by the Exchange.

The application should be filed with the Exchange in triplicate. (Copies of the application are not required to be filed with the SEC.) The application should be filed with the Exchange sufficiently prior to the payment date of the stock dividend or effective date of the split-up so as to permit action on the application by the Exchange in advance of the date on which the additional shares are to be issued. If fractional shares are to be paid in cash and the exact number of shares in not known because of fractions, the company should list the maximum number of shares that can be issued and subsequently advise the Exchange of the number of full shares not issued and request their delisting. Exhibits—ii, iii, iv, viii and ix are the only supporting papers required for an application prepared pursuant to this section.

I. *Subscription Rights*—A listed company must promptly disclose any action taken by it with respect to the allotment of rights to subscribe to the ownership of its listed securities. It is further required to give prompt notice of any such action to the Exchange to afford the holders of such securities a proper period within which to record their interests and exercise their rights, and to issue all such rights in the form of negotiable warrants approved by the Exchange and to make same assignable and transferable. These requirements are further explained in paragraphs (a) through (h) below. The Exchange will only list subscription rights if the underlying security is, or will be, listed on the Exchange.

(a) Companies with stock issues listed on the Exchange that contemplate offering their shareholders rights to subscribe, should:

(i) submit timetable including:

(A) date of filing with SEC of registration statement under Securities Act;

(B) date on which listing application will be filed with the Exchange;

(C) effective date of registration statement or offering circular;

(D) record date of shareholders entitled to receive subscription rights;

(E) mailing date of subscription rights to shareholders, and name of bank which will mail rights; and

(F) expiration date of subscription offering, and name of bank which will act as subscription agent.

(ii) send two copies of preliminary prospectus or offering circular, and printer's proof copy of subscription rights to the Exchange;

(iii) submit listing application covering listing of additional shares issuable upon exercise of subscription rights;

(iv) notify Exchange as soon as Securities Act registration statement becomes effective.

(b) Establishment of Record, Mailing, and Expiration Dates—The record date should be no earlier than one day prior to the time the registration statement or offering circular becomes effective.

The mailing date for subscription rights to shareholders should occur as soon after the record date as possible. Most companies have their transfer agents mail the rights on the same date as the record date or, at the latest, on the business day following the record date.

The subscription period should be for at least 14 calendar days following the mailing date provided the subscription agent is located in Chicago. If the transfer agent (which usually also acts as the subscription agent) is not located in Chicago or does not have a Chicago "drop", such additional number of days as is equal to the mailing distance between Chicago and the location of the subscription agent should be added to the 14-day period. For example, if the sole subscription agent is located in Boston, without "drop" facilities in Chicago, the subscription period should be at least 16 days; and on the Pacific Coast 18 days. Companies not having a Chicago transfer agent (or the equivalent thereof) should consider the advisability of appointing a Chicago Banking institution to act as subscription agent or co-subscription agent to facilitate the handling of subscriptions in relationship to the minimum subscription period involved.

(c) Form of Subscription Rights and Issuance of Stock—The subscription rights should specify the number of rights represented by the warrant certificate rather than the number of shares to which the holder is entitled to subscribe. This eliminates the use of two separate types of warrants—one for full shares and the other for fractional shares.

Provision should be made for the issuance of certificates for stock subscribed for promptly upon exercise of the subscription privilege, and the subscription rights should contain a statement to that effect. Where, in addition to the usual subscription privilege, there is available an over-subscription privilege (subject to allotment) the issuance of the additional shares against exercise of the over-subscription privilege can be made promptly after the expiration date of the offering.

(d) Dividend Declaration—No dividend should be declared having a record date during the subscription period. Otherwise, complications will develop in dealings in the rights. The record date for any dividend which otherwise would be a date during the subscription period should be either (i) the same date as the date of record of shareholders entitled to receive the subscription rights or a date prior to such subscription offering record date, or (ii) a date no earlier than the tenth day following the expiration date of the subscription offering. The record date specified in (i) would be established if the company does not wish to pay the current dividend on the shares

offered for subscription. The record date specified in (ii) would be established if the company wishes to pay the dividend on the shares offered for subscription as well as on the shares previously outstanding.

(e) Dealings in Rights—No application is required to be filed with the Exchange for the listing of subscription rights or with the SEC for their registration under the Exchange Act. Under SEC Rule 12a-4, subscription rights are exempt from registration under the Exchange Act and the only action required to admit them to trading on the Exchange is for the Exchange to notify the SEC that the Exchange has approved the rights for admission to dealings. The Exchange will comply with this requirement.

Rights are admitted to dealings on the Exchange as soon as notice is received that the company's Securities Act registration statement or offering circular has become effective. The normal procedure is to admit the rights to dealings at 10:00 a.m. on the day following the day the registration statement or offering circular has become effective. Accordingly, the company should arrange to have the registration statement or offering circular declared effective as of 4:00 p.m. on the date preceding the anticipated trading date. The company or its attorneys should notify the Exchange by telephone as soon as they learn of SEC clearance.

Trading in rights on the Exchange will cease at the close of business on the business day preceding the expiration date thereof, if such rights are exercisable in the Chicago metropolitan area, and at such time in advance of the expiration date as may be announced by the Exchange, if such rights are exercisable outside such area. This facilitates open contracts to be settled and rights to be exercised on the final day.

(f) Ex-Rights Date—In general, stocks are quoted "ex-rights" the day following the date on which the rights are admitted to dealings. This arrangement allows one full day's trading to take place in the rights to establish their market value for "ex-rights" purposes. On the day the stock is quoted "ex-rights" all open orders to buy and open stop orders to sell on the books of the DPM are reduced by the cash value of the rights as determined by the price of the last sale in the rights the day before the stock sells ex-rights. Purchasers of the stock beginning the second business day preceding the record date for a stock transferring in Chicago (and earlier if the stock transfers only outside of Chicago) and to and including the day before the "ex-rights" date for the stock have been paying prices for their stock which include the value of the rights. Since it is not possible for such purchasers to become holders of record on the books of the company by the record date for the offering, the Exchange rules that the purchasers in such transaction (having paid a "rights on" price for their stock i.e., a price including the value of the rights) are entitled to the rights and are, therefore, entitled to receive a due bill for the rights from the sellers of the stock. Such due bills are redeemed by the sellers when they receive their rights from the company. This arrangement is between the brokers for the purchasers and the sellers of the stock, and does not involve the company.

(g) Application for Listing Additional Shares Issuable Against Exercise of Subscription Rights—A company is required to file with the Exchange an application for the listing of the additional shares of stock issuable upon exercise of the rights.

As indicated in Rule 31.22D, the Securities Act prospectus or offering circular relating to the subscription offering may be incorporated by reference.

The listing application (see Rule 31.22) should be filed with the Exchange as soon as possible after the company has filed its registration statement or offering circular with the SEC. The Exchange must have time to act on the application sufficiently prior to the date of the offering, so that appropriate listing authority will be in effect with respect to the shares issuable when and as subscription rights are exercised.

(h) Over-subscription Privilege—Where a subscription offering to shareholders contains an over-subscription privilege, the number of shares allocated to shareholders upon exercise of the over-subscription privilege should be in proportion to the number of shares subscribed for by each shareholder on the original subscription offering, and should not be based on the number requested under the over-subscription privilege.

Rule 31.23. Cancellation of Listing Authority

A company which has received authority to list securities, upon official notice of issuance, for a particular purpose, and which no longer intends to issue all or a portion of such securities for that purpose, should cancel the listing authority by notifying the Exchange by letter. The letter should specify the amount of Securities to be canceled and the reason for such request.

For example:

Chicago Board Options Exchange

400 South LaSalle Street

Chicago, Illinois 60605

Dear Sirs:

Please cancel the listing authority covering __shares of our Common Stock, $1 Par Value, reserved for issuance against the exercise of stock options, pursuant to Listing Application No. __dated __. The option plan under which such shares were authorized for listing has expired according to its terms, and no additional options may be granted thereunder.

This cancellation reduces the total number of shares of Common Stock as to which listing authority is in effect for all purposes from __shares to __shares.

Disclosure Policies (Rules 31.24—31.25)

Rule 31.24. Outline of Exchange Disclosure Policies

The Exchange requires every listed company to make available to the public information necessary for informed investing and to take reasonable steps to ensure that all who invest in its securities enjoy equal access to such information. In applying this fundamental principle, the Exchange has adopted the following six specific policies concerning disclosure:

(a) Immediate Public Disclosure of Material Information—A listed company is required to make immediate public disclosure of all material information concerning its affairs, except in unusual circumstances. When such disclosure is to be made during trading hours, it is essential that the Exchange be notified prior to the announcement.

(b) Thorough Public Dissemination—A listed company is required to release material information to the public in a manner designed to obtain the widest possible public dissemination.

(c) Clarification or Confirmation of Rumors and Reports—Whenever a listed company becomes aware of a rumor or report, true or false, that contains information that is likely to have, or has had, an effect on the trading in its securities, or would be likely to have a bearing on investment decisions, the company is required to publicly clarify the rumor or report as promptly as possible.

(d) Response to Unusual Market Action—Whenever unusual market action takes place in a listed company's securities, the company is expected to make inquiry to determine whether rumors or other conditions requiring corrective action exist, and, if so, to take whatever action is appropriate. If, after this review, the unusual market action remains unexplained, it may be appropriate for the company to issue a "no news" release—in which it announces that there has been no material development in its business and affairs not previously disclosed or, to its knowledge, any other reason to account for the unusual market action.

(e) Unwarranted Promotional Disclosure—A listed company should refrain from promotional disclosure activity which exceeds that necessary to enable the public to make informed investment decisions. Such activity includes inappropriately worded news releases, public announcements not justified by actual developments in a company's affairs, exaggerated reports or predictions, flamboyant wording and other forms of over-stated or over-zealous disclosure activity which may mislead investors and cause unwarranted price movements and activity in a company's securities.

(f) Insider Trading—Insiders should not trade on the basis of material information which is not known to the investing public. Moreover, insiders should refrain from trading, even after material information has been released to the press and other media, for a period sufficient to permit thorough public dissemination and evaluation of the information.

Rule 31.25. Content and Preparation of Public Announcements

(a) *Exchange Requirements*—The content of a press release or other public announcement is as important as its timing. Each announcement should:

(i) Be factual, clear and succinct;

(ii) Contain sufficient quantitative information to allow investors to evaluate its relative importance to the activities of the company;

(iii) Be balanced and fair, i.e., the announcement should avoid the following:

• The omission of important unfavorable facts, or the slighting of such facts (by "burying" them at the end of a press release).

• The presentation of favorable possibilities as certain, or as more probable than is actually the case.

• The presentation of projections without sufficient qualification or without sufficient factual basis.

• Negative statements phrased so as to create a positive implication, "The company cannot now predict whether the development will have a materially favorable effect on its earnings," (creating the implication that the effect will be favorable even if not materially favorable), or "The company expects that the development will not have a materially favorable effect on earnings in the immediate future," (creating the implication that the development will eventually have materially favorable effect).

• The use of promotional jargon calculated to excite rather than to inform.

(iv) Avoid over-technical language;

(v) Explain, if the consequences or effects of the information on the company's future prospectus cannot be assessed, why is this so; and

(vi) Clarify and point out any reasonable alternatives where the public announcement undertakes to interpret information disclosed.

(b) *Securities Laws Requirements*—The requirements of the Federal securities laws must also be carefully considered in the preparation of public announcements. In particular, these laws may impose special restrictions on the extent of permissible disclosure before or during a public offering of securities or a solicitation of proxies. Generally, in such circumstances, while the restrictions of the securities laws may affect the character of disclosure, they do not prohibit the timely disclosure of material factual information. Thus, it is normally possible to effect the disclosure required by Exchange policy.

Whenever a conflict arises, the company should discuss the matter with the Securities and Exchange Commission, as well as with the Exchange.

(c) *Preparation of Announcements*—The following guidelines for the preparation of press releases and other public announcements should help companies to ensure that the content of such announcements will meet the requirements discussed above:

(i) Every announcement should be either prepared or reviewed by a company official having familiarity with the matters about which disclosure is to be made and a company official familiar with the requirements of the Exchange, (as well as any applicable requirements of the securities laws).

(ii) Since skill and experience are important to the preparation and editing of accurate, fair and balanced public announcements, the Exchange recommends that a limited group of individuals within the company be given this assignment on a continuing basis. (Since a press announcement usually must be prepared and released as quickly as possible, however, the group charged with this assignment should be large enough to handle problems that arise suddenly and unexpectedly.)

(iii) Review of press releases and other public announcements by legal counsel is often desirable and necessary, depending on the importance and complexity of the announcement.

Dividends and Stock Splits (Rules 31.30—31.37)

Rule 31.30. Notice of Dividend

A company is required to publicize and notify the Exchange immediately of any action taken by it in respect to the payment or non-payment of dividends. The Form of Notice is described in Rule 31.32 below.

Rule 31.31. Record Date

A company is not permitted to close its stock transfer books for any reason, including the declaration of a dividend. Rather, it must establish a record date for shareholders entitled to a dividend which is at least ten days after the date on which the dividend is declared (declaration date). However, in the case of stock issues that do not have transfer facilities in the Chicago metropolitan area, the record date shall not be less than such number of additional days (in excess of ten) after the declaration date as is equal to the mailing time (regular mail) between Chicago and the city in which the Transfer Agent is located.

NOTE: The requirement for additional time between the declaration date and the record date would also apply in cases where there is an intervening holiday or where the record date falls on a weekend.

A company is also required to give the Exchange at least ten days notice in advance of a record date established for any other purpose, including meetings of shareholders.

Rule 31.32. Form of Notice

Immediately after the board of directors has declared a cash or stock dividend, the company should: (a) release the news to the newspapers and news services, including the news-ticker services operated by Dow Jones & Company, Inc,. and Reuters Ltd., and (b) notify the Exchange by telephone, telegram or telex and confirm by letter. The announcement and notice should specify the name of the company, date of declaration, amount (per share) of the dividend, and the record and payment dates. In the case of stock dividends, the notice to the Exchange should also state whether cash is to be paid or order forms are to be issued in settlement of fractional share interests resulting from the stock dividend. If cash is to be paid, state the basis for determining the amount (for example, based on the “last sale” on the record date).

The stock dividend notice should also state the “cut-off” date (usually five to seven days after the record date) until which the transfer agent for the stock will accept instructions from brokers as to their requirements for full shares or cash with respect to stock registered in their names, as nominees, and as to which they must make exact allocations among their clients.

Rule 31.33. Non-Payment of Dividends

If a company has been paying regular dividends and its board of directors determines to cease or postpone such payments, this fact should be announced at least twice: First, immediately at the time the board decides to cease or postpone payment, and second, on the next monthly, quarterly, or other periodic date of declaration (assuming it is again decided to omit or postpone payment). Such announcement should be released to the press and notice should be given to the Exchange as specified in Rule 31.32 above.

Rule 31.34. Split-Ups or Stock Dividends on Lower Priced Issues

The Exchange does not view favorably a split-up of a stock selling in a low price range or a split-up or substantial stock dividend which may result in an abnormally low price range for shares after the split or stock dividend. Any company considering a split-up (or a stock dividend of more than 5%) which would result in an adjusted price of less then $5.00 per share for its stock should consult with the Exchange in advance of taking formal action.

Rule 31.35. Accounting for Stock Dividends

A listed company must account for stock dividends and stock splits in accordance with generally accepted accounting principles.

In instances where it is not clear that the accounting treatment being followed is in compliance with GAAP, the Exchange may require that the company provide a written opinion from its independent accountants that the accounting treatment complies with GAAP.

Rule 31.36. Cash in Lieu of Fractional Shares

Most companies prefer to pay cash in settlement of fractional share interests since this procedure is the least expensive and easiest method. The work and problems of TPH organizations are simplified when fractional share interests are paid in cash, since the use of order forms involves special handling. For example, in handling customer's dividend accounting, TPH organizations must mail the order forms to the customers, have them returned and follow the customers instructions as to whether they wish to buy or sell fractional share interests, all of which involves substantial bookkeeping and expense to the firms. Additionally, the problem is aggravated when a TPH organization "fails" over the record date for a dividend and may not be in a position to supply the customer of the receiving TPH organization with an order form. If cash is paid, the procedure is greatly simplified. For the foregoing reasons, the Exchange urges listed companies to follow the procedure of paying cash in lieu of fractional share interests.

The usual procedure of most companies is to compute the cash payment based on the last sale price of the stock on the record date, because: (a) the record date is the date on which the stockholder becomes "long" the stock dividend shares; and (b) by such date the stock will have been quoted "ex-dividend" (except in the case of large stock dividends of 25% or more), so that the market price of the stock will have been adjusted for the dividend. A company may prefer to compute the cash payment based on the last sale price of the stock on the dividend declaration date. Where this is done, the company should adjust the "dividend on" selling price of the stock on the declaration date to an "ex-dividend" basis. Otherwise, there will be an overpayment of the cash portion of the dividend. For example, if a company declares a 10% stock dividend and the last sale price on the declaration date is $11, the value of the dividend at that time computes to $1 per share, or an adjusted "ex-dividend" price for the stock of $10 (10/11ths of $11). On this basis, the fractional share interests should be paid for in cash at the rate of $10 per full share.

This adjustment is even more important in cases of large stock dividends (25% or more). In these instances, the Exchange postpones the "ex-dividend" date until the dividend has been paid (see Rule 31.51). For example, in the case of a 50% stock dividend, the "theoretical ex-dividend" price would be equivalent to 2/3rds of the "dividend on" price of the stock. Thus, if the price of the stock at the close of business on the declaration or record date is $33 per share, the "theoretical ex-dividend" price would be adjusted to $22 per share. Accordingly, fractional share interests should be settled based upon a price of $22 per share.

Rule 31.37. Warrant Splits

Whenever a company having warrants listed on the Exchange effects a split of 3-for-2 or greater in the underlying shares, the Exchange requires that a corresponding split be made in the warrants.

Ex-dividend—Ex-rights (Rules 31.40—31.52)

Rule 31.40. Three Day Delivery Plan

All transactions effected on the Exchange (unless otherwise specified) will be settled pursuant to the "three day delivery plan". Under the three day delivery plan, a "regular way" transaction is due for settlement by delivery of the securities against payment on the third business day after the transaction date. For example, a "regular way" transaction made on Monday is due for settlement on the Thursday of the same week; a transaction on Wednesday is due for settlement on the following Monday, etc. (an intervening holiday postpones the settlement date by one business day.)

Rule 31.41. Definition of "Ex-dividend" and "Ex-rights"

The term "ex-dividend" means "without the dividend" and the term "ex-rights" means "without the rights". The effect of quoting a stock "ex-dividend" or "ex-rights" is that quotations for, and transactions in, the stock on and after the "ex-dividend" or ex-rights" date reflect the fact that the buyer is not entitled to the dividend or rights.

NOTE: Transactions in stocks are not ex-dividend or ex-rights until an announcement to that effect is made by the Exchange.

Rule 31.42. Ex-dividend Procedure

In the establishment and announcement of ex-dividend dates, the Exchange proceeds as follows:

(a) Transfer Facilities Located in Chicago—Transactions in stocks (except those made for "cash") for which there exists transfer facilities in Chicago are ex-dividend on the second business day preceding the record date. If the record date selected is not a business day, the stock will be quoted ex-dividend on the third preceding business day. "Cash" transactions are ex-dividend on the business day following the record date.

(b) Transfer Facilities Located Outside Chicago—The Exchange will establish an "ex-dividend" date for those stocks with transfer facilities only outside Chicago predicated on a theoretical "equivalent Chicago record date". The equivalent Chicago record date is the last business day on which securities may be mailed in Chicago and reach the out-of-town transfer office, by regular mail, in time to effect transfer by the record date. "Regular way" transactions in these stocks are ex-dividend on the second business day preceding the equivalent Chicago record date. Transactions in such stocks made for "cash" are ex-dividend on the business day following such equivalent Chicago record date.

Rule 31.43. Ex-rights Procedure

In the establishment and announcement of ex-rights dates, the Exchange proceeds as follows:

(a) Subscription Price Established—Where the Subscription price and all other terms of the rights and subscription offering are established sufficiently in advance of the record date to determine the value of the rights (and the registration statement relating to the offering has been declared effective by the SEC sufficiently in advance of the record date), transaction in stocks to which the rights pertain are quoted ex-rights in a manner similar to that described in Rule 31.42 above.

(b) Subscription Price Not Known—Where the subscription price and all other terms of the rights and subscription offering are not known sufficiently in advance of the record date to determine the value of the rights, the Exchange will rule the stock ex-rights on the day following the date the rights commence trading (which, in most instances, is a date subsequent to the record date for the subscription offering).

Under such circumstances, the Exchange requires that all deliveries of stock made after the record date (or "equivalent Chicago record date", where appropriate) in settlement of transactions made prior to the ex-rights date, and on a "rights on" basis carry "due bills" for the rights. *

* A "Due Bill" is an instrument used by TPH organizations, when, for any reason, it becomes necessary to postpone an "ex-dividend" or "ex-rights" date. The due bill has the effect of transferring the right to receive a dividend, distribution or subscription right from the stockholder on the record date to the purchaser of the security who, at the time of the transaction, paid a "dividend on" or "rights-on" price.

Rule 31.44. Special Rulings

As more fully explained in Rule 31.51, the Exchange may, in any particular case (such as where conditional, large or valuable dividends are declared or where the Exchange does not receive timely notice of dividend declarations or offerings of subscription rights), direct that transactions shall be ex-dividend or ex-rights on a day other than that fixed by Exchange rules and may prescribe the procedure to be followed in connection therewith. In such instances, on transactions made prior to the ex-dividend or ex-rights date, the Exchange, by special ruling, will require that deliveries too late to effect transfer in the normal course by the record date, shall be accompanied by due bills for the dividend or rights.

Rule 31.45. Return of Dividend

Trading Permit Holders and TPH organizations, receiving deliveries in advance of the record date against ex-dividend or ex-rights transactions, who are able to effect transfer of the purchased security by the record date, will be responsible to return the dividend or rights to the Trading Permit Holder or TPH organization from whom delivery was received.

Rule 31.46. Reduction of Orders

Types of orders which are to be reduced (or not reduced) by a DPM when a security is quoted ex-dividend, ex-distribution or ex-rights are specified in Exchange Rule 31.52.

Rule 31.47. Optional Dividends

When a dividend is payable at the option of the stockholder, in either cash or securities, the stock will be ex-dividend the value of the cash or securities, whichever is greater.

Rule 31.48. Canadian Currency

When a dividend is payable in Canadian currency, the stock will be "ex" the amount of the dividend in U.S. currency at the. rate of exchange prevailing on the ex-dividend date. Orders will not be reduced to an ex-dividend basis by the amount of any tax on the dividend deductible at the source.

Rule 31.49. American Depositary Receipts

In the case of American shares or American Depositary Receipts for stocks of foreign (other than Canadian) corporations, the reduction of orders to an ex-dividend basis shall be for the net amount of the dividend in U.S. currency after giving effect to all deductions, including taxes, foreign exchange discount, and the expenses of the Depositary.

Rule 31.50. Schedule for Customary Ex-dividend Dates

The "ex-dividend" date established by the Exchange is based on the location of the transfer facilities either in, or nearest to, Chicago. Thus, if an issue transfers both in Chicago and outside of Chicago, the "ex" date is based on the Chicago transfer facilities. If an issue does not transfer in Chicago, but transfers in two or more cities outside of that area, the "ex" date is based on the location of the transfer facilities closest to Chicago.

To avoid unnecessary claims for dividends, Trading Permit Holders receiving deliveries of stocks against "dividend on" transactions, are urged to provide for the earliest mailing of such stocks which transfer out of town, in order to ensure receipt by the transfer agent by the record date.

Rule 31.51. Special Ex-dividend Rulings

(a) Late Notices—If, as required by Exchange rules, the Exchange does not receive a notice of a dividend declaration sufficiently in advance of a record date to permit a stock to be quoted "ex-dividend" in the usual manner, the Exchange quotes the stock "ex-dividend" as soon as possible following receipt of notice of the dividend. The Exchange also rules that the "dividend on" purchaser (in transactions made during the interval between the date when the stock should have been quoted "ex" and the date when the stock is actually quoted "ex") is entitled to receive the dividend from the seller. The seller in such transactions is required to give to the purchaser a due bill, covering the amount of the dividend, to be redeemed subsequent to the payment date for the dividend.

The use of due bills causes vexing problems between TPH organizations and their customers because it is often difficult to explain to the selling customer why he should give up a dividend paid to him by the company. Therefore, the Exchange requires listed companies to furnish to the Exchange timely notification of dividend declarations (i) as many days as possible in advance of the record date and, in any event, (ii) no less than ten (10) days in advance of the record date.

(b) Larger or Valuable Dividends, Dividends "Not in Kind", and Split-ups Effected as Stock Distributions—When large or valuable cash or stock dividends (usually 25% or more), or a dividend "not in kind" (i.e., a distribution of securities of another issuer), or a split-up is declared, it is the policy of the Exchange to postpone the "ex-dividend" or "ex-distribution" date until the dividend has been paid. The reason for this is so that the stock is not quoted at the substantially lower "ex-dividend" or "ex-distribution" price until the distribution is received by shareholders. If this were not the case, the collateral value of the stock would be reduced between the "ex" date and payment date, and the shareholder might be required to provide additional collateral.

In the case of dividends "not in kind" (regardless of its size in relation to the listed security), it will be necessary to postpone the "ex-dividend" date in the event a market does not exist in the security to be distributed at the time the listed issue would normally be quoted "ex-dividend".

In all of the above instances, the postponement of the "ex" date until after the payment date makes it possible for shareholders to sell all of their holdings at one time, on a "dividend on" basis (prior to the "ex" date). As a result of this ruling, purchasers of the stock prior to the "ex" date continue to pay a "dividend on" price, but will not receive the dividend payment from the company. Accordingly, the Exchange rules that the "dividend on" purchaser is entitled to receive the dividend from the seller. The seller, in turn, is required to give the purchaser a due bill, covering the amount of the dividend, to be redeemed on the date fixed by the Exchange.

(c) "Cash" Transactions—The Ex-Dividend Rule of the Exchange specifies that "cash" transactions (in which delivery of the security must be made on the date of the transaction) in the case of stocks transferring in the Chicago Metropolitan area, shall be "ex-dividend" on the business day following the record date, and in the case of stocks transferring only outside of that area shall be "ex-dividend" on the business day following the "equivalent Chicago record date".

Rule 31.52. Price Adjustment of Open Orders on "Ex-date"

(a) When a security is quoted ex-dividend, ex-distribution, ex-rights or ex-interest, all open orders to buy and open stop orders to sell shall be reduced by the cash value of the payment or rights, except where the security is quoted "ex" a stock dividend or stock distribution, in which case the provisions of paragraph (b) apply.

(b) When a security is quoted “ex” a stock dividend, or stock distribution all open orders including open orders to sell and open orders to buy, shall be reduced by the proportional value of the dividend.

NOTE: The fact that a stock is quoted “ex-dividend” does not mean that the initial sale of the stock “ex-dividend” will always be lower, by the amount of the dividend, than the last preceding “dividend on” sale. In many instances this does happen. Other times, however, stocks sell “ex-dividend” at prices (lower or higher than the preceding “dividend on” sale) unrelated to the amount of the dividend, since factors other than “ex-dividend” data influence prices.

Accounting (Rules 31.53—31.56)

Rule 31.53. General

Rule 203 of the rules of Conduct of the American Institute of Certified Public Accounts’ Code of Professional Ethics states that a member shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles (“GAAP”) if such statements contain any departure from an accounting principle, promulgated by the body designated by the Institute to establish such principles, which has a material effect on the financial statements taken as a whole.

The Institute has designated the Financial Accounting Standards Board as such body and has also resolved that FASB Statements of Financial Accounting Standards together with those Accounting Research Bulletins and Accounting Principles Board Opinions, which are not superseded by action of the FASB, constitute accounting principles as contemplated by Rule 203.

The Exchange expects listed companies and their auditors, whether or not members of the AICPA, to adhere to the Institute’s requirements concerning departures from GAAP.

Rule 31.54. Independent Accountants

All financial statements contained in the annual report of listed company to its shareholders are required to be audited by independent accountants qualified under the laws of a state or country; and shall be accompanied by a report of the independent accounts prepared in accordance with Regulation S-X (Rule 2.02), showing the scope of their audit and the qualifications, if any, with respect thereto.

Rule 31.55. Change in Accountants

A listed company is required to notify the Exchange promptly (prior to filing its 8-K) if it changes independent accountants; and must state the reason for such change.

Rule 31.56. Defaults

A listed company must immediately notify the Exchange whenever there exists: (a) an event of default in any technical covenant of its outstanding loan agreements; (b) a default in

interest or principal payments on outstanding indebtedness; (c) a default in cumulative dividend payments on an outstanding preferred stock issue; or (d) a failure to meet the sinking fund or redemption provisions of any outstanding debt or equity issues of the company.

Annual Reports (Rules 31.60—31.66)

Rule 31.60. Publication of Annual Report

(a) A listed company is required to publish and furnish to its shareholders (or to holders of any other listed security when its common stock is not listed on a national securities exchange) an annual report containing audited financial statements of the company and its subsidiaries. Six copies of the report must be filed with the Exchange.

(b) An issuer that receives an audit opinion that contains a going concern qualification must make a public announcement through the news media disclosing the receipt of such qualification. Prior to the release of the public announcement, the issuer must provide the text of the public announcement to the Regulatory Services Division of the Exchange. The public announcement shall be provided to the Regulatory Service Division and released to the media not later than seven calendar days following the filing of such audit opinion in a public filing with the Securities and Exchange Commission.

Rule 31.61. Time of Publication

Annual reports must be submitted to shareholders and filed with the Exchange at least ten days in advance of the annual meeting of shareholders, and not later than four months after the close of the last preceding fiscal year of the company.

Rule 31.62. Request for Extension

If, due to circumstances beyond a company’s control, it becomes impossible to furnish shareholders with the required annual report within four months after the end of the company’s fiscal year, the company should request an extension of time in which to distribute its annual report, and set forth the basis for its request. The request should be in the form of a letter directed to the Exchange as soon as it has been determined that the annual report cannot be distributed on time and, in any event, at least two weeks before the four months have expired. (A similar request must also be made of the SEC on Form 12b-25 in connection with annual reports on Form 10-K.)

The Exchange may grant the request if: (a) there is good cause for the delay, (b) the company has a record of filing annual reports on time in the past, and (c) the lack of information as to the financial condition of the company does not warrant a halt or suspension of trading. If the Exchange, for any reason, does not grant the request, the securities of the company are subject to possible halt or suspension from trading after the expiration of the four-month period.

Rule 31.63. Good Cause for Delay

Good cause for delay in the publication of an annual report includes: catastrophes such as a fire, flood, war, destruction of a company's records or unavoidable regulatory delays such as a pending review by the SEC of financial statements in a preliminary prospectus or proxy statement.

Failure to retain auditors in time, shortages of personnel, or other avoidable reasons, do not generally constitute good cause for a delay. In addition, failure to clear a proxy statement in time to mail it with the annual report is not considered a good cause for a delay beyond the four-month period for the mailing of the annual report.

Rule 31.64. Contents of Report

The Annual Report of a listed company must contain the following financial statements:

(a) balance sheets;

(b) income statements; and

(c) statements of changes in financial position.

Such financial statements should be prepared in accordance with GAAP and Regulation S-X.

NOTE: Regulation S-X requires balance sheets to be presented for each of the two most recent fiscal years and statements of income and changes in financial position to be presented for each of the three fiscal years preceding the date of the most recent balance sheet being filed.

Rule 31.65. Options

A listed company is required to disclose in its report to shareholders, for the year covered by the report: (a) the number of unoptioned shares available for granting under the plan at the beginning and end of the year; and (b) any changes in the exercise price of outstanding options as a result of cancellations, reissuance or otherwise.

NOTE: Price changes resulting from the normal operation of anti-dilution provisions of options need not be reported.

Rule 31.66. President's Letter

Most annual reports contain a letter to shareholders from the President or other officer of the company. The Exchange expects that such letter, as well as all other releases and statements by the company, will be factual and that judgment and restraint will be used in not publicizing information which may be construed as over-optimistic, slanted or promotional.

Quarterly Reports (Rules 31.67—31.71)

Rule 31.67. Quarterly Statements

Under SEC rules, quarterly statements of operating results and financial position (generally on Form 10-Q) must be prepared pursuant to GAAP and in conformity with Regulation S-X.

Rule 31.68. Time of Publication

SEC rules require that quarterly statements be published within 45 days after the end of the company's first, second and third fiscal quarters. No statement is required for the fourth quarter, since that period is covered by the annual report.

Rule 31.69. Requests for Extension

A company should immediately notify the Exchange whenever it files with the SEC a request for extension of the filing of its quarterly statements on SEC Form 12b-25.

Rule 31.70. Dissemination

(a) Quarterly statements (unaudited) are not required to be sent to security holders by any company whose common stock is listed on a national securities exchange but shall be made available to security holders as provided in paragraphs (b) and (c) below. (Any company may, and many companies, in response to request by their shareholders and the recommendation of the Exchange, now do send such statements.)

Companies whose common stock is not listed on a national securities exchange must send quarterly statements (unaudited) to holders of its securities which are listed on the Exchange.

In all cases except as provided in Rule 31.71, such information (whether or not furnished to security holders) must be disseminated in the form of a press release to one or more newspapers of general circulation regularly publishing financial news and to one or more of the national news-wire services. Five copies must also be sent to the Exchange.

(b) Each issuer which is subject to SEC Rule 13a-13 shall make available to shareholders copies of quarterly reports including statements of operating results either prior to or as soon as practicable following the company's filing its Form 10-Q with the SEC. If the form of such quarterly report differs from the Form 10-Q, both the quarterly report and the Form 10-Q shall be filed with the Exchange. The statement of operations contained in quarterly reports shall disclose, as a minimum, any substantial items of an unusual or non-recurrent nature and net income and the amount of estimated federal taxes.

(c) Each issuer which is not subject to SEC Rule 13a-13 and which is required to file with the SEC, or another federal or state regulatory authority, interim reports relating primarily to operations and financial position, shall make available to shareholders reports which reflect the information contained in those interim reports. Such reports shall be made available to

shareholders either before or as soon as practicable following filing with the appropriate regulatory authority. If the form of the interim report made available to shareholders differs from that filed with the regulatory authority, both the report to shareholders and the report to the regulatory authority shall be filed with the Exchange. Approved October 19, 1990.

Rule 31.71. Exceptions

Exception to the Exchange's requirement that quarterly results be distributed in the form of a press release is made only in cases where conditions peculiar to the type of company, or to the particular company itself, would make such a release impracticable or misleading, as in the case of companies dependent upon long-term contracts, or companies dependent upon the growth and sale of a crop in an annual cycle, or companies operating under conditions which make such releases virtually impossible or misleading.

When the Exchange is convinced that the release of quarterly results is impracticable, or could be misleading, it may require an agreement to release a semi-annual statement of sales and earnings, or an interim statement of certain operating statistics which will serve to indicate the trend of the company's business during the period between annual reports. Only when the Exchange is convinced that any type of interim release is either impracticable, or misleading, will an agreement calling merely for publication of annual statements be accepted.

NOTE: Any agreement between the Exchange and a listed company on the issuance of quarterly operating results does not alter the company's obligation to publish quarterly statements pursuant to SEC rules.

Shareholders's Meetings (Rules 31.72—31.77)

Rule 31.72. Filing Material Mailed to Shareholders

A listed company is required to file with the Exchange six copies of all material mailed to shareholders (including mailings for annual and special shareholders' meetings) such as notices, proxy statements, forms of proxy and other soliciting materials. This material should be sent to the Exchange as soon as it is mailed to shareholders.

Rule 31.73. Charter and By-law Amendment

A listed company is required to file with the Exchange a copy of any amendment to its charter or by-laws (or equivalent documents) as soon as it becomes effective. Such filing must include:

(a) in the case of a charter amendment—a certification by the Secretary of State (or similar authority) that the filing is a true and complete copy of the amendments; and

(b) in the case of a by-law amendment—a resolution of the board of directors (certified by an officer of the company) authorizing the by-law amendment.

Rule 31.74. Notice of Meetings

A listed company is required to give written notice at least ten days in advance of all shareholders' meetings, and to provide for such notice in its by-laws.

In addition, the company must immediately notify the Exchange when it establishes a date for the taking of a record of its shareholders. Such notice must be given at least ten days in advance of the record date.

NOTE: Exchange rules prohibit the closing of a listed company's transfer books, for any purpose.

The Exchange recommends that such notice and proxy soliciting material be received by stockholders as many days as possible (preferably at least 20 days) in advance of the meeting. A similar arrangement should be followed in delivering such proxy material to TPH organizations in order to allow such organizations ample time to mail the material to, and receive voting instructions from, beneficial owners.

Companies should be aware that the Exchange's proxy rules provide that in the case of a routine meeting, if the proxy material is distributed by a TPH organization, as record holder, to the beneficial owners of the shares, at least 15 days before the meeting, and voting instructions from the beneficial owner are not received ten days prior to the meeting, the TPH organization may then vote the proxy in its discretion. Otherwise, the TPH organization must receive specific voting instructions from its customers.

If a company plans to request brokers to forward proxy-soliciting material to customers, it should communicate with the brokers at least ten days in advance of the voting record date for the meeting:

(a) informing them of the record and meeting dates;

(b) providing them with a return postcard on which they may indicate the number of sets of proxy material required for transmittal to customers; and

(c) agreeing to reimburse them for out-of-pocket expenses incurred in handling the material. The sets of proxy material distributed to TPH organizations should include the required number of proxies and annual reports to assure compliance with the rules and regulations of the Exchange and the SEC.

Rule 31.75. Annual Meetings

A listed company is required to hold meetings of its stockholders annually to elect directors and to take action on other corporate matters in accordance with its charter, by-laws and applicable state or other laws. In the event unusual circumstances affecting the company shall preclude the holding of its annual meeting within a reasonable period after the time specified in its charter, the Exchange must be informed in writing, stating the reasons for the delay, and good faith efforts must be made to ensure that such annual meeting is held as soon as reasonably practicable in light of the circumstances causing the delay.

Rule 31.76. Meeting and Solicitation of Proxies Required

A listed company is required, with respect to any matter requiring authorization by its stockholders, to hold a meeting of its stockholders in accordance with its charter, by-laws and applicable state or other laws and to solicit proxies (pursuant to a proxy statement conforming to the proxy rules of the SEC) for such meeting of stockholders; unless, upon prior Exchange review and approval, the Exchange permits the solicitation, from all stockholders of record, of written consents (conforming to the proxy rules of the SEC) in lieu of such meeting and proxy solicitation.

NOTE: An information statement under Regulation 14C of the SEC is not considered a proxy statement for purposes of this requirement.

Rule 31.77. Solicitation of Shareholder Consents

Upon prior Exchange Review and approval, the Exchange permits solicitation of written consents from shareholders in lieu of a shareholder meeting and the solicitation of proxies (other than for the election of directors or other major corporate action) as appropriate authorization for corporate action by a listed company whenever it appears that a convened meeting of shareholders is not required. The use of consents may be granted by the Exchange on an individual basis subject to the observance of certain Exchange requirements including, among others, the condition that consents conforming to the proxy-solicitation regulations of the SEC be solicited from all shareholders of record.

A listed company's request for permission to solicit written consents of shareholders must be accompanied by a statement as to whether any substantial controversy regarding any of the matters to be acted upon is anticipated. If it appears that a contest or controversy will develop, the Exchange will require a shareholder meeting. If permission to solicit consents is granted, such authorization will be subject to the condition that, if a contest develops or a controversy arises after the consent material is distributed to shareholders, the company will terminate the solicitation of consents and revert to a formal solicitation and convene a meeting of shareholders.

The use of consents will not be permitted in connection with any matter on which the Exchange requires the vote of shareholders.

In addition to prior Exchange approval, the following requirements also apply;

(a) a record date for the distribution of consent forms must be used in the same manner as for the distribution of proxy-soliciting material;

(b) consents must be sent to, and solicited from, all shareholders of record in conformity with the proxy-soliciting regulations of the SEC, which also apply to the solicitation of consents;

(c) corporate action is not to be taken on the matters presented for shareholders' consideration until the consent solicitation period has expired, even if the required number of consents is received earlier; and

(d) the solicitation period (preferably about 30 days) must be for a minimum of 20 days.

Shareholders' Approval (Rules 31.78—31.81)

Rule 31.78. Vote Required

The minimum vote, under Rules 31.79, 31.80 and 31.81, which will constitute shareholder approval for listing purposes, is defined as approval by a majority of votes cast on a proposal in person or by proxy.

Rule 31.79. Options to Officers, Directors, Employees or Consultants

Approval of shareholders is required with respect to the establishment of (or material amendment to) a stock option or purchase plan or other equity compensation arrangement pursuant to which options or stock may be acquired by officers, directors, employees, or consultants, regardless of whether or not such authorization is required by law or by the company's charter, except for:

(a) issuances to an individual, not previously an employee or director of the company, or following a bonafide period of non-employment, as an inducement material to entering into employment with the company, provided (i) such issuances are approved by either a majority of the company's independent directors or the company's independent compensation committee and (ii) the company discloses in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved, promptly following an issuance of any employment inducement grant in reliance on this exception; or

(b) tax qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by a majority of the company's independent directors or the company's independent compensation committee, or plans that merely provide a convenient way to purchase shares on the open market or from the company at fair market value; or

(c) plans or arrangements relating to an acquisition or merger; or

(d) warrants or rights issued generally to all security holders of the company or stock purchase plans available on equal terms to all security holders of the company (such as a typical dividend reinvestment plan).

The Exchange requires that such shareholder's approval be solicited pursuant to a proxy statement conforming to SEC proxy rules which discloses all of the essential details of the options or of the plan pursuant to which the options will be granted.

. . . Interpretations and Policies:

.01 Rule 31.79 requires shareholder approval when a plan or other equity compensation arrangement is established or materially amended. For these purposes, a material amendment would include, but not be limited to, the following:

(1) any material increase in the number of shares to be issued under the plan (other than to reflect a reorganization, stock split, merger, spinoff or similar transaction);

(2) any material increase in benefits to participants, including any material change to: (i) permit a repricing (or decrease in the exercise price) of outstanding options, (ii) reduce the price at which shares or options to purchase shares may be offered, or (iii) extend the duration of a plan;

(3) any material expansion of the class of participants eligible to participate in the plan; and

(4) any expansion in the types of options or awards provided under the plan.

While general authority to amend a plan would not obviate the need for shareholder approval, if a plan permits a specific action without further shareholder approval, then no such approval would generally be required. However, if a plan contains a formula for automatic increases in the shares available (sometimes called an "evergreen formula"), or for automatic grants pursuant to a dollar-based formula (such as annual grants based on a certain dollar value, or matching contributions based upon the amount of compensation the participant elects to defer), such plans cannot have a term in excess of ten years unless shareholder approval is obtained every ten years. However, plans that do not contain a formula and do not impose a limit on the number of shares available for grant would require shareholder approval of each grant under the plan. A requirement that grants be made out of treasury shares or repurchased shares will not alleviate these additional shareholder approval requirements.

As a general matter, when preparing plans and presenting them for shareholder approval, issuers should strive to make plan terms easy to understand. In that regard, it is recommended that plans meant to permit repricing use explicit terminology to make this clear.

Rule 31.79 provides an exception to the requirement for shareholder approval for warrants or rights offered generally to all shareholders. An exception is also provided for tax qualified, non-discriminatory employee benefit plans as well as parallel nonqualified plans as these plans are regulated under the Internal Revenue Code and Treasury Department regulations. An equity compensation plan that provides non-U.S. employees with substantially the same benefits as a comparable tax qualified non-discriminatory employee benefit plan or parallel nonqualified plan that the issuer provides to its U.S. employees, but for features necessary to comply with applicable foreign tax law, are also exempt from shareholder approval under this section. The term "parallel nonqualified plan" means a plan that is a "pension plan" within the meaning of the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. §1002 (1999), that is designed to work in parallel with a plan intended to be qualified under Internal Revenue Code Section 401(a), to provide benefits

that exceed the limits set forth in Internal Revenue Code Section 402(g) (the section that limits an employee's annual pre-tax contributions to a 401(k) plan), Internal Revenue Code Section 401(a)(17) (the section that limits the amount of an employee's compensation that can be taken into account for plan purposes) and/or Internal Revenue Code Section 415 (the section that limits the contributions and benefits under qualified plans) and/or any successor or similar limitations that may thereafter be enacted. However, a plan will not be considered a parallel nonqualified plan unless: (i) it covers all or substantially all employees of an employer who are participants in the related qualified plan whose annual compensation is in excess of the limit of Code Section 401(a)(17) (or any successor or similar limitation that may hereafter be enacted); (ii) its terms are substantially the same as the qualified plan that it parallels except for the elimination of the limitations described in the preceding sentence; and (iii) no participant receives employer equity contributions under the plan in excess of 25% of the participant's cash compensation.

Further, there is an exception for inducement grants to new employees because in these cases a company has an arm's length relationship with the new employees. Inducement grants for these purposes include grants of options or stock to new employees in connection with a merger or acquisition. Rule 31.79 requires that such issuances must be approved by the issuer's independent compensation committee or a majority of the issuer's independent directors. The rule further requires that promptly following an issuance of any employment inducement grant in reliance on this exception, the listed company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved.

In addition, plans or arrangements involving a merger or acquisition do not require shareholder approval in two situations. First, shareholder approval will not be required to convert, replace or adjust outstanding options or other equity compensation awards to reflect the transaction. Second, shares available under certain plans acquired in acquisitions and mergers may be used for certain post-transaction grants without further shareholder approval. This exception applies to situations where the party which is not a listed company following the transaction has shares available for grant under pre-existing plans that were previously approved by shareholders pursuant to Rule 31.79. These shares may be used for post-transaction grants of options and other equity awards by the listed company (after appropriate adjustment of the number of shares to reflect the transaction), either under the pre-existing plan or arrangement or another plan or arrangement, without further shareholder approval, provided: (1) the time during which those shares are available for grants is not extended beyond the period when they would have been available under the pre-existing plan, absent the transaction, and (2) such options and other awards are not granted to individuals who were employed by the granting company or its subsidiaries at the time the merger or acquisition was consummated. A plan or arrangement adopted in contemplation of the merger or acquisition transaction would not be viewed as pre-existing for purposes of this exception. This exception is appropriate because it will not result in any increase in the aggregate potential dilution of the combined enterprise. In this regard, any additional shares available for issuance under a plan or arrangement acquired in connection with a merger or acquisition would be counted in determining whether the transaction involved the issuance of 20% or more of the company's outstanding common stock, thus triggering the shareholder approval requirements of Rule 31.80(b).

A listed company is not permitted to use repurchased shares to fund option plans or grants without prior shareholder approval.

Pursuant to Rule 31.96(H), a listed company is required to notify the Exchange in writing prior to the use of any of the exceptions set forth in paragraphs (a) through (d) of Rule 31.79.

Rule 31.80. Acquisitions

Approval of shareholders is required (pursuant to a proxy solicitation conforming to SEC proxy rules) as a prerequisite to approval of applications to list additional shares to be issued as sole or partial consideration for an acquisition of the stock or assets of another company in the following circumstances:

(a) if any individual director, officer or substantial shareholder of the listed company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common shares or voting power of 5% or more; or

(b) where the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common shares of 20% or more or could represent 20% or more of the voting power outstanding before the issuance of such stock or securities.

NOTE: A series of closely related transactions may be regarded as one transaction for the purpose of this policy. Companies engaged in merger or acquisition discussions must be particularly mindful of the Exchange's timely disclosure policies. In view of possible market sensitivity and the importance of providing investors with sufficient information relative to an intended merger or acquisition, listed company representatives are strongly urged to consult with the Exchange in advance of such disclosure.

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.01 Any additional shares available for issuance under a stock option or purchase plan or other equity compensation arrangement acquired in connection with a merger or acquisition are counted in determining whether the transaction involved the issuance of 20% or more of the company's outstanding common stock as provided in Rule 31.80(b).

Rule 31.81. Other Transactions

The exchange will require shareholder approval (pursuant to a proxy solicitation conforming to SEC proxy rules) as a prerequisite to approval of applications to list additional shares to be issued in connection with a transaction involving:

(i) the sale or issuance by the company of common stock (or securities convertible into or exercisable for common stock) at a price less than the greater of book or market value which

together with sales by officers, directors or principal shareholders of the company equals 20% or more of presently outstanding common stock or 20% or more of the presently outstanding voting power;

(ii) the sale or issuance by the company of common stock (or securities convertible into or exercisable for common stock) equal to 20% or more of presently outstanding stock or voting power for less than the greater of book or market value of the stock; or

(iii) an issuance by the company of common stock which will result in a change of control of the company.

The Exchange should be consulted whenever a company is considering issuing a significant percentage of its shares to ascertain whether shareholders' approval will be required under this section.

NOTE: Subsections (i) and (ii) of this section do not apply to public offerings.

Voting by Trading Permit Holders, Transmission of Proxy Materials (Rules 31.82—31.88)

Rule 31.82. Application of Proxy Rules

Exchange Rules apply to TPH organizations regardless of whether the security involved is traded on the Exchange. However, if a conflict arises between these rules and those of another registered national securities association or exchange, the rules of the Exchange apply only if it is the principal market for the security.

Rule 31.83. Giving of Proxies—Restrictions on TPH Organizations

No TPH organization shall give, or authorize the giving of, a proxy to vote stock registered in its name, or in the name of its nominee, unless such TPH organization is the beneficial owner of such stock.

Rule 31.84. Transmission of Proxy Material to Customers

(a) Whenever a person soliciting proxies shall furnish a TPH organization with:

(i) copies of all soliciting material which such person is sending to registered holders; and

(ii) satisfactory assurance that he will reimburse such TPH organization for all out-of-pocket expenses, including reasonable clerical expenses, incurred by such TPH organization in connection with such solicitation;

such TPH organization shall transmit to each beneficial owner of stock, which is in its possession or control, the material furnished.

Annual reports should be transmitted to beneficial owners under the same conditions as those applying to proxy soliciting material under the proxy rules of the SEC.

The Exchange has approved the following as fair and reasonable rates of reimbursement to TPH organizations for all out-of-pocket expenses, including reasonable clerical expenses, incurred in connection with proxy solicitations (as well as the mailing of interim reports or other material to shareholders): Charges for Initial Proxy and/or Annual Report Mailings

60¢ for each set of proxy material, plus postage (proxy statement, form of proxy and annual report when mailed as a unit) for those meetings that do not include a proposal which requires beneficial owner instructions, with a minimum of $5.00 for all sets mailed;

70¢ for each set of proxy material, plus postage (proxy statement, form of proxy and annual report when mailed as a unit) for those meetings which include a proposal requiring beneficial owner instructions, with a minimum of $5.00 for all sets mailed;

20¢ for each copy, plus postage, for annual reports which are mailed separately from the proxy material pursuant to instruction of the person soliciting proxies, with a minimum charge of $3.00 for all sets mailed;

Charges for Proxy Follow-Up Mailings

40¢ for each set of follow-up material, plus postage, when the follow-up material is mailed to all beneficial owners;

60¢ for each set of follow-up material, plus postage, when the follow-up material is mailed only to beneficial owners who have not responded to the initial mailing.

Charges for Interim Report Mailings

20¢ for each copy, plus postage, for interim reports, post-meeting reports or other material, with a minimum of $2.00 for all sets mailed.

Member organizations may charge for envelopes, if they are not furnished by the person soliciting proxies.

Surcharge for Proxy Mailings for Annual Meetings

The Exchange has approved the following surcharge on issuers as a fair and reasonable rate of reimbursement of TPH organizations for direct and indirect expenses associated with start-up costs incurred to comply with Rules 14 and 17a-3(a) (9) (ii) of the Securities Exchange Act of 1934.

20¢ for each set of proxy material, proxy statement and form of proxy (not including follow-up mailings), mailed in connection with the issuer’s next annual meeting.

(b) The TPH organization must also transmit the following information with all proxy soliciting material sent to registered holders:

(i) a request for voting instructions and, as to matters which may be voted without instruction, a statement to the effect that if such instructions are not received by the tenth

day before the meeting, the proxy may be given at discretion by the owner of record (the TPH organization) of the stock.

NOTE: Such statement may be made only when the proxy soliciting material is transmitted to the beneficial owner of the stock at least fifteen days before the meeting. When the proxy soliciting material is transmitted to the beneficial owner of the stock twenty five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the stock; or

(ii) a signed proxy indicating the number of shares held for the beneficial owner and bearing a symbol identifying the proxy with proxy records of the TPH organization. A letter must also be sent informing the beneficial owner of the necessity for completing the proxy form and forwarding it to the person soliciting proxies in order that the shares may be represented at the meeting.

(c) TPH organizations must also comply with the following rules when transmitting proxy soliciting material to registered holders:

(i) first class mail should be used to facilitate the obtaining of voting instructions or forwarding signed proxies, unless another method is specified by the persons for whom the material is transmitted;

(ii) proxy material must be sent to a beneficial owner even though such owner has instructed the TPH organization not to do so;

(iii) proxy material need not be sent to beneficial owners outside the United States (however, TPH organizations may do so if they wish);

(iv) if securities are held in an omnibus account for an out-of-town or non-clearing TPH organization, it is incumbent upon the out-of-town or non clearing TPH organization to see that the necessary proxy material is transmitted to the beneficial owners and that the proper records are kept.

Rule 31.85. Giving Proxies by TPH Organization

(a) When a TPH organization may vote without customer instructions—A TPH organization may give a proxy to vote stock provided that:

(1) it has transmitted proxy-soliciting material to the beneficial owner of stock

(2) it has not received voting instructions from the beneficial owner by the date specified in the statement accompanying such material; and

(3) provided such action is adequately disclosed to stockholders and does not include authorization for a merger, consolidation or any matter which may substantially affect the rights or privileges of such stock.

(b) When a TPH organization may not vote without customer instructions—A TPH organization may not give or authorize a proxy to vote without instructions from beneficial owners when the matter to be voted upon:

(1) is submitted to stockholders by means of a proxy statement comparable to that specified in Schedule 14-A of the SEC;

(2) is the subject of a counter-solicitation, or is part of a proposal made by a stockholder which is being opposed by management;

(3) relates to a merger or consolidation (except when the company's proposal is to merge with its own wholly owned subsidiary, provided shareholders dissenting thereto do not have rights of appraisal and there is no change in the state of incorporation);

(4) involves right of appraisal;

(5) authorizes mortgaging of property;

(6) authorizes or creates indebtedness or increases the authorized amount of indebtedness;

(7) authorizes or creates a preferred stock or increases the authorized amount of an existing preferred stock;

(8) alters the terms or conditions of existing stock or indebtedness;

(9) involves a waiver or modification of preemptive rights;

(10) changes existing quorum requirements with respect to stockholder meetings;

(11) alters voting provisions or the proportionate voting power of a stock, or the number of its votes per share (except where cumulative voting provisions govern the number of votes per share for election of directors and the company proposal involves a change in the number of its directors by not more than 10% or not more than one);

(12) authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not shareholder approval of such plan is required by Rule 31.79);

Commentary to Item 12: A TPH organization may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 31.85. See Item 21.

(13) authorizes—

(i) a new profit-sharing or special remuneration plan, or a new retirement plan, the annual cost of which will amount to more than 10% of average annual income before taxes for the preceding five years, or

(ii) the amendment of an existing plan which would bring its costs above 10% of such average annual income before taxes.

Exception may be made in cases of:

(i) retirement plans based on agreement or negotiations with labor unions (or which have been or are to be approved by such unions) and

(ii) any related retirement plan for benefit of non-union employees having terms substantially equivalent to the terms of such union-negotiated plan which is submitted for action of stockholders concurrently with such union-negotiated plan;

Commentary to Item 13: A TPH organization may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 31.85. See Item 21.

(14) changes the purposes or powers of a company to an extent which would permit it to change to a materially different line of business and it is the company's stated intention to make such a change;

(15) authorizes the acquisition of property, assets or a company, where the consideration to be given has a fair value approximating 20% or more of the market value of the previously outstanding shares;

(16) authorizes the sale or other disposition of assets or earning power approximating 20% or more of those existing prior to the transaction;

(17) authorizes a transaction not in the ordinary course of business in which an officer, director or substantial security holder has a direct or indirect interest;

(18) reduces earned surplus by 51% or more, or reduces earned surplus to an amount less than the aggregate of three years' common stock dividends computed at the current dividend rate.

(19) is the election of a member of the board of directors of an issuer (except for a vote with respect to the uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940;

(20) materially amends an investment advisory contract with an investment company;

Commentary to Item 20: A material amendment to an investment advisory contract would include any proposal to obtain shareholder approval of an investment company's investment advisory contract with a new investment adviser, which approval is required

by the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules thereunder. Such approval will be deemed to be a "matter which may affect substantially the rights or privileges of such stock" for purposes of this rule so that a TPH organization may not give or authorize a proxy to vote shares registered in its name absent instruction from the beneficial holder of the shares. As a result, for example, a TPH organization may not give or authorize a proxy to vote shares registered in its name, absent instruction from the beneficial holder of the shares, on any proposal to obtain shareholder approval required by the 1940 Act of an investment advisory contract between an investment company and a new investment adviser due to an assignment of the investment company's investment advisory contract, including an assignment caused by a change in control of the investment adviser that is party to the assigned contract.

(21) relates to executive compensation; or

Commentary to Item 21: A matter relating to executive compensation would include, among other things, the items referred to in Section 14A of the Exchange Act (added by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), including (i) an advisory vote to approve the compensation of executives, (ii) a vote on whether to hold such an advisory vote every one, two or three years, and (iii) an advisory vote to approve any type of compensation (whether present, deferred, or contingent) that is based on or otherwise relates to an acquisition, merger, consolidation, sale, or other disposition of all or substantially all of the assets of an issuer and the aggregate total of all such compensation that may (and the conditions upon which it may) be paid or become payable to or on behalf of an executive officer. In addition, a TPH organization may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 31.85. Any vote on these or similar executive compensation-related matters is subject to the requirements of Rule 31.85.

(22) is any other significant matter, as determined by the Commission, by rule.

(c) Discretionary and non-discretionary proposals in one proxy form—A proxy form may contain proposals, some of which may be acted upon at the discretion of the TPH organization in the absence of instruction, and others which may be voted only in accordance with the directions of the beneficial owner. This should be indicated in the letter of transmittal. In such cases, the TPH organization may vote the proxy in the absence of instructions if it physically crosses out those portions where it does not have discretion.

(d) Cancellation of discretionary proxy where counter-solicitation develops—Where a discretionary proxy has been given in good faith under the rules and counter-solicitation develops at a later date, thereby creating a "contest", the question as to whether or not the discretionary proxy should then be canceled is a matter which each TPH organization must decide for itself. After a contest has developed, no further proxies should be given except at the direction of beneficial owners.

(e) Subsequent proxy—Where a TPH organization gives a subsequent proxy, it should clearly indicate whether the proxy is in addition to, in substitution for, or in revocation of, any prior proxy.

(f) Signing and dating proxy—All proxies should be dated and should show the number of shares voted. Since manual signatures are sometimes illegible, a TPH organization should also either type or rubber-stamp its name on such proxy.

(g) Proxy records—Records covering the solicitation of proxies shall show the following:

(1) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;

(2) names of customers to whom the material is sent together with date of mailing;

(3) all voting instructions showing whether verbal or written; and

(4) a summary of all proxies voted by the TPH organization clearly setting forth total shares voted for or against, or not voted, for each proposal to be acted upon at the meeting.

Verbal voting instructions may be accepted provided a record is kept of the instructions of the beneficial owner and the instructions are retained by the TPH organization. The record shall also indicate the date of the receipt of the instructions and the name of the recipient.

(h) Retention of records—All proxy solicitation records, originals of all communications received and copies of all communications sent relating to such solicitation, shall be retained for a period of not less than three years, the first two years in an easily accessible place.

Rule 31.86. Transfers to Facilitate Solicitation

A TPH organization, when so requested by the Exchange, shall transfer certificates of a listed stock held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, or in the name of its nominee, prior to the taking of a record of stockholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such requests at the instance of the issuer or of persons owning in the aggregate at least 10 percent of such stock, provided that, if the Exchange so requires, the issuer or persons making such request agree to indemnify TPH organizations against transfer taxes. The Exchange may make such a request for indemnification whenever it deems it advisable.

Rule 31.87. Transmission of Interim Reports and Other Material

A TPH organization, when so requested by a company, and upon being furnished with:

(1) copies of interim reports of earnings or other material being sent to stockholders; and

(2) satisfactory assurance that it will be reimbursed by such company for all out-of-pocket expenses, including reasonable clerical expenses;

shall transmit such reports or materials to each beneficial owner of stock of such company held by such TPH organization and registered in a name other than the name of the beneficial owner. (See Rule 31.84 for the schedule of appropriate rates of reimbursement for such mailings.)

NOTE: This rule does not apply to beneficial owners outside the United States, but does apply to both listed and unlisted companies.

Rule 31.88. Voting by DPMs

A DPM is prohibited from soliciting, directly or indirectly, any proxy on behalf of himself or any other person in respect of a security in which he is registered as a DPM. A DPM is also prohibited from voting in any proxy contest any such security in which he has a beneficial interest.

Transfer Facilities; Certificates (Rules 31.90—31.93)

Rule 31.90. Transfer and Registry Facilities

A. *Transfer and Register Facilities*

Listed companies are required to maintain transfer and registry facilities (including facilities for conversion or exchange) for their listed securities, which are satisfactory to the Exchange.

1. Office facilities (hereinafter referred to as the “office”) satisfactory to the Exchange and the issuer to receive and redeliver securities must be located in Chicago, Illinois or New York City, New York.

2. Routine transfers are to be processed and available for pick-up at the office under normal conditions within 72 hours, e.g., if received at noon on Monday must be available for pick-up no later than immediately after noon on Thursday.

3. The Transfer Agent must assume total responsibility and liability for securities from the time of deposit at the office until redelivery at the window. The Transfer Agent must maintain insurance coverage of at least $10,000,000 to protect securities while in transit or in process of transfer, and it must be in a position to demonstrate that it has a substantial net worth. If the Transfer Agent does not have capital, surplus (both capital and earned), undivided profits and/or capital reserves aggregating at least $3,000,000, it will be required to furnish additional evidence of its ability to meet financial obligations and it may be required to maintain insurance coverage in excess of $10,000,000. In this regard, all relevant factors will be considered such as its past record of operations as a Transfer Agent the experience of its management and supervisory personnel, its security and record-keeping procedures, the nature and scope of any other activities in which it is engaged and the amount of its capital in relation to its overall business activities.

4. Out-of-town agents having a drop in New York or Chicago must make appropriate arrangements to pick up from and deliver to Depositary Trust Company or Midwest Securities Trust Company normally within the 72-hour period and framework mentioned above.

5. Personnel at the office must have sufficient experience to respond promptly to inquiries regarding transfers, including legal items.

6. Securities received before the close of business at the office on a record date or any other date involving the rights of a security holder must be recorded as of the date so as to establish the transferee's rights.

7. Facilities should be available for expediting transfer service when needed. No objection will be made if a reasonable charge is made for such special service.

8. The Exchange reserves the right to request a company with securities listed on the Exchange to terminate the appointment of its Transfer Agent in the event of failure of such Transfer Agent to conform to all of the foregoing requirements.

B. *Agreement with Transfer Agent*

A company is required to cause its transfer agent or agents to enter into an agreement with the Exchange (Listing Form 3 for common stock and Listing Form 6 for warrants) whereby the transfer agent must, as a matter of record and information, notify the Exchange of the issuance of any shares (warrants) over the amount outstanding on the date of the agreement. The transfer agent must also notify the Exchange if its services are discontinued.

C. *Agreement with Registrar*

A company is also required to cause its registrar or registrars to enter into an agreement with the Exchange (Listing Form 4) which prohibits the registration of any shares over the amount stipulated on the date of the agreement unless it has first been notified by the Exchange that the additional shares have been authorized for listing. A registrar must also notify the Exchange if its services are discontinued.

D. *Additional Transfer and Registry Facilities*

Transfer and registry agencies may be maintained in more than one city, however, when shares are transferred in more than one transfer office, the combined amounts of stocks registered in all transfer offices shall not exceed the amount authorized for listing.

E. *Acting in Dual Capacity*

A qualified bank, trust company, listed company or other qualified organization may act in the dual capacities of transfer agent and registrar, provided that it countersigns stock certificates in both capacities. All entities which act in the dual capacity of transfer agent and registrar are required to assure the Exchange that such functions are maintained separately

and distinctly with appropriate internal controls, subject to an annual review by the agent's independent auditors which shall be provided to the entity's board of directors.

A listed company acting in the dual capacity of transfer agent and registrar for its own securities shall be required to sign an appropriate agreement with the Exchange to, among other things:

1. maintain offices, staffed by qualified personnel, with adequate facilities for the safekeeping of securities in its possession where transfer and registration may be completed within forty-eight hours;

2. be responsible to indemnify purchasers for any loss arising out of over/under issuance of all securities delivered to, or picked up by, it as agent, until such securities are delivered pursuant to instructions; and

3. maintain the transfer agent and registrar functions as separate and distinct with appropriate internal controls, such controls to be reviewed annually by the company's independent auditors.

F. *Company Acting as Own Transfer Agent and/or Registrar*

If a security is transferred and/or registered at the company's office, the persons who shall be authorized to sign certificates in the capacity of registrar and transfer agent shall be appointed by specific authority of the board of directors and shall not be an officer who is otherwise authorized to sign certificates on the company's behalf.

NOTE: A listed company which acts as transfer agent and/or registrar for the securities of another issuer must comply with Exchange rules pertaining to unaffiliated banks, trust companies or other organizations.

G. *Appointment of New Agent*

A company is not permitted to appoint a transfer agent, registrar, or other fiscal agent of a security of the company listed on the Exchange without prior notice to and approval of the Exchange. A registrar must, at the time of its appointment, be acceptable to the Exchange as a registrar for securities listed on the Exchange. If the transfer books of a company should be closed permanently, the company is required to continue to split-up certificates into smaller denominations in the same name so long as such stock remains listed on the Exchange.

H. *Agent for Registration of Bonds or Debentures*

A company applying for the listing (or having listed) registered bonds or debentures on the Exchange is required to maintain in Chicago an office or agency, satisfactory to the Exchange, where such bonds or debentures are registerable. In the case of bonds or debentures issued in bearer for, such office or agency must provide for the payment of principal and interest on such indebtedness.

I. *Agent for Payment of Dividends, Interest and Principal*

A listed company is permitted to designate an agent, satisfactory to the Exchange, located in or outside Chicago, for the payment of dividends, interest and principal (on bonds or debentures), and other payments with respect to a listed security. If however, checks for such payments are drawn on a bank located outside Chicago, additional arrangements must be made for payment against such checks at a bank, trust company or agency located in Chicago, and the details of those arrangements disclosed to the payee.

J. *Trustees for Bonds Issues*

(a) Trustee to be a bank or trust company—The trustee of a bond issue must be a trust company or banking institution having substantial capital and surplus and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed cotrustee.

(b) Separate trustee for each issue—If the company, either at the time of listing or subsequently, should have bonds or other evidences of indebtedness outstanding under more than one mortgage, indenture or deed of trust, each issue shall be represented by a different trustee; provided, however, that separate trustees shall not be required in the case of several issues of bonds issued under one or more indentures that have been qualified under the Trust Indenture Act of 1939, as amended.

(c) Persons not acceptable as trustees—The Exchange does not regard as satisfactory to act as a trustee for a listed issue any (i) officer or director of the issuing company; (ii) trust company, banking institution, or other organization in which an officer of the issuing company is an executive officer; or (iii) organization controlled by, under common control with, or which itself controls, the issuing company.

(d) Changes in trustees—No change is to be made in the trustee of a listed issue without prior notice to and approval of the Exchange.

Rule 31.91. Form of Securities—Engraving

A. *Review by the Exchange*

In addition to complying with the requirements set forth below, companies should submit the following to the Exchange for review and approval:

(a) proof of a security prior to final printing; and

(b) specimens of the security in final form printed on the bond paper to be used for the definitive security, accompanied by the banknote company agreement.

No change in the form of a certificate should be made without the approval of the Exchange.

B. *Engraved Border*

The face of listed securities (stocks and bonds) must be printed from at least one engraved steel border plate produced by a banknote company whose work is acceptable to the Exchange. The company may, at its option, use a second steel engraved face plate.

C. *Border Plate Original*

The engraved border plate (and engraved face plate if used) must be original to the banknote company which prepared the security, and also on the face of coupons and filing panel of each bond.

The border plate shall remain in the permanent possession of the banknote company which produced it. The plate may be used by such banknote company in the production of "controlled stock" securities of more than one company, provided that such securities are prepared in their entirety on the premises of such banknote company, which shall furnish the Exchange with a certificate and agreement.

D. *Agreement of Banknote Company*

The final specimen submitted to the Exchange must be accompanied by:

(a) a certificate of the banknote company that:

(i) the security has been prepared in accordance with the printing and engraving requirements of the Chicago Board Options Exchange; and

(ii) all work done in connection with the preparation and manufacturer of dies, rolls, plates and certificates has been and will be done entirely on the premises of the banknote company, except as may be specifically noted (if there are any exceptions, full details must be given);

(b) an agreement by the banknote company (by its terms binding upon the banknote company, its successors and assigns) that all dies, rolls, plates and other engravings used in connection with the manufacture of certificates of the particular issue will, at all times, be and remain in the possession of the banknote company and, when not actually being used in connection with the manufacture and preparation of certificates, will be kept in a vault on the premises of the banknote company, and all completed certificates of the issue and all certificates in process will, prior to delivery to or upon the order of the issuing company (except when in actual process of manufacture), be kept in such vault.

E. *Color*

The printing of securities must be in distinctive colors to make classes and denominations readily distinguishable.

F. *Paper Size*

All paper used for securities must be of an excellent grade of bond paper, of adequate weight and strong enough to withstand the strains and stresses of frequent handling. Stock certificates shall be of the standard size of 8 × 12 inches.

G. *Denominations*

The Exchange has no requirements as to denominations of stock certificates and permits either the sole use of single (unlimited) denomination certificates, or certificates for 100 shares, less than 100 shares and unlimited denominations.

The denomination of 100 share, less than 100 share and more than 100 share certificates should be appropriately indicated on the certificate by engraving or surface printing at the option of the company. Companies which do not have a separate certificate for more than 100 shares may alter the certificate for 100 shares or less than 100 shares by over-printing.

Certificates for other than 100 shares should indicate that exact number of shares by the use of a macerating machine that breaks the paper or a matrix. A company may also use a punchout panel in addition to one of the methods noted above.

H. *Par Value*

The par value of common stock may be eliminated from common stock certificates, except where required by law. Par value may also be eliminated from preferred stock certificates, except where the dividend rate is expressed as a percentage of par value. When a company elects to eliminate par value from its stock certificates, an opinion of counsel as to legality under applicable state law and the company's charter should be filed with the Exchange. Where par value is shown on certificates, either as the result of legal requirements or a company's preference, it may be surface printed rather than engraved.

I. *Preferences*

If the stock certificates of a company do not recite the preference of all classes of its stock, the company is required to furnish to its shareholders, upon request and without charge, a printed copy of preferences of all classes of its stock. A reference to the availability of such copy should appear on such certificates.

J. *Certificates Transferred in More Than One Transfer Office*

When shares are transferred in more than one transfer office, certificates should be interchangeably transferable and identical in color and form, except as to names of transfer agent and registrar, and the certificates shall bear a legend naming all cities in which they may be transferred.

K. *Supply of Certificates*

A company is required to have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

Rule 31.92. Lost Certificates, CUSIP Numbers

A. *Replacement of Lost Certificates*

A company is required to issue new certificates for securities listed on the Exchange replacing lost ones immediately upon notification of loss and receipt of proper indemnity.

In the event of the issuance of any duplicate bond to replace a bond which has been alleged to be lost, stolen or destroyed and the subsequent appearance of the original bond in the hands of an innocent bondholder, either the original or the duplicate bond will be taken up and canceled and the company must deliver to such holder another bond therefore issued and outstanding.

B. *CUSIP Identification Number*

Certificates for listed securities are required to have imprinted thereon the appropriate CUSIP identification number which is provided by Standard & Poor's Corp.

Rule 31.93. Treasury Shares, Redemptions and Repurchases

A. *Acquisition or Disposition of Treasury Shares*

A company is required to report to the Exchange, within ten days after the close of each fiscal quarter, any reacquisition or disposition of its previously issued shares listed on the Exchange made during the quarter. Such reports are to include treasury share transactions for the accounting of the company, whether direct or indirect, and are to show separate totals of acquisitions and dispositions and the number of treasury shares held by it at the end of the quarter.

A sample form of report is shown below:

Chicago Board Options Exchange

400 South LaSalle Street

LaSalle at Van Buren

Chicago, Illinois 60605

Dear Sirs:

This is to report that the company effected transactions in shares of its previously issued common stock, $1 par value, during the quarter ended (date), as follows:

Treasury share held as of (date)	60,000

Shares reacquired during ended (date)	—
Total	60,000
Shares disposed of during quarter ended (date)	—
(Date)—Exercise of option	2,000
(Date)—Exercise of option	8,000
Total shares disposed of	10,000
Balance as of (date)	50,000

Very truly yours,

XYZ COMPANY

B. *Redemption, Cancellation, Retirement*

A company is not permitted to select any of its listed securities for redemption otherwise than pro rata or by lot, and is required to notify the Exchange at least 15 days in advance of any redemption and to furnish it promptly with any information requested in connection with the redemption.

Bonds, debentures or preferred stocks issued, or to be issued, under an indenture or charter provision not conforming to this requirement are not eligible for listing on the Exchange.

A company is also required to notify the Exchange promptly of any corporate action which will result in the redemption, cancellation or retirement, in whole or in part, of any of its securities listed on the Exchange, and to notify the Exchange as soon as the cancellation or retirement.

C. *Repurchases of Listed Company Securities*

(a) Private Transactions—Purchases Above Market—A company is required to notify the Exchange promptly of all facts relating to the purchase, direct or indirect, of any of its securities listed on the Exchange at a price in excess of the market price of such security prevailing on the Exchange at the time of purchase. Such reports should be made by telephone or telex and confirmed by letter.

Since such transactions may involve state and Federal legal considerations, it is recommended that company counsel and officials of the Exchange be consulted prior to effecting a proposed repurchase of listed securities.

The Exchange may require the company to issue a public announcement and a notice to its shareholders regarding such repurchase.

(b) Open Market Purchases— Rule 10b-18 under the Exchange Act provides a "safe harbor" for issuer repurchases of up to 25% of the average daily volume for the preceding four weeks of exchange-traded securities when certain timing, price and broker-dealer conditions are met. Part (c) of such Rule specifically provides however, that compliance with the conditions is not the exclusive method available to listed companies to effect repurchases in the marketplace.

Companies planning to repurchase their securities in the marketplace, in addition to familiarizing themselves with Exchange Act Release No. 19244 (November 17, 1982), should consult with the Exchange (whether or not they plan to rely on the safe harbor of the Rule) to ascertain the appropriate disclosure necessary for the maintenance of a fair and orderly market.

NOTE: Companies should be aware of the prohibitions on purchases contained in Rule 10b-6 under the Act when they are involved in a nontechnical distribution of their securities.

(c) Purchases on behalf of certain employee plans— Rule 10b-6 under the Exchange Act exempts purchases by independent agents as defined, on behalf of certain employee and shareholder plans.

(d) Tender Offers—A listed company contemplating the making of a tender offer for any or all of its securities should structure the offer so as to comply with all applicable Federal and state securities laws.

Inasmuch as a tender offer may significantly affect the market for or the continued listing eligibility of the security, the company should consult with the Exchange prior to the announcement and commencement of such offer.

(e) Odd-Lot Tender Offers—A company intending to make a tender offer to its odd-lot (1 to 99 shares) holders may find the following guidelines helpful:

(i) the use of a retroactive record date (i.e., a date immediately preceding the date of announcement) will enable the company to restrict the offer to existing odd-lot holders;

(ii) the tender offer should remain open for a sufficient period of time to provide all odd-lot holders with ample opportunity to participate; and

(iii) since many odd-lot holdings are in "street" or nominee names, the company should provide a mechanism which allows its beneficial holders to participate equally with record holders. In this connection, a company may wish to consider the following:

(A) a "broker guarantee" provision which permits the tender of odd-lot holdings that are not readily available for physical delivery within the tender period;

(B) a requirement that holders of record tendering on behalf of a beneficial owner confirm to the company that the securities tendered represent the beneficial owner's entire holdings of that security.

Suspension and Delisting (Rule 31.94)

Rule 31.94. Suspension and Delisting Policies

A. *General*

In considering whether a security should continue to be traded, the Exchange considers, among other things, the degree of investor interest in the security, the reputation of the issuer, and whether its securities continue to be suitable for auction market trading. Therefore, any developments which substantially reduce the size of an issuer, the value or amount of its securities available for the market, or the number of holders of its securities, may occasion a review of continued listing by the Exchange. In addition, the sale of a substantial portion of its business, steps towards liquidation or bankruptcy, or issuer repurchase or redemption of its securities may also give rise to such a review.

B. *Policies with Respect to Continued Listing*

The Board of Directors may, in its discretion, at any time, and without notice, suspend dealings in, or may remove any security from, listed or unlisted trading privileges. The Exchange, as a matter of policy, will consider the suspension of trading in or removal from listing or unlisted trading of, any security when, in the opinion of the Exchange:

(a) the financial condition and/or operating results of the issuer appear to be unsatisfactory; or

(b) it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make further dealings on the Exchange inadvisable; or

(c) the issuer has sold or otherwise disposed of its principal operating assets, or has ceased to be an operating company; or

(d) the issuer has failed to comply with its listing agreements with the Exchange; or

(e) any other event shall occur or any condition shall exist which makes further dealings on the Exchange unwarranted.

C. *Application of Policies*

To assist in the application of these policies, the Exchange has adopted certain criteria, outlined below, which a security must meet to continue to be listed on the Exchange. However, these minimum criteria in no way limit or restrict the Exchange's right to delist a security, and the Exchange may at any time, in view of the circumstances in each case, suspend dealings in, or remove, a security from listing or unlisted trading when in its

opinion such security is unsuitable for continued trading on the Exchange. Such action will be taken regardless of whether the issuer meets any or all of the criteria discussed below.

(a) Financial Condition and/or Operation Results—

(i) net worth (as defined in Rule 31.5) of at least $2,000,000 if such company has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years; or

(ii) net worth (as defined in Rule 31.5) of at least $4,000,000 if such company has sustained losses from continuing operations and/or net losses in three of its four most recent fiscal years.

NOTE: The Exchange will also consider suspending dealings in, or removing from the list, securities of a company which:

(i) has sustained losses from continuing operations and/or net losses in the five most recent fiscal years; or

(ii) has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether such company will be able to continue operations and/or meet its obligations as they mature.

(b) Limited Distribution—Reduced Market Value

(i) common stock:

(A) the number of shares publicly held (exclusive of holdings of officers, directors, controlling shareholders or other family or concentrated holdings) is at least 200,000; and

(B) the total number of round lot shareholders of record is at least 300; and

(C) the aggregate market value of shares publicly held is at least $1,000,000;

(ii) preferred stock:

(A) the number of shares publicly held is at least 50,000; or

(B) the aggregate market value of shares publicly held is at least $1,000,000;

(iii) bonds:

The delisting of bond and debenture issues will be considered on a case by case basis. The Exchange will normally consider suspending dealings in, or removing from the list, debt security when any one or more of the following conditions exist:

(A) if the aggregate market value or the principal amount of bonds publicly held is less than $400,000 or;

(B) if the issuer is not able to meet its obligations on the listed debt securities.

(c) Disposal of Assets—Reduction of Operations—Absent extraordinary circumstances, the Exchange will suspend dealings in, or remove from the list, securities of a company whenever any of the following events occur:

(i) If the company has sold or otherwise disposed of its principal operating assets or has ceased to be an operating company or has discontinued a substantial portion of its operations or business for any reason whatsoever, including without limitation, such events as sale, lease, spin-off, distribution, foreclosure, discontinuance, abandonment, destruction, condemnation, seizure or expropriation. Where the company has substantially discontinued the business that it conducted at the time it was listed or admitted to trading, and has become engaged in ventures or promotions which have not developed to a commercial stage or the success of which is problematical, it shall not be considered an operating company for the purposes of continued trading and listing on the Exchange.

(ii) If liquidation of the company has been authorized. However, where such liquidation has been authorized by stockholders and the company is committed to proceed, the Exchange will normally continue trading until substantial liquidation distributions have been made.

(iii) If advice has been received, deemed by the Exchange to be authoritative, that the security is without value. In this connection, it should be noted that the Exchange does not pass judgment upon the value of any security.

(d) Failure to Comply with Listing Agreements—The securities of a company failing (or the transfer agent or registrar of which fails) to comply with the Exchange rules in any material respect (e.g., failure to distribute annual reports when due, failure to report interim earnings, failure to observe Exchange policies regarding timely disclosure of important corporate developments, failure to solicit proxies, issuance of additional shares of a listed class without prior listing thereof, failure to obtain shareholder approval of corporate action where required by Exchange policies, failure to comply with Exchange corporate governance listing requirements, etc.) are subject to suspension from dealings and, unless prompt corrective action is taken, removal from listing.

(e) Convertible Bonds—A debt security convertible into a listed equity security will be reviewed when the underlying equity security is delisted and will be delisted when the underlying equity security is no longer subject to real-time trade reporting. In addition, if the common stock is delisted for violation of any of the following Exchange rules relating to corporate governance, the Exchange will also delist any listed debt securities convertible into that common stock:

Rule 31.9—Conflicts of Interest

Rule 31.10—Corporate Governance

Rule 31.11—Common Voting Rights

Rule 31.12—Quorum

Rule 31.13—Preferred Voting Rights

Rule 31.14—Bondholders Remedies Upon Default

Rule 31.94(C)(f) in the following form is effective until April 23, 2006. It will be rescinded after that date and will be replaced as set forth below.

(f) Other Events—The Exchange will normally consider suspending dealings in, or removing from the list, a security when any one of the following events shall occur:

(i) Registration No Longer Effective—If the registration (or exemption from registration thereof) pursuant to the Securities Exchange Act of 1934 is no longer effective.

(ii) Payment, Redemption or Retirement of Entire Class, Issue or Series—If the entire outstanding amount of a class, issue or series is retired through payment at maturity or through redemption, reclassification or otherwise. In such event the Exchange may, at a time which is appropriate under all circumstances of the particular case, suspend dealings in the security and, in the case of a listed security, give notice to the SEC on Form 25, of the Exchange's intention to remove such security from listing and registration as required by Rule 12d-2(a) under the Securities Exchange Act of 1934.

(iii) Operations Contrary to Public Interest—If the company or its management shall engage in operations which, in the opinion of the Exchange, are contrary to the public interest.

(iv) Failure to Pay Listing Fees—If the company shall fail or refuse to pay, when due, any applicable listing fees established by the Exchange.

(v) Low Selling Price Issues—In the case of a common stock selling for a substantial period of time at a price less than $3 per share, if the issuer shall fail to effect a reverse split of such shares within a reasonable time after being notified that the Exchange deems such action to be appropriate under all circumstances. In its review of the question of whether it deems a reverse split of a given issue to be appropriate, the Exchange will consider all pertinent factors including, market conditions in general, the number of shares outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the company, the relationship to other Exchange policies regarding continued listing, and, in respect of securities of foreign issuers, the general practice in the country of origin of trading in low-selling price issues.

Rule 31.94(C)(f) in the following form will be effective on April 24, 2006.

(f) SEC Rule 12d2-2(a) Conditions -The Exchange will remove a class of securities from listing whenever the Exchange is reliably informed that any of the conditions set forth in Rule 12d2-2(a) under the Exchange Act exist with respect to such security, such as a corporate action where the entire security class is matured, redeemed, retired or extinguished by operation of law, and shall file an application with the SEC on Form 25 in accordance with Rule 12d2-2(a) under the Exchange Act.

New paragraph (g) of Rule 31.94(C) in the following form will be effective on April 24, 2006.

(g) Other Events --The Exchange will normally consider suspending dealings in, or removing from the list, a security when any one of the following events shall occur:

(i) Registration No Longer Effective --If the registration (or exemption from registration thereof) pursuant to the Exchange Act is no longer effective.

(ii) Operations Contrary to Public Interest --If the company or its management shall engage in operations which, in the opinion of the Exchange, are contrary to the public interest.

(iii) Failure to Pay Listing Fees --If the company shall fail or refuse to pay, when due, any applicable listing fees established by the Exchange.

(iv) Low Selling Price Issues --In the case of a common stock selling for a substantial period of time at a price less than $3 per share, if the issuer shall fail to effect a reverse split of such shares within a reasonable time after being notified that the Exchange deems such action to be appropriate under all circumstances. In its review of the question of whether it deems a reverse split of a given issue to be appropriate, the Exchange will consider all pertinent factors including, market conditions in general, the number of shares outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the company, the relationship to other Exchange policies regarding continued listing, and, in respect of securities of foreign issuers, the general practice in the country of origin of trading in low-selling price issues.

D. *Securities Listed Under Alternate Criteria*

The Exchange's delisting policies will be applied prospectively to companies which originally qualified for listing under the alternate criteria outlined in Rule 31.6.

E. *Policies Regarding UIT Interests*

The Exchange will consider the suspension of trading in, or removal from listing of, any UIT interest when, in its opinion, further dealing in such securities appears unwarranted under any of the following circumstances:

(a) If the UIT interest has more than 60 days remaining until termination and there are less than 50 record and/or beneficial holders of shares, units or trading components thereof, or related shares, units or trading components, for 20 or more consecutive trading days; or

(b) If there has been a failure on the part of the UIT interest trust and/or sponsor to comply with the Exchange's listing policies or agreements; or

(c) If such other event shall occur or condition exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

F. *Policies Regarding IPRs*

Following the initial twelve month period following the formation of a Trust upon which a series of IPRs is based and commencement of trading on the Exchange, the Exchange will consider the suspension of trading in, or removal from listing of, such series of IPRs when in its opinion further dealing in such securities appears unwarranted under any of the following circumstances:

(a) the Trust has more than 60 days remaining until termination and there are fewer than 50 record or beneficial holders of such series of IPRs for 30 or more consecutive trading days; or

(b) the value of the index on which the Trust is based is no longer calculated or available; or

(c) such other event shall occur or condition exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

G. *Delisting Procedures*

The following introductory sentence of Rule 31.94(G) is effective until April 23, 2006.

Whenever the Exchange determines that it is appropriate to consider removing a security from listing (or from unlisted trading) for other than routine reasons (redemptions or maturities) it will follow the following procedures:

The following introductory sentence of Rule 31.94(G) will be effective on April 24, 2006.

Whenever the Exchange determines that it is appropriate to consider removing a security from listing (or from unlisted trading) for other than the reasons set forth in Rule 31.94(C)(f) it will follow the following procedures:

(a) The Exchange will furnish the company with a statement in writing indicating the facts and circumstances which have caused the Exchange to consider the removal of the company's security from listing (or unlisted trading) and specifying the delisting policies and guidelines which are applicable. Such statement will also include the time and place when a conference will be held by the appropriate officers of the Exchange to hear any

reasons why the company believes its security should not be removed from listing (or unlisted trading).

(b) If, after such conference, the Exchange determines that the security should be removed, it will notify the company in writing, indicating the basis for such decision and the specific delisting policies and guidelines under which action will be taken. Such notice will also inform the company that it may appeal to the Board of Directors of the Exchange and request a hearing.

(c) If, within five days after receiving such written notice, the company informs the Exchange in writing that it wishes to appeal the decision and requests an opportunity for a hearing, the Exchange will give the company at least ten days prior written notice of the time and place at which a hearing shall be held.

(d) Such hearing shall be held before an Exchange committee which may be either a standing committee or a committee specially appointed for the purpose and may consist of directors, Exchange officials, Trading Permit Holders, and/or other persons (not having an interest in the matter) as the Board of Directors shall determine. At least three members of the committee must be present in order to conduct the hearing and only those members of the committee who attend the hearing may vote with respect to any determinations the committee may make.

(e) Any documents or other written material which the company wishes the committee to consider should be submitted to the Exchange at least five days prior to the date of the hearing.

(f) At the hearing, the company may make presentation as it deems appropriate concerning the matter of continued listing (or unlisted trading) of its securities including the personal appearance by its officers, directors, accountants, counsel or other witnesses as well as the submission of any additional documentary materials which it may wish the committee to consider. The company may determine the form and manner of its presentation to the committee subject, however, to such reasonable procedures as the committee may prescribe to assure the orderly conduct of the hearing. Members of the committee may question any of the representatives of the company who appear at the hearing and may request the company to furnish additional information. The committee may also consider and rely upon any documents and written materials previously filed with, or submitted to, the Exchange by, or on behalf of, the company, as well as other documents and materials relating to the company which come to the attention of the Exchange.

(g) After the conclusion of the company's presentation, the committee will determine whether or not to recommend to the Board of Directors that the security be removed from listing (or unlisted trading). If the Committee determines to recommend removal of the security from listing (or unlisted trading), such recommendation shall be sent to the Board of Directors for its consideration. The Board of Directors may authorize the Executive Committee to consider any or all appeals, and in such case the decision of the Executive Committee with respect thereto shall be final and conclusive. A director who

serves on the committee or is present at the hearing will not as a result thereof be prohibited from voting on the recommendation when it is considered by the Board of Directors or by the Executive Committee, as the case may be.

Rule 31.94(G)(h) in the following form is effective until April 23, 2006. It will be rescinded after that date and will be replaced as set forth below.

(h) If the Board of Directors or the Executive Committee, as the case may be, shall approve the recommendation of the committee which has heard the matter, an application shall be submitted by the Exchange to the SEC to strike the security from listing (or unlisted trading) and a copy of such application shall be furnished to the issuer in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder.

The action required to be taken by the Exchange to strike a security from listing and registration for routine reasons, such as redemption, maturity and retirement, is set forth in Rule 12d-2(a) promulgated under the Securities Exchange Act.

The relevant portions of the Section and Rules under such Act pertaining to the suspension, removal or withdrawal of securities for all other reasons, and the requirements of the Exchange applicable in certain cases, are summarized below:

(a) SEC authorization of withdrawal or striking from listing of Exchange-listed security— Section 12(d) of Securities Exchange Act;

(b) suspension of trading by Exchange— Rule 12d2-1 under the Securities Exchange Act;

(c) application of Exchange to strike security from listing and registration— Rule 12d2-2(c) and (e) under the Securities Exchange Act; or

(d) application of issuer to withdraw from listing and registration- Rule 12d-2(d) under the Securities Exchange Act.

In appropriate circumstances, when the Exchange is considering delisting because a company no longer meets the requirements for continued listing, a company may, with the consent of the Exchange, file a Form 25 with the SEC, provided that it follows the requirements set forth in SEC rule 12d2-2(c) and that it is no longer eligible for continued listing on the Exchange in its written notice to the Exchange and public press release, and if it has publicly accessible Web site, posts such notice on that Web site.

Rule 31.94(G)(h) in the following form will be effective on April 24, 2006.

(h) If the Board of Directors or the Executive Committee, as the case may be, shall approve the recommendation of the committee which has heard the matter, an application shall be submitted by the Exchange to the SEC to strike the security from listing (or unlisted trading) and a copy of such application shall be furnished to the issuer

in accordance with Section 12 of the Exchange Act and the rules promulgated thereunder. The Exchange shall also provide public notice of its final determination to strike a class of securities from listing by issuing a press release and posting notice on the Exchange's website at least ten days prior to the date that the delisting is anticipated to be effective. The posting will remain on the Exchange's website until the delisting is effective.

The action required to be taken by the Exchange to strike a security from listing and registration for corporate actions such as redemption, maturity, and retirement is set forth in Exchange Rule 31.94(C)(f) and Rule 12d2-2(a) under the Exchange Act. The relevant portions of the Section and Rules under the Exchange Act pertaining to the suspension, removal or withdrawal of securities for all other reasons, and the requirements of the Exchange applicable in certain cases, are summarized below:

(a) SEC authorization of withdrawal or striking from listing of Exchange-listed security -- Section 12(d) of Exchange Act;

(b) suspension of trading by Exchange -- Rule 12d2-1 under the Exchange Act;

(c) application of Exchange to strike security from listing and registration -- Rule 12d2-2(a) and (b) under the Exchange Act; or

(d) application of issuer to withdraw from listing and registration -- Rule 12d2-2(c) under the Exchange Act. Pursuant to Rule 12d2-2(c)(2)(i) under the Exchange Act, an issuer filing an application on Form 25 must comply with all applicable laws in effect in the state in which it is incorporated. Rule 12d2-2(c)(2)(ii) under the Exchange Act provides that an issuer is required to provide written notice to the Exchange of its determination to withdraw a class of securities from listing and/or registration on the Exchange no fewer than ten days before the issuer files an application on Form 25 with the SEC. As required by Rule 12d2-2 under the Exchange Act, upon receiving written notice from an issuer that such issuer has determined to withdraw a class of securities from listing on the Exchange pursuant to this paragraph (d), the Exchange will provide notice on its website of the issuer's intent to delist its securities beginning on the business day following such notice, which will remain on the Exchange's website until the delisting on Form 25 is effective. The issuer must also notify the Exchange that it has filed Form 25 with the SEC contemporaneously with such filing.

In appropriate circumstances, when the Exchange is considering delisting because a company no longer meets the requirements for continued listing, a company may, with the consent of the Exchange, file a delisting application, provided that it states in its application that it is no longer eligible for continued listing on the Exchange.

H. *Policies Regarding IPSs.*

Twelve months following the commencement of trading on the Exchange of a series of Index Portfolio Shares, the Exchange will consider the suspension of trading in, or removal

from listing of, such series of IPSs, when in its opinion further dealing in such securities appears unwarranted under any of the following circumstances:

(a) there are fewer than 50 beneficial holders of the series of Index Portfolio Shares for 30 or more consecutive trading days; or

(b) the value of the index or portfolio of securities on which the series of Index Portfolio Shares is based is no longer calculated or available; or

(c) such other event shall occur or condition exists which in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of an open-end management investment company, the Exchange requires that Index Portfolio Shares issued in connection with such entity be removed from Exchange listing.

I. *Policies Regarding Trust Issued Receipts.*

Following the initial twelve month period following formation of a Trust and commencement of trading on the Exchange, the Exchange will consider the suspension of trading in or removal from listing of a Trust upon which a series of Trust Issued Receipts is based under any of the following circumstances:

(i) if the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;

(ii) if the Trust has fewer than 50,000 receipts issued and outstanding;

(iii) if the market value of all receipts issued and outstanding is less than $1,000,000; or

(iv) if any other event shall occur or condition exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of a Trust, the Exchange requires that Trust Issued Receipts issued in connection with such Trust be removed from Exchange listing. A Trust may terminate in accordance with the provisions of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

. . . *Interpretations and Policies:*

.01 With respect to an issuer that does not comply with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended, as set forth in Rule 31.10, the Exchange shall remove from listing the securities of such issuer.

Additional Matters (Rules 31.95—31.96)

Rule 31.95. Relationship with DPM

Procedures, Rules and Regulations

From time to time, company officials inquire about Exchange rules or regulations affecting their relationship to the DPM in their securities.

(a) DPM Function—The DPM is a Trading Permit Holder who performs two basic functions regarding the issues in which he specializes. As a broker, he holds and executes orders entrusted to him by other brokers on behalf of their customers. As a dealer, he is obliged, insofar as reasonably practicable, to purchase and sell securities for his own account in order to help maintain a fair and orderly market. His aim is to provide a continuous auction market throughout the trading day, with minimum price changes between transactions. The DPM does not by his own activities determine the trend of stock prices. Rather, the price at any given moment is determined fundamentally by the balance of public buy and sell orders.

(b) Liaison—The Exchange recognizes that periodic communication between company officials and their DPM, if appropriately conducted, can be beneficial to both parties. Such communication may provide company officials with better understanding of the auction market, the DPM and market-maker system and their own DPM role in relation to the company's securities. From the DPM viewpoint, an awareness and understanding of the company and its affairs may aid him in discharging his responsibility for maintaining a fair and orderly market in the company's securities.

(c) Scope of Permissible Disclosure—In view of the DPM's sensitive role in the auction market, it is essential the Federal securities laws, Exchange rules and a responsible code of conduct be observed in all communications between DPMs and company officials. The following summary may serve as a guide as to the scope of permissible disclosure in such communications.

A company may make available to the DPM whatever information it has provided to its stockholders, security analysts or the general public, such as specific data and information concerning general trends relating to the company's business, as well as industry and general economic developments that may influence the company's welfare. It is improper, however, to furnish to the DPM any material information not previously released to the public regarding such matters as earnings, forecasts, anticipated dividend action, a proposed stock split, merger negotiations or any other undisclosed matter which is likely to have a significant effect on the price of the company securities or influence investment decisions.

While it is not contemplated that a company will be in continuous contact with its DPM, the DPM may from time to time inform company officials of unusual market problems and respond to broad questions about the market in the company's stock.

Within this framework, company officials and DPMs should feel free to call upon each other so that a mutually beneficial understanding of the problems encountered by each is fostered.

Rule 31.96. Notices to Exchange

A. *Change in General Character of Business*

A company is required to notify the Exchange promptly (and confirm in writing) of any change in the general character or nature of its business. Obviously, such a change, if not previously made known to the public, would be a material development and a prompt public release would be required under the Exchange's timely disclosure policies.

B. *Changes in Officers or Directors*

A listed company is required to notify the Exchange promptly (and confirm in writing) (i) of any changes of officers or directors, (ii) after an executive officer of the listed company becomes aware of any material noncompliance by the listed company with the requirements of Rules 31.7(2), 31.9, 31.10 and 31.60(b) and Exchange Act Rule 10A-3, (iii) upon learning of the event or circumstance that causes the listed company to no longer comply with the board composition requirements set forth in Rule 31.10(a)(1), and (iv) upon learning of the event or circumstance that causes the listed company to rely on Rules 31.10(b)(4)(A) or (B).

C. *Disposition of Property or Stock*

A listed company is required to notify the Exchange promptly in the event that it, or any company controlled by it, disposes of any property or any stock interest in any of its subsidiary or controlled companies, if such disposal will materially affect the financial position of the company or the nature or extent of its operations. As in the case of changes in character or nature of business, a material disposition would normally call for prompt public disclosure under the Exchange's timely disclosure policy. Where such disclosure has been made, the filing of six copies of the release containing the disclosure and the subsequent filing of Form 8-K, if required, will suffice.

D. *Change in Collateral*

A company is required to notify the Exchange promptly of any changes in, or removal of, collateral deposited under any mortgage or trust indenture under which securities of the company listed on the Exchange have been issued. This notice, if of material significance to investors, should also be reported through a public release under the Exchange's timely disclosure policy. If a change in collateral is not of sufficient materiality to call for a press release, such change should nevertheless be reported to the Exchange by letter which will be placed in a public file.

E. *Deposit of Stock*

A company is required to notify the Exchange promptly of any diminution in the supply available for public trading in its securities occasioned by deposit of stock under voting trust or other deposit agreements. If knowledge of any actual or proposed deposits should come to the attention of any officer or director of the company, the Exchange should be notified immediately.

F. *Change of Name*

A company proposing to change its name should:

(a) Notify the Exchange of the record date and date of its shareholders' meeting at which the change in name will be considered, as soon as such dates above been established.

(b) Furnish the Exchange with six copies of the meeting notice and proxy-solicitation material at the time they are mailed to shareholders.

(c) As soon as the change in name has been approved by shareholders, notify the Exchange (by telephone or telex) of the time when the amendment to the charter will be filed and the change in name will become effective. Confirm this advice by letter.

(d) With respect to stock certificates, advise the Exchange (by letter, during the period between the item shareholders' meeting date is established and that date the meeting is held) as to whether, after the change in name becomes effective, the present form of stock certificates (with an overprinted legend relating to the change in name) or new forms of stock certificates (bearing the new name of the company) will be issued against transfers. Also, advice should be given as to whether the company proposes to request shareholders to surrender their present certificates for exchange into certificates on which the change in name is reflected.

(e) Notify the Exchange (by telephone or telex) as soon as the amendment has actually been filed and confirm the advice by letter.

(f) As soon as available, furnish the Exchange with a copy of the amendment to the charter covering the change in name certified as to its filing by the office of the Secretary of State. A specimen copy of each denomination of the stock certificates on which the change in name is reflected (in the form in which such certificates will be issued against transfers after the effective date of the change in name) should also be furnished.

(g) When the change in name becomes effective, the Exchange will notify its TPH organizations of the new name and will advise them that, either on the date of its announcement or on the day after transactions in the securities of the company will be recorded under its new name. If substantial change in name is involved, a new ticker symbol may be designated for the company's securities. The Exchange will also rule that, until further notice, transactions in securities may be settled by delivery of either the present form of certificate or a new or over-printed form of certificate on which the change in name has been reflected.

G. *Change In Par Value*

A company that changes the par value of a stock issue listed on the Exchange, without an increase or decrease in the number of shares listed, is required to follow the procedures and file the papers specified below:

NOTE: If the change in par value affects the number of shares listed, an additional listing application is necessary.

(a) File two preliminary copies of proxy soliciting material to be issued to shareholders in connection with the meeting to consider the charter amendment.

(b) Furnish the Exchange with:

(i) ten days' notice in advance of the taking of the record of shareholders entitled to notice of and to vote at the meeting; and

(ii) six copies of all final printed notices, circulars or proxy statements issued to shareholders in connection with the meeting, at the time they are mailed to shareholders.

(c) When the change in par value becomes effective by the filing of the charter amendment with the Secretary of State, it is important that the Exchange substitute the new par value shares for the previously listed shares without any interruption of trading. This is accomplished by notifying the Exchange:

(i) in advance of the date when it is proposed to file the charter amendment; and

(ii) immediately upon its filing.

(d) Immediately after the filing of the charter amendment, the company must furnish the Exchange with the following documents:

(i) A copy of the Certificate of Amendment of the charter effecting the change in par value, certified by the Secretary of State or corresponding authority.

(ii) Specimens of all denominations of the new or changed form of stock certificates reflecting the change in par value. It is advisable to furnish these prior to the filing of the charter amendment.

(iii) Opinion of counsel of satisfactory standing:

(a) as to the legality of authorization of the change and the validity of the new par value shares resulting from such change;

(b) that the new par value shares are validly issued, fully-paid and non-assessable; and

(c) that no personal liability attaches to ownership thereof. If such counsel or any partner of such counsel (or, if a firm, any member thereof) is an officer, director or shareholder of the company, this fact should be stated in the opinion.

(iv) Listing Fee. Check drawn to the order of "Chicago Board Options Exchange".

(H) *Reliance on Shareholder Approval Exceptions*

A listed company is required to notify the Exchange in writing prior to the use of any of the exceptions set forth in paragraphs (a) through (d) of Rule 31.79.

FORMS FOR LISTING (Forms 1—6)

Form 1

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

LISTING AGREEMENT

_____(the "Company"), in consideration of the listing of its securities, hereby agrees with the Chicago Board Options Exchange, Incorporated (the "Exchange"), that it will:

1. Promptly notify the Exchange of the following:

(a) changes in the general character or nature of its business, its principal executive officers, directors (including any time a majority of the Company's Board of Directors fails to be comprised of independent directors), its independent public accountants, its transfer agent or registrar and material noncompliance by the listed company with the requirements of Rules 31.7(2), 31.9, 31.10 and 31.60(b) and Exchange Act Rule 10A-3, after an executive officer becomes aware of such noncompliance;

(b) the material sale, transfer, exchange or other disposition of assets or securities by it or any of its subsidiary or controlled companies;

(c) any material changes in, or removal of, collateral deposited under a mortgage or trust indenture, under which listed securities of the Company have been issued, or change of trustee thereof;

(d) all facts relating to the purchase, direct or indirect, of any of its securities listed on the Exchange at a price in excess of the market price of such security prevailing on the Exchange at the time of such purchase; and file, within ten days after the close of each fiscal quarter in which any purchase or disposition of previously issued listed securities has been made, a report showing separate totals for acquisitions, dispositions and amount held at the end of the quarter;

(e) any action which will result in the redemption, cancellation or retirement, in whole or in part, of any listed security, at least fifteen days in advance of redemption (See also item 9.);

(f) any action taken by the Company with respect to the allotment of rights to subscribe or any rights or benefits pertaining to ownership of listed securities (See also items 6 and 7.);

(g) any action taken in respect of the payment or non-payment of dividends; (Such notice should be given by telephone, confirmed by letter, not less than ten days in advance of the record date for any dividend declaration, plus additional days if the security is transferred outside of the Chicago area or where there is an intervening holiday.) (See also item 8.)

(h) the establishment of a date for the taking of a record of security holders, not less than ten days in advance of the record date;

(i) any change in the form or nature of any listed security or in the rights and privileges of the holders of such security, at least twenty days in advance of such change;

(j) any diminution in the supply of the security available for trading caused by deposit of the security under voting trust, tender offer or other agreements; and

(k) the existence of any technical default or default in interest or principal payment, cumulative dividends, sinking funds, or redemption fund requirements of the Company or any controlled corporation, whether consolidated or unconsolidated; and

(l) the use of any of the exceptions set forth in paragraphs (a) through (d) of Rule 31.79, which notice must be sent to the Exchange in writing prior to such use.

2. In accordance with the Exchange's timely disclosure policies, make prompt public disclosure of any material development in the Company's affairs and operations, whether favorable or unfavorable, which might significantly affect the market for its securities or influence investment decisions.

3. Apply for the listing of additional securities of the same class previously approved for listing sufficiently prior to the proposed issuance of such securities to permit the application to be processed in due course; not issue or authorize the issuance by the transfer agent of securities until notification is received from the Exchange that such securities have been approved for listing; and obtain shareholder approval, if required pursuant to Rules 31.79 - 31.81 of the Exchange's Listing Criteria - Non Options, prior to applying for listing (except certain option plans).

4. Apply for the listing of securities in substitution for securities, the obligations, rights or privileges of which have been altered by merger, acquisition, consolidation or other corporate action, unless specifically exempted by the Exchange. (See also item 1(i).)

5. Pay, when due, any applicable listing fees established from time to time by the Exchange.

6. Issue all rights or benefits pertaining to listed securities in a form approved by the Exchange and make the same assignable, transferable, exercisable and deliverable in Chicago, Illinois. (See also item 1(f).)

7. Disclose promptly to the holders of listed securities any information with respect to the allotment of rights to subscribe or rights or benefits pertaining to the ownership of listed

securities; and afford the holders of such securities a proper period within which to record their interests and to exercise their rights. (See also item 1(f).)

8. Set a dividend record date not less than ten days after the date of declaration if the transfer agent is located in the Chicago metropolitan area and, if not so located, add to the ten days the number of days regular mail takes to reach the city in which the transfer agent is located from Chicago. (See also item 1(g).)

9. Not select any of its listed securities for redemption except through pro-rata or by lot. (See also item 1(e).)

10. Upon request, furnish to the Exchange such information concerning the company as the Exchange may reasonably require.

11. Hold meetings of its shareholders annually to elect directors and to take action on other matters and, with respect to any matter requiring authorization by shareholders under Exchange rules, hold a meeting in accordance with its Certificate of Incorporation, By-laws and other applicable laws. In the event the Company is precluded from holding its annual meeting within a reasonable period after the time specified in its governing documents, promptly give written notification to shareholders and the Exchange of the reason for delay and make good faith efforts to hold the meeting as soon as practicable in light of the circumstances causing the delay.

12. Give written notice to security holders at least ten days in advance of all security holders' meetings. (The Exchange recommends that such notice and proxy soliciting material be received by security holders as many days as possible (preferably 20 days) in advance of the meeting.)

13. Solicit proxies for all meetings of security holders, unless the Exchange permits solicitation of written consents (conforming to the proxy rules of the Securities and Exchange Commission) from all holders of record in lieu of a meeting and proxy solicitation, and file copies of proxy material with the Exchange.

14. Comply with the corporate governance listing requirements set forth in Rules 31.7(2), 31.9, 31.10 and 31.60(b), including the maintenance of at least a majority of independent directors on the Company's Board of Directors and compliance with Exchange Act Rule 10A-3. No director shall be qualified as independent unless the Company's Board of Directors affirmatively determines that the director qualifies as an "independent director" pursuant to Rule 31.10(h)(2).

15. Not enter into any material transactions (other than transactions relating to employment compensation) with any officer, director or principal shareholder, or any affiliate, associate, relative, parent company or other entity in which such person has a direct or indirect material interest without first notifying the Exchange and obtaining the approval of such transaction by a disinterested majority of the Company's Board of Directors or by a specially appointed committee, a majority of the members of which are independent directors.

NOTE: In certain circumstances, the Exchange may require a company to enter into a special agreement with respect to existing or potential transactions involving a possible conflict of interest.

16. Not reissue treasury shares, without first obtaining shareholder approval, for any purpose whatsoever where the rules or policies of the Exchange would have required such approval had the shares to be issued been previously authorized but unissued.

17. Publish and mail to the holders of listed securities (and file copies with the Exchange), at least ten days before the annual meeting and not later than four months after the close of the fiscal year, an annual report containing balance sheets, income statements and statements of changes in financial position in accordance with generally accepted accounting principles (GAAP) and Regulation S-X (except Rule 5-04) promulgated by the S.E.C. under the Securities Exchange Act of 1934, as amended. All such financial statements shall be audited by independent accountants qualified under the laws of a state or country and shall be accompanied by a report, prepared in accordance with Rule 2-02 of Regulation S-X, showing the scope of such audit and the qualifications, if any, with respect thereto.

18. Disclose in its annual report to security holders, for the year covered by the report: (a) the number of unoptioned shares available at the beginning and at the close of the year for the granting of options under an option plan; and (b) any changes in the exercise price of outstanding options, through cancellation and reissuance or otherwise, except price changes resulting from the normal operation of anti-dilution provision of the options.

19. Publish (and file with the Exchange) quarterly statements of sales and earnings on the basis of the same degree of consolidation as the annual report. (Companies whose common stock is not listed on a national securities exchange must send quarterly statements to holders of securities which are listed on the Exchange.) Such statements should disclose any substantial items of unusual or nonrecurrent nature and will show net income before and after federal income taxes.

20. File with the Exchange: (a) proposed amendments to, and certified copies of, the Certificate of Incorporation, By-laws or other similar organization document, (b) copies of all S.E.C. filings, and (c) all material sent to shareholders or released to the press.

21. Maintain:

(a) a transfer office or agency, satisfactory to the Exchange under Exchange Rule 31.90, which may be located either in or outside Chicago where: (i) all securities of the Company listed on the Exchange shall be transferable and where dividends and all other payments with respect to such securities shall be payable; and (ii) a security listed on the Exchange which is convertible will be accepted for conversion;

(b) a registry office (a corporation) satisfactory to the Exchange, which may be located either in or outside Chicago, where all securities of the Company listed on the Exchange shall be registerable;

(c) an office or agency, satisfactory to the Exchange, located in Chicago or New York, New York, where all registered bonds of the Company listed on the Exchange may be registered; (in the case of bonds and debentures in bearer form, such office or agency must provide for the payment of principal and interest on the indebtedness.)

NOTE: —Transfer and registry agencies may be maintained in more than one city. A bank or trust company may act in the dual capacities of transfer agent and registrar, provided that it countersigns certificates in both capacities.

— If at any time the transfer office or agency for a security listed on the Exchange shall be located outside of Chicago, the Company will arrange, at its own cost and expense, that a bank or trust company or other organization satisfactory to the Exchange, located in Chicago will receive and redeliver all securities there tendered for the purpose of transfer.

— The company is permitted to designate an agent, satisfactory to the Exchange, located in or outside Chicago for the payment of dividends, interest and principal (on registered bonds or debentures), and other payments with respect to a listed security. If, however, checks for such payments are drawn on a bank located outside Chicago, additional arrangements must be made for payment against such checks at a bank, trust company or agency located in Chicago, and the details of these arrangements disclosed to the payee.

— If the transfer books of the Company are closed permanently, the company must continue to split-up certificates into smaller denominations in the same name as long as the security remains listed on the Exchange.

22. Not change its transfer agent or registrar unless such transfer agent or registrar, at the time of appointment, is qualified with the Exchange as a transfer agent or registrar for securities listed on the Exchange. (See item 1(a).)

23. Not select an officer or director of the Company as a trustee under a mortgage or other instrument relating to a security of the company listed on the Exchange.

24. Have a sufficient supply of certificates on hand, imprinted with the appropriate CUSIP number, to meet the demands for transfer. If at any time the certificates of the Company do not recite the preferences of all classes of its stock, furnish to shareholders, upon request and without charge, a printed copy of preferences of all classes of such stock.

25. Issue new certificates for securities listed on the Exchange to replace lost securities upon notification of loss and receipt of proper indemnity. In the event of the issuance of any duplicate bond to replace a bond which has been alleged to be lost, stolen or destroyed and the subsequent appearance of the original bond in the hands of an innocent bondholder, take up and cancel either the original or the duplicate bond and deliver to such holder another issued and outstanding bond.

26. Cause a legend to be stamped on the face of certificates representing securities which have been issued in transactions exempt from registration under the Securities Act of 1933 which relates the restrictions against resale or transfer of the securities in the absence of registration or an exemption therefrom under such Act.

27. Submit to shareholders a proposal to effect a reverse split of its stock if the Exchange recommends this action to remedy a low selling price per share.

28. Comply with Exchange rules, policies and procedures as in effect and as they may be amended from time to time.

The above agreement has been signed by me as _____

(Title)

of _____, pursuant to

(Name of Company)

authority granted me by resolution of the Board of Directors of said corporation

adopted on _____.

(Corporate Seal)

_____

Dated: _____ BY: _____

(Please print name

Under signature)

Form 2

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

DISTRIBUTION AND TRADING INFORMATION

_____(the

"Company"), hereby certifies, to the best of its knowledge and belief, that the following

information about its _____(the "Security")

is true and correct as of _____, 19:

1. SIZE OF HOLDINGS:

Number of Holders of Record	Lot Size	Total Holdings
	1-99	
	100-500	
	501-1,000	
	1,001-10,000	
	10,000+	
_____	_____	
(Total Holders)	(Total Outstanding Securities, exclusive of those held in treasury)	

2. NUMBER OF SECURITIES IN PUBLIC DISTRIBUTION:

Number of Securities outstanding (item 1)

Less number of non-public holdings (item 4) _____

Balance

Less number of restricted Securities not included in non-public category (Item 5) _____

3. NUMBER OF PUBLIC HOLDERS:

Number of holders (Item 1)

Less number of non-public and restricted holders (Items 4 and 5) _____

Balance—number of public holders

_____

Less number of holders of lots of 1 to 99 (other than non-

public and restricted odd-lot holders (Items 1,4 and 5)

Balance—number of public holders of lots of 100 or more _____

4. NON-PUBLIC HOLDINGS:

List below the beneficial ownership of the Securities of each officer, director and 5% (or greater) holder, including members of the immediate family and any affiliate or associate of any of the foregoing persons:

Name	Relationship to Company	Amount of Holdings

5. RESTRICTED SECURITIES:

List below outstanding Securities which are restricted as to sale or disposition by agreement, investment letter or otherwise.

Amount of Securities	Type of Restriction	Amount not Included in Item 4
		_____
		_____
		(Total)

6. GEOGRAPHICAL DISTRIBUTION:

Holders	*Amount*	*Holders*	*Amount*	*Holders*	*Amount*
Ala.		La.		Okla.	
Alaska		Me.		Ore.	
Ariz.		Md.		Pa.	
Ark.		Mass.		R.I.	
Cal.		Mich.		S.C.	
Colo.		Minn.		S.D.	
Conn.		Miss.		Tenn.	
Del.		Mo.		Texas	

D.C.	Mont.	Utah
Fla.	Neb.	Vt.
Ga.	Nev.	Va.
Hawaii	N.H.	Wash.
Idaho	N.J.	W. Va.
Ill.	N.M.	Wisc.
Ind.	N.Y.	Wyo.
Iowa	N.C.	Canada
Kan.	N.D.	Other
Ky.	Ohio	

Total _____ _____

7. SUMMARY OF TRADING—LAST 6 MONTHS:

Month	*High*	*Low*	*Last*	*Volume*
_____				
_____				
_____				
_____				
_____				
_____				

_____

By: _____

(Please print name and title below signature)

Dated: _____

Non-Public Sections

_____(the "Company") hereby certifies to the best of its information and belief, that the following information with respect to its _____(the "Securities") is correct as of the date below:

8. LARGEST PUBLIC HOLDINGS

List below the twenty largest holders of record of the Securities excluding officers, directors, 5% (or greater) holders and their relatives, affiliates, associates, or restricted holdings which are listed in Items 4 and 5. If there is any relationship between the holders listed below and non-public holders in Item 4, so state and describe below.

	Name	Amount
1.	.	
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		

13.

14.

15.

16.

17.

18.

19.

20.

9. INSTITUTIONAL HOLDINGS

List below any block of 5,000 or more Securities (including those in Item 8 above) which is owned of record or beneficially, by an institution (i.e., a broker/dealer who is not a member of a national securities exchange, bank, life or other insurance company, trust, mutual fund or closed-end investment company, pension fund, profit-sharing plan, investment club, foundation, educational, religious or other not-for-profit organization, corporation, partnership, personal holding company, estate or guardianship).

Name of Institution	Amount of Securities

_____

By: _____

(Please print name under signature)

Dated: _____

Form 3

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

AGREEMENT WITH TRANSFER AGENT

_____(the "Transfer Agent"), in consideration of its acceptance by the Chicago Board Options Exchange (the "Exchange") as a satisfactory Transfer Agent under Exchange Rule 31.90 for the _____(the "Securities") of _____(the "Company"), hereby agrees that it will immediately notify the Exchange:

(i) of any issuances of such Securities, specifying amount and purpose; and

(ii) if it no longer acts, or is no longer authorized to act, as Transfer Agent for the Company.

As of the date of this agreement, our records show that the Company has _____

(Amount)

Securities outstanding (including Securities held in treasury) and _____

(Amount)

reserved for issuance.

_____

Dated:
_____ By: _____

(Please print name and title below signature)

TO: _____,
Transfer
Agent

Pursuant to a resolution of the Board of Directors of _____

(the "Company") dated _____, you are hereby authorized, as Transfer Agent for the Company's _____(the "Securities") to sign an agreement with the Chicago Board Options Exchange to notify it of issuances and, if necessary, termination of services as Transfer Agent of the Company's Securities.

As of the date below, the Company has _____Securities outstanding

(Amount)

(including those held in treasury) and _____reserved for issuance.

(Amount)

(Corporate)

(Seal)

_____

Dated: _____ By: _____

(Please print name and title below signature)

Form 4

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

AGREEMENT WITH REGISTRAR

_____(the "Registrar"), in consideration of its acceptance by the Chicago Board Options Exchange (the "Exchange") as a satisfactory Registrar for the _____(the "Securities") of _____(the "Company"), hereby agrees that:

(i) it will not register additional Securities of the Company in excess of the amount stated below unless and until it shall have been notified by the

Exchange that the additional Securities have been approved for listing; and

(ii) it will immediately notify the Exchange if it terminates service as Registrar, or its services as Registrar are terminated by the Company.

As of the date of this agreement, we hereby certify that the Company has registered and outstanding _____

(Amount)

Securities (including those held in treasury).

_____

Dated: _____ By: _____

(Please print name and title below signature)

TO: _____, Registrar

Pursuant to a resolution of the Board of Directors of _____

(the "Company") dated _____, you are hereby authorized, as Registrar for the Company's _____(the "Securities") to sign an agreement with the Chicago Board Options Exchange not to register additional Securities unless and until they have been approved for listing and to notify the Exchange of termination of services as Registrar of the Company's Securities.

The number of authorized and outstanding Securities (including those held in treasury), is _____as of the date below.

(Amount)

(Corporate)

(Seal)

_____

By: _____

Dated:

_____

(Please print name and title below signature)

Form 5

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

DISTRIBUTION OF BONDS

_____(the "Company"), hereby certifies that, as of _____, the distribution of $ _____

(Date) (Amount Outstanding)

aggregate principal amount of its _____

(the "Bonds") was as follows:

No. of Holders	Holdings	Principal Amount
_____	Less than $1,000	$ _____
_____	$1,000	$ _____
_____	$1,001 to $5,000	$ _____
_____	$5,001 to $10,000	$ _____
_____	$10,001 to $20,000	$ _____
_____	$20,001 to	$ _____

	$30,000	
_____	$30,001 to $40,000	$ _____
_____	$40,001 to $50,000	$ _____
_____	Over $50,000	$ _____
_____	Totals	$ _____

_____

_____

Dated:
_____ By: _____

(Please print name and title below signature)

_____

NOTE: A separate form should be completed for each issue of bonds for which application to list is being made.

Form 6

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

AGREEMENT WITH WARRANT AGENT

_____(the "Warrant Agent"), in consideration of its acceptance by the Chicago Board Options Exchange (the "Exchange") as a satisfactory Warrant Agent for the Warrants to purchase _____

(the "Underlying securities") of _____(the "Company"),

hereby agrees that:

(i) it will not countersign additional Warrants in excess of the totals below unless and until it shall have been notified by the Exchange that the additional Warrants have been approved for listing; and

(ii) it will immediately notify the Exchange if it terminates service as Warrant Agent or its services as Warrant Agent are terminated by the Company.

As of the date of this agreement, we hereby certify that the Company has outstanding _____

(Amount)

Warrants entitling the holders to purchase an aggregate of _____

(Amount)

of Underlying Securities of the Company.

_____

Dated:
_____ By: _____

(Please print name and title below signature)

TO _____,
Warrant Agent

Pursuant to a resolution of the Board of Directors of _____

(the "Company") dated _____, you are hereby authorized, as Warrant Agent for the Company's Warrants to purchase _____(the "Underlying Securities"), to sign an agreement with the Chicago Board Options Exchange not to countersign additional Warrants unless and until they have been approved for listing, and to notify the Exchange of termination of your services as Warrant Agent of the Company's Warrants.

As of the date below there are outstanding _____

(Amount)

Warrants entitling the holders to purchase an aggregate of _____

(Amount)

of Underlying Securities of the Company.

(Corporate)

(Seal)

_____

Dated: _____ By: _____

(Please print name and title below signature)

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

_____

TRUSTEE'S CERTIFICATE

In support of an application for the listing of a bond issue on the Chicago Board Options Exchange, it is required that a Trustee's Certificate be filed with the Exchange showing: (a) acceptance of the trust, (b) that the securities have been issued in accordance with the terms of the indenture, (c) what disposition has been made of securities redeemed or refunded, (d) that pledged collateral has been deposited, and (e) what disposition has been made of prior obligations.

The following is a suggested wording of such certificate which may be filed with the Exchange in compliance with the aforesaid requirement:

Chicago Board Options Exchange, Inc.
400 South LaSalle
Chicago, IL 60605
Re: (title of security)

Gentlemen:

With reference to the pending application for the listing of the above described issue upon the Chicago Board Options Exchange, we are pleased to certify to you as follows:

(a) That the trusts created by the Indenture dated (date) between (name of Company) and (name of Trustee), as Trustee, supporting the above described bond issue were duly accepted by (name of Trustee), as Trustee, said acceptance of trusts being evidenced by the execution of said Indenture by the Trustee and by a series of affirmative acts subsequently performed, including the authentication and delivery of the bonds issued thereunder.

(b) That the Trustee authenticated and delivered bonds of said issue in the aggregate principal amount of $, all of which bonds were duly issued in accordance with said Indenture.

(c) That the Indenture did not require the redemption or refunding of any securities.

(d) That the Indenture did not require the deposit of any collateral.

(e) That there are no prior obligations paid or refunded by the issuance of (title of issue), or by application of proceeds from the issue of such bonds, which have not been cancelled and the liens thereon released.

Yours very truly,

_____

Dated: _____ By: _____

Trust Officer

Chicago Board Options Exchange

LaSalle at Van Buren

Chicago, Illinois 60605

_____

AGREEMENT OF BANKNOTE COMPANY

The following is a suggested wording of the Banknote Company Agreement to be filed with the Exchange:

(Letterhead of Banknote Company)
Chicago Board Options Exchange
400 South LaSalle
Chicago, IL 60605

Gentlemen:

The undersigned company submits herewith for your approval the following specimen(s): and certifies that:

1. The attached specimen(s) has been printed from steel engravings which are original to and produced by the undersigned company, and has been prepared, in all respects, in accordance with the printing and engraving requirements of the Chicago Board Options Exchange.

2. All work on the attached specimen(s) has been executed entirely on the premises of the undersigned company without exception. (If any exceptions, furnish details.)

3. If the border plate is used in the production of any securities other than those specified above, such other securities will be prepared in their entirety on the premises of the undersigned.

4. The undersigned company hereby agrees, and such agreement shall be binding upon its successors and assigns, that all dies, rolls, plates and other engravings used in connection with the manufacture of the securities specified above will, at all times, be and remain in the possession of the undersigned company and, when not actually being used in connection with manufacture of securities, will be kept in a vault on the premises of the undersigned company, and all completed securities of the issue and all certificates in process will, prior to delivery to or upon the order of the issuing company (except when in actual process of manufacture), be kept in such vault.

_____

Dated: _____ By: _____

(Please print name and title below signature)

Chicago Board Options Exchange, Inc.

LaSalle at Van Buren

Chicago, Illinois 60605

_____

ADDITIONAL LISTING APPLICATION—

STOCK DIVIDEND, DISTRIBUTION OR SPLIT-UP

_____(the “Company”)

(Name of Issuer)

_____(the “Stock”)

(Class of Security and Par Value)

_____

(Date)

The Company hereby applies to the Chicago Board Options Exchange, Inc. (the “Exchange”) for the listing, upon official notice of issuance, of the following:

(State number of securities, class, par value, and purpose of issuance, such as: “in payment of a ___% stock dividend or distribution,” or “to effect a split”)

making the total number of shares herein and heretofore applied for ____(of a total amount authorized for issuance of ____shares).

The number of shares of the security previously authorized for listing (less cancellations) on the Exchange is ____.

The number of shares now issued and outstanding is ____, and ____shares are held in the treasury, for a total of ____shares.

UNISSUED RESERVED SHARES

If there are any unissued shares of the security (in addition to the shares herein applied for) reserved for issuance for any purpose, furnish details below:

NUMBER OF SHARES	PURPOSE FOR WHICH RESERVED	PREVIOUSLY AUTHORIZED FOR LISTING? (yes or no)

AUTHORITY FOR AND PURPOSE OF ISSUANCE

This application has been executed pursuant to a resolution of the Board of Directors of the Company dated ____.

_____

(Name of Company)

By: _____

Print (name) _____

(title) _____

Address of principal executive

offices of the Company: _____

_____

INSTRUCTIONS

(a) Under the caption "Authority For and Purpose of Issuance" recite the following:

(i) Date of Board of Directors meeting at which the issuance of the shares applied for was authorized. (In the case of a split-up which requires shareholder action and a charter amendment, date when meeting of shareholders has been or will be held, and date charter amendment will be filed.)

(ii) The percent or rate of the stock dividend, distribution or split-up, the record date and the payment or distribution date.

(iii) Treatment of Fractional Shares:

If cash is to be paid in lieu of fractional shares, state the amount per share upon which such payment will be predicated and the basis for determining that amount (i.e., based on the last sale on the record date or otherwise). If order forms are to be issued, state details, including expiration date.

The usual procedure of most companies is to compute the cash payment based on the last sale price of the stock on the record date, because: (a) the record date is the date on which the stockholder becomes "long" the stock dividend shares; and (b) by such date, the stock will have been quoted "ex-dividend" (except in the case of large stock dividends of 25% or more), so that the market price of the stock will have been adjusted for the dividend.

A company may prefer to compute the cash payment based on the last sale price of the stock on the dividend declaration date. Where this is done, the company should adjust the "dividend on" selling price of the stock on the declaration date to an "ex-dividend" basis. Otherwise, there will be an overpayment of the cash portion of the dividend. For

example, if a company declares a 10% stock dividend and the last sale price on the declaration date is $11, the value of the dividend at that time computes to $1 per share, or an adjusted “ex-dividend” price for the stock of $10 (10/11ths of $11). On this basis, the fractional share interests should be paid for in cash at the rate of $10 per full share.

This adjustment is even more important in cases of large stock dividends (25% or more). In these instances, the Exchange postpones the “ex-dividend” date until the dividend has been paid. For example, in the case of a 50% stock dividend, the “theoretical ex-dividend” price would be equivalent to 2/3of the “dividend on” price of the stock. Thus, if the price of the stock at the close of business on the declaration or record date is $33 per share, the “theoretical ex-dividend” price would be adjusted to $22 per share. Accordingly, fractional share interests should be settled based upon a price of $22 per share.

(iv) Accounting Treatment for Stock Dividend or Split-Up:

A listed company must account for stock dividends and stock splits in accordance with generally accepted accounting principles (GAAP). Reference is made to Section B of Chapter 7 of Accounting Research Bulletin No. 43 and Release No. 8268 dated March 7, 1968 of the S.E.C. under the Securities and Exchange Act of 1934.

In instances where it is not clear that the accounting treatment being followed is in compliance with GAAP, the Exchange may require that the Company provide a written opinion from its independent accountants that the accounting treatment complies with GAAP.

(v) Give details of anti-dilution adjustments required to be made as a result of the stock dividend or stock split (only as they pertain to shares previously listed).

(b) This application should be filed with the Exchange in triplicate (manually signed) at least ten days in advance of the payment date. If fractional shares are to be paid in cash and the exact number of shares to be issued is not known because of fractions, the Company should list the maximum number of shares that can be issued. Cancellation of the number of full shares not issued (because of fractions) should be requested after the stock dividend has been issued.

(c) In the case of a stock split where a par value change is involved, application should be made for the substitution listing of the new par value shares in lieu of the old par value shares. A sample listing application will be furnished upon request.

EXHIBITS

The following papers shall accompany the application.

A-2. Opinion of counsel, addressed to the Exchange, that the additional shares (including anti-dilution shares) to be issued (specify amount and purpose of issuance) have been duly and validly authorized and reserved for issuance, and, when issued, will be fully paid and non-assessable, with no personal liability attaching to ownership thereof.

If the issuance of such securities has not been and will not be registered under the Securities Act, counsel shall render an opinion that registration is not required, citing the applicable section of the Act or rule promulgated thereunder pursuant to which exemption from registration is claimed, the facts relied upon to make such exemption available, and the legend, if any, to be placed on the certificates.

If such counsel, or any partner of such counsel (or, if a firm, any member thereof) is an officer, director or stockholder of the Company, this fact must be disclosed in the opinion.

A-3. Resolutions. Certified copy of each of the following resolutions:

(a) resolution of the shareholders authorizing issuance (if required) with respect to any unissued securities for which listing application is made;

(b) resolution of the Board of Directors authorizing issuance with respect to all unissued securities for which listing application is made; and

(c) resolution of the Board of Directors authorizing listing with respect to all unissued securities for which application is made.

Additional Required Papers (if applicable).

A-4. Amendments to Charter. One copy of each amendment to the charter not previously filed with the Exchange, or, at the applicant's option, one copy of the charter as amended to date, certified by the Secretary of State or corresponding authority of the state of incorporation.

A-8. Stock Certificates. If the form of stock certificate for the listed class of stock has been or is to be changed, furnish one specimen of each denomination of the changed form, with a certificate of the banknote company stating that the security has been prepared in accordance with the printing and engraving requirements of the Exchange.

A-9. Listing Agreement. Execution and filing of the listing agreement (Listing Form 1) is required only if there has been a change in the standard form of agreement since the previous filing or if previously omitted sections become applicable in connection with the current application.

NOTE:

(a) Listing Fee:

A check drawn to the order of "Chicago Board Options Exchange, Inc." must accompany the listing application. The appropriate amount of the listing fee is computed as follows:

(i) In the case of a stock dividend or a split-up not involving a change in par value:

1¢ for each share applied for in excess of the amount previously listed with a maximum charge of $5,000 (500,000 shares or more) and a minimum fee of $1,000 (100,000 shares or less) per application.

(ii) In the case of a stock split-up involving a change in par value or a "reverse" split:

The fee for the listing of such number of "new" substituted shares to be listed (to the extent not in excess of the amount previously listed) shall be $5,000 plus 1/20¢ per share for all shares included in the application in excess of the amount previously listed. No fee or listing application is required for a change solely in par value.

(b) Split-up or Stock Dividends on Lower Priced Issues:

Attention is directed to the following Exchange policy:

The Exchange does not view favorably a split-up of a stock selling in a low price range or a split-up or substantial stock dividend which may result in an abnormally low price range for shares after the split or stock dividend. Any company considering a split-up (or a stock dividend or more than 5%) which would result in an adjusted price of less than $5.00 per share for its stock should consult with the Exchange in advance of taking formal action.]

* * * * *

Cboe Options Rules—Chapters XL-XLIX Deleted

[CHAPTER XL

Introduction

The rules in Chapters XL (40) through XLIX (49) are applicable only to trading on the Exchange's screen based trading system. Trading of securities on the screen based trading system shall also be subject to the rules in Chapters I (1) through XXVII (27) to the same extent such rules apply to the trading of the products to which those rules apply, in some cases supplemented by the rules in Chapters 40 through 49, except for rules that have been replaced by rule in Chapters 40 through 49 and except where the context otherwise requires. Whenever a rule in Chapters 40 through 49 supplements or, for purposes of trading on the screen based trading system replaces such rules in Chapters 1 through 27, that fact is indicated following the rule in these Chapters 40 through 49. Appendix A to the screen based trading rules lists the rules in Chapters 1 through 27 that are applicable to the trading on the screen based trading system. Where appropriate, Appendix A also indicates that a rule in Chapter 1 through 27 has been supplemented by a rule in these screen based trading rules. All references in the rules in Chapters 1 through 27 to the Exchange shall mean SBT System also unless the context dictates otherwise.

Rule 40.1. Definitions

(a) For purposes of the rules governing the use of the Exchange's Screen Based Trading System, any term defined in Article I of the Constitution or in Rule 1.1 and not otherwise

defined in Chapters 40 through 49 shall have the meaning assigned to such term in either Article I or in Rule 1.1.

SBT System

(b) "Screen Based Trading System" or "SBT System" means the electronic system administered by the Exchange which performs the functions set out in Exchange rules including controlling, monitoring, and recording trading by Trading Permit Holders through SBT workstations and trading between Trading Permit Holders.

Application Program Interface

(c) "Application Program Interface" or "API" means the computer program that allows Traders on their own computers or on Cboe Options or third-party vendor-supplied workstations to interface with the SBT System.

SBT Book

(d) "SBT Book" means all unexecuted orders, other than spread orders, currently held by the SBT System.

SBT Spread Book

(e) "SBT Spread Book" means all unexecuted spread orders, currently held by the SBT System.

SBT Workstation

(f) "SBT workstation" means a computer connected to the SBT System for the purposes of trading pursuant to the rules in these Chapters 40 through 49.

Trading Official

(g) "Trading Official" means an individual appointed by the Exchange who is granted certain duties and authorities under these Rules with respect to trading issues and market actions affecting either the operation of the SBT System or the responsibilities of SBT Traders.

SBT Trader

(h) "SBT Trader" means an individual Trading Permit Holder who or TPH organization which has the right to trade on the SBT System.

Market Turner

(i) "Market Turner" means an SBT Trader who was the first to enter an order (quote) at a

better price than the previous best book price and the order (quote) is continuously in the market until the particular order trades. There may be a market turner for each price at which a particular order trades.

Legal Width Market

(j) "Legal Width Market" means a bid and offer for a prescribed size or greater that is at or within the prescribed width as set forth in Rule 44.4. While a legal width market is equivalent to the "maximum quote width" in width, Rule 44.4 requires that an SBT market-maker enter both the bid and offer to receive credit for the quote. A legal width market can be established by a bid and offer that are entered by two different SBT Traders.

Extended Trading Hour Session

(k) "Extended Trading Hour Session" or "ETH Session" is any period of time during which the SBT System is open for trading other than the Regular Trading Hour Session for those products traded during the ETH session.

Regular Trading Hour Session

(l) "Regular Trading Hour Session" or "RTH Session" is the period of time set forth by the Board of Directors pursuant to Rules 6.1, 21.10, and 24.6 for the trading of the options products subject to those rules.

RFQ

(m) "RFQ" means a request for quote that is disseminated to SBT Market-Makers who hold an appointment in the subject option class and who are logged onto the System, and to SBT Market-Makers who are quoting in the subject option class at the time of the RFQ. RFQs may be submitted by SBT Traders or by the SBT System.

Special RFQ

(n) A "Special RFQ" is a RFQ that is submitted by the Help Desk or the SBT System in order to obtain a legal width market. A Special RFQ requires a response.

Rule 40.2. Application of Other Rules

(a) To the extent the rules in Chapters I through XXXI are applicable to trading on the SBT System (as indicated by the context or by Appendix A to these Chapters XL through XLIX), the terms used in Chapters I through XXXI should be read to have the following meanings where appropriate:

(1) "Floor" should be read to mean SBT System.

(2) "Floor Official" should be read to mean Trading Official.

(3) "Floor Broker" should be read to mean "SBT Broker."

(4) “Market-Maker” should be read to mean “SBT Market-Maker.”

(5) “DPM” should be read to mean “SBT DPM.”

(b) References in rules to “the Exchange” should be read to include the SBT System where appropriate.

CHAPTER XLI

Market Participants, Market Access and Securities Dealt In

Rule 41.1. Market Participants

(a) The SBT Traders in the SBT System shall be:

(1) SBT Market-Makers - Trading Permit Holders who are either SBT Standard Market-Makers, SBT Lead Market-Makers or SBT Designated Primary Market-Makers;

(2) SBT Standard Market-Makers - Trading Permit Holders who have agreed to fulfill certain market making obligations thus qualifying for defined benefits;

(3) SBT Lead Market-Makers - SBT Standard Market-Makers who have a higher level of Market-Maker obligations and a greater level of benefits for those classes in which they act as SBT Lead Market-Makers. SBT Lead Market-Makers generally act in such capacity on a rotating basis;

(4) SBT Designated Primary Market-Makers - Trading Permit Holders who are qualified and obligated to fulfill a higher level of Market-Maker obligations than SBT Standard Market-Makers thus qualifying for a greater level of defined benefits;

(5) SBT Brokers - Trading Permit Holders who enter orders as agents for accounts other than accounts of SBT Market-Makers;

(6) Proprietary Traders - Trading Permit Holders who enter orders as principal for non-Market-Maker proprietary accounts;

(b) Other users of the SBT System are:

(1) Clearing Firm Users - Trading Permit Holders who monitor and regulate the activities of traders trading through the clearing firm;

(2) SBT System Operators/Administrators - Exchange employees who support the operation of the system.

Rule 41.2. Registration of Trading Permit

Any Exchange Trading Permit Holder who chooses to participate on the SBT System must apply with the Exchange to act as an SBT Market-Maker, SBT Broker, or Proprietary

Trader. The Exchange shall be responsible for approving applications of Exchange Trading Permit Holders as an SBT Market-Maker, SBT Broker, or Proprietary Trader for the SBT System.

Rule 41.3. Communication Access

The connection point for any SBT workstation must be in the United States except as otherwise provided for by the Board. The Exchange may limit the locations of any SBT workstations to specified locations or cities if necessary to ensure the operational integrity of the System.

Rule 41.4. Replacement Traders

(a) If the SBT System is so enabled to recognize Replacement Traders, Individual SBT Market-Makers may nominate a Replacement Trader that must be qualified and registered with the Exchange as such. The Exchange shall be responsible for qualifying and approving Replacement Traders. Replacement Traders for a nominee of a TPH organization must be nominees of the same firm or must have their memberships registered for the same firm.

(b) When an SBT Market-Maker logs off the SBT System, he may first choose to transfer his position to a Replacement Trader. Any quotes transferred in that manner will retain their priority.

CHAPTER XLII

Trading Day and States of Operation

Rule 42.1. Days and Hours of Business

The days and hours of business shall be determined in accordance with the applicable rules for the type of product; *e.g.*, equity options - Rule 6.1, index options - Rule 24.6, etc. The Board of Directors may determine to approve hours of trading and days of operation for categories of products traded on the SBT System that are different than those approved for trading on the Exchange's open outcry system on the Exchange floor.

Rule 42.2. States of Operation

(a) Pre-Opening. Pre-opening is some pre-determined period of time (as described in Rule 42.3), as determined by the Exchange, prior to the opening during which the SBT System will accept orders and quotes, but during which no trading will take place.

(b) Opening. During the Opening State, the System will accept orders and quotes for some period of time (as described in Rule 42.3) as determined by the Exchange. At the end of that period of time, quotes and orders will be accepted for some period of time (but will not be included in the opening trade). During this time, the length of which is determined by the Exchange, opening prices are established. At the end of the Opening State, the System will complete the opening trades, if any, and then change the state of the class to Trading.

(c) Trading. During Trading, the series will trade freely and orders and quotes will be accepted.

(d) Trading Halts. During Trading Halts as declared in accordance with Rule 43.4(b), orders are accepted by the System. The class will have to go through the pre-opening and opening procedures before it reverts to the state of Trading.

(e) Closed. The System changes the state to Closed at a predetermined time dependent on the closing time of the underlying security. Trading is stopped but the System continues to accept certain types of orders to allow SBT Traders to maintain their orders. At some designated time, as determined by the Exchange, the System stops accepting orders and performs end-of-day procedures as described in Rule 42.4.

Rule 42.3. Opening and Closing Rotation Procedures

(a) For some period of time before the opening (as determined by the Exchange) in the underlying security, the SBT System will accept orders and quotes. Spread orders and contingency orders (except "opening only" orders) do not participate in the opening. The SBT System will disseminate information about resting orders in the SBT Book that remain from the prior business day and any orders sent in before the opening. After the primary market for the underlying security disseminates the opening trade or the opening quote for the underlying security, the SBT System sends a notice to SBT Market-Makers with an appointment in that class of options who may then submit their opening quotes. If there is an SBT Designated Primary Market-Maker ("SBT DPM") or an SBT Lead Market-Maker ("SBT LMM") in the particular option class, the SBT DPM or SBT LMM must enter opening quotes. Standard SBT Market-Makers may but are not required to enter an opening quote unless required by the procedure described in paragraph (b) below. The SBT System will begin the Opening Procedure at a randomly selected time within a number of seconds after the receipt of the underlying security's opening price. In the case of trading during an ETH session, the System may open the class without having received the underlying security's opening price. Spread orders and contingency orders do not participate in the opening trade or in the determination of the opening price.

(b) (1) For series that have no SBT Market-Makers with appointments logged on to the System and no SBT Market-Makers without appointments providing pre-opening quotes, the System will issue an alert message to the Help Desk at a prescribed time before the open. The Help Desk may contact SBT Market-Makers with an appointment to request that the Market-Makers log on and prepare to quote any series in the class. If a sufficient number of SBT Market-Makers can not be encouraged to log on, then the Help Desk may have the Opening Notice sent to some or all other SBT Market-Makers logged on to the System, and may submit a Special RFQ.

(2) For series where SBT Market-Makers have logged on but have not responded to the Opening Notice, and where no SBT Market-Makers have provided pre-opening quotes, the System will send an alert message to the Help Desk and a Special RFQ to those SBT Market-Makers with an appointment.

(c) From some time after the Opening Notice is sent, the SBT System will calculate and provide the Expected Opening Price ("EOP") given the current resting orders during an EOP Period. The EOP Period shall be a time established by the Exchange and shall be no less than five seconds and no more than one minute. The EOP is that price at which the greatest number of orders in the SBT Book would be traded. The EOP will be re-calculated and disseminated every few seconds. During this time after the Opening Notice is sent, quotes and orders may be submitted without restriction. An EOP can only be calculated if an opening trade is possible. An opening trade is possible if: (i) the SBT Book is crossed (highest bid is higher than the lowest offer), locked (highest bid equals lowest offer), or there are market orders in the SBT Book, and (ii) at least one quote is present that is at or within the legal width market and of the prescribed minimum size as set forth in Rule 44.4.

(d) After the EOP Period, the System will enter a Lock Interval during which quotes and orders may be submitted but they are not included in the opening trade. The Lock Interval shall be a period of time not to exceed four seconds. The SBT System will establish the opening price at this time during its Opening Procedure. The System will process the series of a class in a random order. The opening price of a series is the "market-clearing" price which will leave bids and offers which cannot trade with each other. In determining the priority of orders to be filled, the SBT System will give priority to market orders first, then to limit orders whose price is better than the opening price and entered before the Lock Interval, and then to resting orders at the opening price and entered before the Lock Interval. One or more series of a class may not open because of conditions cited in paragraph (f) of this Rule. Orders entered during the Lock Interval will be eligible to be traded (according to the time priority in which they were entered) after the System enters the Trading State.

(e) As the opening price is determined by series, the System will change the product state of the series to Trading, and disseminate to OPRA and to the SBT participants the opening quote and the opening trade price, if any. Quotes and orders entered during the Lock Interval will then be submitted to the SBT Book in the order of their arrival.

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

(1) There is no quote from any SBT Market-Maker that provides a legal width market;

(2) The opening price is not within an acceptable range (as determined by the Exchange) compared to the highest quote offer and the lowest quote bid (*e.g.*, the upper boundary of the acceptable range may be 125% of the highest quote offer and the lower boundary may be 75% of the lowest quote bid); or

(3) 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 the market orders on the opposite side).

(g) If one of the conditions in paragraph (f) of this Rule is met, the System will not open the series but will send a RFQ with no size, except when the condition in (f)(3) is met. In this case, the RFQ will include a size equal to the market order imbalance and the direction (buy or sell) of the imbalance. At the end of the RFQ period, the System will put the series into

Opening Rotation. The System will repeat this process until the series is open.

(h) Two Trading Officials may deviate from the standard manner of the opening procedure, including delaying the opening in any option class, when they believe it is necessary in the interests of a fair and orderly market.

(i) The procedure described in this Rule may be used to reopen a class after a trading halt.

(j) *Closing Rotation Procedure*. The procedure described in this Rule may be employed 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 stock options, an end of the year procedure, or the restart of a procedure which is already in progress. The decision to employ a closing rotation procedure in non-expiring options shall be disseminated prior to the commencement of such procedure.

Rule 42.4. End of Day/Session Process

The System will automatically delete expiring orders (*i.e.*, day orders and session orders) and expiring GTC (Good-`til-Canceled) orders after the close. If an option class is traded on both the SBT System during an Extended Trading Hours session and also on the Exchange during different trading hours then orders eligible to be traded in the next or a future session may be passed by the System from one book to the next appropriate book, in accordance with Rule 43.3. (*e.g.*, orders may be passed from the SBT Book to the regular book or from the regular book to the SBT Book as appropriate).

CHAPTER XLIII

Trading Rules and Processing of Orders

Rule 43.1. Matching Algorithm/Priority

(a) *Generally.* The Exchange will determine to apply, for each class of options, one of the following rules of trading priority. The Exchange will issue a Regulatory Circular periodically which will specify which priority rules will govern which classes of options any time the Exchange changes the priority.

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

(2) *Pro Rata Priority.* Under this method, resting orders in the book are prioritized according to price. If there are two or more orders at the best price then trades are

allocated proportionally according to size (in a pro rata fashion). The executable quantity is allocated to the nearest whole number, with fractions 1/2 or greater rounded up and fractions less than 1/2 rounded down. If there are two market participants that both are entitled to an additional 1/2 contract and there is only one contract remaining to be distributed, the additional contract will be distributed to the market participant whose quote or order has time priority.

(b) *Additional Priority Overlays.* In addition to the base allocation methodologies set forth above, the Exchange may determine to apply, on a class-by-class basis, any or all of the following designated market participant overlay priorities in a sequence determined by the Exchange (except that if the Trade Participation Right priority is applied, the Public Customer priority must be in effect and applied ahead of the Trade Participation Right). The Exchange will issue a Regulatory Circular periodically which will specify which classes of options are subject to these additional priorities as well as any time the Exchange changes these priorities.

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

(2) *Market Turner*. When this priority overlay is in effect and no other priority overlays are in effect, the Market Turner has priority at the highest bid or lowest offer that he established. If other priority overlays are also in effect, priority is established in the sequence designated by the Exchange. In either case, the market turner priority at a given price remains with the order once it is earned. For example, if the market moves in the same direction as the direction in which the order from the Marker Turner moved the market, and then the market moves back to the Market Turner's original price, then the Market Turner retains priority at the original price.

(3) *Trade Participation Right*. SBT Designated Primary Market-Makers or SBT Lead Market-Makers may be granted trade participation rights pursuant to the provisions of Chapter 44 up to the applicable participation right percentage designated pursuant to the provisions of Chapter 44. If other priority overlays are also in effect, priority is established in the sequence designated by the Exchange, subject to (A)-(F) below. In allocating the participation right, all of the following shall apply:

(A) To be entitled to their participation right, a DPM's/LMM's order and/or quote must be at the best price.

(B) A DPM/LMM may not be allocated a total quantity greater than the quantity that the DPM/LMM is quoting (including orders not part of quotes) at that price. If Pro Rata Priority is in effect, and the DPM/LMM's allocation of an order pursuant to its trade participation right is greater than its percentage share of quotes/orders at the best price at the time that the trade participation right is granted, the DPM/LMM shall not receive any further allocation of that order.

(C) If the Trade Participation Right priority and the market turner priority are both in effect and the DPM/LMM is the Market Turner, the market turner priority will not be applicable.

(D) In establishing the counterparties to a particular trade, the DPM's/LMM's participation right must first be counted against the DPM's/LMM's highest priority bids or offers.

(E) The Trade Participation Right shall not be in effect unless the Public Customer priority is in effect in a priority sequence ahead of the Trade Participation Right.

(F) If other priority overlays are in effect and designated as a higher priority than the Trade Participation Right, the participation right shall only apply to any remaining balance of an order once all higher priorities are satisfied.

(c) *Contingency Orders*. Regardless of the allocation method in place, contingency orders (except Immediate or Cancel Orders or elected Stop-limit Orders) are placed last in priority order, regardless of when they were entered into the SBT System. A contingency order that was entered before a limit order for the same series at the same price will be treated as if it were entered after the limit order. If customer priority is afforded to a particular option class, customer contingency orders will have priority over non-public customer contingency orders but behind all other orders.

(d) *Spread Orders*. Once the System is enabled and approved to handle Spread Orders, spread orders will not be afforded priority according to this Rule 43.1 but will be handled as provided in Rule 43.10.

(e) *Regenerated Quotes*. Notwithstanding anything to the contrary in this Rule, if a Market-Maker has the SBT System regenerate his quote in accordance with Rule 44.5(b) after the Market-Maker's bid or offer has been filled by an incoming order and the regenerated quote could immediately execute against the same incoming order that traded against the original quote, then that portion of the regenerated quote equal to the original size executed against that Market-Maker's original bid or offer takes priority over all other interest at the regenerated price, with respect to the balance of that incoming order, except public customer orders, if public customer priority is applicable to that class of options. The portion of the regenerated quote that is not executed will be placed in a priority position consistent with the time the quote was regenerated.

(f) *Cancel/Replace Orders*. Depending on how a quote or order is modified, the quote or order may change priority position as follows:

(1) If the price is changed, the changed side loses position and is placed in a priority position behind all orders of the same type (*i.e.*, customer or non-customer) at the same price.

(2) If one side's quantity is changed, the unchanged side retains its priority position.

(3) If the quantity of one side is decreased, that side retains its priority position.

(4) If the quantity of one side is increased, that side loses its priority position and is placed behind all orders of the same type at the same price.

(g) *Priority of Market Orders and Limit Orders*. As further described in the Rules governing the execution of market orders and limit orders, market orders generally have execution priority over limit orders. However, if there is not a legal width market available when a market order is entered, an RFQ will be sent for the market order. During the pendency of the RFQ process, a limit order may be executed ahead of the market order if an order is entered on the other side of the market which satisfies the order's limit before any of the conditions are satisfied that would allow the market order to trade.

Rule 43.2. Types of Orders Handled

(a) At the discretion of the Exchange, and once the System is so enabled, any of the following types of orders may be accommodated on the SBT System:

(1) *Market Order*. A market order is an order to buy or sell a stated number of option contracts at the best price available in the market.

(2) *Limit Order*. A limit order is an order to buy or sell a stated number of option contracts at a specified price, or better.

(3) *Cancel Order*. A cancel order is an order that cancels partially or fully an existing buy or sell order.

(4) *Cancel Replace Order*. A cancel replace order is an order to cancel fully an existing buy or sell order and replaces it with a new order that has a different quantity or a different price.

(5) *Day Order*. A day order is an order that remains in the SBT Book until it either trades or expires at the end of the day it was entered. The System may recognize different types of day orders as indicated in Rule 43.3.

(6) *Good-for-Session Order*. A Good-for-Session order remains in either the SBT Book or the auction market book until it either trades or expires at the end of the SBT Trading session or the auction market session, as appropriate. (See interpretations to Rule 43.3).

(7) *Good-'til-Canceled Order*. A Good-'til-Canceled order remains in the SBT Book until either it trades, is withdrawn by the submitting trader or his firm, or the option expires. The System may recognize different types of Good-'til-Canceled orders as

indicated in Rule 43.3.

(8) Reserved

(9) *Contingency Order.* A contingency order is a limit or market order to buy or sell that is contingent upon a condition being satisfied while the order is held in the Book for execution.

(A) *Opening Only*. An Opening Only order may be a market order or a limit order that may be accepted when the System is in the Pre-Opening, Trading Halt, and Closed States. An opening only order either will be executed on the opening or canceled.

(B) *All or None*. An all or none order is an order which is to be executed in its entirety at its limit price.

(C) *Fill-or-Kill Order.* A fill-or-kill order is an order which is to be executed in its entirety immediately upon its receipt. If the order is not so executed, it is canceled.

(D) *Immediate-or-Cancel Order*. An immediate-or-cancel order is a market or limit order which is to be executed in whole or in part immediately after it is received by the SBT System. Any portion not so executed is to be treated as canceled.

(E) *Minimum Volume Order*. A minimum volume order is an order where the fill should at least equal the minimum volume specified, which is an amount less than the total volume of the order.

(F) *Stop (stop-loss) Order.* A stop order is an order to buy or sell when the market for a particular option contract reaches a specified price (*i.e.* it is elected). A stop order to buy becomes a market order when the option contract trades or is bid at or above the stop price. A stop order to sell becomes a market order when the option contract trades or is offered at or below the stop price.

(G) *Stop-limit Order*. A stop-limit order is an order to buy or sell when the market for a particular option contract reaches a specified price (*i.e.* it is elected). A stop-limit order to buy becomes a limit order when the option contract trades or is bid at or above the stop-limit price. A stop-limit order to sell becomes a limit order when the option contract trades or is offered at or below the stop-limit price.

(H) *Market-on-Close Order*. A market-on-close order is a market or limit order that is to be executed during some defined period of time prior to the close and should be filled at or near to the Closing price for the particular series of option.

(b) The Exchange may determine to provide for only certain of these order types to be available during an extended trading hour session, even if these order types are available during regular trading hours. For example, the Exchange may determine not to allow for the entry of market orders during an extended trading hour session.

Rule 43.3. Order Types Accepted at Various Product States

(a) The Exchange shall determine which order types may be accepted at various product states and session states.

(b) Once the System is enabled to receive such categories of day and good `til canceled ("GTC") orders, customers may specify that their day orders or GTC orders are to be transferred between one trading session and the next and may determine to have the orders represented only during ETH sessions or only during the RTH session or both. The customer may specify his preferences for the representation of his order by using codes published by the Exchange for that purpose.

. . . *Interpretations and Policies:*

.01 The Exchange will provide for the following "time in force" codes for orders entered over the Exchange's interface: (1) DAA - this indicates the order is to be represented only in the AM ETH session; (2) DAY - this indicates the order is to be represented only during the current Regular Trading Hour ("RTH") session; and (3) GTC - this indicates the order is to be represented in all RTH sessions until it is traded, canceled or expired.

.02 Once the System is so enabled to recognize such codes, the Exchange will provide for the following for orders entered over the Exchange's interface: (1) DAP - this indicates the order is to be represented only in the PM ETH session; (2) DAX - this indicates the order is to be represented during all sessions during the current trading day; and (3) GTX - this indicates the order is to be represented during all sessions until it is traded, canceled, or expired.

Rule 43.4. Unusual Market Conditions

(a) *Fast Markets*. A fast market may be declared by (A) the SBT System automatically or (B) by two Trading Officials whenever in the judgment of those Trading Officials, due to an influx of orders or other conditions or circumstances, the interest of maintaining a fair and orderly market so requires. A "fast market" may be declared in one or more option classes or for the SBT System in its entirety. Once a fast market has been declared either by the SBT System or by Trading Officials, a systemwide notification message will be sent. When Trading Officials declare a fast market or when the SBT System declares a fast market, two Trading Officials may take any action the Trading Officials deem necessary to maintain a fair and orderly market including changing the bid-ask width requirement as set forth in Rule 44.4.

(1) *SBT System Declaration*. The SBT System may declare a fast market for a class or classes when the System has lost an underlying security feed, *e.g.*, SIAC or Nasdaq feed. Regular trading conditions may be resumed when the underlying security feed has been restored or whenever two Trading Officials believe that such action is warranted.

(2) *Trading Official Declaration*. In declaring a fast market, among the conditions which the Trading Officials may consider are loss of an underlying security feed, impending

news, increases in trading volume that has the capability to interfere with the operation of the System, increase in volatility that has the capability to interfere with the operation of the System, and for any other reason to maintain a fair and orderly market. Regular trading conditions may be resumed whenever two Trading Officials believe that such action is warranted.

(b) *Trading Halts.*

SBT System Declaration. With respect to stock options, the SBT System may declare a trading halt, when a trading halt has been declared for the underlying security in the primary market. When the SBT System is operated during Extended Trading Hours, there may not be a primary market trading the underlying security. In such cases, the SBT System may or may not declare a trading halt if the underlying security has been halted on one or more of the markets trading the underlying security. The Exchange will determine in advance from time to time whether to have the system automatically halt trading on the options if the trading in the underlying has been halted in a market trading the underlying during an ETH session.

Resumption of Trading. Whenever trading has been halted, trading may be resumed whenever two Trading Officials determine that a fair and orderly market may be maintained.

Rule 43.5. Trade Nullification Procedures

(a) *Negotiated Trade Nullification*. A trade on the SBT System may be nullified if the parties to the trade agree to the nullification. Negotiation may be conducted through the SBT System's messaging facility that would allow a trade party to exchange messages with his contra-parties in a particular trade. The SBT System will preserve the anonymity of the parties although a party may voluntarily disclose his identity to the other parties. When all parties to a trade have agreed to a trade nullification, one party must contact the Help Desk which will confirm the agreement and promptly perform the following procedure:

(1) nullify the trade in the matched trade system;

(2) notify all parties involved;

(3) disseminate cancellation information in prescribed OPRA format; and

(4) reestablish order(s) and their respective priorities in the SBT Book on a best efforts basis.

(b) *Mandated Trade Nullification.*

An SBT Trader may have a trade nullified by two Trading Officials if: (i) a documented request is made within five minutes of execution or, if the request is on behalf of a public customer order, within fifteen minutes of execution; and (ii) one of the conditions below is met:

(1) the trade resulted from a verifiable disruption or malfunction of an Exchange

execution, dissemination, or communication system that caused a quote/order to trade in excess of its disseminated size (*e.g.* a quote/order that is frozen, because of an Exchange system error, and repeatedly traded) in which case trades in excess of the disseminated size may be nullified; or

(2) the trade resulted from a verifiable disruption or malfunction of an Exchange dissemination or communication system that prevented an SBT Trader from updating or canceling a quote/order for which the SBT Trader is responsible where there is Exchange documentation providing that the SBT Trader sought to update or cancel the quote/order; or

(3) the trade resulted from an erroneous print disseminated by the underlying market which is later cancelled or corrected by that underlying market where such erroneous print resulted in a trade higher or lower than the average trade in the underlying security, during the time period encompassing two minutes before and after the erroneous print, by an amount at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the erroneous print; or

(4) the trade resulted from an erroneous quote in the Primary Market (as defined in Rule 1.1) for the underlying security that has a width of at least $1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote; or

(5) the execution price of the trade is higher or lower than the Theoretical Price for the series by an amount equal to at least two times the maximum bid/ask spread allowed for the option under Rule 44.4, so long as such amount is $0.50 or more or $0.25 or more for options priced under $3. For purposes of this subparagraph, the Theoretical Price of an option is the last bid (offer) price, just prior to the trade, from the exchange providing the most volume in the option with respect to an erroneous bid (offer) entered on the Exchange. If there are no quotes for comparison purposes, then the Theoretical Price of an option is as determined by two Trading Officials.

For purposes of this Rule, the average quote width shall be determined by adding the quote widths of each separate quote during the four minute time period referenced above (excluding the quote in question) and dividing by the number of quotes during such time period (excluding the quote in question). For purposes of this Rule, the average trade in the underlying security shall be determined by adding the prices of each trade during the four minute time period referenced above (excluding the trade in question) and dividing by the number of trades during such time period (excluding the trade in question).

Upon the nullification of a trade, the Help Desk will promptly perform the following procedure:

(1) notify all parties involved;

(2) disseminate cancellation information in prescribed OPRA format; and

(3) reestablish order(s) and their respective priorities in the SBT Book on a best efforts basis.

Nothing in this Rule should be construed to prohibit the contra-party of the trade (*i.e.*, that party who traded against the party that initiated the nullification) to seek to recover any loss incurred due to a change in the price in the underlying during the period from the trade to a reasonable amount of time (for unwinding the transaction) after the nullification notification. The recovery of any loss may be sought by any legal means including arbitration under Chapter 18. Additionally, any determinations made under this Rule may be called under review pursuant to Chapter 19.

(c) *Reinstatement of Orders in a Nullified Trade*. All orders that were executed in a nullified trade will be reinstated along with their original entry time and price except for the following:

(1) an order of a party requesting a nullification;

(2) a market order;

(3) an order that was originally one side of a quote;

(4) a contingency order; and

(5) an order of a party who does not want the order to be reinstated.

A reinstated order is treated like any incoming order except it retains its original order entry time. If the reinstated order is the first in time priority, the order will receive market turner priority. If there is a market turner order at the same price level with lower time priority, that other order loses its market turner priority.

(d) *Spread Orders.* If so enabled, the System will provide for the possibility of nullifying trades of spread orders, in accordance with the aforementioned procedures in subparagraph (a)-(c).

Rule 43.6. Order Entry and Maintenance

(a) *Spread Order Entry*. Once the SBT System is so enabled and governing rules are approved by the Commission, SBT Traders will have the ability to enter spread orders whose legs are options of the same underlying security.

(b) *Order Maintenance.* An SBT Trader may display the status of his working or active orders (submitted to the SBT Book and SBT Spread Book, if applicable). An SBT Trader may keep orders in the System that are inactive and may activate them when desired. An SBT Trader may update (cancel/replace) the order; cancel the order or a group of orders; or activate or inactivate an order or a group of orders. When an SBT Trader logs off the SBT System his orders will remain on the SBT Book or SBT Spread Book, if applicable.

(c) *Limitations on Orders*. Order providers (SBT Brokers and Proprietary Traders) will be prohibited from entering limit orders in the same options series, for the account or accounts of the same or related beneficial owners, in such a manner that the Order Provider or the beneficial owner(s) effectively is operating as a Market-Maker by holding itself out as willing to buy and sell options contracts on a regular or continuous basis. In determining whether an Order Provider or beneficial owner effectively is operating as a Market-Maker, the Exchange will consider, among other things: the simultaneous or near-simultaneous entry of limit orders to buy and sell the same option series during the same day; the multiple acquisition and liquidation of positions in the same option series during the same day; and the entry of multiple limit orders at different prices in the same options series.

Rule 43.7. Market Order Processing

Non-broker-dealer market orders to buy or sell options on the System will not be automatically executed by the System at prices inferior to the best bid or offer on another national securities exchange, as those best prices are identified in the System. Broker-dealer market orders, non-broker-dealer market orders that are executable on the System at prices equal to or better than the best bid or offer available on another national securities exchange, and market orders in options that are not traded on another national securities exchange will be processed as follows:

(a)(1) If a legal width market exists for a particular option, even if established by a pair of unrelated bids and offers for a size less than required of SBT Market-Makers to meet their quote requirement, the SBT System will match market orders against orders at the best price in the Book and against the other orders behind the best price at varying prices until the order is fully executed or until a legal width market no longer exists.

(2) If there is not a legal width market when the order is entered in the System or if any portion of the market order is not executed because there is no longer a legal width market, then the System will hold the order (or any remaining portion of the order) in queue, send a RFQ (which will be handled as described in paragraph (a)(3) below), and send a notice to the originator of the order about the order status.

(3) An RFQ sent pursuant to paragraph (a)(2) will include the market order quantity, but not whether the order is a buy or a sell. RFQ responses will be sent to the SBT Book. Once the responses are sent to the SBT Book the orders may trade with resting orders unless the market order trades against that order first when one of the below conditions are met. The market order will be executed if any one of the following conditions becomes true:

(A) During the RFQ expiration response time, if the best quote width (*i.e.*, the spread between the best bid and offer) becomes a certain prescribed percentage (*e.g.*, 75%)—as set by the Exchange— of the legal width market, the System will execute the market order against the quote and any other eligible booked order (*i.e.*, an order on the book with a limit price that allows that order to trade against the market order) until the order is filled or the legal width market no longer exists. If there is volume remaining in the market order, the System will hold the market order in

queue again, send another RFQ, and send a notice to the originator about the order status.

(B)

(i) If the System receives a limit order on the same side of the market as the market order that could match the best bid or offer and at least one legal width quote has been received, then the System will execute the market order against the best bid/offer. If there is no legal width quote then the limit order that is entered is filled ahead of the market order.

(ii) If one or more incoming RFQ responses could execute against a market order as well as any limit orders that are already on the book ("older limit orders") at a particular price, then:

(aa) If the incoming RFQ response(s) is (are) of large enough quantity to fill all the older limit orders and the market order, then all those orders will be filled at the price of the older limit orders.

(bb) If the incoming RFQ response(s) is (are) not large enough to fill the market order and all the older limit orders, the market order will be executed at the minimum price interval (*i.e.*, the minimum price differential which may exist between two orders) ahead of the older limit orders.

(C) When a certain prescribed percentage of the Market-Makers currently providing quotes in the class (the percentage to be set by the Exchange)(*e.g.*, 50%) have responded to the RFQ with legal width markets or when the RFQ period expires and there is at least one quote response, the System will execute the market order against orders in the SBT Book. A response will count toward the percentage requirement even if the quotes are traded against orders in the book before all quotes that constitute the percentage requirement have been received. If there is volume remaining in the market order, the System will hold the order in queue and repeat the RFQ cycle again. The System will also send a notice to the originator of the order status and give him the option to cancel the order.

(4) When a market order can be executed under the conditions cited in sub-paragraphs (3)(A) through (C) above and there is one or more market orders on the opposite side, the System will execute the market orders at a price as determined as follows:

(A) At the middle of the best bid-offer in the Book if the middle price is a legal price; or

(B) If the middle price is not a legal price, at the next legal price from the middle that is closer to the last trade price of the series.

(C) For purposes of this sub-paragraph (a)(4), "legal price" means a price that may be entered on the SBT System.

(b) If the RFQ period expires and there is no RFQ response, the System will continue to hold the market order, repeat the RFQ cycle, send a notice to the originator of the order, and send an alert message to the Help Desk so that the Help Desk may solicit quotes from the Market-Makers. The Help Desk may require a response from the Market-Makers.

(c) If a market order for a certain series becomes subject to an RFQ as described in paragraph (a) above, then subsequent market orders for the same series and side are queued to ensure that these incoming market orders are processed in time sequence. Market orders for the same series but opposite side would be processed normally. Other orders that are not market orders would be routed to the SBT Book.

(d) *Trading Halts*. When trading is halted in the series while a market order is on hold waiting for RFQ responses, the SBT System will do the following: if the market order is a GTC order, the System will hold and execute it at the next opening, in the same day or the next day. If it is a day order, the System executes it at re-opening if trading resumes for the same day. If trading does not resume, the System purges it as part of the end-of-day procedure for purging day orders.

Rule 43.8. Processing of Limit Orders

Non-broker-dealer marketable limit orders to buy or sell options on the System will not be automatically executed by the System at prices inferior to the best bid or offer on another national securities exchange, as those best prices are identified in the System. Broker-dealer limit orders, non-broker-dealer limit orders that are not marketable, and limit orders in options that are not traded on another national securities exchange will be processed as follows: Subject to price protections that may be provided under Rule 43.8A, after the opening, upon being entered into the SBT System, limit orders will be matched against the best prices available in the SBT Book under the priority rules set forth in Rule 43.1. If there are no orders in the SBT Book that match the limit order when it is entered, the limit order will be held and displayed in the SBT Book and may be traded against later submitted orders.

Rule 43.8A. Price Protection of Limit Orders

(a) When the System is so enabled, and to the extent that the Exchange has determined to apply the protection to the particular options class, the System will protect a limit order by automatically executing it against the best bid/ask only if a legal width market exists for that series.

(b) If a legal width market does not exist for the series, but the limit order could otherwise execute against the best bid/ask the System puts the order in queue and sends an RFQ. The RFQ will include the order quantity but not whether the order is a buy or sell. Quote responses are exposed in the SBT Book as they are received. The SBT Trader who has submitted the limit order may override the RFQ and determine to enter the limit order into the SBT Book.

(c) If the limit order’s price prevents it from matching with the best bid/ask, the System will

place the order in the Book in its appropriate priority position.

(d) If the submitting SBT Trader does not override the RFQ pursuant to paragraph (b), the System will execute the limit order after one of the following conditions becomes true:

(1) During the RFQ response time, if the best quote width becomes a certain prescribed percentage (*e.g.*, 75%)—as set by the Exchange—of a legal width market, the System shall execute the limit order against the quote and any other eligible Booked order. If there is volume remaining in the limit order, the System will hold the limit order in the SBT Book and send a notice to the originator about the order status.

(2) If an incoming market or limit order is received (independent of the RFQ responses) on the opposite side that would match the original limit order and if a legal width market exists for the series, then the System will match the limit order with the best bid/ask. If there is volume remaining in the limit order, the System will hold the limit order in the SBT Book.

(3) When a certain prescribed percentage of the SBT Market-Makers currently receiving RFQs in that class, (the percentage to be set by the Exchange), have responded to the RFQ or when the RFQ period expires and there is at least one quote response, the System will execute the limit order against the SBT Book. If there is volume remaining in the limit order, the System will hold it in the SBT Book. The System will also send a notice to the originator of the order status and give him the option to cancel the order.

(e) If a limit order for a certain series is queued, subsequent limit orders for the same series and side are queued behind the first one to ensure that they are processed in time sequence. Market orders for the same series and side also will be queued. If a legal width market remains upon completion of the limit order processing the market order will be executed against orders resting in the Book. If there is not a legal width market, market order processing will begin in accordance with Rule 43.7.

Rule 43.9. Processing of Contingency Orders

Contingency orders will be handled by the SBT System as described below. As described in Rule 43.1, for purposes of determining priority, a contingency order that is entered before a limit order with no contingency at the same price and for the same series will nonetheless be treated as if it were entered after the limit order. The SBT System will notify the originator of the order if the contingency order expires or is canceled. Contingency orders except Immediate or Cancel orders will not be disseminated as part of the best bid/ask to OPRA. The SBT System may make available to SBT Traders, a contingency count that includes All or None, Fill or Kill, and Minimum Volume order information. The following contingency orders will be handled by the SBT System as described below once the SBT System is so enabled to handle such contingency orders.

(a) *Opening Only Order*. The order will be executed during the Opening State if there are orders to execute it against. The order or any unexecuted portion will expire after the opening trade or after the opening quote is disseminated.

(b) *All or None Order*. An all or none ("AON") order will only be executed if it can be executed in its entirety. The order will remain in the Book until filled or canceled.

(c) *Fill or Kill Order*. A fill or kill ("FOK") order must be fully filled immediately upon its receipt, or the System automatically cancels the order.

(d) *Immediate or Cancel Order*. An Immediate or Cancel ("IOC") order must be filled in whole or in part immediately upon its receipt, or the System automatically cancels the remainder.

(e) *Minimum Volume Order*. A Minimum Volume ("MIN") order may be accepted by the SBT System at any time. The MIN order has two quantities specified: the total quantity and the minimum acceptable quantity that can be filled. The fill must be at least equal to the minimum quantity specified. The SBT System will attempt to execute at least the minimum volume specified against orders in the Book. If the minimum volume is not executed, the order will remain in the Book.

(f) *Stop Order*. A Stop order to buy becomes a market order when the product trades or is bid at or above the stop price. A Stop order to sell becomes a market order when the product trades or is offered at or below the stop price.

(g) *Stop Limit Order*. A Stop Limit order has two prices, the stop-limit price and the limit price. A stop-limit order to buy becomes a limit order at the second price when the product trades or is bid at or above the stop-limit price (first price). A stop-limit order to sell becomes a limit order at the second price when the product trades or is offered at or below the stop-limit price (first price).

(h) *Market On Close Order*. A Market on Close ("MOC") order may be received at any time up to some period of time before the closing period (*e.g.*, four minutes before the close) and is executable only during a pre-defined period of time prior to the close (*e.g.*, two minutes prior to the close). When an MOC order is present, the System will send an RFQ for it at a pre-defined time before the close; the time before the close to be determined by the Exchange. The order is canceled after closing if it is not filled.

Rule 43.10. Reserved

Rule 43.11. Processing of Requests for Quotes

(a) *Submission of RFQs*.

(1) Any SBT Trader may initiate a RFQ for a series. The SBT Trader may specify a size at his option.

(2) The SBT System will also automatically send an RFQ when the SBT System receives a market order and the current market width is wider than the Exchange prescribed width as set forth in Rule 44.4.

(b) *Response to RFQs*. RFQs may be submitted by an SBT Trader or an RFQ may be

initiated by the System as otherwise described in the Rules. In either event, the RFQ has an expiration period for the Market-Makers to respond to the RFQ. Market-Makers must respond to RFQs in accordance with their obligations set forth in Rule 44.4(b).

(c) *Processing of RFQ Responses*. RFQ responses (quotes) are submitted to the Book and exposed as they arrive.

Rule 43.12. SBT Broker Facilitation and Solicitation of Orders

(a) *Principal Transactions.* SBT Brokers may not execute as principal orders they represent as agent unless: (i) agency orders are first exposed on the System for at least thirty (30) seconds, or (ii) the SBT Broker utilizes the Crossing Mechanism or Interim Crossing Procedure pursuant to Rules 43.12A or 43.12B, respectively.

(b) *Solicitation Orders*. SBT Brokers must expose orders they represent as agent on the System for at least thirty (30) seconds before such orders may be executed in whole or in part by orders solicited from Trading Permit Holders and non-Trading Permit Holder broker-dealers to transact with such orders.

Rule 43.12A. Crossing Trades

(a) *Crossing Mechanism*. Once the System is so enabled to provide for it, the Crossing Mechanism is the process to be followed by SBT Brokers seeking to facilitate an original order or cross two original orders. The Exchange may determine, on a class-by-class basis, the eligible size for an order that may be transacted pursuant to this Rule, however, the eligible order size may not be less than 50 contracts.

(1) An SBT Broker must submit to the System an RFQ designating a size equal to the quantity to be crossed.

(2) SBT Market-Makers will have an RFQ response period for a length of time established by the Exchange, but which shall not be less than 10 seconds, in order to enter orders or quotes that match or improve upon the market.

(3) Within a time period after the RFQ response period has expired, with such time period to be established by the Exchange and which may be no longer than 20 seconds, the SBT Broker must enter the terms of the cross transaction. The required terms include the terms of the original order and the proposed facilitation order (or two original orders), a proposed crossing price, the quantity of the original order that the SBT Broker is willing to facilitate (in the case of a facilitation cross), and a designation of which order is to be exposed to the market after the guaranteed crossing percentage is applied pursuant to subparagraph (5) below(in the case of cross of two original orders). The customer order will be the exposed order in a facilitation cross.

(4) The following two conditions must be satisfied at the time the cross transaction is entered or the System will reject the cross transaction: (A) a legal width market must exist for the particular series to be crossed and (B) the proposed cross price must be

between the best bid and offer displayed by the System.

(5) After accepting the cross transaction, the System will immediately cross the two orders for the guaranteed crossing percentage (which is established at 40%) of the overall crossing quantity. The System exposes the remaining volume of the designated order in the Book for a period of ten seconds. The order's price and the remaining quantity are disclosed but there is no indication that the order is part of an impending cross. The System places the opposite order on hold as a shadow order that is not visible except to the submitter.

(6) As long as the exposed order is the highest priority order at the best price, other SBT Traders can trade against the exposed order during the 10-second exposure period. If the exposed order is fully filled by other traders, the System cancels the remaining quantity of the shadow order and sends the SBT Broker a message that the crossing transaction is completed.

(7) At the end of the 10-second exposure period (if the order has not yet been fully traded), if the exposed order is at the best price and has the highest priority, then the System fills the remainder of the order against the shadow order. The System cancels the remainder of the shadow order and sends the crossing firm a message that the crossing transaction is completed. If the exposed order has a quantity remaining after the crossing transaction is completed and is the highest priority order at the market, it will remain in the Book. If the exposed order has quantity remaining and it is not the highest priority order at the market, then the System automatically cancels the remainder of the exposed order and the shadow order and sends the SBT Broker a message that the crossing transaction is completed.

(b) Rule 43.12B will apply until the System is so enabled to provide for this Crossing Mechanism.

. . . *Interpretations and Policies:*

.01 It will be a violation of a Trading Permit Holder's duty of best execution to its customer if it were to cancel or withhold a customer order to avoid execution of the order at a better price. The availability of the Crossing Mechanism does not alter a Trading Permit Holder's best execution duty to obtain the best price for its customer. Accordingly, if a Trading Permit Holder were to cancel or withhold a customer order when there was a superior price available on the System and subsequently enter the order at an inferior price after the better price was no longer available without attempting to obtain that better price for its customer, there would be a presumption that the Trading Permit Holder did so to avoid execution of its customer order in whole or in part at the better price.

Rule 43.12B. Interim Crossing Procedure

(a) An SBT Broker who wishes to cross two original orders or to facilitate an original order must first send an RFQ with the size of the orders to be crossed. The RFQ response period will be established by the Exchange, and shall not be less than 10 seconds. The Exchange

may determine, on a class-by-class basis, the eligible size for an order that may be transacted pursuant to this Rule, however, the eligible order size may not be less than 50 contracts.

(b) Within a time period after the RFQ response period has expired, with such time period to be established by the Exchange and which may be no longer than 10 seconds, the SBT Broker must expose one of the orders to the Book. The exposure period shall be established by the Exchange, and shall not be less than 10 seconds.

(c) If the exposed order has not been completely taken out by other SBT Traders at the end of the exposure period, then the SBT Broker may enter the opposite order to cross the balance of the exposed order.

Rule 43.12C. Prohibited Conduct Related to Cross Transactions

(a) It will be a violation of Rule 43.12, 43.12A and of Rule 43.12B for an SBT Broker to be a party to any arrangement designed to circumvent Rule 43.12A or Rule 43.12B by providing an opportunity for a customer, Trading Permit Holder, or non-Trading Permit Holder broker-dealer to execute against agency orders handled by the SBT Broker immediately upon their entry into the System.

(b) Cross transactions may only be effected in increments equal to or greater than the minimum increments for bids and offers established under Rule 6.42.

Rule 43.13. Responsible Traders

(a) *Defined*. A Responsible Trader is an individual who is responsible for each and every order submitted to the SBT System on behalf of a particular SBT Trader. There must be a Responsible Trader registered with the Exchange for every Trading Permit Holder. The Responsible Trader must be approved by the Exchange and must satisfy any qualification standards set by the Exchange.

(b) The Responsible Trader will be required to:

(1) have full control over access to the SBT System and over the ability to submit orders using the Trading Permit Holder's access right;

(2) be fully aware of orders submitted using the Trading Permit Holder's access right (although the business might have originated from another source); and

(3) have the ability to adjust or withdraw any order.

(c) A Responsible Trader can be charged for violations of Exchange rules resulting from any submission of an order made on behalf of the particular Trading Permit Holder.

Rule 43.14. Firm Quotations

(a) *Firm Quotations.* Each Responsible Broker or Dealer (as defined in Rule 602 of Regulation NMS) shall communicate to the Exchange its bids and offers in accordance with

the requirements of Rule 602 of Regulation NMS ("Rule 602") and such bids and offers must be firm pursuant to Rule 602 for the number of contracts specified in such Responsible Broker or Dealer's bids and offers, subject to subparagraph (c)(1) below.

(b) *Non-Firm*. Two Trading Officials may determine that the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange. Upon making such a determination, the Exchange shall designate the market in such option to be "non-firm." When a market for an option is declared non-firm, the Exchange will provide notice that its quotations are not firm by appending an appropriate indicator to its quotations.

If a market is declared non-firm, two Trading Officials shall have the power to direct that one or more trading rotations be employed or take such other actions as are deemed in the interest of maintaining a fair and orderly market.

The Exchange will monitor the activity or conditions that caused a non-firm market to be declared, and two Trading Officials shall review the condition of such market at least every thirty (30) minutes. Regular trading procedures shall be resumed by the Exchange when two Trading Officials determine that the conditions supporting a non-firm market declaration no longer exist. The Exchange will provide notice that its quotations are once again firm by removing the indicator from its quotations.

If the conditions supporting a non-firm market declaration cannot be managed utilizing the procedures described above, then two Trading Officials shall halt trading in the class or classes so affected.

(c) *Responsible Broker or Dealer Obligations.*

(1) Responsible Brokers or Dealers shall be relieved of their firm quote obligations under paragraph (a)(3) of Rule 602 and this Rule if:

(i) the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange, and as a result, the market in the option is declared to be "non-firm" pursuant to paragraph (b);

(ii) a system malfunction or other circumstance impairs the Exchange's ability to disseminate or update market quotes in a timely and accurate manner;

(iii) a trading rotation is in progress; or

(iv) any of the circumstances provided in paragraph (b)(3) of Rule 602 exist.

(2) Within thirty seconds of receipt of an order to buy or sell an option series in an amount greater than the size associated with the Responsible Broker or Dealer's bid/offer, that portion of the order equal to the size associated with the Responsible

Broker or Dealer's bid/offer will be executed and the bid/offer price will be revised.

CHAPTER XLIV SBT MARKET-MAKERS AND DESIGNATED MARKET-MAKERS

SECTION A: MARKET-MAKERS

Rule 44.1. SBT Market-Maker Defined

An SBT Market-Maker for purposes of the rules in Chapter XL through LIX is an individual (either a Trading Permit Holder or nominee of a TPH organization) who is registered with the Exchange for the purpose of making transactions as a dealer-specialist in the SBT System in accordance with the provisions of this Chapter. Registered SBT Market-Makers are designated as specialists on the Exchange for all purposes under the Securities Exchange Act of 1934 and the Rules and Regulations thereunder. Only transactions that are (i) transacted on the SBT System or (ii) that qualify under Rule 8.1 shall count as Market-Maker transactions for purposes of this Chapter and Rules 8.1 and 12.3(e). An SBT Market-Maker may be either: an SBT Standard Market-Maker, an SBT Lead Market-Maker or an SBT Designated Primary Market-Maker.

Rule 44.2. Registration of Market-Makers

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

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

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

Rule 44.3. Appointment of SBT Market-Makers

(a) On a form or forms prescribed by the Exchange, a registered SBT Market-Maker may apply for an Appointment (having the obligations of Rule 44.4) in one or more classes of option contracts traded on the SBT System. From among those SBT Market-Makers registered, the Exchange shall ordinarily make two or more Appointments for each class of option contracts traded on the System. In making such Appointments, the Exchange shall give attention to (1) the preference of registrants; (2) the maintenance and enhancement of competition among SBT Market-Makers in each class of options; and (3) assuring that financial resources available to an SBT Market-Maker enable him to satisfy the obligations

set forth in Rule 44.4 with respect to each class of option contracts to which he is appointed. The Exchange may arrange two or more classes of options into groupings and make Appointments to those groupings rather than to individual classes. The Exchange may suspend or terminate any Appointment of an SBT Market-Maker under this Rule and may make additional Appointments whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.

(b) An SBT Market-Maker's refusal to accept an Appointment may be deemed sufficient cause for termination or suspension of an SBT Market-Maker's registration.

(c) The Exchange may limit the number of classes which an SBT Market-Maker may trade outside of his Appointment either on the floor of the Exchange or on the SBT System on a daily basis or for some other designated period of time. Unless exempted by the Exchange, to the extent an SBT Market-Maker trades in an option class outside his Appointment, that SBT Market-Maker becomes subject to the requirements of Rule 44.4 for that option class for that day or for a designated period as determined by the Exchange.

(d) The appointment of an SBT Market-Maker to an option class traded on the System will not count against that Trading Permit Holder's limit of ten trading stations to which that Trading Permit Holder may be appointed pursuant to Rule 8.3(c).

. . . *Interpretations and Policies:*

.01 SBT Lead Market-Makers. A TPH organization desiring to be approved to act as an SBT LMM shall file an application with the Exchange on such form or forms as the Exchange may prescribe. The Exchange may appoint one or more SBT LMMs to an option class traded on the System if those option classes have not been assigned to an SBT DPM. If the Exchange appoints more than one SBT LMM per trading session to an option class traded on the System, the appointed SBT LMMs will function as SBT LMMs on a rotating basis in accordance with a schedule set by the Exchange. SBT LMMs will have the obligations of SBT Market-Makers plus those additional obligations set forth in Interpretation .01 to Rule 44.4.

Rule 44.4. Obligations of SBT Market-Makers

(a) *General*. Transactions of an SBT Market-Maker should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no SBT Market-Maker should enter into transactions or make bids or offers that are inconsistent with such a course of dealings.

(1) With respect to each class of option contracts for which he holds an Appointment, a SBT Market-Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a SBT Market-Maker is expected to perform the

following activities in the course of maintaining a fair and orderly market:

(A) To compete with other SBT Market-Makers to improve markets in all series of options classes in which the SBT Market-Maker holds an Appointment.

(B) To make markets which, absent changed market conditions, will be honored for the number of contracts entered into the System in all series of options classes in which the SBT Market-Maker holds an Appointment.

(C) To update market quotations in response to changed market conditions in all series of options classes in which the SBT Market-Maker holds an Appointment.

(2) The following percentage requirement applies to SBT Market-Maker trading activity for each quarter of a calendar year, except for unusual circumstances as determined by the Exchange. The Exchange may assign a weighting factor based on volume to one or more classes or series of option contracts in connection with the following requirement.

(A) Respecting distribution of trading activity, at least 75 percent of a SBT Market-Maker's total contract volume on the SBT System must be in option classes to which he has an Appointment.

(b) *RFQ Response*. With respect to each class of option contracts for which he holds an Appointment under Rule 44.3 and for any other classes that he trades as required by Rule 44.3(c), an SBT Market-Maker has an obligation to respond to that percentage of RFQs as determined by the Exchange, which percentage shall not be less than 75%, with a two-sided market at or within the widths prescribed in the table below within the amount of time specified by the Exchange from the time the RFQ is entered. The SBT Market-Maker shall specify the size at which he is willing to trade the series. The minimum size shall be specified by the Exchange, and shall not be less than 5 contracts. The SBT Market-Maker responding to the RFQ is required to maintain a continuous market in that series for a subsequent 30-second period (or for some other time specified by the Exchange) or until his quote is filled. An SBT Market-Maker may change his quotes during this subsequent 30-second period but he may not cancel them without replacing them. If the SBT Market-Maker does cancel without replacing the quote his response to the RFQ will not count toward the SBT Market-Maker's percentage requirement set forth in this paragraph (b). An SBT Market-Maker will be considered to have responded to the RFQ if he has a quote in the market for the series at the time the RFQ is received and he maintains it for the appropriate period of time. The bid/ask differentials listed in the table below shall not apply to in-the-money series where the underlying securities market is wider than the widths set forth below. For those series, the bid/ask differential may be as wide as the quotation on the primary market of the underlying security.

Bid Range	*Maximum Quote Spread*	*Allowable*

Less than $2.00	$0.25
$2.00 - $5.00	$0.40
$5.01 - $10.00	$0.50
$10.01 - $20.00	$0.80
$20.01 - higher	$1.00

(c) *Classes of Option Contracts Other than those to which Appointed*. With respect to classes of option contracts in which he does not hold an Appointment, an SBT Market-Maker should not engage in transactions for an account in which he has an interest which are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in paragraph (b) of this Rule with respect to those classes of option contracts to which he does hold an Appointment. Whenever an SBT Market-Maker submits a two-sided quote in an option class to which he is not appointed, he must fulfill the obligations established by paragraph (b) of this Rule for the rest of that trading session.

(d) *Obligations during an ETH Session.* Depending upon the liquidity in any of the underlying markets during an ETH session, the Exchange may determine not to impose an RFQ response requirement upon SBT Market-Makers or may impose a different RFQ response rate than is applicable during the regular trading hours.

(e) *Exemptions.* The Exchange may establish bid/ask widths different than those specified above for one or more option series for a period of time not to exceed the remainder of the existing expiration cycle, and a circular will be issued providing notice of such modified bid/ask width. The Exchange may also vary the RFQ response rate on a series-by-series basis. In the event of unusual market conditions, two Trading Officials may also vary the bid/ask differences for a period of time not to exceed the remainder of the trading day, or may vary the RFQ response rate on a series-by-series basis.

. . . *Interpretations and Policies:*

.01 SBT Lead Market-Makers.

(a) Each SBT LMM shall fulfill all of the obligations of an SBT Market-Maker under the

Rules, and shall satisfy each of the following requirements, in respect of each of the securities appointed to the SBT LMM, during such SBT LMM's rotation(s) as an LMM:

(1) assure that its disseminated market quotations are accurate;

(2) provide opening quotes for all series in its appointed classes;

(3) trade in all securities appointed to the SBT LMM only in the capacity of an SBT LMM and not in any other capacity;

(4) respond to 98% of RFQs. The Exchange may also require that an SBT LMM provide continuous quotes in some or all of the series of the classes appointed to an SBT LMM;

(5) supervise all persons associated with the SBT LMM to assure compliance with the Rules; and

(6) handle public customer orders that are not executed on the System due to the fact that there is a better quote on another exchange and accord priority to such public customer orders over the LMM's principal transactions unless the customer who placed the order has consented to not being accorded such priority.

(b) The Exchange may establish from time to time a participation entitlement formula that is applicable to all SBT LMMs. The maximum guaranteed percentage entitlement for an SBT LMM shall be 40%, although the participation of an SBT LMM on any particular trade may be greater if the applicable allocation and priority rules provide for a pro rata distribution. To the extent established pursuant to this paragraph and pursuant to the applicable trading allocation and priority rules, each SBT LMM shall have a right to participate for its own account with the other SBT Traders in transactions in securities appointed to the SBT LMM that occur at the SBT LMM's previously established bid or offer whether the bid or offer was established by a quote or an order. The Exchange may determine whether the participation entitlement shall be applicable to the opening transaction.

Rule 44.5. Quote Maintenance

(a) *Generally*. An SBT Market-Maker will have the following functional capabilities for maintaining his quotes in the SBT Book:

(1) An SBT Market-Maker may delete or cancel a specific quote;

(2) An SBT Market-Maker may delete or cancel all of his quotes in a specified class, or all of his quotes in all classes;

(3) An SBT Market-Maker may inactivate his quotes for a certain period of time, if the System is so enabled; and

(4) An SBT Market-Maker may cancel/replace or update an existing quote.

(b) *Automatic Quote Regeneration*. Once the System is so enabled to provide this function,

an SBT Market-Maker may have the SBT System regenerate his quote when his bid or offer is filled. The SBT System will regenerate a new quote where the bid/offer is a pre-defined number of ticks worse than the previous bid/offer (the number of ticks will be defined by the SBT Market-Maker) and the size of the quote will be set by the SBT Market-Maker. The priority of the regenerated quote will be as described in Rule 43.1(e). When a bid/offer is regenerated the designated number of ticks worse than the previous bid/offer, the SBT System will keep the opposite side at the same price unless the resulting spread is wider than the Exchange prescribed width as set forth in Rule 44.4. If the resulting spread would be wider, then the SBT System will adjust the opposite side's price (cancel/replace the old order) (i) to keep the same spread before the regeneration, or (ii) adjust it to bring the spread to the Exchange prescribed width, as determined by the SBT Market-Maker.

(c) *Quote Risk Monitor Function*. The SBT System will provide for an SBT Market-Maker to establish a contract volume limit for a class for a period of time designated by the SBT Market-Maker. If trades against an SBT Market-Maker's quotes in that class exceed the established volume limit within the designated period of time (*e.g.*, 200 contracts within the most recent ten second period), then the SBT System will cancel the SBT Market-Maker's remaining quotes for that class. The Exchange may establish minimum volume limits and minimum time periods for all SBT Market-Makers. The System will not consider trades the SBT Market-Maker initiates by hitting a bid or taking an offer in determining whether the volume limit is exceeded.

(d) *Managing Quote Traffic*. The Exchange may set limits on the quote traffic that is sent to the SBT System to prevent the SBT System from becoming overloaded. To the extent that the Exchange allows for varying quote traffic limits by SBT Traders, such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

(e) *Logoff*. An SBT Market-Maker's logoff from the SBT System will cause the System to delete all his quotes from the SBT Book. Non-quote orders will remain in the Book unless they are expiring orders.

Rule 44.6. Market-Making through an API

The Exchange may limit the number of Market-Makers that may access the SBT System through an API (or the number of messages sent by Market-Makers accessing the System through an API) in order to protect the integrity of the System. In addition, the Exchange may impose restrictions on the use of a computer connected through an API if it believes such restrictions are necessary to ensure the proper performance of the System.

Rule 44.7—44.9. Reserved

SECTION B: SBT DESIGNATED PRIMARY MARKET-MAKERS

Rule 44.10. SBT DPM Defined

An "SBT Designated Primary Market-Maker" or "SBT DPM" is a TPH organization that is

approved by the Exchange to function on the SBT System in allocated securities as an SBT Market-Maker (as defined in Rule 44.1) with the additional obligations provided for in this Section B of Chapter 44. Determinations concerning whether to grant or withdraw the approval to act as an SBT DPM are made by the Exchange in accordance with Rules 44.12. SBT DPMs are allocated securities by the Exchange in accordance with Rule 8.95.

Rule 44.11. SBT DPM Designees

(a) An SBT DPM may act as an SBT DPM solely through its SBT DPM Designees. An "SBT DPM Designee" is an individual who is approved by the Exchange to represent an SBT DPM in its capacity as an SBT DPM. The Exchange may subclassify SBT DPM Designees and require that certain SBT DPM Designees be subject to specified supervision and/or be limited in their authority to represent a SBT DPM.

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

(1) the individual must be approved to be a Trading Permit Holder;

(2) the individual must be a nominee of the SBT DPM or of an affiliate of the SBT DPM;

(3) the individual must be registered as an SBT Market-Maker pursuant to Rule 44.1;

(4) on such form or forms as the Exchange may prescribe, the SBT DPM must authorize the individual to enter into Exchange transactions on behalf of the SBT DPM in its capacity as an SBT DPM, must authorize the individual to represent the SBT DPM in all matters relating to the fulfillment of the SBT DPM's responsibilities as an SBT DPM, and must guaranty all obligations arising out of the individual's representation of the SBT DPM in its capacity as an SBT DPM in all matters relating to the Exchange; and

(5) the individual must be approved by the Exchange to represent the SBT DPM in its capacity as an SBT DPM.

Notwithstanding the provisions of sub-paragraph (b)(2) of this Rule, the Exchange shall have the discretion to permit an individual who is not affiliated with an SBT DPM to act as an SBT DPM Designee for the SBT DPM on an emergency basis provided that the individual satisfies the other requirements of sub-paragraph (b) of this Rule.

(c) The approval of an individual to act as an SBT DPM Designee shall expire in the event the individual does not have trading privileges on the Exchange for a six month time period.

(d) An SBT DPM Designee of an SBT DPM may not trade as a Market-Maker in securities allocated to the SBT DPM unless the SBT DPM Designee is acting on behalf of the SBT DPM in its capacity as an SBT DPM.

Rule 44.12. Approval to Act as an SBT DPM

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

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

(1) adequacy of capital;

(2) operational capacity;

(3) trading experience of and observance of generally accepted standards of conduct by the applicant, its associated persons, and the SBT DPM Designees who will represent the applicant in its capacity as an SBT DPM;

(4) number and experience of support personnel of the applicant who will be performing functions related to the applicant's SBT DPM business;

(5) regulatory history of and history of adherence to Exchange Rules by the applicant, its associated persons, and the SBT DPM Designees who will represent the applicant in its capacity as an SBT DPM;

(6) willingness and ability of the applicant to promote the Exchange as a marketplace;

(7) performance evaluations conducted pursuant to Exchange rules; and

(8) in the event that one or more shareholders, directors, officers, partners, managers, members, SBT DPM Designees, or other principals of an applicant is or has previously been a shareholder, director, officer, partner, manager, member, SBT DPM Designee, DPM Designee, or other principal in another SBT DPM or DPM, adherence by such SBT DPM to the requirements set forth in Exchange rules regarding DPM or SBT DPM responsibilities and obligations during the time period in which such person(s) held such position(s) with the SBT DPM or DPM.

(c) Each applicant for approval as an SBT DPM will be given an opportunity to present any matter which it wishes the Exchange to consider in conjunction with the approval decision. The Exchange may require that a presentation be solely or partially in writing, and may require the submission of additional information from the applicant or individuals associated with the applicant. Formal rules of evidence shall not apply to these proceedings.

(d) In selecting an applicant for approval as an SBT DPM, the Exchange may place one or more conditions on the approval, including, but not limited to, conditions concerning the capital, operations, or personnel of the applicant and the number or type of securities which may be allocated to the applicant.

(e) Each SBT DPM shall retain its approval to act as an SBT DPM until the Exchange

relieves the SBT DPM of its approval and obligations to act as an SBT DPM or the Exchange terminates the SBT DPM's approval to act as an SBT DPM.

(f) If a TPH organization resigns as an SBT DPM or if the Exchange terminates or otherwise limits its approval to act as an SBT DPM, the Exchange shall have the discretion to do one or both of the following:

(1) approve an interim SBT DPM, pending the final approval of a new SBT DPM pursuant to paragraphs (a) through (d) of this Rule; and

(2) allocate on an interim basis to another SBT DPM or to other SBT DPMs the securities that were allocated to the affected SBT DPM, pending a final allocation of such securities pursuant to Rule 8.95.

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

Rule 44.13. Conditions on the Allocation of Securities to SBT DPMs

The Exchange may establish (i) restrictions applicable to all SBT DPMs on the concentration of securities allocable to a single SBT DPM and to affiliated SBT DPMs and (ii) minimum eligibility standards applicable to all SBT DPMs which must be satisfied in order for an SBT DPM to receive allocations of securities, including but not limited to standards relating to adequacy of capital and number of personnel.

Rule 44.13A. Termination, Conditioning, or Limiting Approval to Act as a DPM

(a) The Exchange may terminate, place conditions upon, or otherwise limit a TPH organization's approval to act as an SBT DPM under any one or more of the following circumstances:

(1) if the TPH organization incurs a material financial, operational, or personnel change;

(2) if the TPH organization fails to comply with any of the requirements under this Section B of Chapter XLIV or the applicable provisions of Section C of Chapter VIII or fails to adequately satisfy the standards of performance under Rule 8.88(a);

(3) if for any reason the TPH organization should no longer be eligible for approval to act as a DPM or to be allocated a particular security or securities.

Before the Exchange takes action to terminate, condition, or otherwise limit a TPH organization's approval to act as an SBT DPM, the TPH organization will be given notice of such possible action and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. Such proceedings shall be conducted in the same manner as proceedings concerning SBT DPM approvals which are governed by Rule 44.12(c).

(b) Notwithstanding the provisions of paragraph (a) of this Rule, the Exchange has the

authority to immediately terminate, condition, or otherwise limit a TPH organization's approval to act as an SBT DPM if it incurs a material financial, operational, or personnel change warranting such action or if the TPH organization fails to comply with any of the financial requirements of Rule 8.86.

(c) Limiting a TPH organization's approval to act as an SBT DPM may include, among other things, limiting or withdrawing the TPH organization's SBT DPM participation entitlement provided for under Rule 44.15, and withdrawing the right of the TPH organization to act in the capacity of an SBT DPM in a particular security or securities which have been allocated to the TPH organization.

(d) If a TPH organization's approval to act as an SBT DPM is terminated, conditioned, or otherwise limited by the Exchange pursuant to this Rule, the TPH organization may seek review of that decision under Chapter XIX of the Rules.

Rule 44.14. SBT DPM Obligations

(a) Each SBT DPM shall fulfill all of the obligations of an SBT Market-Maker under the Rules, and shall satisfy each of the following requirements, in respect of each of the securities allocated to the DPM:

(1) assure that its disseminated market quotations are accurate;

(2) provide opening quotes for all series in its allocated classes;

(3) trade in all securities allocated to the SBT DPM only in the capacity of an SBT DPM and not in any other capacity;

(4) respond to 98% of RFQs. The Exchange may also require that an SBT DPM provide continuous quotes in some or all of the series of the classes assigned to an SBT DPM; and

(5) segregate in a manner prescribed by the Exchange (A) all transactions consummated by the SBT DPM in securities allocated to the SBT DPM and (B) any other transactions consummated by or on behalf of the SBT DPM that are related to the SBT DPM's DPM business.

To the extent that there is any inconsistency between the specific obligations of an SBT DPM set forth in sub-paragraphs (a)(1) through (a)(5) of this Rule and the general obligations of an SBT Market-Maker under the Rules, sub-paragraphs (a)(1) through (a)(5) of this Rule shall govern.

(b) *Other Obligations*. In addition to the obligations described in paragraph (a) of this Rule, an SBT DPM shall fulfill each of the following obligations:

(1) act to increase the Exchange's order flow in the securities which are allocated to the SBT DPM and respond to competitive developments by improving market quality and service and otherwise acting to increase the Exchange's market share in those securities;

(2) promptly inform the Exchange of any desired change in the SBT DPM Designees who represent the SBT DPM in its capacity as an SBT DPM and of any material change in the financial or operational condition of the SBT DPM;

(3) supervise all persons associated with the SBT DPM to assure compliance with the Rules;

(4) continue to act as an SBT DPM and to fulfill all of the SBT DPM's obligations as an SBT DPM until the Exchange relieves the SBT DPM of its approval and obligations to act as an SBT DPM or the Exchange terminates the SBT DPM's approval to act as an SBT DPM;

(5) segregate in a manner prescribed by the Exchange the SBT DPM's business and activities as an SBT DPM from the SBT DPM's other business and activities; and

(6) handle public customer orders that are not executed on the System due to the fact that there is a better quote on another exchange and accord priority to such public customer orders over the DPM's principal transactions unless the customer who placed the order has consented to not being accorded such priority.

(c) *Obligations of SBT DPM Associated Persons.* Each person associated with an SBT DPM shall be obligated to comply with the provisions of this Rule when acting on behalf of the SBT DPM.

Rule 44.15. Participation Right of SBT DPMs

(a) The Exchange may establish from time to time a participation right formula that is applicable to all SBT DPMs. The maximum guaranteed participation right percentage for an SBT DPM shall be 40%, although the participation of an SBT DPM on any particular trade may be greater if the applicable allocation and priority rules provide for a pro rata distribution.

(b) To the extent established pursuant to paragraph (a) of this Rule and pursuant to the applicable trading allocation and priority rules, each SBT DPM shall have a right to participate for its own account with the other SBT Traders in transactions in securities allocated to the SBT DPM that occur at the SBT DPM's previously established bid or offer whether the bid or offer was established by a quote or an order. The Exchange may determine whether the participation right shall be applicable to the opening transaction.

Rule 44.16. Allocation of SBT DPMs

Different Trading Permit Holders may be allocated the same class for different trading sessions, that is, an SBT DPM may be allocated a particular option class in one trading session but not another.

CHAPTER XLV

Section A: SBT Brokers

Rule 45.1. SBT Broker Defined

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

Rule 45.2. Registration of SBT Brokers

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

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

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

(d) An SBT Broker must receive authorization, in a manner prescribed by the Exchange, by a Clearing Trading Permit Holder prior to entering orders for a Clearing Trading Permit Holder.

Rule 45.3—45.10. Reserved

Section B: CLEARING FIRM BROKER FUNCTIONS

Rule 45.11. Clearing Firm Broker Functions

(a) *Defined*. A Clearing Firm Broker is an individual who represents the Clearing Firm of a particular SBT Market-Maker and has the authority to take certain actions with respect to that SBT Market-Maker's use of the SBT System.

(b) *Forced Logout of Trader*. The Clearing Firm User may request the Help Desk to logout

an SBT Market-Maker. Upon the logout of an SBT Market-Maker, the System cancels all the quotes for that SBT Market-Maker. The logout can also be used to cancel all the trader's regular orders and de-authorize the trader as a user. In the event the trader has been de-authorized, the System will not permit an SBT Market-Maker who has been forcibly logged out to log in again until he is re-authorized as an SBT Trader by the Clearing Firm User.

CHAPTER XLVI

System Operator/Administrator Functions and Data Dissemination Functions

Rule 46.1. Quote and Trading Information

(a) *Internal Dissemination of Quote*. The SBT System will disseminate the best bid and offer internally. As each new limit order (whether as an order or as part of a Market-Maker quote) is entered into the SBT System, the best bid and offer displayed in the System is updated to the extent the new bid or offer improves the previously displayed bid or offer. The SBT System will send quote/order information - series, price, and size - to the SBT workstations that are trading a given class. The SBT System will also provide the current best bid or offer in any other market, as such best bids or offers are identified in the System.

(b) *Internal Dissemination of Price/Last Sale*. The SBT System may disseminate internally to subscribers that have indicated interest in a given class last sale information including series, price, and size. All SBT Market-Makers assigned to a given class will be provided this information but other individuals and firms may subscribe to this information as well.

(c) *Booked Order Dissemination*. When an SBT Trader or authorized access point (as set forth in Rule 41.1(b)) requests information for an option class, the SBT System will provide the information which presents the Book's best bids, asks, and the aggregate size for each series of the class requested. The Exchange may delete or add categories of disseminated information as it deems appropriate.

(d) *Book Depth*. Upon request, SBT Traders can access from the SBT System market depth information. The Exchange may charge fees for access to this information, which fees shall be filed with the Commission pursuant to Section 19(b) of the Exchange Act. The information may not be provided upon request if the Exchange believes that it could lead to degradation of the service of the SBT System.

Rule 46.2. Dissemination of Market Information

The SBT System will disseminate quote and trade (last sale) information externally. Series, price and size will be disseminated for trades. Series and price and size will be disseminated for quotes. Every best Book bid or ask change will generate a quote report. The SBT quote width may be wider than the legal width market because two unrelated orders, separated by more than the legal width market, may be the best orders, causing the System to send their prices as the best quote.

Chapters XLVII to XLIX

Appendix A

Appendix A. Applicability of Rules of the Exchange

This Appendix lists the rules in Chapters I (1) through XXVII (27) of the rules of the Exchange that apply to the trading of products on the Exchange's screen based trading system. Where a rule in Chapters 1 through 27 is supplemented by a rule in Chapters 40 through 49, that fact is so indicated.

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Cboe Options Rules—Chapters L-LIV Deleted

[CHAPTER L—CBOE Stock Exchange (CBSX) Rules

Introduction

The CBOE Stock Exchange (CBSX) is the Exchange's facility for trading stocks, warrants, IPRs, IPSs, and Trust Issued Receipts ("non-option securities"). All trades on CBSX shall be effected electronically on the CBSX System. The Exchange will provide a designated location on the Exchange trading floor for use by CBSX Traders for price discovery purposes. The rules in Chapters 50 through 54 are applicable only to the trading of non-option securities. Trading of non-option securities on CBSX shall also be subject to the rules in Chapters 1 through 29 to the same extent such rules apply to the trading of the products to which those rules apply, in some cases supplemented by the rules in Chapters 50 through 54, except for rules that have been replaced by rules in Chapters 50 through 54 and except where the context otherwise requires. Appendix A to these Chapters 50 through 54 lists the rules in Chapters 1 through 29 that are applicable to the trading of equity securities on CBSX. Where appropriate, Appendix A also indicates that a rule in Chapter 1 through 29 has been supplemented by a rule in these rules. All references in the rules in Chapters 1 through 29 to the Exchange shall mean CBSX also unless the context dictates otherwise.

Rule 50.1 Definitions

For purposes of the rules governing CBSX, any term defined in the Bylaws or in Rule 1.1 and not otherwise defined in Chapters 50 through 55 shall have the meaning assigned to such term in either the Bylaws or in Rule 1.1.

CBSX System

(a) "CBSX System" means the electronic system which performs the functions set out in the CBSX rules including controlling, monitoring, and recording trading by Trading Permit Holders through CBSX Workstations and trading between Trading Permit Holders.

Application Program Interface

(b) "Application Program Interface" or "API" means the computer program that allows Traders on their own computers or on CBSX or third-party vendor-supplied workstations to interface with CBSX.

CBSX Book

(c) "CBSX Book" means all unexecuted orders currently held by the CBSX system.

CBSX Workstation

(d) "CBSX Workstation" means a computer connected to CBSX for the purposes of trading pursuant to these rules.

Trading Official

(e) "Trading Official" means an Exchange employee or Trading Permit Holder who is granted certain duties under these Rules to take actions affecting either the operation of

CBSX or to take actions affecting the responsibilities of CBSX Traders.

CBSX Trader

(f) "CBSX Trader" means an individual who or organization which has the right to trade on CBSX.

Market Turner

(g) "Market Turner" means a CBSX Trader who was the first to enter an order (quote) at a better price than the previous best book price and the order (quote) is continuously in the market until the particular order trades. There may be a Market Turner for each price at which a particular order trades.

(h) Reserved.

NMS Security

(i) "NMS Security" shall have the meaning set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

NMS Stock

(j) "NMS Stock" shall have the meaning set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

Protected Quotation

(k) "Protected Quotation" shall have the meaning set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

Adopted September 11, 2006 (04-21); amended September 27, 2006 (06-70); March 2, 2007 (06-112); June 18, 2010 (10-058); February 16, 2012 (11-126).

Rule 50.2 Application of Other Rules

(a) To the extent the rules in Chapters 1 through 31 are applicable to trading on CBSX (as indicated by the context or by Appendix A to these Chapters 50 through 55), the following terms used in Chapters 1 through 31 should be read to have the following meanings where appropriate:

(1) "Floor" should be read to mean CBSX.

(2) "Floor Official" should be read to mean Trading Official.

(3) "Floor Broker" should be read to mean "CBSX Broker."

(4) "Market-Maker" should be read to mean "CBSX Market-Maker."

(5) “DPM” should be read to mean “CBSX DPM.”

(6) “Hybrid Trading System,” “Hybrid System,” or “System” should be read to mean “CBSX System.”

(b) References in rules to “the Exchange” should be read to include CBSX where appropriate.

Rule 50.3 Market Participants

The CBSX Traders in the CBSX System shall be:

(1) CBSX Market-Makers - Trading Permit Holders who are either CBSX Remote Market-Makers, CBSX Lead Market-Makers or CBSX Designated Primary Market-Makers;

(2) CBSX Remote Market-Makers - Trading Permit Holders who have agreed to fulfill certain market making obligations thus qualifying for defined benefits. CBSX Remote Market-Makers may only act in a remote capacity;

(3) CBSX Lead Market-Makers - CBSX Market-Makers who have a higher level of Market-Maker obligations and a greater level of benefits for those classes in which they act as CBSX Lead Market-Makers. CBSX Lead Market-Makers generally act in such capacity on a rotating basis;

(4) CBSX Designated Primary Market-Makers - Trading Permit Holders who are qualified and obligated to fulfill a higher level of Market-Maker obligations than CBSX Remote Market-Makers thus qualifying for a greater level of defined benefits;

(5) CBSX Brokers - Trading Permit Holders who enter orders as agents; and,

(6) Proprietary Traders - Trading Permit Holders who enter orders as principal for non-Market-Maker proprietary accounts.

Rule 50.4 Trading Access

Any Trading Permit Holder who chooses to participate on the CBSX System must apply with the Exchange to act as a CBSX Market-Maker, CBSX Broker, or Proprietary Trader. The Exchange shall be responsible for approving applications of Trading Permit Holders as a CBSX Market-Maker, CBSX Broker, or Proprietary Trader for the CBSX System.

Rule 50.4A CBSX Trading Permit Holder Eligibility

A CBSX Trading Permit Holder may become or remain a CBSX Trading Permit Holder only if it is a member of a national securities association. The Trading Permit Holder status of any CBSX Trading Permit Holder that fails to meet this requirement will be terminated upon written notice.

Rule 50.5 Communication Access

The connection point for any CBSX workstation must be in the United States except as otherwise provided for by the CBSX Board. CBSX may limit the locations of any CBSX workstations to specified locations or cities if necessary to ensure the operational integrity of the CBSX System.

Rule 50.6 Liability and Legal Proceedings

The provisions of Rules 2.24, 6.7, and 6.7A shall apply to CBSX to the same extent that they apply to the Exchange and references in those rules to the Exchange shall also be deemed to be references to CBSX.

Rule 50.7 Limitation on Reporting Authorities' Liability

(a) The term "Reporting Authority", for purposes of this rule, shall have the same meaning as set forth in Rule 24.1(h).

(b) The disclaimers found under Rule 24.14 shall apply to any Reporting Authority with respect to any index or portfolio underlying a series of IPRs, IPSs, index warrants, or any other index-related securities governed by the rules of Chapters 50 through 55. The terms "option" and "option contract" as used in Rule 24.14 shall be deemed for the purpose of this rule to include IPRs, IPSs, index warrants or other index-related securities governed by the rules of Chapters 50 through 55, as the case may be.

CHAPTER LI Operational Matters

Rule 51.1 Securities Dealt In

No Trading Permit Holder shall bid, offer, purchase or sell on the CBSX System any security subject to the rules in these Chapters 50-55, unless such security has been admitted to dealings on CBSX as a listed security or as a security to which unlisted trading privileges (UTP) apply, on an "issued", "when issued", or "when distributed" basis. CBSX will trade via UTP NMS Stocks including those listed on the NASDAQ Stock Market.

Rule 51.2 Days and Hours of Business

Except under unusual conditions as may be determined by the CBSX Board, the hours during which transactions in the securities that are subject to the rules in these Chapters 50-55 shall be as set forth below:

(a) Stocks, IPRs and IPSs. The hours during which stock, IPR and IPS transactions may be made on CBSX are 7:30 a.m. (Central Time) until 3:45 p.m. (Central Time). The time period from 8:30 a.m. (Central Time) until 3:00 p.m. (Central Time) shall be considered regular trading hours ("CBSX Regular Trading Hours"), and all other times that CBSX is open for trading shall be considered extended trading hours ("CBSX Extended Trading Hours").

(b) Warrants and Currency Warrants. The hours during which transactions in warrants and currency warrants may be made on CBSX shall be as provided in Rule 6.1 in respect of stock options.

(c) Index Warrants and UIT Interest. The hours during which transactions in index warrants may be made on CBSX shall be as provided in Rule 24.6 in respect of index options.

. . . *Interpretations and Policies:*

.01 Required Disclosures for CBSX Extended Trading Hours. With respect to trading during CBSX Extended Trading Hours, the following shall apply:

No CBSX Trader may accept an order from a customer for execution during CBSX Extended Trading Hours without disclosing to such customer that trading during CBSX Extended Trading Hours involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The absence of an updated underlying index or portfolio value or intraday indicative value is an additional trading risk during Extended Trading Hours for UTP Derivative Securities. The disclosures required pursuant to this Rule may take the following form or such other form as provides substantially similar information:

(a) *Risk of Lower Liquidity.* Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity during CBSX Extended Trading Hours as compared to CBSX Regular Trading Hours. As a result, your order may only be partially executed, or not at all.

(b) *Risk of Higher Volatility.* Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility during CBSX Extended Trading Hours as compared to CBSX Regular Trading Hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price during CBSX Extended Trading Hours as compared to CBSX Regular Trading Hours.

(c) *Risk of Changing Prices.* The prices of securities traded during CBSX Extended Trading Hours may not reflect the prices either at the end of CBSX Regular Trading Hours, or upon the opening of the next morning. As a result, you may receive an inferior price during CBSX Extended Trading Hours as compared to CBSX Regular Trading Hours.

(d) *Risk of Unlinked Markets.* Depending on the trading system used during CBSX Extended Trading Hours or the time of day, the prices displayed on a particular system during CBSX Extended Trading Hours may not reflect the prices in other concurrently operating trading systems dealing in the same securities during CBSX Extended Trading Hours. Accordingly, you may receive an inferior price in one system used during CBSX

Extended Trading Hours than you would in another system used during CBSX Extended Trading Hours.

(e) *Risk of News Announcements.* Normally, issuers make news announcements that may affect the price of their securities after CBSX Regular Trading Hours. Similarly, important financial information is frequently announced outside of CBSX Regular Trading Hours. These announcements may occur during CBSX Extended Trading Hours, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

(f) *Risk of Wider Spreads.* The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility during CBSX Extended Trading Hours may result in wider than normal spreads for a particular security.

(g) *Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV").* For certain derivative securities products, an updated underlying index or portfolio value or IIV may not be calculated or publicly disseminated during CBSX Extended Trading Hours. Since the underlying index or portfolio value and IIV are not calculated or widely disseminated during CBSX Extended Trading Hours, an investor who is unable to calculate implied values for certain derivative securities products during CBSX Extended Trading Hours may be at a disadvantage to market professionals.

.02 Cease of Trading Operations: As of the close of business on April 30, 2014 ("Closing Date"), CBSX shall cease operating as a trading platform. All Cboe Options rules applicable to CBSX shall remain in full force and effect through and after the Closing Date. The Exchange shall file a proposed rule change pursuant to Rule 19b-4 of the Exchange Act prior to any resumption of trading pursuant to the Rules in this Chapter.

Rule 51.3 States of Operation

(a) Pre-Opening. Pre-opening is some pre-determined period of time, as determined by CBSX, prior to the opening during which the CBSX System will accept orders and quotes, but during which no trading will take place.

(b) Opening. During the Opening, the CBSX System will accept orders and quotes for some period of time as determined by CBSX. At the end of that period of time, quotes and orders will be accepted for some period of time (but will not be included in the opening trade). During this time, the length of which is determined by CBSX, opening prices are established. At the end of the Opening, the CBSX System will complete the opening trades, if any, and then change the state of the class to Trading. Opening procedures are governed by Rule 52.2.

(c) Trading. During Trading, securities will trade freely and orders and quotes will be accepted.

(d) Trading Halts. During Trading Halts as declared in accordance with Rule 6.3B and 52.3,

orders are accepted by the CBSX System. Securities will have to go through the pre-opening and opening procedures before it reverts to the state of Trading.

(e) Closed. The System changes the state to Closed at a time predetermined by CBSX consistent with Rule 51.2. Trading is stopped but the CBSX System continues to accept certain types of orders to allow CBSX Traders to maintain their orders. At some designated time, as determined by CBSX, the CBSX System stops accepting orders and performs end-of-day procedures as described in Rule 51.6.

Rule 51.4 Units of Trading

The unit of trading in stocks, the unit of trading in IPRs, the unit of trading in IPSs and the unit of trading in Trust Issued Receipts shall be 100 shares or units, except as otherwise established by CBSX. The unit of trading in all other securities traded subject to the rules in these Chapters 50 through 55 shall be as determined by the CBSX Board.

Rule 51.5 Increments for Bids and Offers

Bids or offers in securities traded pursuant to Chapters 50-55 shall not be made at an increment less than $0.01 per share except in the case of a security that the Commission has exempted from Rule 612 of Regulation NMS.

Rule 51.6 End of Day/Session Process

The CBSX System will automatically delete expiring orders (*i.e.*, day orders and session orders) and expiring GTC (Good-`til-Canceled) orders after the close.

Rule 51.7 Definition of Bids and Offers

Bids and offers may specify only the following conditions:

(a) Cash--For delivery upon the day of contract.

(b) Next Day--For delivery on the next business day following the day of the contract applicable only to bids and offers in (i) warrants in accordance with procedures set forth in Rules 54.4 and 54.5 and (ii) such other securities and on such conditions as may from time to time be specified by CBSX.

(c) Regular Way--For delivery upon the third business day following the day of the contract unless the Rules of the Clearing Corporation otherwise direct. A bid or offer made without stated conditions shall be deemed to have been made in the “regular way.”

(d) When Issued--For delivery “when issued” as determined by CBSX.

(e) Two-Day - For delivery upon the second business day following the day of the contract.

Rule 51.8 Types of Orders Handled

At the discretion of CBSX, and once the CBSX System is so enabled, any of the following types of orders may be accommodated on the CBSX System:

(a) *Market Order.* A market order is an order to buy or sell a stated number of shares at the best price available on the CBSX System. Market orders shall not be entered during CBSX Extended Trading Hours.

(b) *Limit Order.* A limit order is an order to buy or sell a stated number of shares at a specified price, or better.

(c) *Cancel Order.* A cancel order is an order that cancels partially or fully an existing buy or sell order.

(d) *Cancel Replace Order.* A cancel replace order is an order to cancel fully an existing buy or sell order and replace it with a new order that has a different quantity or a different price.

(e) *Day Order.* A day order is an order that remains in the CBSX Book until it either trades or expires at the end of the day it was entered.

(f) *Good-'til-Canceled Order.* A Good-'til-Canceled order remains in the CBSX Book until either it trades or is withdrawn by the submitting trader or his firm.

(g) *Contingency Order.* A contingency order is a limit or market order to buy or sell that is contingent upon a condition being satisfied while the order is held in the CBSX Book for execution.

(1) *Opening Only.* An Opening Only order may be a market order or a limit order that may be accepted when the CBSX System is in the Pre-Opening, Trading Halt, or Closed states. An Opening Only order either will be executed at the opening or canceled.

(2) *All or None.* An all or none order is an order which is to be executed in its entirety at its limit price.

(3) *Fill-or-Kill Order.* A fill-or-kill order is an order which is to be executed in its entirety immediately upon its receipt. If the order is not so executed, it is canceled.

(4) *Immediate-or-Cancel Order.* An immediate-or-cancel order is a market or limit order which is to be executed in whole or in part immediately and automatically after it is received by the CBSX System without delay for any purpose. Any portion not so executed is to be treated as canceled and shall not be routed to other trading centers.

(5) *Minimum Volume Order.* A minimum volume order is an order where the fill should at least equal the minimum volume specified, which is an amount less than the total volume of the order.

(6) *Stop (stop-loss) Order.* A stop order is an order to buy or sell when the market for a particular security reaches a specified price (*i.e.* it is elected). A stop order to buy becomes a market order when the security trades at or above the stop price on the

original listing market. A stop order to sell becomes a market order when the security trades at or below the stop price on the original listing market.

(7) *Stop-limit Order.* A stop-limit order is an order to buy or sell when the market for a particular security reaches a specified price *(i.e.* it is elected). A stop-limit order to buy becomes a limit order when the security trades at or above the stop-limit price on the original listing market. A stop-limit order to sell becomes a limit order when the security trades at or below the stop-limit price on the original listing market.

(8) *Market-on-close Order.* A market-on-close order is a market or limit order that is to be executed during some defined period of time prior to the close and should be filled at or near to the Closing price for the particular security.

(9) *CBSX-Only Order.* A CBSX-only order is an order to buy or sell that is to be executed in whole or in part on CBSX without routing the order to another market center or market participant.

(10) *Silent Order.* A silent order is an order that is not displayed publicly on the CBSX Book but is to be executed at the National Best Bid ("NBB") (for a "buy" order) or National Best Offer ("NBO") (for a "sell" order). A silent order is an order with an optional contingency price which will indicate the highest price that a buyer is willing to pay or the lowest price at which a seller is willing to accept (such contingency price to be in $0.01 (full penny) increments only). If the NBB is higher than this contingency price for a Buy order, or the NBO is lower than this contingency price for a Sell, Sell Short, or Sell Short Exempt order, the order, or remainder of the order, will be canceled prior to trading. A silent order may trade with any other type of order and is to execute following the execution of any displayed orders at the National Best Bid and Offer ("NBBO") (if there are any displayed orders at the NBBO) and has a higher trading priority than All or None orders. A silent order will never be routed to an away market. When the NBBO is locked or crossed, a silent order will never trade, but instead rest on the CBSX Book and remain eligible to trade once the NBBO is no longer locked or crossed.

(11) *Silent-Mid Order.* A silent-mid order is an order that is not displayed publicly on the CBSX Book but is to be executed at the mid-point between the NBBO. A silent-mid order is an order with an optional contingency price which will indicate the highest price that a buyer is willing to pay or the lowest price at which a seller is willing to accept. A silent-mid order may trade in $0.005 increments if priced at or above $1 and $0.0001 increments if priced below $1. If the mid-point between the NBBO is not at a tradable increment, CBSX will round down to the nearest tradable increment. If the mid-point of the NBBO is higher than this contingency price for a Buy order or is lower than this contingency price for a Sell, Sell Short, or Sell Short Exempt order, the order, or remainder of the order, will be canceled prior to trading. A silent-mid order may trade with any other type of order and is to execute following the execution of any displayed orders at the NBBO (if there are any displayed orders at the NBBO) and has a higher trading priority than All or None orders and Silent-Post-Mid orders. A silent-mid order will never be routed to an away market. When the NBBO is locked or crossed, a silent-

mid order will never trade, but instead rest on the CBSX Book and remain eligible to trade once the NBBO is no longer locked or crossed.

(12) *Silent-Post-Mid Order.* A silent-post-mid order is an order that is not displayed publicly on the CBSX Book but is to be executed at the mid-point between the NBBO. A silent-post-mid order is an order with an optional contingency price which will indicate the highest price that a buyer is willing to pay or the lowest price at which a seller is willing to accept. A silent-post-mid order may trade in $0.005 increments if priced at or above $1 and $0.0001 increments if priced below $1. If the mid-point between the NBBO is not at a tradable increment, CBSX will round down to the nearest tradable increment. If a silent-post-mid order is to trade upon its arrival into the system (thereby "removing" liquidity), it will not trade, but instead rest until another order comes in for it to trade against. If the NBBO mid-point is higher than this contingency price for a Buy order or is lower than this contingency price for a Sell, Sell Short, or Sell Short Exempt order, the order, or remainder of the order, will be canceled prior to trading. A silent-post-mid order may trade with any other type of order and is to execute following the execution of any displayed orders at the NBBO (if there are any displayed orders at the NBBO) and has a higher trading priority than All or None orders but a lower priority than Silent-Mid orders. A silent-post-mid order will never be routed to an away market. When the NBBO is locked or crossed, a silent-post-mid order will never trade, but instead rest on the CBSX Book and remain eligible to trade once the NBBO is no longer locked or crossed.

(13) *Silent-Mid-Seeker Order.* A silent-mid-seeker order is a take-only order that will never rest in the CBSX Book and is to be executed only at the mid-point between the NBBO. A silent-mid-seeker order may trade in $0.005 increments if priced at or above $1 and $0.0001 increments if priced below $1. If the mid-point between the NBBO is not at a tradable increment, CBSX will round down to the nearest tradable increment. If, upon the entry of a silent-mid-seeker order, there is undisplayed interest resting on the CBSX Book at the mid-point between the NBBO, the silent-mid-seeker order will interact with this interest. If the undisplayed resting interest is for a greater quantity than the silent-mid-seeker order, the silent-mid-seeker order will trade with the undisplayed resting interest up to the quantity of the silent-mid-seeker order, and the remainder of the undisplayed interest will remain resting on the CBSX Book. If the undisplayed resting interest is for a smaller quantity than the silent-mid-seeker order, the silent-mid-seeker order will trade with the undisplayed resting interest up to the quantity of the undisplayed resting interest, and the remainder of the silent-mid-seeker order will be canceled. If there is no undisplayed resting interest at the midpoint of the NBBO, the silent-mid-seeker order will be canceled. A silent-mid-seeker order will never be routed to an away market. When the NBBO is locked or crossed, a silent-mid-seeker order will be canceled.

(h) *Scale Order.* An order to buy (or sell) a security which specifies the total amount to be bought (or sold) and the amount to be bought (or sold) at specified price variations.

(i) *Sell "Plus" Order.* A market order to sell "plus" is a market order to sell a stated amount of a stock provided that the price to be obtained is not lower than the last sale if the last sale

was a “plus” or “zero plus” tick, and is not lower than the last sale plus the minimum incremental change in the stock if the last sale was a “minus” or “zero minus” tick. A limited price order to sell “plus” would have the additional restriction of stating the lowest price at which it could be executed.

(j) *Buy “Minus” Order.* A market order to buy “minus” is a market order to buy a stated amount of a stock provided that the price to be obtained is not higher than the last sale if the last sale was a “minus” or “zero minus” tick, and is not higher than the last sale minus the minimum incremental change in the stock if the last sale was a “plus” or “zero plus” tick. A limited price order to buy “minus” would have the additional restriction of stating the highest price at which it could be executed.

(k) *Switch Order-Contingent Order.* An order for the purchase (sale) of one stock and the sale (purchase) of another stock at a stipulated price difference.

(l) *Time Order.* An order which becomes a market or limited price order at a specified time.

(m) *Odd-Lot Order.* An order to purchase or sell a security in an amount less than the unit of trading. Odd-Lot orders may have contingencies.

(n) *Intermarket Sweep Order (ISO).* ISO shall have the meaning set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934 and, when received by the CBSX System shall be executed (i) immediately at the time such order is received, (ii) without regard for better-priced Protected Quotations displayed at one or more other market centers, and (iii) at prices equal to or better than the limit price, with any portion not so executed to be booked unless the ISO is also designated as IOC in which case the remaining portion will be treated as cancelled.

(o) *Reserve Order*. Limit orders with a portion of the size that is to be displayed and with a reserve portion of the size at the same price that is not to be displayed, but is to be used to refresh the displayed size when the displayed size is executed in full.

(p) *Middle Market Cross Order (MMO)*. An unpriced order to trade at the prevailing midpoint of the NBBO (or BBO if no other market centers are disseminating a Protected Quotation) against a contra MMO for the same size. MMOs may only be entered when the bid price for the security is $1 or greater. MMOs may be executed in increments as small as one-half of the minimum increment established pursuant to Rule 51.5, however, a Trading Permit Holder may not enter an MMO as a principal buyer (seller) when the prevailing NBBO (or BBO if no other market centers are disseminating a Protected Quotation) is one cent ($.01) wide and that Trading Permit Holder is agent for a customer order resting at the national best bid (offer) (or BBO if no other market centers are disseminating a Protected Quotation).

(q) *Cross Only Order*. An order that may only be executed against a contra Cross Only Order for the same size and price. Cross Only Orders may only be entered at prices at or between the NBBO and, when at the CBSX BBO, consistent with the requirements of Rule

52.11.

(r) *Cross and Sweep Order*. A Cross Only Order that is priced outside of the NBBO and/or the BBO where the applicable side of the CBSX Book is satisfied by the Cross and Sweep Order and any disseminated better priced protected quotations at away market centers are swept with ISOs by the CBSX System. Any remaining balance on a partially executed Cross and Sweep Order shall be cancelled by the CBSX System.

(s) *Pegged Cross Order.* A Pegged Cross Order is priced to trade at the prevailing national best bid or a designated penny or subpenny amount higher than the national best bid, or at the national best offer or a designated penny or subpenny amount lower than the national best offer. Execution of a Pegged Cross shall not trade through any Protected Quotations. If the designated number of ticks would cause the price of the trade to trade-though the NBBO on the opposite side of the market, then the system will re-price the cross to the nearest price that wouldn't cause a trade-through and that would comply with the priority requirements of Rule 52.11 and any other CBSX priority rules as they exist from time to time. If the system is unable to find a price that would not cause a trade-through and comply with the priority requirements of Rule 52.11 or if the national best bid is crossed with the national best offer, it will cancel the cross orders. Additionally, if the national best bid is locked with the national best offer, the Pegged Cross order will execute at the lock price if the execution would comply with the priority requirements of Rule 52.11.

(t) *Market-Maker Trade Prevention Order.* A Market-Maker Trade Prevention Order is an immediate-or-cancel order that is marked with the Market-Maker Trade Prevention designation. A Market-Maker Trade Prevention Order that would trade against a resting quote or order for the same Market-Maker will be cancelled, as will the resting quote or order. In circumstances in which both the Market-Maker Trade Prevention Order and a Self-Trade Prevention modifier are implicated, the Self-Trade Prevention modifier shall rule and take precedence.

(u) Tied Cross Only Order. A Tied Cross Only Order is an order to trade the stock component of a qualified contingent trade which meets the qualified contingent trade exemption pursuant to Rule 611(d) of Regulation NMS under the Exchange Act. A Tied Cross Only Order may be executed without regard to the protected NBBO. The order may only be executed against a contra Tied Cross Only Order for the same size and price and may only be executed at prices at or within the CBSX BBO and, when at the CBSX BBO, consistent with the requirements of Rule 52.11.

. . . Interpretations and Policies:

.01 *Subpenny Provision for Cross Orders.* Any type of cross order, whether the order is priced less than or at or above $1.00, may be submitted in an increment as small as $0.0001, provided however, that CBSX shall not allow any type of cross order (except a midpoint cross) priced (i) at or above $1.00, to execute at a price less than $.01 better than any order on the same side of the market of the CBSX BBO or (ii) under $1.00, to execute at a price less than $.0001 better than any order on the same side of the market of the CBSX BBO, unless the subpenny cross would have priority at the CBSX BBO pursuant to Rule 52.11

and any other CBSX priority rules as they exist from time to time.

.02 Sell orders submitted to the CBSX System must be marked "long," "short," or "short exempt" in compliance with Regulation SHO under the Exchange Act. If a short sale "circuit breaker" is triggered in an NMS stock under Regulation SHO, then:

(a) sell orders marked "short," will be handled by the CBSX System as follows:

(1) short sell orders that are resting in the CBSX Book at the time a circuit breaker is triggered will be permitted to continue resting and/or execute;

(2) short sell orders that are received by the CBSX System after the time a circuit breaker is triggered and while the NMS stock is open for trading on CBSX that are:

(A) priced above the National Best Bid will be permitted to rest and/or execute; or

(B) priced at or below the National Best Bid will be rejected/cancelled; and

(3) short sell orders that are received by the CBSX System after the time a circuit breaker is triggered and prior to the opening of trading or reopening of trading following a halt, suspension or pause in the NMS stock will be cancelled/rejected; and

(b) sell orders marked "short exempt" will be permitted to rest and/or execute without regard to when the order is received or whether the order is priced above, at or below the National Best Bid.

Rule 51.8A Types of Order Formats

Trading Permit Holders shall submit orders using one of the following order formats:

(i) *CBSX Order Format 1*. CBSX Order Format 1 orders must pass through various processes, including validation checks in the Order Handling Service ("OHS"), before execution, entry into the book or cancellation. Order Format 1 supports all order types.

(ii) *CBSX Order Format 2*. CBSX Order Format 2 supports only Immediate-Or-Cancel, ISO, ISO-Book and CBSX-Only orders. Fewer fields are required for order entry using Order Format 2 than Order Format 1. Additionally, CBSX Order Format 2 orders are subject to a different validation process than CBSX Order Format 1 orders.

Rule 51.9 Trading in "When Issued" and "When Distributed" Securities

(a) All rules of the Exchange pertaining to "when issued" or "when, as and if issued" trading and contracts shall also apply to "when distributed" trading and contracts. The term "when issued" or "when, as and if issued" as used in any rule of the Exchange now or hereafter in effect also means "when distributed."

(b) CBSX may permit dealings on a "when distributed" basis in a security which is issued and outstanding and which, pursuant to a definitive plan, is to be distributed to holders of

securities of another issuer, provided--

(1) The security to be dealt in on a "when distributed" basis is issued and outstanding and (i) is registered pursuant to the Exchange Act as either a listed security or a security admitted to unlisted trading privileges or (ii) is eligible for admission to dealings as a security temporarily exempt from the operation of Section 12(a) of the Exchange Act pursuant to a rule of the Securities and Exchange Commission;

(2) A definitive plan providing, among other things, for distribution of the security pro rata to the holders of one or more issued and outstanding securities of the distributor has been authorized by appropriate corporate action and, if necessary, approved by a court or other governmental body, agency or commission having jurisdiction;

(3) The distribution of the security when completed will be sufficiently broad to meet CBSX's customary requirements in that regard; and

(4) The distributor has authorized the distribution of such security to holders of record as of, or commencing on, a specified date.

. . . *Interpretations and Policies:*

.01 No securities shall be admitted to dealings on CBSX on a "when, as and if issued" basis unless there has been filed with CBSX an authoritative plan or statement covering the issuance of such securities or rights. Settlement of all contracts for securities "when, as and if issued" shall be contingent upon the issuance of such securities in accordance with the terms of said plan or statement.

.02 When dealings in a security on a "when issued" or "when distributed" basis are suspended, and dealings in the same security are continued on a "regular way" basis, all orders on the CBSX Book for the purchase or sale of such security on a "when issued" or "when distributed" basis will expire at the close of business on the day before such dealings on a "when issued"or "when distributed" basis are suspended, unless otherwise directed by CBSX.

Rule 51.10 Procedures for Bids and Offers on a "When Issued" Basis

(a) When made without stated conditions, bids and offers in stocks admitted to dealings on a "when issued" basis shall be considered to be "regular way" (*i.e.*, for delivery on the third full business day following the day of the contract). If not "regular way" bids and offers in stocks admitted to dealings on a "when issued" basis shall be made only as follows, but may be made simultaneously as essentially different propositions:

(1) "Cash"--For delivery on the day of the contract;

(2) "Next Day"--For delivery on the first business day following the day of the contract.

(b) Bids and offers in rights to subscribe shall be made only "next day" on the second and third full business days preceding the final day for subscription, and shall be made only for

"cash" on the day preceding the final day for subscription, except as otherwise designated by CBSX.

Rule 51.11 Securities Quoted "Ex-dividend," "Ex-distribution," "Ex-rights" or "Ex-interest"

(a) Transactions in stocks (except those made for "cash") shall be ex-dividend or ex-rights on the second business day preceding the record date fixed by the corporation or the date of the closing of transfer books. Should such record date or such closing of transfer books occur upon a day other than a business day, this Rule shall apply for the third preceding business day. Transactions in stocks made for "cash" shall be ex-dividend or ex-rights on the business day following said record date or date of closing of transfer books. Notwithstanding the foregoing, the CBSX Board may order otherwise in particular cases.

(b) When a stock is quoted "ex-dividend," "ex-distribution," "ex-rights," or "ex-interest," open orders to buy and open stop orders to sell shall be reduced by the value of the payment or rights, and shall be increased in shares in the case of stock dividends and stock distributions which result in round lots, on the day the security sells "ex." Should the disbursement be in an amount other than the fraction in which bids and offers are made, or a multiple thereof, open buy orders and open stop orders to sell shall be reduced by the next higher fraction. (With open stop limit orders to sell, the limit, as well as the stop price, shall be reduced.) Open stop orders to buy and open selling orders shall not be reduced.

. . . *Interpretations and Policies:*

.01 Reduction of orders--Proportional procedure. Open buy orders and open stop orders to sell shall be reduced by the proportional value of a stock dividend or stock distribution on the day a security sells ex-dividend or ex-distribution. The new price of the order is determined by dividing the price of the original order by 100% plus the percentage value of the stock dividend or stock distribution. For example, in a stock dividend of 3%, the price of an order would be divided by 103%.

The chart at the end of Interpretation and Policy .03 lists, for the more frequent stock distributions, the percentages by which the prices of open buy orders and open stop orders to sell shall be divided to determine the new order prices.

If, as a result of this calculation, the price is not equivalent to or is not a multiple of the minimum increment in which bids and offers are made in the particular security, the price should be rounded to the next lower increment.

In reverse splits, all orders (including open sell orders and open stop orders to buy) should be cancelled.

.02 Procedure for increase in number of shares. When there is a stock dividend or stock distribution, open buy orders and open stop orders to sell shall be increased in shares as follows:

(a) When there is a stock dividend or stock distribution which results in one or more *full*

shares for each share held, the number of shares in open buy orders and open stop orders to sell shall be increased accordingly.

EXAMPLES:

A 3-for-1 stock distribution.

An order for 100 shares is increased to 300 shares.

An order for 200 shares is increased to 600 shares.

An order for 500 shares is increased to 1,500 shares.

(b) When there is a stock dividend or stock distribution of less than a one-for-one basis and thus results in *fractional* shares, open buy orders and open stop orders to sell shall be increased to the lowest full round-lot.

EXAMPLES:

A 25% stock dividend or a 5-for-4 stock distribution.

An order for 100 shares remains at 100 shares.

An order for 300 shares remains at 300 shares.

An order for 900 shares is increased to 1,100 shares.

An order for 2,000 shares is increased to 2,500 shares.

(c) When there is a stock dividend or stock distribution which results in fractional shares combined with full shares, the number of shares in open buy orders and open stop orders to sell shall be increased to the lowest full round-lot.

EXAMPLES:

A 5-for-2 stock distribution.

An order for 100 shares is increased to 200 shares.

An order for 200 shares is increased to 500 shares.

An order for 700 shares is increased to 1,700 shares.

An order for 1,200 shares is increased to 3,000 shares.

Adopted September 11, 2006 (04-21).

.03 Responsibility for reducing price and increasing shares in orders. Open orders held by the CBSX System prior to the day a stock sells ex-dividend, ex-distribution or ex-rights

shall be reduced in price and, if Interpretation and Policy .02 is applicable, increased in shares by the value of the dividend, distribution or rights, unless he is otherwise instructed by the Trading Permit Holder or TPH organization from whom the orders were received. In this regard, a Trading Permit Holder or TPH organization may enter a Do Not Reduce or "DNR" order if he or it does not want the price of an order reduced for cash dividends, or a Do Not Increase or "DNI" order if he or it does not want an order increased in shares for stock dividends or stock distributions.

Distribution	*Price of Order Divided by*	*Distribution*	*Price of Order Divided By*
5-for-4	125%	2-for-1	200%
4-for-3	133- 1/3%	5-for-2	250%
3-for-2	150%	3-for-1	300%
5-for-3	166- 2/3%	4-for-1	400%

Rule 51.12 CBSX Floor Post

(a) *Generally*. CBSX may maintain a location on the Exchange trading floor apart from the equity option trading posts for purposes of providing price discovery for securities traded on CBSX. Floor Brokers and CBSX Market-Makers personnel shall have access to the CBSX Floor Post. Open-outcry trading of CBSX securities is not allowed at the CBSX Floor Post. All orders entered at the CBSX Floor Post shall trade on the CBSX System in accordance with these Rules in the same manner as orders entered from remote locations. CBSX shall ensure that no direct sightlines exist between the CBSX Floor Post and the equity option trading posts.

(b) *Restrictions.*

(1) Trading Permit Holders are prohibited from using hand signals or other like means of communication to communicate between the CBSX Floor Post and the equity option trading posts.

(2) Except for CBSX Market-Makers, Trading Permit Holders may only enter proprietary orders while at the CBSX Floor Post if such orders are submitted as cross orders or IOC orders as defined in Rule 51.8.

Rule 51.13 Self-Trade Prevention Modifiers

(a) *Generally.* A CBSX Trader may elect for all of his proprietary orders and quotes to be marked with a Self-Trade Prevention modifier. If a CBSX Trader makes such an election, any quote or order he submits will be prevented from executing against a resting opposite side order or quote that is labeled as originating from the same associated acronym and trading for the same account (for the purposes of this Rule, the "Same CBSX Trader"). A

CBSX Trader may only elect for one of: Cancel Newest, Cancel Oldest, or Cancel Both Self-Trade Prevention options. Such election shall apply to all of the CBSX Trader's eligible proprietary orders and quotes, and cannot be made on a per-order, per-quote, or security-by-security basis. In circumstances in which both the Market-Maker Trade Prevention Order and a Self-Trade Prevention Modifier are implicated, the Self-Trade Prevention modifier shall rule and take precedence.

(b) *Types of Self-Trade Prevention modifiers.* Any of the types of Self-Trade Prevention modifiers may be accommodated on the CBSX System (upon election for one of such modifiers by a CBSX Trader):

(1) Cancel Newest Self-Trade Prevention modifier. Any incoming order or quote submitted by a CBSX Trader will not execute against opposite side resting interest from the Same CBSX Trader. The incoming order or quote (or any portion thereof) will be canceled back to the Same CBSX Trader if such order or quote cannot trade with another eligible order or quote originating from any origin other than the Same CBSX Trader (for the purposes of this Rule 51.13, "Another CBSX Trader") (the incoming order or quote may only trade with another eligible order or quote originating from Another CBSX Trader if the order or quote originating from Another CBSX Trader is at as good a price as the order or quote from the Same CBSX Trader that is being "skipped over"). The resting order or quote from the Same CBSX Trader will remain on the book. In the case of an opening or re-opening, the newer of the two orders or quotes submitted by the Same CBSX Trader will be canceled, and the older order or quote will be permitted to trade with eligible orders or quotes originating from Another CBSX Trader, and any remaining portion thereof will remain in the book.

(2) Cancel Oldest Self-Trade Prevention modifier. Any incoming order or quote submitted by a CBSX Trader will not execute against opposite side resting interest from the Same CBSX Trader. When a CBSX Trader submits an incoming order or quote that would trade against opposite side resting interest from the Same CBSX Trader, that opposite side resting interest will be canceled. The incoming order or quote will be eligible to trade with another eligible order or quote originating from Another CBSX Trader. If any portion of the incoming order or quote does not trade with another eligible order or quote originating from Another CBSX Trader, it will be entered into the book. In the case of an opening or re-opening, the older of the two orders or quotes submitted by the Same CBSX Trader will be canceled, and the newer order or quote will be permitted to trade with eligible orders or quotes originating from Another CBSX Trader, and any remaining portion thereof will be entered into the book.

(3) Cancel Both Self-Trade Prevention modifier. Any incoming order or quote submitted by a CBSX Trader will not execute against opposite side resting interest from the Same CBSX Trader. When a CBSX Trader submits an incoming order or quote that would trade against opposite side resting interest from the Same CBSX Trader, that opposite side resting interest will be canceled. The incoming order or quote (or any portion thereof) will be canceled back to the Same CBSX Trader if such order or quote (or part of such order or quote) cannot trade with another eligible order or quote originating from Another CBSX Trader. In the case of an opening or re-opening, both of the two orders

or quotes will be canceled.

CHAPTER LII Trading Rules and Processing of Orders

Rule 52.1 Matching Algorithm/Priority

(a) *Generally.* CBSX will determine to apply, for each non-option security traded on the CBSX System, one of the following rules of trading priority. CBSX will issue a Regulatory Circular periodically which will specify which priority rules will govern which security any time CBSX changes the priority.

(1) *Price-Time Priority.* Under this method, resting orders in the CBSX Book are prioritized according to price and time. If there are two or more orders at the best price then priority is afforded among these orders in the order in which they were received by the CBSX System.

(2) *Pro Rata Priority.* Under this method, resting orders in the book are prioritized according to price. If there are two or more orders at the best price then trades are allocated proportionally according to size (in a pro rata fashion). The executable quantity is allocated to the nearest whole number, with fractions 1/2 or greater rounded up and fractions less than 1/2 rounded down. If there are two market participants that both are entitled to an additional 1/2 share and there is only one share remaining to be distributed, the additional share will be distributed to the market participant whose quote or order has time priority. Further, if the Pro Rata Priority method is in place, the Public Customer Priority overlay described in paragraph (b) below must always be in effect.

(b) *Additional Priority Overlays.* In addition to the base allocation methodologies set forth above, CBSX may determine to apply, on a security-by-security basis, any or all of the following designated market participant overlay priorities in a sequence determined by CBSX. CBSX will issue a Regulatory Circular periodically which will specify which securities are subject to these additional priorities as well as any time CBSX changes these priorities.

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

(2) *Market Turner.* When this priority overlay is in effect and no other priority overlays are in effect, the Market Turner has priority at the highest bid or lowest offer that he

established. If other priority overlays are also in effect, priority is established in the sequence designated by CBSX. In either case, the Market Turner priority at a given price remains with the order once it is earned. For example, if the market moves in the same direction as the direction in which the order from the Marker Turner moved the market, and then the market moves back to the Market Turner's original price, then the Market Turner retains priority at the original price.

(3) *Trade Participation Right.* CBSX DPMs or CBSX LMMs may be granted trade participation rights pursuant to the provisions of Chapter 53 up to the applicable participation right percentage designated pursuant to the provisions of Rule 53.57. If other priority overlays are also in effect, priority is established in the sequence designated by CBSX, subject to (A)-(E) below. In allocating the participation right, all of the following shall apply:

(A) To be entitled to their participation right, a CBSX DPM's/LMM's order and/or quote must be at the best price.

(B) A CBSX DPM/LMM may not be allocated a total quantity greater than the quantity that the CBSX DPM/LMM is quoting (including orders not part of quotes) at that price. If Pro Rata Priority is in effect, and the CBSX DPM/LMM's allocation of an order pursuant to its trade participation right is greater than its percentage share of quotes/orders at the best price at the time that the trade participation right is granted, the CBSX DPM/LMM shall not receive any further allocation of that order.

(C) The Trade Participation Right shall not be in effect unless the Public Customer priority is in effect in a priority sequence ahead of the Trade Participation Right.

(D) If the Trade Participation Right priority and the Market Turner priority are both in effect and the CBSX DPM/LMM is the Market Turner, the Market Turner priority will not be applicable.

(E) In establishing the counterparties to a particular trade, the CBSX DPM's/LMM's participation right must first be counted against the CBSX DPM's/LMM's highest priority bids or offers.

(F) If other priority overlays are in effect and designated as a higher priority than the Trade Participation Right, the participation right shall only apply to any remaining balance of an order once all higher priorities are satisfied.

(c) *Contingency Orders.* Regardless of the allocation method in place, contingency orders (except elected Stop-limit Orders) are placed last in priority order, regardless of when they were entered into the CBSX System. A contingency order that was entered before a limit order for the same security at the same price will be treated as if it were entered after the limit order. If customer priority is afforded to a particular security, customer contingency orders will have priority over non-public customer contingency orders but behind all other orders.

(d) *Reserve Orders.* Reserve Orders are placed last in priority amongst non-Contingency Orders (except elected Stop-limit Orders). Priority between Reserve Orders is handled pursuant to the matching algorithm in place for the subject security.

(e) *Cancel/Replace Orders.* Depending on how a quote or order is modified, the quote or order may change priority position as follows:

(1) If the price is changed, the changed side loses position and is placed in a priority position behind all orders of the same type (*i.e.*, customer or non-customer) at the same price.

(2) If one side's quantity is changed, the unchanged side retains its priority position.

(3) If the quantity of one side is decreased, that side retains its priority position.

(4) If the quantity of one side is increased, that side loses its priority position and is placed behind all orders of the same type at the same price.

. . . *Interpretations and Policies:*

.01 In instances in which the Self-Trade Prevention modifiers are implicated, the Self-Trade Prevention modifier rules will supersede other allocation methods only for the purpose of preventing self-trades, as described in Rule 51.13.

Rule 52.2 Opening Procedures

Opening. The CBSX System shall automatically open each security at the price that provides the highest matched quantity of order volume. Subsequent to any such opening prints, or immediately if there are no pre-opening orders in a security, the CBSX System shall disseminate regular quotations.

Rule 52.3 Unusual Market Conditions

(a) In addition to such other powers and duties as the CBSX Board may prescribe, Trading Officials shall have the power to: (i) supervise openings and reopenings of securities; (ii) halt or reopen trading in a security; (iii) resolve market disputes submitted to such Trading Officials by Trading Permit Holders; (iv) regulate and supervise unusual situations which may arise in connection with the making of bids, offers or transactions; and (v) supervise the operation of the applications of the ITS System or any successor to the ITS System, including the authority to resolve market disputes involving those Rules arising between CBSX users and Trading Permit Holders of other participating market centers.

(b) The Exchange will halt trading in any New Derivative Securities Product if the circuit breaker parameter of Rule 6.3B has been reached. In exercising its discretion to halt or suspend trading in a New Derivative Securities Product pursuant to paragraph (a), the Exchange may consider factors such as the extent to which trading in the underlying securities is not occurring or whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, in addition to other factors that

may be relevant. In particular, when the Exchange is the listing market for a New Derivative Securities Product, if the Required Value applicable to that New Derivative Securities Product is not being calculated and disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the Required Value occurs. If the interruption to the dissemination of the Required Value persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption.

(c) Trading Halts for Trading of New Derivative Securities Products on CBSX Pursuant to Unlisted Trading Privileges.

(1) CBSX Extended Trading Hours. If a New Derivative Securities Product begins trading on CBSX and subsequently a temporary interruption occurs in the calculation or wide dissemination of a Required Value applicable to that New Derivative Securities Product by a major market data vendor, CBSX may continue to trade the New Derivative Securities Product for the remainder of the CBSX Extended Trading Hours session.

(2) Normal Market Hours. Normal Market Hours are the time period from 8:30 a.m. until 3:15 p.m. During Normal Market Hours, if a temporary interruption occurs in the calculation or wide dissemination of an applicable Required Value by a major market data vendor and the listing market halts trading in the New Derivative Securities Product, CBSX, upon notification by the listing market of such halt due to such temporary interruption, also shall immediately halt trading in the New Derivative Securities Product on CBSX.

(3) If an applicable Required Value continues not to be calculated or widely disseminated as of the commencement of trading on CBSX on the next trading day, CBSX shall not commence trading of the New Derivative Securities Product that day. If an interruption in the calculation or wide dissemination of an applicable Required Value continues, CBSX may resume trading in the New Derivative Securities Product only if calculation and wide dissemination of the applicable Required Value resumes or trading in the New Derivative Securities Product resumes on the listing market.

(4) For a New Derivative Securities Product where a net asset value (or, in the case of managed fund shares or actively managed exchange-traded funds, a "disclosed portfolio") is disseminated, CBSX will immediately halt trading in such security upon notification by the listing market that the net asset value or, if applicable, such disclosed portfolio is not being disseminated to all market participants at the same time. CBSX may resume trading in the New Derivative Securities Product only when trading in the New Derivative Securities Product resumes on the listing market.

(5) Trading pursuant to unlisted trading privileges of New Derivative Securities Products on CBSX is subject to the trading halt provisions of Rules 6.3, 6.3B, 51.3, and 52.3.

(6) Definitions. For purposes of this Rule:

(i) "New Derivative Securities Product" shall have the same meaning as New Derivative Securities Product in Rule 31.5P.

(ii) "Required Value" shall mean (i) the value of any security or index underlying a New Derivative Securities Product, and (ii) the intraday indicative value, indicative optimized portfolio value, or other comparable estimate of the value of a share of a New Derivative Securities Product updated regularly during the trading day.

(d) Trading Halts of New Derivative Securities Products Listed on CBSX. With respect to New Derivative Securities Products listed on CBSX for which a Net Asset Value ("NAV") (and in the case of managed fund shares, a disclosed portfolio) is disseminated, if CBSX becomes aware that the NAV (or in the case of managed fund shares, the disclosed portfolio) is not being disseminated to all market participants at the same time, it will halt trading in the affected New Derivative Securities Product on CBSX until such time as the NAV (or in the case of managed fund shares, the disclosed portfolio, as applicable) is available to all market participants.

. . . *Interpretations and Policies:*

.01 The Exchange will pause trading in an individual stock in accordance with Rule 6.3C.

Rule 52.3A Order Cancellation/Release

(a) CBSX may cancel orders as it deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at CBSX, a routing broker in connection with the routing service provided under Rule 52.10, or another trading center to which a CBSX order has been routed. A routing broker may only cancel orders being routed to another trading center based on CBSX's standing or specific instructions or as otherwise provided in the Exchange Rules. CBSX shall provide notice of the cancellation to affected Trading Permit Holders as soon as practicable.

(b) CBSX may release orders being held on CBSX awaiting another trading center execution as it deems necessary to maintain fair and orderly markets if a technical or systems issue occurs at CBSX, a routing broker, or another trading center to which a CBSX order has been routed.

(c) For purposes of this Rule, technical or system issues shall include, without limitation, instances where CBSX has not received confirmation of an execution (or cancellation) on another trading center from a routing broker within a response time interval designated by CBSX, which interval may not be less than three (3) seconds.

Rule 52.4 Clearly Erroneous Policy

The provisions of paragraphs (c), (e)(2), (f), and (g) of this Rule, as amended on September 10, 2010, and the provisions of paragraph (i), shall be in effect during a pilot period to coincide with the pilot period for the Limit Up-Limit Down Plan, including any extensions

to the pilot period for the Plan. If the pilot is not either extended, replaced or approved as permanent, the prior versions of paragraphs (c), (e)(2), (f), and (g) shall be in effect, and the provisions of paragraph (i) shall be null and void.

(a) *Definition*. For purposes of this Rule, the terms of a transaction executed on CBSX are "clearly erroneous" when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties or determined by CBSX to be clearly erroneous will be removed from the Consolidated Tape.

(b) *Request and Timing of Review*. A CBSX Trader that receives an execution on an order that was submitted erroneously to CBSX for its own or customer account may request that CBSX review the transaction under this Rule. One or more senior level officials of CBSX designated by the President ("Official") shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Such request for review shall be made in writing via e-mail or other electronic means specified from time to time by CBSX in a circular distributed to CBSX Traders.

(i) *Requests for Review*. Requests for review must be received within thirty (30) minutes of execution time and shall include information concerning the time of the transaction(s), security symbol(s), number of shares, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request that satisfies the numerical guidelines set forth in paragraph (c)(1) of this Rule, the counterparty to the trade shall be notified by CBSX as soon as practicable, but generally within 30 minutes. An Official may request additional supporting written information to aid in the resolution of the matter. If requested, each party to the transaction shall provide, within thirty (30) minutes of the request, any supporting written information. Either party to the disputed trade may request the supporting written information provided by the other party on the matter.

(ii) *Routed Executions*. Other market centers will generally have an additional 30 minutes from receipt of their participant's timely filing, but no longer than 60 minutes from the time of the execution at issue, to file with CBSX for review of transactions routed to CBSX from that market center and executed on CBSX.

(c) *Thresholds*.Determinations of whether an execution is clearly erroneous will be made as follows:

(1) *Numerical Guidelines*. Subject to the provisions of paragraph (c)(3) below, a transaction executed on CBSX shall be found to be clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The execution time of the transaction under review determines whether the threshold is CBSX Regular Trading Hours or CBSX Extended Trading Hours. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (i) Multi-Stock Events involving twenty or more

securities, as described in (c)(2) below; and (ii) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

Reference Price; Circumstance or Product	CBSX Regular Trading Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price)	CBSX Extended Trading Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price)
Greater than $0.00 and up to and including $25.00	10%	20%
Greater than $25.00 and up to and including $50.00	5%	10%
Greater than $50.00	3%	6%
Multi-Stock Event-Filings involving five or more, but less than twenty, securities whose executions occurred within a period of five minutes or less	10%	10%
Multi-Stock Event-Filings involving twenty or more securities whose executions occurred within a period of five minutes or less	30%, subject to the terms of paragraph (c)(2) below	30%, subject to the terms of paragraph (c)(2) below
Leveraged ETF/ETN securities	CBSX Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (ie 2x)	CBSX Regular Trading Hours Numerical Guidelines multiplied by the leverage multiplier (ie 2x)

(2) *Multi-Stock Events Involving Twenty or More Securities.* During Multi-Stock Events involving twenty or more securities the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, the Exchange may use a

Reference Price other than the consolidated last sale. To ensure consistent application across market centers when this paragraph is invoked, CBSX will promptly coordinate with the other market centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. CBSX will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by CBSX and other markets consistent with this paragraph.

(3) *Additional Factors*. Except in the context of a Multi-Stock Event involving five or more securities, an Official may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an IPO, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, Extended Trading Hours executions, validity of the consolidated tape's trades and quotes, consideration of primary market indications, and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(d) *Outlier Transactions*. In the case of an Outlier Transaction, an Official may at his or her sole discretion, and on a case-by-case basis, consider requests received pursuant to paragraph (b) of this Rule after 30 minutes, but not longer than sixty minutes after the transaction in question, depending on the facts and circumstances surrounding such request.

(1) "Outlier Transaction" means a transaction where:

(A) the execution price of the security is greater than three times the current Numerical Guidelines set forth in paragraph (c)(1) of this Rule, or

(B) the execution price of the security in question is not within the Outlier Transaction parameters set forth in paragraph (d)(1)(A) of the Rule but breaches the 52-week high or 52-week low, CBSX may consider Additional Factors as outlined in paragraph (c)(3) of this Rule, in determining if the transaction qualifies for further review or if the Corporation shall decline to act.

(e) *Review Procedures.*

(1) *Determination by Official*. Unless both parties (or party, in the case of a cross order) to the disputed transaction agree to withdraw the initial request for review, the transaction under dispute shall be reviewed, and a determination shall be rendered by the Official. If the Official determines that the transaction is not clearly erroneous, the Official shall decline to take any action in connection with the completed trade. In the

event that the Official determines that the transaction in dispute is clearly erroneous, the Official shall declare the transaction null and void. A determination shall be made generally within 30 minutes of receipt of the complaint, but in no case later than the start of trading on the following trading day. The parties shall be promptly notified of the determination.

(2) *Appeals*. If a CBSX Trader affected by a determination made under this Rule so requests within the time permitted below, a Clearly Erroneous Execution Panel ("CEE Panel") will review decisions made by the Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct determination was made; provided however that the CEE Panel will not review decisions made by an official under paragraph (f) of this Rule if such Official also determines under paragraph (f) of this Rule that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest, and further provided that with respect to rulings made by CBSX in conjunction with one or more additional market centers, the number of affected transactions is similarly such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest and, hence, are also non-appealable.

(A) The CEE Panel will consist of the Exchange Chief Regulatory Officer ("CRO"), or a designee of the CRO, and representatives from two (2) CBSX Traders.

(B) The Exchange shall designate at least ten (10) CBSX Trader representatives to be called upon to serve on the CEE Panel as needed. In no case shall a CEE Panel include a person affiliated with a party to the trade in question. To the extent reasonably possible, the Exchange shall call upon the designated representatives to participate on a CEE Panel on an equally frequent basis.

(3) A request for review on appeal must be made via e-mail within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The CEE Panel shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review. On requests for appeal received between 2:00 CT and the close of trading, a decision will be rendered as soon as practicable, but in no case later than the trading day following the date of the execution under review.

(4) The CEE Panel may overturn or modify an action taken by the Official under this Rule. All determinations by the CEE Panel shall constitute final action by CBSX on the matter at issue.

(5) If the CEE Panel votes to uphold the decision made pursuant to paragraph (e)(1) of this Rule, CBSX will assess a $500.00 fee against the CBSX Trader(s) who initiated the request for appeal.

(6) Any determination by an Official or by the CEE Panel shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to

arbitration.

(f) *System Disruption or Malfunctions*. In the event of any disruption or a malfunction in the operation of any electronic communications and trading facilities of CBSX in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, the Official, on his or her own motion, may review such transactions and declare such transactions arising out of the operation of such facilities during such period null and void. In such events, the Official will rely on the provisions of paragraph (c)(1)-(3) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public interest. Absent extraordinary circumstances, any such action of the Official pursuant to this paragraph (f) shall be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Official must be taken by no later than the start of trading on the day following the date of execution(s) under review. Each CBSX Trader involved in the transaction shall be notified as soon as practicable, and the CBSX Trader aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2)-(4).

(g) *Official Acting On Own Motion*. An Official, acting on his or her own motion, may review potentially erroneous executions and declare trades null and void or shall decline to take any action in connection with the completed trade(s). In such events, the Official will rely on the provisions of paragraph (c)(1)-(3) of this Rule. Absent extraordinary circumstances, any such action of the Official shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Official must be taken by no later than the start of trading on trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction shall be notified as soon as practicable by CBSX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2)-(4) above.

(h) *Trade Nullification for UTP Securities that are Subject of Initial Public Offerings ("IPOs")*. Pursuant to SEC Rule 12f-2, as amended, CBSX may extend unlisted trading privileges to a security that is the subject of an initial public offering when at least one transaction in the subject security has been effected on the national securities exchange or association upon which the security is listed and the transaction has been reported pursuant to an effective transaction reporting plan. A clearly erroneous error may be deemed to have occurred in the opening transaction of the subject security if the execution price of the opening transaction on CBSX is the lesser of $1.00 or 10% away from the opening price on the listing exchange or association. In such circumstances, the Official shall declare the opening transaction null and void or shall decline to take action in connection with the completed trade(s). Clearly erroneous executions of subsequent transactions of the subject security will be reviewed in the same manner as the procedure set forth in paragraph (e)(1). Absent extraordinary circumstances, any such action of the Official pursuant to this paragraph (h) shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Official must be taken by no later than the start of trading on the day following

the date of execution(s) under review. Each party involved in the transaction shall be notified as soon as practicable by CBSX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2)-(4) above.

(i) Securities Subject to Limit Up-Limit Down Plan. For purposes of this paragraph, the phrase "Limit Up-Limit Down Plan" or "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The provisions of paragraphs (a) through (h) above shall govern all CBSX transactions, including transactions in securities subject to the Plan, other than as set forth in this paragraph (i). If as a result of CBSX technology or systems issue any transaction occurs outside of the applicable price bands disseminated pursuant to the Plan, an Official or senior level employee designee, acting on his or her own motion or at the request of a third party, shall review and declare any such trades null and void. Absent extraordinary circumstances, any such action of the Official or other senior level employee designee shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Official or other senior level employee designee must be taken by no later than the start of CBSX Regular Trading Hours on the trading day following the date on which the execution(s) under review occurred. Each CBSX Trader involved in the transaction shall be notified as soon as practicable by CBSX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, CBSX will make the determination of whether to nullify transactions based on paragraphs (a) through (h) above.

Rule 52.5 Reserved

Reserved

Rule 52.6 Processing of Round-lot Orders

(a) *Market Orders.* (1) The CBSX System will automatically match market orders against orders at the best price in the CBSX Book and against the other orders behind the best price at varying prices until the market order is fully executed or until filling the market order would result in an execution of a trade-through of another exchange's quotation that is a Protected Quotation pursuant to Rule 611 of Regulation NMS unless the execution falls within an exception set forth in Rule 611(b) of Regulation NMS (the price of such other exchange's Protected Quotation hereafter referred to as the "Trade-Through Price").

The CBSX System will not automatically execute a market order to buy or sell securities at prices inferior to the Trade-Through Price. Instead, such order shall cancel if the terms of the order do not allow for routing to other exchanges, or the CBSX System shall route ISOs on behalf of the market order to all Protected Quotations priced better than the CBSX disseminated price (only up to the size of such Protected Quotations) and simultaneously execute the balance of the market order against the CBSX market.

(2) *Trading Halts*. When trading is halted in a security pursuant to Rule 52.3 or 6.3B

while a market order remains unexecuted, the CBSX System will do the following: If the market order is a GTC order, the CBSX System will hold and execute it at the next opening, in the same day or the next day. If it is a day order, the CBSX System executes it at re-opening if trading resumes for the same day. If trading does not resume, the CBSX System purges it as part of the end-of-day procedure for purging day orders.

(b) *Limit Orders.* After the opening, upon being entered into the CBSX System, limit orders will be matched against the best prices available in the CBSX Book under the priority rules set forth in Rule 52.1. If there are no orders in the CBSX Book that match the limit order when it is entered (*i.e.* it is not marketable on CBSX), the CBSX Book will hold and display the limit order so that it may trade against later submitted orders.

Unless an execution falls within an exception set forth in Rule 611(b) of Regulation NMS, the CBSX System will not automatically execute a limit order at prices inferior to the Trade-Through Price. Instead, such order shall cancel if the terms of the order do not allow for routing to other exchanges, or the CBSX System shall route ISOs on behalf of the limit order to all Protected Quotations priced better than the CBSX disseminated price (only up to the size of such Protected Quotations and up to the price of the limit order) and simultaneously execute the balance of the limit order against the CBSX market if it is executable or book the balance of the limit order.

Rule 52.7 Sweeping and Trading Through Away Markets

When the CBSX System is enabled to automatically transmit outbound Intermarket Sweep Orders to other trading centers, the provisions of this Rule shall apply.

(a) Except when one or more of the following eight circumstances exist, CBSX shall generate an Intermarket Sweep Order to any away trading center displaying a Protected Quotation simultaneously with the execution of a transaction on CBSX that would constitute a trade-through:

(1) The transaction that constituted the trade-through was effected when the trading center displaying the Protected Quotation that was traded through was experiencing a failure, material delay, or malfunction of its systems or equipment.

(2) The transaction that constituted the trade-through was not a “regular way” contract.

(3) The transaction that constituted the trade-through was a single-priced opening, reopening, cash closing, or closing transaction by CBSX.

(4) The transaction that constituted the trade-through was executed at a time when a protected bid was priced higher than a protected offer in the NMS Stock.

(5) The transaction that constituted the trade-through was the execution of an order identified as an Intermarket Sweep Order.

(6) At the time CBSX effected the transaction that constituted the trade-through, it simultaneously routed an Intermarket Sweep Order to execute against the full displayed

size of any Protected Quotation in the NMS Stock that was traded through.

(7) The transaction that constituted the trade-through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the NMS Stock at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

(8) The trading center displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the transaction that constituted the trade-through, a best bid or best offer, as applicable, for the NMS Stock with a price that was equal or inferior to the price of the trade-through transaction.

(9) The transaction that constituted the trade-through qualifies for an exemption from Rule 611(a) of Regulation NMS ordered by the Commission pursuant to Rule 611(d) of Regulation NMS.

An Intermarket Sweep Order shall be generated if an order that is entered on CBSX would lock or cross a protected quotation in an away market.

In the event that CBSX does not receive any response at all to an outbound Intermarket Sweep Order, at the expiration of the response time interval, CBSX will release the corresponding order that had been suspended on the CBSX Book pending the response to the Intermarket Sweep Order in accordance with Rule 52.3A, and the released order will re-aggress the CBSX Book (including the generation of Intermarket Sweep Orders to other away markets, if necessary).

In the event that CBSX receives a rejection (*i.e.*, a no-fill or partial fill cancellation) in response to an outbound Intermarket Sweep Order and the quotation at the away market is not updated, CBSX will release the corresponding order that had been suspended on the CBSX Book so that it may re-aggress the CBSX Book as described in the immediately prior paragraph (including the generation of Intermarket Sweep Orders to other away markets, if necessary). Other Intermarket Sweep Orders will still continue to be routed to that particular away market's Protected Quotation in that security.

(b) Following the compliance date for Rule 611 of Regulation NMS, CBSX shall identify all trades executed pursuant to an exception or exemption from Rule 611 of Regulation NMS in accordance with specifications approved by the operating committee of the relevant national market system plan for an NMS Stock. If a trade is executed pursuant to both the Intermarket Sweep Order exception of Rule 611(b)(5) or (6) and the self-help exception of Rule 611(b)(1), such trade shall be identified as executed pursuant to the Intermarket Sweep Order exception.

Rule 52.8 Processing of Odd-Lot Orders

Odd-Lot orders (including the Odd-Lot portion of a mixed-lot order) will be processed in the same manner as are round-lot orders pursuant to Rule 52.6, except:

(a) if an incoming odd-lot order trades against a quote in the CBSX Book, the new quantity remaining in the quote will be rounded down to the nearest lower round-lot amount (zero or multiple of 100) for display purposes, with the remaining Odd-Lot amount being cancelled; and

(b) if an incoming order trades against a limit order resting on the CBSX Book and an Odd-Lot amount remains from the limit order resting on the CBSX Book, that Odd-Lot amount will remain in the system eligible for execution but will not be displayed.

. . . *Interpretations and Policies:*

.01 The odd lot portion of orders/trades will not be disseminated by CBSX for quotations or last sale reporting.

.02 Users may also submit Odd-Lot Orders that will cancel if an NBBO or better execution is not attained.

.03 Notwithstanding the provisions of this Rule 52.8, CBSX will only process round-lot orders of HOLDRS Trust Issued Receipts. CBSX will not accept odd-lot or mixed-lot orders of HOLDRS.

Rule 52.9 Reserved

Reserved.

Rule 52.10 Order Routing to Other Trading Centers

When the CBSX System is so enabled, CBSX will automatically route orders to other trading centers under certain circumstances, including pursuant to Rules 52.6 and 52.7 (at which time DPMs will no longer route such orders) ("Routing Services"). CBSX will provide its Routing Services pursuant to the terms of three separate agreements: (1) an agreement between CBSX and each Trading Permit Holder on whose behalf orders will be routed ("Member-CBSX Agreement"); (2) an agreement between CBSX and each third-party broker-dealer that will serve as a "give-up" on an away trading center ("Give-Up Agreement"); and (3) an agreement between CBSX and a third-party service provider ("Technology Provider") pursuant to which CBSX routes orders ("CBSX-Technology Provider Agreement").

. . . *Interpretations and Policies:*

.01 (a) CBSX will provide its Routing Services in compliance with these rules and with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and issuers and other persons using its facilities, and not be designed to

permit unfair discrimination between customers, issuers, brokers, or dealers.

(b) As provider of the Routing Services, CBSX will determine the logic that determines when, how, and where orders are routed away to other trading centers.

(c) CBSX will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between CBSX and the Technology Provider, and, to the extent the Technology Provider reasonably receives confidential and proprietary information, that adequately restrict the use of such information by the Technology Provider to legitimate business purposes necessary for the licensing of routing technology.

(d) The CBSX-Technology Provider Agreement will include terms and conditions that enable CBSX to comply with this Interpretation and Policy .01.

Rule 52.10A Routing Service Error Accounts

Each routing broker shall maintain, in the name of the routing broker, one or more accounts for the purpose of liquidating unmatched trade positions that may occur in connection with the routing service provided under Rule 52.10 ("error positions"). CBSX may also maintain, in the name of CBSX, one or more accounts (each a "CBSX Error Account") for the purpose of liquidating error positions in the circumstances described below.

For the purposes of this Rule:

(a) Errors to which this Rule applies include any action or omission by CBSX, a routing broker, or another trading center to which a CBSX order has been routed, that result in an unmatched trade position due to the execution of an order that is subject to the away market routing service and for which there is no corresponding order to pair with the execution (each a "routing error"). Such routing errors would include, without limitation, positions resulting from determinations by CBSX to cancel or release an order pursuant to Rule 52.3A.

(b) An error position will generally be liquidated in a routing broker's error account. A CBSX Error Account may (but is not required to) be utilized in instances where a routing broker is unable to utilize its own error account or when the routing error is due to a technical or systems issue at CBSX.

(c) CBSX shall not accept any positions in a CBSX Error Account from an account of a Trading Permit Holder or permit any Trading Permit Holder to transfer any positions from the Trading Permit Holder's account to a CBSX Error Account.

(d) To the extent a routing broker utilizes its own account to liquidate error positions, the routing broker shall liquidate the error positions as soon as practicable. The routing broker shall:

(i) establish and enforce policies and procedures reasonably designed to (1) adequately restrict the flow of confidential and proprietary information associated with the

liquidation of the error positions in accordance with Rule 52.10, and (2) prevent the use of information associated with other orders subject to the routing services when making determinations regarding the liquidation of error positions; and

(ii) make and keep records associated with the liquidation of such routing broker error positions and shall maintain such records in accordance with Rule 17a-4 under the Exchange Act.

(e) To the extent CBSX utilizes a CBSX Error Account to liquidate error positions, CBSX shall liquidate error positions as soon as practicable. CBSX shall:

(i) provide complete time and price discretion for the trading to liquidate error positions in a CBSX Error Account to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading. Such a third-party broker-dealer may include a routing broker not affiliated with CBSX;

(ii) establish and enforce policies and procedures reasonably designed to adequately restrict the flow of confidential and proprietary information between CBSX and the third-party broker-dealer associated with the liquidation of the error positions; and

(iii) make and keep records to document all determinations to treat positions as error positions under this Rule (whether or not a CBSX Error Account is utilized to liquidate such error positions), as well as records associated with the liquidation of CBSX Error Account error positions through a third-party broker-dealer, and shall maintain such records in accordance with Rule 17a-1 under the Exchange Act.

Rule 52.11 Facilitation of Orders and Crossing Trades

A CBSX Trader that wishes to cross two original orders or to facilitate an original order at the established bid or offer irrespective of existing interest at such bid/offer may do so provided the cross transaction (i) is for at least 5,000 shares; (ii) is for a principal amount of at least $100,000; and (iii) is greater in size than any single public customer order resting on the CBSX Book at the proposed cross price.

. . . *Interpretations and Policies:*

.01 The provisions of Rule 52.11 shall not be functionally enabled in the CBSX System until CBSX establishes the ability to allow users to elect whether or not to assert priority over existing interest at the established bid/offer in situations where the cross transaction meets the criteria set forth in Rule 52.11.

Rule 52.12 Locking or Crossing Quotations in NMS Stocks

Definitions. For purposes of this Rule, the following definitions shall apply:

(1) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in Rule 600(b) of Regulation NMS

under the Securities Exchange Act of 1934.

(2) The term "crossing quotation" shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(3) The term "locking quotation" shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(b) *Prohibition.* Except for quotations that fall within the provisions of paragraph (c) of this Rule, Trading Permit Holders of CBSX shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan.

(c) *Exceptions.*

(1) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(2) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(3) The locking or crossing quotation was an automated quotation, and the Trading Permit Holder of CBSX displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

Rule 52.13 Firm Quotations

(a) *Display of Automated Quotations.* All bids and offers for any NMS stock shall be made in accordance with the provisions of Exchange Act Rule 602, governing the dissemination of quotations. The CBSX System will operate as an "automated trading center" within the meaning of Regulation NMS, and in furtherance thereof, will display Automated Quotations within the meaning of Regulation NMS at all times except in the event that a systems malfunction renders the CBSX System incapable of displaying Automated Quotations. The CBSX System shall not disseminate manual quotations.

(b) *Quotations of Other Trading Centers.* In accordance with Rule 611(a) of Regulation

NMS under the Securities Exchange Act of 1934, CBSX may, pursuant to objective industry-wide established interpretations and policies, determine to bypass the quotations displayed by another trading center if such trading center repeatedly fails to respond within one second to orders attempting to access such trading center's protected quotations provided such failures are attributable to such trading center and are not attributable to transmission delays outside the control of such trading center. In connection with any such determination, CBSX will immediately notify the non-responding trading center of the determination.

Rule 52.14 Quote and Trading Information

(a) *Internal Dissemination of Quote.* The CBSX System will disseminate the best bid and offer internally. As each new limit order (whether as an order or as part of a market-maker quote) is entered into the CBSX System, the best bid and offer displayed in the CBSX System is updated to the extent the new bid or offer improves the previously displayed bid or offer. The CBSX System will send quote/order information - price, and size- to the workstations that are trading a given security. The CBSX System will also provide the current best bid or offer in any other market, as such best bids or offers are identified in the CBSX System.

(b) *Internal Dissemination of Price/Last Sale.* CBSX may disseminate internally to subscribers that have indicated interest in a given security last sale information including price and size. All CBSX Market-Makers assigned to a given security will be provided this information but other individuals and firms may subscribe to this information as well.

(c) *Booked Order Dissemination.* When a CBSX Trader requests information for a security, the CBSX System will provide the information which presents the best bids, asks, and the aggregate size for each security requested. CBSX may delete or add categories of disseminated information as it deems appropriate.

(d) *Book Depth.* Upon request, CBSX Traders can access from the CBSX System market depth information. CBSX may charge fees for access to this information, which fees shall be filed with the Commission pursuant to Section 19(b) of the Exchange Act. The information may not be provided upon request if the Exchange believes that it could lead to degradation of the service of the CBSX System.

Rule 52.15 Special Conditions due to Extraordinary Market Volatility

(a) *Market-wide Trading Halts Due to Extraordinary Market Volatility.* Please refer to Rule 6.3B regarding market-wide trading halts.

(b) *Individual Stock Trading Pause Due to Extraordinary Market Volatility.* Please refer to Rule 6.3C regarding individual stock halts.

(c) *Limit Up/Limit Down Mechanism to Address Extraordinary Market Volatility ("Plan")* The "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The Exchange is a Participant in the Plan, as

amended from time to time. The Plan requires the Security Information Processors ("SIPs") to calculate and publicly disseminate a Lower Band and an Upper Band during CBSX Regular Trading Hours for NMS Stock. The phase-out from the Trading Pauses referenced in 52.15(b) shall be gradual and coincide with the Plan. Stocks not yet subject to the Plan will continue to be subject to the Trading Pauses referenced in Rule 52.15. Specifically, during its first six-months of operation, the Plan will apply only to S&P 500 Index, the Russell 1000 Index, and select exchange-traded funds and notes while all other stocks will be subject to Rule 52.15(b). Thereafter, the Plan will apply to all covered stocks. Once the Plan has been fully implemented and all Stocks are subject to the Plan, a Trading Pauses referenced in 52.15(b) shall be subject only to applicable re-opening rules. CBSX will comply with all applicable rollout dates under the Plan as amended.

(1) TPHs, shall comply with all provisions and requirements under the Plan and this Rule thereunder including honoring the applicable Price Bands as defined in the Plan.

(2) *Clearly Erroneous Executions.* Rule 52.4 governs the Exchange clearly erroneous policy, including transactions in securities subject to the Plan which are outlined in paragraph (i) of Rule 52.4.

(3) *Special Order Handling*. The Exchange will not execute any order at a price outside of the Price Bands during Regular Trading Hours.

(A) *Market Orders.* The CBSX System will execute Market Orders at, or better than, the opposite side of the Price Band (i.e., sell orders to the lower Price Band and buy orders to the upper Price Band). A Market Order, or any portion of it, will be cancelled if it would result in an execution outside of the Price Band.

(B) *Price Adjustments.*

(i) Any order (other than an Immediate-or-Cancel Order) that is explicitly priced outside of the Price Band will be re-priced by the CBSX System to the corresponding Price Band.

(ii) Where the Price Band moves so that a previously accepted order on the CBSX Book is now explicitly priced outside of the Price Band, the order will be re-priced to the corresponding Price Band.

(iii) Re-priced orders will retain the original time price priority.

(C) *Immediate-or-Cancel.* The System will accept Immediate-Or-Cancel Limit orders that are priced, explicitly or not, outside of the Price Band. However, an Immediate-or-Cancel order will only execute against liquidity resting at or within the Price Bands. Any unexecuted portion of an Immediate-or-Cancel order will be cancelled.

(D) Any order priced passively outside of the Price Bands will be accepted by the CBSX System and put in the CBSX Book. Such order will not execute until the

Price Band moves and the order is now at or within the Price Band

(E) *Routing to Away Exchanges*. The Exchange shall not route to an away market displaying a quote that is outside of the applicable Price Band.

(4) *Quotations.* Any quote that is priced outside of the Price Band will be cancelled. Any resting quote that becomes priced outside of the Price Bands will be re-priced to the corresponding Price Band.

CHAPTER LIII TRADING PERMIT HOLDER REQUIREMENTS AND OBLIGATIONS

SECTION A: DEALINGS BY TRADING PERMIT HOLDERS

Rule 53.1 Trading in Trading Permit Holder Accounts

(a) No Trading Permit Holder or TPH organization shall effect any transaction in any security on the CBSX System for his or its account, the account of an associated person, or an account with respect to which the Trading Permit Holder, TPH organization or an associated person thereof exercises investment discretion. For the purposes of this Rule, the term "associated person" has the meaning set forth in Section 3(a)(21) of the Exchange Act.

(b) The provisions of paragraph (a) of this Rule shall not apply to transactions effected pursuant to the exemptions contained in Section 11(a)(1)(A) through (H) of the Exchange Act, or a rule adopted thereunder.

Rule 53.2 Prohibition Against Trading Ahead of Customer Orders

(a) Except as provided herein, a Trading Permit Holder that accepts and holds an order in an equity security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.

(b) A Trading Permit Holder must have written procedures in place governing the execution and priority of all pending orders that is consistent with the requirements of this Rule and Rule 53.8. A Trading Permit Holder also must ensure that these procedures are consistently applied.

. . . *Interpretations and Policies:*

.01 *Large Orders and Institutional Account Exceptions*. With respect to orders for customer accounts that meet the definition of an "institutional account" (as defined below) or for orders of 10,000 shares or more (unless such orders are less than $100,000 in value), a Trading Permit Holder is permitted to trade a security on the same side of the market for its own account at a price that would satisfy such customer order, provided that the Trading Permit Holder has provided clear and comprehensive written disclosure to such customer at

account opening and annually thereafter that:

(a) discloses that the Trading Permit Holder may trade proprietarily at prices that would satisfy the customer order, and

(b) provides the customer with a meaningful opportunity to opt in to the Rule 53.2 protections with respect to all or any portion of its order.

If the customer does not opt in to the Rule 53.2 protections with respect to all or any portion of its order, the Trading Permit Holder may reasonably conclude that such customer has consented to the Trading Permit Holder trading a security on the same side of the market for its own account at a price that would satisfy the customer's order. In lieu of providing written disclosure to customers at account opening and annually thereafter, a Trading Permit Holder may provide clear and comprehensive oral disclosure to and obtain consent from the customer on an order-by-order basis, provided that the Trading Permit Holder documents who provided such consent and such consent evidences the customer's understanding of the terms and conditions of the order.

For purposes of this rule, the term "institutional account" shall mean the account of:

(A) a bank, savings and loan association, insurance company, or registered investment company;

(B) an investment adviser registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or

(C) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

.02 *No-Knowledge Exception.* With respect to NMS stocks, as defined in Rule 600 of SEC Regulation NMS, if a Trading Permit Holder implements and utilizes an effective system of internal controls, such as appropriate information barriers, that operate to prevent one trading unit from obtaining knowledge of customer orders held by a separate trading unit, those other trading units trading in a proprietary capacity may continue to trade at prices that would satisfy the customer orders held by the separate trading unit. A Trading Permit Holder that structures its order handling practices in NMS stocks to permit its proprietary and/or market-making desk to trade at prices that would satisfy customer orders held by a separate trading unit must disclose in writing to its customers, at account opening and annually thereafter, a description of the manner in which customer orders are handled by the Trading Permit Holder and the circumstances under which the Trading Permit Holder may trade proprietarily at its proprietary and/or market-making desk at prices that would satisfy the customer order. If a Trading Permit Holder intends to rely on this exception by implementing information barriers, those information barriers should at a minimum (i) provide for the organizational separation of a Trading Permit Holder's customer order trading unit and proprietary trading unit; (ii) ensure that one trading unit does not exert influence over the other trading unit; (iii) ensure that information relating to each trading

unit's stock positions and trading activities is not improperly shared (except with persons in senior management who are involved in exercising general managerial oversight of one or both entities); (iv) ensure the confidentiality of the trading unit's book as provided by Exchange rules; and (v) ensure that any other material, non-public information (e.g. information related to any business transactions between the trading unit and an issuer or any research reports or recommendations issued by the trading unit) is not made improperly available to the other trading unit in any manner that would allow that trading unit to take undue advantage of that information while trading on CBSX. A Trading Permit Holder must submit the proposed information barriers in writing to the Exchange upon request. Trading Permit Holders must maintain records that indicate which orders rely on this exception and submit these records to the Exchange upon request.

Approved May 2, 2013 (13-027); amended July 19, 2013 (13-074).

.03 *ISO Exception*. A Trading Permit Holder shall be exempt from the obligation to execute a customer order in a manner consistent with this Rule with regard to trading for its own account that is the result of an intermarket sweep order routed in compliance with Rule 600(b)(30)(ii) of SEC Regulation NMS ("ISO") where the customer order is received after the Trading Permit Holder routed the ISO. Where a Trading Permit Holder routes an ISO to facilitate a customer order and that customer has consented to not receiving the better prices obtained by the ISO, the Trading Permit Holder also shall be exempt with respect to any trading for its own account that is the result of the ISO with respect to the consenting customer's order.

.04 *Odd Lot and Bona Fide Error Transaction Exceptions*. The obligations under this Rule shall not apply to a Trading Permit Holder's proprietary trade that is (1) to offset a customer order that is in an amount less than a normal unit of trading; or (2) to correct a bona fide error. Trading Permit Holders are required to demonstrate and document the basis upon which a transaction meets the bona fide error exception.

.05 *Minimum Price Improvement Standards*. The minimum amount of price improvement necessary for a Trading Permit Holder to execute an order on a proprietary basis when holding an unexecuted limit order in that same security, and not be required to execute the held limit order is as follows:

(a) For customer limit orders priced greater than or equal to $1.00, the minimum amount of price improvement required is $0.01;

(b) For customer limit orders priced greater than or equal to $0.01 and less than $1.00, the minimum amount of price improvement required is the lesser of $0.01 or one-half (1/2) of the current inside spread;

(c) For customer limit orders priced less than $0.01 but greater than or equal to $0.001, the minimum amount of price improvement required is the lesser of $0.001 or one-half (1/2) of the current inside spread;

(d) For customer limit orders priced less than $0.001 but greater than or equal to $0.0001,

the minimum amount of price improvement required is the lesser of $0.0001 or one-half (1/2) of the current inside spread;

(e) For customer limit orders priced less than $0.0001 but greater than or equal to $0.00001, the minimum amount of price improvement required is the lesser of $0.00001 or one-half (1/2) of the current inside spread;

(f) For customer limit orders priced less than $0.00001, the minimum amount of price improvement required is the lesser of $0.000001 or one-half (1/2) of the current inside spread; and

(g) For customer limit orders priced outside the best inside market, the minimum amount of price improvement required must either meet the requirements set forth above or the Trading Permit Holder must trade at a price at or inside the best inside market for the security.

In addition, if the minimum price improvement standards above would trigger the protection of a pending customer limit order, any better-priced customer limit order(s) must also be protected under this Rule, even if those better-priced limit orders would not be directly triggered under the minimum price improvement standards above.

.06 *Order Handling Procedures*. A Trading Permit Holder must make every effort to execute a marketable customer order that it receives fully and promptly. A Trading Permit Holder that is holding a customer order that is marketable and has not been immediately executed must make every effort to cross such order with any other order received by the Trading Permit Holder on the other side of the market up to the size of such order at a price that is no less than the best bid and no greater than the best offer at the time that the subsequent order is received by the Trading Permit Holder and that is consistent with the terms of the orders. In the event that a Trading Permit Holder is holding multiple orders on both sides of the market that have not been executed, the Trading Permit Holder must make every effort to cross or otherwise execute such orders in a manner that is reasonable and consistent with the objectives of this Rule and with the terms of the orders. A Trading Permit Holder can satisfy the crossing requirement by contemporaneously buying from the seller and selling to the buyer at the same price.

.07 *Trading Outside Normal Market Hours*. Trading Permit Holders generally may limit the life of a customer order to the period of normal market hours of 8:30 a.m. to 3:00 p.m. Central Time. However, if the customer and Trading Permit Holder agree to the processing of the customer's order outside normal market hours, the protections of this Rule shall apply to that customer's order(s) at all times the customer order is executable by the Trading Permit Holder.

Rule 53.3 Taking or Supplying Stock to Fill Customer's Order

(a) No Trading Permit Holder or TPH organization shall take or supply the securities named in a sell or buy order accepted for execution by such Trading Permit Holder or TPH organization for any account in which the Trading Permit Holder, TPH organization or any

other member, partner, officer or employee of the TPH organization has any direct or indirect interest of which the Trading Permit Holder knows or should have known, except as follows:

Errors. A Trading Permit Holder or TPH organization which through error or neglect has failed to execute an order may, with the consent of the customer, take or supply for the account of the Trading Permit Holder or TPH organization the securities named in the order.

Rule 53.4 Trading by a Trading Permit Holder Corporation in Its Own or Its Parent Firm's Securities

After the completion of a distribution of its securities, no TPH organization which has any publicly held securities outstanding shall effect any transaction (except on an unsolicited basis) for the account of any customer in, or make any recommendation of, any such security issued by the TPH organization or any corporation controlling, controlled by or under common control with such TPH organization.

Rule 53.5 "Long," "Short," and "Short Exempt" Sales

No Trading Permit Holder shall effect a sell order or sale of any security unless such sell order or sale is effected in compliance with Regulation SHO under the Exchange Act.

Rule 53.6 Doing Business with the Public

(a) Scope and Applicability. Except as provided in paragraph (i) of this Rule and in Rule 54.6 (applicable to stock index warrants), this Rule replaces the provisions of Chapter IX insofar as TPH organizations transact business on behalf of customers in the securities subject to the rules in these Chapters.

(b) Approval. An individual Trading Permit Holder may not transact business with the public. A TPH organization may transact business with the public after an application, submitted on a form prescribed by CBSX, has been approved by CBSX. Approval to transact business with the public shall be based on a TPH organization's meeting the general requirements set forth in these Chapters and, as applicable, the requirements set forth in Chapter IX and the net capital requirements set forth in Chapter XIII of the Rules, and such approval may be withdrawn if any of the requirements cease to be met.

(c) Duty to Know and Approve Customers. Every TPH organization shall use due diligence to learn the essential facts relative to every customer and to every order or account accepted and shall supervise diligently the handling of all customer accounts. No TPH organization shall make any transaction for the account of or with a customer unless, prior to or promptly after the completion thereof, a general partner or officer of the TPH organization shall specifically approve the opening of such account, provided, however, that in the case of a branch office the opening of an account for a customer may be approved by the manager of such branch office, but the action of such branch office manager shall within a reasonable time be approved by a general partner or officer of the TPH organization. The general partner or officer approving the opening of an account shall, prior to giving his approval, be

informed as to the essential facts relative to the customer and shall indicate his approval in writing on a document which will become part of the permanent records of the TPH organization.

(d) Branch Offices of TPH organizations. Every TPH organization approved to do business with the public under these Chapters shall file with CBSX and keep current a list of each of its branch offices showing the location and the name of the manager of each such office. A branch office manager should have a creditable record as a Registered Representative or equivalent experience, and is expected to pass either the General Securities Principal examination or the Branch Office Manager examination.

(e) Discretionary Accounts. No TPH organization shall exercise any discretionary power in a customer's account, or accept orders for an account from any person other than the customer, unless such customer has given prior written authorization and the account has been accepted in writing by a general partner, officer or branch office manager duly designated by the TPH organization to approve the handling of such accounts.

(1) Record of Transactions. Every order entered on a discretionary basis by a partner, officer or employee of the TPH organization must be identified as such at the time of entry. A record shall be made of every transaction for an account in respect to which a TPH organization is vested with any discretionary power, such record to include the name of the customer, the quantity of stocks or other securities purchased or sold, the price, and the date and time when such transactions took place.

(2) Excessive Transactions Prohibited. No TPH organization shall effect purchases or sales of securities with or for any customer's account in respect of which the TPH organization or any partner, officer or employee of such TPH organization is vested with any discretionary power, if such purchases or sales are excessive in size or frequency in view of the financial resources and character of such account.

(3) Review of Transactions. All discretionary accounts shall receive frequent appropriate supervisory review by a person duly designated by the TPH organization (as provided in paragraph (e)(i) of this Rule) other than a person exercising discretionary authority in respect of the account. The TPH organization shall maintain written records reflecting that such accounts were reviewed as required by this Rule.

(4) Exception. The requirements of this paragraph shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite amount of a specified security shall be executed.

(f) Confirmation to Customers. Every TPH organization shall promptly furnish to each customer a written confirmation of each transaction showing the identity, quantity, and price of the security traded, the transaction date and settlement date, the commission charged, whether the transaction was executed on CBSX and whether the transaction was a purchase or sale and whether a principal or agency transaction.

(g) Communications to Customers. No TPH organization may publish, circulate or

distribute, directly or indirectly, any advertisement, sales literature or market letter that the TPH organization knows, or in the exercise of reasonable care should have known, contains any untrue statement of a material fact or is otherwise false or misleading. In addition, no TPH organization shall publish, circulate or distribute any advertisement, sales literature or market letter which fails to meet the standards set forth in this Rule. Advertisements include any material for use in any newspaper or magazine or other public media or by radio, telephone recording, motion picture or television. Sales literature and market letters include any communication for general distribution to customers or the public in which a particular security is featured or recommended, any such communication containing forecasts of business or market trends, and notices, circulars, reports, newsletters, research reports, form letters or reprints of published articles.

(1) *Making Recommendations.* In making a recommendation, whether or not labeled as such, the TPH organization must have a reasonable basis for the recommendation, and the following facts should be disclosed: the price at the time the original recommendation is made; that the TPH organization usually makes a market in the issue if such is the case; and, in addition if applicable, that the TPH organization intends to buy or sell the securities recommended for its own account, and ownership, if any, of options, rights or warrants to purchase any security of the issuer whose securities are recommended unless the extent of such ownership is merely nominal. The TPH organization must also provide or offer to furnish upon request appropriate investment information supporting the recommendations.

(2) *Promises and Exaggerated Claims Prohibited.* Advertisements, sales literature or market letters must not contain promises of specific results, exaggerated or unwarranted claims or unwarranted superlatives, opinions for which there is no reasonable basis, or forecasts of future events which are unwarranted, or which are not clearly labeled as forecasts. References to past specific recommendations may not state or imply that the recommendations were or would have been profitable to any person and that they are indicative of the general quality of the TPH organization's recommendations.

(3) *Research Reports in Advertisements.* No claim or implication may be made for research or other facilities beyond those which the TPH organization actually possesses or has reasonable capacity to provide. A market letter or report not prepared by the distributing TPH organization should state that it was prepared by another firm or organization.

(4) *Approval; Retention of Records.* All advertisements, market letters and sales literature prepared and issued by a TPH organization for which this Exchange is the designated examining authority shall be approved by a partner or officer of the TPH organization. Market letters and sales literature which refer to the market or to specific companies or securities shall be retained for at least three years by the TPH organization. The copies retained shall contain the name of partner or officer approving its issuance and the name or names of the persons who prepared the material, and shall at all times within the three-year period be readily available for examination by the Exchange.

(h) Supervision of Accounts. Every TPH organization shall develop and implement a

written program for the review of the organization's non-Trading Permit Holder customer accounts and all orders in such accounts. This program shall be at the direction of a senior supervisor specifically identified to CBSX who is an officer (in the case of a corporation) or a general partner (in the case of a partnership) of the TPH organization.

(1) The identified senior supervisor, in meeting his responsibilities for supervision of non-Trading Permit Holder customers' accounts and orders, may delegate to qualified employees responsibilities and authority for supervision and control of each branch office, provided that the senior supervisor shall have overall authority and responsibility for establishing appropriate procedures of supervision and control over such employees. A TPH organization without experienced senior personnel may be subject to agreements with CBSX appropriately limiting the scope of its activity.

(2) Every TPH organization shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-Trading Permit Holder customer accounts, and all orders in such accounts.

(3) Every TPH organization shall maintain, at the principal supervisory office having jurisdiction over the office servicing a customer's account, information to permit review of each customer's account on a timely basis to determine (i) the compatibility of the investments to the investment objectives and the types of transactions for which the account was approved; (ii) the size and frequency of transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any security; and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

(i) Applicability of Chapter IX. Rules 9.3 through 9.5, 9.12 through 9.14, 9.16 through 9.20, and 9.22 apply to transactions in the securities that are the subject of these Chapters.

. . . *Interpretations and Policies:*

.01 CBSX recommends that currency warrants be sold only to customers whose accounts have been approved for options trading pursuant to Rule 9.7. However, if a TPH organization undertakes to effect a transaction in currency warrants for a customer whose account has not been approved for options trading, such TPH organization should make a careful determination that such warrants are not unsuitable for such customer.

.02 Customers should be provided with an explanation of any special characteristics and risks attendant to trading UIT interests. Before a TPH organization, an officer, a partner, or an employee of such a TPH organization, undertakes to recommend a transaction in the component securities resulting from the subdivision or separation of any UIT interest or in units that may be divided into such component securities, such TPH organization, officer, partner or employee should make a determination that such component securities or units are not unsuitable for such customer, and the person making the recommendation should have a reasonable basis for believing, at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks and the special characteristics of the

recommended transaction and is financially able to bear the risks of such transaction.

.03 Paragraph (e) of this Rule shall not apply to customer accounts as to which a TPH organization exercises discretion to trade in index warrants or in UIT interests, and any such account shall instead be subject to the provisions of Rule 9.10.

Rule 53.7 CBSX Record of Written Complaints

(a) Each CBSX Trader shall keep and preserve for a period of not less than five years a file of all written complaints of customers and action taken by the CBSX Trader in respect thereof, if any. Further, for the first two years of the five-year period, the CBSX Trader shall keep such file in a place readily accessible to examination or spot checks.

(b) Upon request by CBSX, a CBSX trader shall forward promptly to CBSX any written complaints requested and a report of the action taken thereon.

(c) A "complaint" shall mean any written statement of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of a CBSX Trader or persons under the control of the CBSX Trader in connection with:

(1) The solicitation or execution of any transaction conducted or contemplated to be conducted through the facilities of the CBSX, or

(2) The disposition of securities or funds of that customer which activities are related to such a transaction.

Rule 53.8 Best Execution and Interpositioning

(a)(1) In any transaction for or with a customer or a customer of another broker-dealer, a Trading Permit Holder and persons associated with a Trading Permit Holder shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Among the factors that will be considered in determining whether a Trading Permit Holder or person associated with a Trading Permit Holder has used "reasonable diligence" are:

(A) the character of the market for the security (e.g., price, volatility, relative liquidity, and pressure on available communications);

(B) the size and type of transaction;

(C) the number of markets checked;

(D) accessibility of the quotation; and

(E) the terms and conditions of the order which result in the transaction, as communicated to the Trading Permit Holder and persons associated with the

Trading Permit Holder.

(2) In any transaction for or with a customer or a customer of another broker-dealer, no Trading Permit Holder or person associated with a Trading Permit Holder shall interject a third party between the Trading Permit Holder or the person associated with a Trading Permit Holder and the best market for the subject security in a manner inconsistent with paragraph (a)(1) of this Rule.

(b) When a Trading Permit Holder cannot execute directly with a market but must employ a broker's broker or some other means in order to ensure an execution advantageous to the customer, the burden of showing the acceptable circumstances for doing so is on the Trading Permit Holder.

(c) Failure to maintain or adequately staff a department assigned to execute customers' orders cannot be considered justification for executing away from the best available market; nor can channeling orders through a third party as described above as reciprocation for service or business operate to relieve a Trading Permit Holder of its obligations under this Rule.

(d) A Trading Permit Holder through which an order is channeled and that knowingly is a party to an arrangement whereby the initiating Trading Permit Holder has not fulfilled its obligations under this Rule will also be deemed to have violated this Rule.

(e) The obligations described in paragraphs (a) through (d) above exist not only when the Trading Permit Holder acts as agent for the account of its customer but also when transactions are executed as principal.

. . . *Interpretations and Policies:*

.01 *Execution of Marketable Customer Orders.* A Trading Permit Holder must make every effort to execute a marketable customer order that it receives fully and promptly.

.02 *Definition of "Market."* For the purposes of Rule 53.8 and the accompanying Interpretations and Policies, the term "market" or "markets" is to be construed broadly, and it encompasses a variety of different venues, including, but not limited to, market centers that are trading a particular security. This expansive interpretation is meant to both inform broker-dealers as to the breadth of the scope of venues that must be considered in the furtherance of their best execution obligations and to promote fair competition among broker-dealers, exchange markets, and markets other than exchange markets, as well as any other venue that may emerge, by not mandating that certain trading venues have less relevance than others in the course of determining a firm's best execution obligations.

.03 *Best Execution and Executing Brokers.* A Trading Permit Holder's duty to provide best execution in any transaction "for or with a customer of another broker-dealer" does not apply in instances when another broker-dealer is simply executing a customer order against the Trading Permit Holder's quote. The duty to provide best execution to customer orders received from other broker-dealers arises only when an order is routed from the broker-

dealer to the Trading Permit Holder for the purpose of order handling and execution. This clarification is intended to draw a distinction between those situations in which the Trading Permit Holder is acting solely as the buyer or seller in connection with orders presented by a broker-dealer against the Trading Permit Holder's quote, as opposed to those circumstances in which the Trading Permit Holder is accepting order flow from another broker-dealer for the purpose of facilitating the handling and execution of such orders.

.04 *Use of a Broker's Broker*. Paragraph (b) of Rule 53.8 provides that when a Trading Permit Holder cannot execute directly with a market but must employ a broker's broker or some other means in order to ensure an execution advantageous to the customer, the burden of showing the acceptable circumstances for doing so is on the Trading Permit Holder. Examples of acceptable circumstances are where a customer's order is "crossed" with another firm that has a corresponding order on the other side, or where the identity of the firm, if known, would likely cause undue price movements adversely affecting the cost or proceeds to the customer.

.05 *Orders Involving Securities with Limited Quotations or Pricing Information*. Although the best execution requirements in Rule 53.8 apply to orders in all securities, markets for securities differ dramatically. One of the areas in which a Trading Permit Holder must be especially diligent in ensuring that it has met its best execution obligations is with respect to customer orders involving securities for which there is limited pricing information or quotations available. Each Trading Permit Holder must have written policies and procedures in place that address how the Trading Permit Holder will determine the best inter-dealer market for such a security in the absence of pricing information or multiple quotations and must document its compliance with those policies and procedures. For example, a Trading Permit Holder should analyze pricing information based on other data, such as previous trades in the security, to determine whether the resultant price to the customer is as favorable as possible under prevailing market conditions. In these instances, a Trading Permit Holder should generally seek out other sources of pricing information or potential liquidity, which may include obtaining quotations from other sources (e.g., other firms that the Trading Permit Holder previously has traded with in the security).

.06 *Customer Instructions Regarding Order Handling*. If a Trading Permit Holder receives an unsolicited instruction from a customer to route that customer's order to a particular market for execution, the Trading Permit Holder is not required to make a best execution determination beyond the customer's specific instruction. Trading Permit Holders are, however, still required to process that customer's order promptly and in accordance with the terms of the order. Where a customer has directed that an order be routed to another specific broker-dealer that is also a Trading Permit Holder, the receiving Trading Permit Holder to which the order was directed would be required to meet the requirements of Rule 53.8 with respect to its handling of the order.

.07 *Regular and Rigorous Review of Execution Quality*.

(a) No Trading Permit Holder can transfer to another person its obligation to provide best execution to its customers' orders. A Trading Permit Holder that routes customer orders to other broker-dealers for execution on an automated, non-discretionary basis, as well as a

Trading Permit Holder that internalizes customer order flow, must have procedures in place to ensure the Trading Permit Holder periodically conducts regular and rigorous reviews of the quality of the executions of its customers' orders if it does not conduct an order-by-order review. The review must be conducted on a security-by-security, type-of-order basis (e.g., limit order, market order, and market on open order). At a minimum, a Trading Permit Holder must conduct such reviews on a quarterly basis; however, Trading Permit Holders should consider, based on the firm's business, whether more frequent reviews are needed.

(b) In conducting its regular and rigorous review, a Trading Permit Holder must determine whether any material differences in execution quality exist among the markets trading the security and, if so, modify the Trading Permit Holder's routing arrangements or justify why it is not modifying its routing arrangements. To assure that order flow is directed to markets providing the most beneficial terms for their customers' orders, the Trading Permit Holder must compare, among other things, the quality of the executions the Trading Permit Holder is obtaining via current order routing and execution arrangements (including the internalization of order flow) to the quality of the executions that the Trading Permit Holder could obtain from competing markets. In reviewing and comparing the execution quality of its current order routing and execution arrangements to the execution quality of other markets, a Trading Permit Holder should consider the following factors:

(1) price improvement opportunities (i.e., the difference between the execution price and the best quotes prevailing at the time the order is received by the market);

(2) differences in price disimprovement (i.e., situations in which a customer receives a worse price at execution than the best quotes prevailing at the time the order is received by the market);

(3) the likelihood of execution of limit orders;

(4) the speed of execution;

(5) the size of execution;

(6) transaction costs;

(7) customer needs and expectations; and

(8) the existence of internalization or payment for order flow arrangements.

(c) A Trading Permit Holder that routes its order flow to another Trading Permit Holder that has agreed to handle that order flow as agent for the customer (e.g., a clearing firm or other executing broker-dealer) can rely on that Trading Permit Holder's regular and rigorous review as long as the statistical results and rationale of the review are fully disclosed to the Trading Permit Holder and the Trading Permit Holder periodically reviews how the review is conducted, as well as the results of the review.

Rule 53.9 Responsible Persons

The term "Responsible Person" shall mean an individual designated by a CBSX Trader to represent the CBSX Trader in all matters relating to the Exchange. Each CBSX Trader must designate an individual as the Responsible Person for the CBSX Trader. If a CBSX Trader is an individual (and not an organization), that individual will automatically be designated as the CBSX Trader's Responsible Person. The Responsible Person must be affiliated with the CBSX Trader. The Responsible Person must be a United States-based officer, director or management-level employee of the CBSX Trader, who is responsible for the direct supervision and control of Associated Persons of that CBSX Trader.

SECTION B: CBSX REMOTE MARKET-MAKERS

Rule 53.20 CBSX Remote Market-Maker Defined

A CBSX Remote Market-Maker for purposes of the rules in Chapter 50 through 55 is an individual (either a Trading Permit Holder or nominee of a TPH organization) who is registered with CBSX for the purpose of making transactions as a dealer-specialist in the CBSX System in accordance with the provisions of these Chapters. Registered CBSX Remote Market-Makers are designated as specialists on CBSX for all purposes under the Securities Exchange Act of 1934 and the Rules and Regulations thereunder. CBSX Remote Market-Makers may only operate in a remote capacity.

Rule 53.21 Registration of CBSX Remote Market-Makers

(a) An applicant for registration as a CBSX Remote Market-Maker shall file its application in writing with CBSX on such form or forms as CBSX may prescribe. After reviewing the application, CBSX shall either approve or disapprove the applicant's registration as a CBSX Remote Market-Maker.

(b) The registration of any person or entity as a CBSX Remote Market-Maker may be suspended or terminated by CBSX upon a determination that such person or entity has failed to properly perform as a CBSX Remote Market-Maker.

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

Rule 53.22 Appointment of CBSX Remote Market-Makers

(a) In a manner prescribed by CBSX, a registered CBSX Remote Market-Maker (other than CBSX DPMs and CBSX LMMs) may select an Appointment (having the obligations of Rule 53.23) in one or more non-option securities traded on CBSX. CBSX may also appoint a registered CBSX Remote Market-Maker in one or more non-option securities traded on CBSX. In making such Appointments, CBSX shall give attention to (1) the preference of registrants; (2) the maintenance and enhancement of competition among CBSX Remote Market-Makers in each security; and (3) assuring that financial resources available to a CBSX Remote Market-Maker enable it to satisfy the obligations set forth in Rule 53.23 with respect to each security for which it is appointed. CBSX may arrange two or more securities

into groupings and make Appointments to those groupings rather than to individual securities. CBSX may suspend or terminate any Appointment of a CBSX Remote Market-Maker under this Rule and may make additional Appointments whenever the interests of a fair and orderly market are best served by such action.

(b) A CBSX Remote Market-Maker's refusal to accept an Appointment may be deemed sufficient cause for termination or suspension of a CBSX Remote Market-Maker's registration.

(c) CBSX may limit the number of securities which a CBSX Remote Market-Maker may trade outside of its Appointment on the CBSX System on a daily basis or for some other designated period of time. Unless exempted by CBSX, to the extent a CBSX Remote Market-Maker trades in a security on the CBSX System outside its Appointment, that CBSX Remote Market-Maker becomes subject to the requirements of Rule 53.23 for that security for that day or for a designated period as determined by CBSX.

Rule 53.23 Obligations of CBSX Remote Market-Makers

(a) *General.* Transactions of a CBSX Remote Market-Maker should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no CBSX Remote Market-Maker should enter into transactions or make bids or offers that are inconsistent with such a course of dealings.

(1) With respect to each security for which it holds an Appointment, a CBSX Remote Market-Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for its own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, or a temporary disparity between the supply of and demand for a particular security. Without limiting the foregoing, a CBSX Remote Market-Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(A) To compete with other CBSX Market-Makers to improve markets in all securities in which the CBSX Remote Market-Maker holds an Appointment.

(B) To make markets which, absent changed market conditions, will be honored for the number of shares entered into the CBSX System in all securities in which the CBSX Remote Market-Maker holds an Appointment.

(2) The following percentage requirement applies to CBSX Remote Market-Maker trading activity for each quarter of a calendar year, except for unusual circumstances as determined by CBSX. CBSX may assign a weighting factor based on volume to one or more securities in connection with the following requirement.

(A) Respecting distribution of trading activity, at least 75 percent of a CBSX Remote Market-Maker's total dollar amount on CBSX must be in securities to which it has an Appointment.

(b) *Securities Other than those to which Appointed.* With respect to securities in which it does not hold an Appointment, a CBSX Remote Market-Maker should not engage in transactions for an account in which it has an interest which are disproportionate in relation to, or in derogation of, the performance of its obligations as specified in this Rule with respect to those securities to which it does hold an Appointment.

. . . Interpretations and Policies:

.01 A Remote Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Interpretation and Policy.

(a) Two-Sided and Minimum Size Obligations. For each security in which the CBSX Remote Market-Maker holds an Appointment, the CBSX Remote Market-Maker shall be willing to buy and sell such security for its own account on a continuous basis by entering and maintaining two-sided quotes when the CBSX Remote Market-Maker is quoting in the security during CBSX Regular Trading Hours; provided, however, that such obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor (the "Two-Sided Obligation"). The interest eligible to be considered as part of a CBSX Remote Market-Maker's Two-Sided Obligation shall have a minimum size of at least one normal unit of trading (or a larger multiple thereof); provided, however, that a CBSX Remote Market-Maker may augment its Two-Sided Obligation size to display limit orders/quotes priced at the same price as the Two-Sided Obligation. Unless otherwise designated, a "normal unit of trading" shall be 100 shares. After an execution against the CBSX Remote Market-Maker's Two-Sided Obligation, a Market Maker must ensure that additional trading interest exists in the Exchange to satisfy the CBSX Remote Market-Maker's Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on the Exchange book that will satisfy this obligation.

(b) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) a CBSX Remote Market-Maker shall adhere to the pricing obligations established under this Interpretation and Policy during CBSX Regular Trading Hours; provided, however, that such obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor.

(A) Bid Quotations. At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage away from the then current National Best Bid, or if no National Best Bid, not more than

the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the National Best Bid (or, if no National Best Bid, the last reported sale, as applicable) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (or, if no National Best Bid, the last reported sale), or if the bid is executed or cancelled, the CBSX Remote Market-Maker shall enter new bid interest at a price not more than the Designated Percentage away from the then current National Best Bid (or, if no National Best Bid, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(B) Offer Quotations. At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be not more than the Designated Percentage away from the then current National Best Offer, or if no National Best Offer, not more than the Designated Percentage away from the last reported sale received from the responsible single plan processor. In the event that the National Best Offer (or, if no National Best Offer, the last reported sale) decreases to a level that would cause the offer interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Offer (or if no National Best Offer, the last reported sale), or if the offer is executed or cancelled, the CBSX Remote Market-Maker shall enter new offer interest at a price not more than the Designated Percentage away from the then current National Best Offer (or, if no National Best Offer, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(C) The National Best Bid and Offer shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

(D) For purposes of this Interpretation and Policy, the "Designated Percentage" shall be 8% for stocks subject to Rule 6.3C.03(a), 28% for stocks subject to Rule 6.3C.03(b), and 30% for stocks subject to 6.3C.03(c), except that between 8:30 a.m. and 8:45 a.m. and between 2:35 p.m. and the close of trading, when Rule 6.3C is not in effect, the Designated Percentage shall be 20% for stocks subject to Rule 6.3C.03(a), 28% for stocks subject to Rule 6.3C.03(b), and 30% for stocks subject to Rule 6.3C.03(c).

(E) For purposes of this Interpretation and Policy, the "Defined Limit" shall be 9.5% for stocks subject to Rule 6.3C.03(a), 29.5% for stocks subject to Rule 6.3C.03(b), and 31.5% for stocks subject to Rule 6.3C.03(c), except that between 8:30 a.m. and 8:45 a.m. and between 2:35 p.m. and the close of trading, when Rule 6.3C is not in effect, the Defined Limit shall be 21.5% for stocks subject to Rule 6.3C.03(a), 29.5% for stocks subject to Rule 6.3C.03(b), and 31.5% for stocks subject to Rule 6.3C.03(c).

(F) Nothing in this Rule shall preclude a Market-Maker from quoting at price levels that are closer to the National Best Bid and Offer than the levels required by this Interpretation and Policy.

Rule 53.24 Quote Maintenance

(a) *Generally.* A CBSX Remote Market-Maker will have the following functional capabilities for maintaining its quotes in the CBSX Book:

(1) A CBSX Remote Market-Maker may delete or cancel a specific quote;

(2) A CBSX Remote Market-Maker may delete or cancel all of its quotes;

(3) A CBSX Remote Market-Maker may inactivate its quotes for a certain period of time, if the CBSX System is so enabled; and

(4) A CBSX Remote Market-Maker may cancel/replace or update an existing quote.

(b) *Managing Quote Traffic.* CBSX may set limits on the quote and order traffic that is sent to the CBSX System to prevent the CBSX System from becoming overloaded. To the extent that CBSX allows for varying quote/order traffic limits by CBSX Market-Makers, such limits shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

(c) *Logoff.* A CBSX Market-Maker's logoff from the CBSX System will cause the CBSX System to delete all its quotes from the CBSX Book. Non-quote orders will remain in the CBSX Book unless they are expiring orders.

Rule 53.25 Trading Permit Holder Connectivity

(a) Market participants with authorized access may access CBSX electronically to facilitate quote and order entry via an "Application Programming Interface" ("API") such as a Cboe Market Interface ("CMi") API and/or the industry-standard Financial Information eXchange ("FIX") Protocol. Multiple versions of an API may exist and be made available to all authorized market participants. Market participants may select which of these available APIs they would like to use to connect to the CBSX System.

(b) CBSX may limit the number of CBSX Remote Market-Makers that may access the CBSX System through an API (or the number of messages sent by CBSX Remote Market-Makers accessing the CBSX System through an API) in order to protect the integrity of the CBSX System. In addition, CBSX may impose restrictions on the use of a computer connected through an API if it believes such restrictions are necessary to ensure the proper performance of the CBSX System.

SECTION C: CBSX DESIGNATED PRIMARY / LEAD MARKET-MAKERS

Rule 53.50 CBSX DPM Defined

A "CBSX Designated Primary Market-Maker"or "CBSX DPM" is a TPH organization that is approved by CBSX to function on the CBSX System in allocated securities as a CBSX Remote Market-Maker (as defined in Rule 53.20 except for the provision that CBSX Remote Market-Makers must act in a remote capacity) with the additional obligations provided for in this Section C of Chapter 53. Determinations concerning whether to grant or withdraw the approval to act as a CBSX DPM are made by CBSX in accordance with Rules

53.53- 53.55. CBSX DPMs are allocated securities by CBSX in accordance with Rule 53.54.

Rule 53.51 CBSX LMM Defined

A "CBSX Lead Market-Maker" or "CBSX LMM" is a TPH organization that is approved by CBSX to function on the CBSX System in allocated securities as a CBSX Remote Market-Maker (as defined in Rule 53.20 except for the provision that CBSX Remote Market-Makers must act in a remote capacity) with the additional obligations provided for in this Section C of Chapter 53. Determinations concerning whether to grant or withdraw the approval to act as a CBSX LMM are made by CBSX in accordance with Rules 53.53-53.55. CBSX may appoint one or more CBSX LMMs to a security traded on the CBSX System if such security has not been assigned to a CBSX DPM. If CBSX appoints more than one CBSX LMM per trading session to a security traded on the CBSX System, the appointed CBSX LMMs will function as CBSX LMMs on a rotating basis in accordance with a schedule set by CBSX. CBSX LMMs will have the obligations of CBSX Remote Market-Makers plus those additional obligations of CBSX DPMs. All references in these Chapters 50-55 to CBSX DPMs shall apply to CBSX LMMs also unless the context dictates otherwise.

Rule 53.52 Reserved

Reserved

Rule 53.53 Approval to Act as a CBSX DPM

(a) A TPH organization desiring to be approved to act as a CBSX DPM shall file an application with CBSX on such form or forms as CBSX may prescribe.

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

(1) adequacy of capital;

(2) operational capacity;

(3) trading experience and observance of generally accepted standards of conduct by the applicant, its associated persons, and the individuals who will represent the applicant in its capacity as a CBSX DPM;

(4) number and experience of support personnel of the applicant who will be performing functions related to the applicant's CBSX DPM business;

(5) regulatory history of adherence to Exchange Rules by the applicant, its associated persons, and the individuals who will represent the applicant in its capacity as a CBSX

DPM;

(6) willingness and ability of the applicant to promote CBSX as a marketplace;

(7) performance evaluations conducted pursuant to CBSX Rules; and

(8) in the event that one or more shareholders, directors, officers, partners, managers, members, or other principals of an applicant is or has previously been a shareholder, director, officer, partner, manager, member, or other principal in another CBSX DPM or DPM, adherence by such CBSX DPM to the requirements set forth in CBSX rules regarding CBSX DPM responsibilities and obligations during the time period in which such person(s) held such position(s) with the CBSX DPM.

(c) Each applicant for approval as a CBSX DPM will be given an opportunity to present any matter which it wishes CBSX to consider in conjunction with the approval decision. CBSX may require that a presentation be solely or partially in writing, and may require the submission of additional information from the applicant or individuals associated with the applicant. Formal rules of evidence shall not apply to these proceedings.

(d) In selecting an applicant for approval as a CBSX DPM, CBSX may place one or more conditions on the approval, including, but not limited to, conditions concerning the capital, operations, or personnel of the applicant and the number or type of securities which may be allocated to the applicant.

(e) Each CBSX DPM shall retain its approval to act as a CBSX DPM until CBSX relieves the CBSX DPM of its approval and obligations to act as a CBSX DPM or CBSX terminates the CBSX DPM's approval to act as a CBSX DPM.

(f) If a TPH organization resigns as a CBSX DPM or if CBSX terminates or otherwise limits its approval to act as a CBSX DPM, CBSX shall have the discretion to do one or both of the following:

(1) approve an interim CBSX DPM, pending the final approval of a new CBSX DPM pursuant to paragraphs (a) through (d) of this Rule; and

(2) allocate on an interim basis to another CBSX DPM or to other CBSX DPMs the securities that were allocated to the affected CBSX DPM, pending a final allocation of such securities pursuant to Rule 53.54.

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

Rule 53.54 Allocation of Securities to CBSX DPMs

(a) CBSX may establish minimum eligibility standards applicable to all CBSX DPMs which must be satisfied in order for a CBSX DPM to receive allocations of securities, including but not limited to standards relating to adequacy of capital and number of personnel.

(b) CBSX shall determine, for each security in which CBSX resolves to appoint a CBSX DPM, which CBSX DPM should be allocated such security. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness, expressed preferences of issuers, and the best interest of CBSX. Alternatively, in instances where multiple securities are being allocated at one time, CBSX may allocate such securities utilizing a draft where the draft selection order for the eligible CBSX DPMs is determined randomly by CBSX.

Rule 53.55 Termination, Conditioning, or Limiting Approval to Act as a CBSX DPM

(a) CBSX may terminate, place conditions upon, or otherwise limit a TPH organization's approval to act as a CBSX DPM under any one or more of the following circumstances:

(1) if the TPH organization incurs a material financial, operational, or personnel change;

(2) if the TPH organization fails to comply with any of the requirements under this Section C of Chapter 53 or the applicable provisions of Section C of Chapter VIII or fails to adequately satisfy the standards of performance conducted by CBSX under Rule 8.88(a);

(3) if for any reason the TPH organization should no longer be eligible for approval to act as a CBSX DPM or to be allocated a particular security or securities;

(4) if the TPH organization routinely fails to adhere to the requirements applicable to any CBSX DPM fee incentive program that CBSX may employ from time to time in which heightened quoting benchmarks must be met in order to qualify for discounted CBSX fees.

Before CBSX takes action to terminate, condition, or otherwise limit a TPH organization's approval to act as a CBSX DPM, the TPH organization will be given notice of such possible action and an opportunity to present any matter which it wishes CBSX to consider in determining whether to take such action. Such proceedings shall be conducted in the same manner as CBSX proceedings concerning CBSX DPM approvals which are governed by Rule 53.53(c).

(b) Notwithstanding the provisions of paragraph (a) of this Rule, CBSX has the authority to immediately terminate, condition, or otherwise limit a TPH organization's approval to act as a CBSX DPM if it incurs a material financial, operational, or personnel change warranting such action or if the TPH organization fails to comply with any of the financial requirements of Rule 8.86.

(c) Limiting a TPH organization's approval to act as a CBSX DPM may include, among other things, limiting or withdrawing the TPH organization's CBSX DPM participation entitlement provided for under Rule 53.57, and withdrawing the right of the TPH organization to act in the capacity of a CBSX DPM in a particular security or securities

which have been allocated to the TPH organization.

(d) If a TPH organization's approval to act as a CBSX DPM is terminated, conditioned, or otherwise limited by CBSX pursuant to this Rule, the TPH organization may seek review of that decision under Chapter XIX of the Rules.

Rule 53.56 CBSX DPM Obligations

(a) Each CBSX DPM shall fulfill all of the obligations of a CBSX Remote Market-Maker under the Rules, and shall satisfy each of the following requirements, in respect of each of the securities allocated to the CBSX DPM:

(1) assure that its disseminated market quotations are accurate;

(2) Reserved;

(3) Reserved

(4) provide continuous quotes during CBSX Regular Trading Hours in all of the stocks, IPRs and IPSs assigned to a CBSX DPM; and

(5) segregate in a manner prescribed by CBSX (A) all transactions consummated by the CBSX DPM in securities allocated to the CBSX DPM and (B) any other transactions consummated by or on behalf of the CBSX DPM that are related to the CBSX DPM's DPM business.

To the extent that there is any inconsistency between the specific obligations of a CBSX DPM set forth in sub-paragraphs (a)(1) through (a)(5) of this Rule and the general obligations of a CBSX DPM under the Rules, sub-paragraphs (a)(1) through (a)(5) shall govern.

(b) *Other Obligations.* In addition to the obligations described in paragraph (a) of this Rule, a CBSX DPM shall fulfill each of the following obligations:

(1) act to increase CBSX order flow in the securities which are allocated to the CBSX DPM and respond to competitive developments by improving market quality and service and otherwise acting to increase CBSX's market share in those securities;

(2) promptly inform CBSX of any desired change in the individuals who represent the CBSX DPM at the CBSX Floor Post and of any material change in the financial or operational condition of the CBSX DPM;

(3) Reserved.

(4) continue to act as a CBSX DPM and to fulfill all of the CBSX DPM's obligations as a CBSX DPM until CBSX relieves the CBSX DPM of its approval and obligations to act as a CBSX DPM or CBSX terminates the CBSX DPM's approval to act as a CBSX

DPM; and

(5) segregate in a manner prescribed by CBSX the CBSX DPM's business and activities as a CBSX DPM from the CBSX DPM's other business and activities.

(c) *Obligations of CBSX DPM Associated Persons.* Each person associated with a CBSX DPM shall be obligated to comply with the provisions of this Rule when acting on behalf of the CBSX DPM.

. . . *Interpretations and Policies:*

.01 A DPM shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Interpretation and Policy.

(a) Two-Sided and Minimum Size Obligations. For each security allocated to the CBSX DPM, the CBSX DPM shall be willing to buy and sell such security for its own account on a continuous by entering and maintaining two-sided quotes in accordance with Rule 53.56(a)(4) during CBSX Regular Trading Hours; provided, however, that such obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor (the "Two-Sided Obligation"). The interest eligible to be considered as part of a CBSX DPM's Two-Sided Obligation shall have a minimum size of at least one normal unit of trading (or a larger multiple thereof); provided, however, that a CBSX DPM may augment its Two-Sided Obligation size to display limit orders/quotes priced at the same price as the Two-Sided Obligation. Unless otherwise designated, a "normal unit of trading" shall be 100 shares. After an execution against the CBSX DPM's Two-Sided Obligation, a Market Maker must ensure that additional trading interest exists in the Exchange to satisfy the CBSX DPM's Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on the Exchange book that will satisfy this obligation.

(b) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) a CBSX DPM shall adhere to the pricing obligations established under this Interpretation and Policy during CBSX Regular Trading Hours; provided, however, that such obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor.

(A) Bid Quotations. At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage

away from the then current National Best Bid, or if no National Best Bid, not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the National Best Bid (or, if no National Best Bid, the last reported sale, as applicable) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (or, if no National Best Bid, the last reported sale), or if the bid is executed or cancelled, the CBSX DPM shall enter new bid interest at a price not more than the Designated Percentage away from the then current National Best Bid (or, if no National Best Bid, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(B) Offer Quotations. At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be not more than the Designated Percentage away from the then current National Best Offer, or if no National Best Offer, not more than the Designated Percentage away from the last reported sale received from the responsible single plan processor. In the event that the National Best Offer (or, if no National Best Offer, the last reported sale) decreases to a level that would cause the offer interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Offer (or, if no National Best Offer, the last reported sale), or if the offer is executed or cancelled, the CBSX DPM shall enter new offer interest at a price not more than the Designated Percentage away from the then current National Best Offer (or, if no National Best Offer, the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(C) The National Best Bid and Offer shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

(D) For purposes of this Interpretation and Policy, the "Designated Percentage" shall be 8% for stocks subject to Rule 6.3C.03(a), 28% for stocks subject to Rule 6.3C.03(b), and 30% for stocks subject to 6.3C.03(c), except that between 8:30 a.m. and 8:45 a.m. and between 2:35 p.m. and the close of trading, when Rule 6.3C is not in effect, the Designated Percentage shall be 20% for stocks subject to Rule 6.3C.03(a), 28% for stocks subject to Rule 6.3C.03(b), and 30% for stocks subject to Rule 6.3C.03(c).

(E) For purposes of this Interpretation and Policy, the "Defined Limit" shall be 9.5% for stocks subject to Rule 6.3C.03(a), 29.5% for stocks subject to Rule 6.3C.03(b), and 31.5% for stocks subject to Rule 6.3C.03(c), except that between 8:30 a.m. and 8:45 a.m. and between 2:35 p.m. and the close of trading, when Rule 6.3C is not in effect, the Defined Limit shall be 21.5% for stocks subject to Rule 6.3C.03(a), 29.5% for stocks subject to Rule 6.3C.03(b), and 31.5% for stocks subject to Rule 6.3C.03(c).

(F) Nothing in this Rule shall preclude a Market-Maker from quoting at price levels that are closer to the National Best Bid and Offer than the levels required by this Interpretation and Policy.

Rule 53.57 Participation Right of CBSX DPMs

(a) CBSX may establish from time to time a participation right formula that is applicable to all CBSX DPMs. The maximum guaranteed participation right percentage for a CBSX DPM shall be 40%, although the participation of a CBSX DPM on any particular trade may be greater if the applicable allocation and priority rules provide for a pro rata distribution.

(b) To the extent established pursuant to paragraph (a) of this Rule and pursuant to the applicable trading allocation and priority rules, each CBSX DPM shall have a right to participate for its own account with the other CBSX Traders in transactions in securities allocated to the CBSX DPM that occur at the CBSX DPM's previously established bid or offer whether the bid or offer was established by a quote or an order.

SECTION D: CBSX BROKERS

Rule 53.60 CBSX Broker Defined

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

Rule 53.61 Registration of CBSX Brokers

(a) An applicant for registration as a CBSX Broker shall file his or its application in writing with CBSX on such form or forms as CBSX may prescribe. Applications shall be reviewed by CBSX, which shall consider an applicant's ability as demonstrated by passing an examination prescribed by CBSX, and such other factors as CBSX deems appropriate. After reviewing the application, CBSX shall either approve or disapprove the applicant's registration as a CBSX Broker.

(b) The registration of a CBSX Broker may be suspended or terminated by CBSX upon a determination that it has failed to properly perform as a CBSX Broker.

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

(d) A CBSX Broker must receive authorization, in a manner prescribed by CBSX, by a Clearing Trading Permit Holder prior to entering orders for a Clearing Trading Permit Holder.

CHAPTER LIV SPECIAL PRODUCT PROVISIONS

Rule 54.1 Special Provisions for IPRs

(a) *Designation of an index or portfolio.* CBSX may list or trade IPRs (as defined in Interpretations and Policies .02 following Rule 1.1) based on one or more stock indices or securities portfolios. The IPRs based on each particular stock index or portfolio shall be designated as a separate series and shall be identified by a unique symbol. The stocks that are included in an index or portfolio on which IPRs are based shall be selected by CBSX or its agent or by such other person as shall have a proprietary interest in and authorized use of such index or portfolio, and may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

(b) *Disclosures.* The provisions of this subparagraph apply only to series of IPRs that are the subject of an order by the Securities and Exchange Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and are not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. CBSX will inform Trading Permit Holders and TPH organizations regarding application of the provisions of this subparagraph to a particular series of IPRs by means of an Information Circular prior to commencement of trading in such series.

CBSX requires that Trading Permit Holders and TPH organizations provide to all purchasers of a series of IPRs a written description of the terms and characteristics of such securities, in a form approved by CBSX or prepared by the unit investment trust issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, Trading Permit Holders and TPH organizations shall include such a written description with any sales material relating to a series of IPRs that is provided to customers or the public. Any other written materials provided by a Trading Permit Holder or TPH organization to customers or the public making specific reference to a series of IPRs as an investment vehicle must include a statement in substantially the following form: “A circular describing the terms and characteristics of is available from your broker or CBSX. It is recommended that you obtain and review such circular before purchasing. In addition, upon request you may obtain from your broker a prospectus for.” A Trading Permit Holder or TPH organization carrying an omnibus account for a non-Trading Permit Holder broker-dealer is required to inform such non-Trading Permit Holder that execution of an order to purchase a series of IPRs for such omnibus account will be deemed to constitute agreement by the non-Trading Permit Holder to make such written description available to its customers on the same terms as are directly applicable to Trading Permit Holders and TPH organizations under this rule. Upon request of a customer, a Trading Permit Holder or TPH organization shall also provide a prospectus for the particular series of IPRs.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112); June 18, 2010 (10-

058).

Rule 54.2 Special Provisions for IPSs

(a) *Designation of an index or portfolio.* CBSX may list and trade Index Portfolio Shares (as defined in Interpretations and Policies .03 following Rule 1.1) based on one or more foreign or domestic stock indexes or securities portfolios. Each issue of Index Portfolio Shares based on each particular stock index or portfolio shall be designated as a separate series and shall be identified by a unique symbol. The stocks that are included in an index or portfolio on which a series of Index Portfolio Shares is based shall be selected by CBSX or its agent or by such other person as shall have authorized use of such index or portfolio. Such index or portfolio may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

(b) *Disclosures.* The provisions of this subparagraph apply only to series of IPSs that are the subject of an order by the Securities and Exchange Commission exempting such series from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and are not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. CBSX will inform Trading Permit Holders and TPH organizations regarding application of the provisions of this subparagraph to a particular series of IPSs by means of an Information Circular prior to commencement of trading in such series.

CBSX requires that Trading Permit Holders and TPH organizations provide to all purchasers of a series of IPSs a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, Trading Permit Holders and TPH organizations shall include such a written description with any sales material relating to a series of IPSs that is provided to customers or the public. Any other written materials provided by a Trading Permit Holder or TPH organization to customers or the public making specific reference to a series of IPSs as an investment vehicle must include a statement in substantially the following form: “A circular describing the terms and characteristics of has been prepared by the and is available from your broker or CBSX. It is recommended that you obtain and review such circular before purchasing. In addition, upon request you may obtain from your broker a prospectus for.”

A Trading Permit Holder or TPH organization carrying an omnibus account for a non-Trading Permit Holder broker-dealer is required to inform such non-Trading Permit Holder that execution of an order to purchase a series of IPSs for such omnibus account will be deemed to constitute agreement by the non-Trading Permit Holder to make such written description available to its customers on the same terms as are directly applicable to Trading Permit Holders and TPH organizations under this rule.

Upon request of a customer, a Trading Permit Holder or TPH organization shall also provide a prospectus for the particular series of IPSs.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112); June 18, 2010 (10-

058).

Rule 54.3 Special Provisions for Trust Issued Receipts

(a) *Designation.* CBSX may trade, whether by listing or pursuant to unlisted trading privileges, Trust Issued Receipts (as defined in Interpretation and Policies .04 following Rule 1.1) based on one or more securities. The Trust Issued Receipts based on particular securities shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Trust Issued Receipts shall be selected by CBSX or its agent or by such other person as shall have a proprietary interest in such Trust Issued Receipts.

(b) *Trading Permit Holder obligations.* Trading Permit Holders and TPH organizations shall provide to all purchasers of newly issued Trust Issued Receipts a prospectus for the series of Trust Issued Receipts.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112); June 18, 2010 (10-058).

Rule 54.4 Transactions in Warrants

(a) Unless otherwise directed by CBSX, dealings on CBSX in an issue of warrants shall cease:

(1) In the case of book-entry warrants, at the close of business on their expiration date;

(2) In the case of all other warrants, at the close of business on the last business day preceding their expiration date.

(b) During the three final business days for trading in an issue of warrants, dealings on CBSX shall be made only for "cash." During the three business days preceding such three final business days, dealings on CBSX shall be made only "next day."

(c) All orders on the CBSX System for a class of warrants shall, on and after the third business day preceding the expiration of such class of warrants, be for "cash," and during the three preceding business days shall be for "next day" delivery unless, prior to the execution thereof, such order is canceled by the Trading Permit Holder or TPH organization that left the order on the CBSX System.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112); June 18, 2010 (10-058).

Rule 54.5 Position, Exercise, and Reportable Limits for Warrants

(a) *Broad-Based Position Limits.* Except with the prior written permission of the CBSX President or a designee, no Trading Permit Holder or TPH organization shall make, for any account in which it has an interest or for the account of any customer, a purchase or sale transaction in broad-based stock index warrants (whether on CBSX or on or through the

facilities of, or otherwise subject to the rule of, another national securities exchange or national securities association) if such Trading Permit Holder or TPH organization has reason to believe that as a result of such transaction the Trading Permit Holder or TPH organization or customer, acting alone or in concert with others, directly or indirectly controls an aggregate position in a stock index warrant issue, or in all warrants issued on the same stock index, on the same side of the market, in excess of the following position limits;

(1) Fifteen million warrants with respect to warrants on the same stock index (other than the Russell 2000 Index) with an original issue price of ten dollars or less.

(2) Twelve million five hundred thousand warrants with respect to warrants on the Russell 2000 Index with an original issue price of ten dollars or less.

(3) For broad-based stock index warrants with an original issue price greater than ten dollars, positions in these warrants must be converted to the equivalent of warrants on the same index priced initially at ten dollars by dividing the original issue price of the index warrants priced above ten dollars by ten and multiplying this number by the size of such index warrant position. After recalculating a warrant position pursuant to this paragraph (3), such recalculated warrant position shall be aggregated with other warrant positions, actual size or as recalculated pursuant to this paragraph (3), on the same underlying index and subjected to the applicable position limit set forth in paragraph (1) or (2) above.

(b) *Narrow-Based Position Limits.* (1) Subject to the procedures specified in subparagraphs (2) and (3) of this paragraph (b) and except with the prior written permission of the President or a designee, no Trading Permit Holder or TPH organization shall make, for any account in which it has an interest or for the account of any customer, a purchase or sale transaction in narrow-based stock index warrants (whether on CBSX or on or through the facilities of, or otherwise subject to the rule of, another national securities exchange or national securities association) if such Trading Permit Holder or TPH organization has reason to believe that as a result of such transaction the Trading Permit Holder or TPH organization or customer, acting alone or in concert with others, directly or indirectly controls an aggregate position in a stock index warrant issue, or in all warrants issued on the same stock index, on the same side of the market, in excess of the following position limits:

(A) 4,500,000 warrants if CBSX determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (b), that any single stock in the narrow-based index accounted, on average, for 30% or more of the numerical index value during the thirty day period immediately preceding the review; or

(B) 6,750,000 warrants if CBSX determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (b), that any single stock in the narrow-based index accounted, on average for 20% or more of the numerical index value or that any five stocks in the narrow-based index together accounted, on average, for more than 50% of the numerical index value, but that no single stock in the group accounted, on average, for 30% or more of the numerical index value, during the thirty day period immediately preceding the review; or

(C) 9,000,000 warrants if CBSX determines that the conditions specified above which would require the establishment of a lower limit have not occurred.

(2) CBSX shall make the determinations required by subparagraph (1) of this paragraph (b) with respect to warrants on each narrow-based index at the commencement of trading of any issuance of such warrants on CBSX and semi-annually thereafter ("Issuance Specific Position Limit"). CBSX may establish uniform semi-annual review dates for the purpose of making the required determinations simultaneously with respect to all warrants on narrow-based indexes traded on CBSX. In that event, the first semi-annual review of position limits with respect to warrants on any particular narrow-based index shall be conducted by CBSX on the first semi-annual review date which occurs after the commencement of trading of such warrants on CBSX. If CBSX determines, at the time of a semi-annual review, that the Issuance Specific Position Limit in effect with respect to a particular warrant issuance is lower than the maximum position limit permitted by the criteria set forth in subparagraph (1) of this paragraph (b), CBSX may effectuate an appropriate increase in the Issuance Specific Position Limit immediately. However, the Issuance Specific Position Limit established for a particular issuance at the commencement of trading may not be reduced as a result of the semi-annual review.

(3) In the event there has been more than one warrant issuance on the same narrow-based index, then there shall be an additional position limit applicable to all those warrant issuances on the same narrow-based index in the aggregate ("Overall Position Limit"). The Overall Position Limit for warrants on a narrow-based index shall be equal to the largest Issuance Specific Position Limit then applicable to any warrant issuance of that same narrow-based index.

(4) For narrow-based stock index warrants with an original issue price greater than ten dollars, positions in these warrants must be converted to the equivalent of warrants on the same index priced initially at ten dollars by dividing the original issue price of the index warrants priced above ten dollars by ten and multiplying this number by the size of such index warrant position. After recalculating a warrant position pursuant to this subparagraph (4), such recalculated warrant position (A) shall be used to determine compliance with the Issuance Specific Position Limits set forth in subparagraph (2) and (B) shall be aggregated with other warrant positions, actual size or as recalculated pursuant to this subparagraph (4), on the same underlying index in order to determine compliance with the Overall Position Limits set forth in subparagraph (3).

(c) *Exercise Limits.* Except with the prior written permission of the CBSX President or a designee, no Trading Permit Holder shall exercise, for any account in which it has an interest or for the account of any customer, a long position in any warrant where such Trading Permit Holder or customer, acting alone or in concert with others, directly or indirectly, (i) has or will have exercised within any five consecutive business days, warrants in excess of the number of warrants specified in paragraph (a) of this Rule or such other number of warrants as may be fixed from time to time by CBSX as the exercise limit for that warrant, or (ii) has or will have exceeded the applicable exercise limit fixed from time to time by another exchange or a securities association for a warrant not dealt in on CBSX, when the Trading Permit Holder is not a member of the other exchange or securities

association which lists the warrant.

(d) *Control.* Control under this Rule shall be determined in accordance with Interpretation .03 of Rule 4.11. CBSX may from time to time institute other limitations concerning the exercise of stock index warrants.

(e) *Other Exchange Rules.* Rule 4.13 (Reports Related to Position Limits) and Rule 4.14 (Liquidation of Positions) shall apply to transactions in stock index warrants. Paragraphs (a) and (c) of Rule 4.13 shall apply to currency warrants and currency index warrants. The term "option(s)" as used therein shall be deemed for purposes of this Rule to include stock index warrant(s). With respect to the reporting requirement of Rule 4.13(a), reportable positions shall be as follows: (i) for stock index warrants, 100,000 or more warrants on the same side of the market based on the same stock index; (ii) for currency warrants, 100,000 or more warrants on the same side of the market based on the same currency; and (iii) for currency index warrants, 100,000 or more warrants on the same side of the market based on the same currency index.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112); June 18, 2010 (10-058).

Rule 54.6 Special Requirements for Stock Index Warrants, Currency Index Warrants and Currency Warrants

(a) *Scope and Applicability.* This Rule applies to TPH organizations insofar as they transact business on behalf of customers in stock index warrants, currency index warrants and currency warrants, and to that extent replaces paragraphs (c) through (e) and (g) through (h) of Rule 53.6. Where Rules in Chapter IX are made applicable by this Rule to such warrants, the term "option" as used therein shall be deemed for purposes of this Rule to include a stock index, currency index or currency warrant.

(b) *Registered Options Principals and Branch Offices.* TPH organizations transacting business in stock index, currency index or currency warrants on behalf of customers shall be subject to the requirements of Rules 9.2 and 9.6 pertaining to registration of options principals and branch offices, respectively.

(c) *Account Approval.* No TPH organization shall accept an order from a customer to purchase or sell a stock index, currency index or currency warrant unless the customer's account has been approved for options trading pursuant to Rule 9.7.

(d) *Suitability.* The provisions of Rule 9.9 shall apply to recommendations in stock index, currency index and currency warrants.

(e) *Discretionary Accounts.* Insofar as a TPH organization exercises discretion to trade in stock index, currency index or currency warrants in a customer account, such account shall be subject to the provisions of Rule 9.10 with respect to such trading.

(f) *Supervision of Accounts.* Rule 9.8 shall apply to each TPH organization's non-Trading

Permit Holder customer accounts in which transactions in stock index, currency index or currency warrants are effected.

(g) *Communications to Customers.* Rule 9.21 shall be applicable to communications to customers regarding stock index, currency index and currency warrants.

(h) *Customer Complaints.* The record-keeping requirements of Rule 9.23 shall apply also to customer complaints relating to stock index, currency index or currency warrants, and the required records of such complaints shall be maintained together with the records pertaining to options-related complaints provided that complaints relating to stock index, currency index or currency warrants shall be clearly identified as such.

Adopted September 11, 2006 (04-21); amended June 18, 2010 (10-058).

Rule 54.7 General Prohibitions

No Trading Permit Holder shall:

(a) Dealing When Option Granted or Held. Except as otherwise provided in Section (d) below, initiate the purchase or sale on the Exchange of any security subject to the Rules in these Chapters 50-55, for his own account or for any account in which he, his TPH organization or any person associated with such Trading Permit Holder or TPH organization is directly or indirectly interested, including by means of the issuance or acceptance of a commitment or obligation to trade, where (i) such Trading Permit Holder holds, or has sold or granted, an option or warrant on that security, or (ii) such Trading Permit Holder has knowledge that his TPH organization or any person associated with such Trading Permit Holder or TPH organization holds, or has sold or granted, any such option or warrant; except that the provisions of this Rule shall not apply in the case of any such options that are listed or traded on a national securities exchange; or

(b) Initiation of Transaction for Joint Account. Without the prior approval of a Floor Official, initiate the purchase or sale on the Exchange, including by means of the issuance or acceptance of a commitment or obligation to trade, of a security subject to the Rules in these Chapters 50-55 for any account in which he or his TPH organization or any person associated with such Trading Permit Holder or TPH organization is directly or indirectly interested with any person other than another such person or party; provided, however, that the provisions of this paragraph shall not apply to any purchase or sale (1) by any such Trading Permit Holder for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions or (2) by Market-Maker or odd-lot dealer for any joint account in which he is permitted to have an interest; or

(c) Discretionary Transactions. Execute or cause to be executed on the Exchange, including by means of the issuance or acceptance of a commitment or obligation to trade, any transaction for the purchase or sale of any security subject to the Rules in these Chapters 50-55 with respect to which transaction such Trading Permit Holder is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale;

however, the provisions of this paragraph (c) shall not apply (i) to any discretionary transaction executed by such Trading Permit Holder for any bona fide cash investment account or for the account of any person who due to illness, absence or similar circumstances is unable to effect transactions for his own account, provided, that such Trading Permit Holder shall keep available for inspection a detailed record of any such transaction and the grounds for exercising such discretion and shall file with the Exchange a report showing the name of each account for which any such transaction was executed, the amount of such discretionary purchases or sales and the grounds for exercising such discretion with respect to each account, or (ii) to any transaction permitted under paragraph (b) of this Rule for any account in which the Trading Permit Holder executing such transaction is directly or indirectly interested.

(d) Notwithstanding the foregoing:

The CBSX DPM or an associated person of the CBSX DPM for an IPR, IPS, or TIR that meets the criteria set forth in Interpretation and Policy .03 of this Rule may act as a DPM, LMM, Market-Maker, and/or floor broker in the related options without implementing procedures to restrict the flow of information between them and without any physical separation between the trading in the underlying IPR, IPS, or TIR and the trading in the related options.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112); June 18, 2010 (10-058).

. . . *Interpretations and Policies:*

.01 CBSX has determined that no CBSX Broker shall hold a "not held" market order to buy and a "not held" market order to sell (or orders which have the effect of such "not held" market orders to buy and to sell) the same security for the same account or for accounts of the same beneficial owner. Holding such orders can be interpreted as allowing the CBSX Broker discretion respecting whether to purchase or sell such security.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112).

.02 Under normal market conditions and in the absence of a "not held" instruction, a CBSX Broker may not exercise time discretion on market or marketable limit orders and shall immediately execute such orders at the best price or prices available.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112).

.03 The criteria to qualify particular IPRs, IPSs and TIRs for side-by-side trading and integrated market making pursuant to Rule 54.7(d)(1) are as follows:

(a) Component securities that in the aggregate account for at least 90% of the weight of the portfolio must have a minimum market value of at least $75 million.

(b) The component securities representing 90% of the weight of the portfolio each have a minimum monthly trading volume during each of the last six months of at least 250,000

shares.

(c) The most heavily weighted component security cannot exceed 25% of the weight of the portfolio and the five most heavily weighted component securities cannot exceed 65% of the weight of the portfolio.

(d) The underlying portfolio must include a minimum of 13 securities.

(e) All securities in the portfolio must be listed on a national securities exchange or the Nasdaq Stock Market.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112).

Rule 54.7A Side-by-Side Trading Disclosure Requirements

An options DPM that is also approved as a CBSX DPM in the underlying security in a side-by-side trading environment pursuant to Rule 54.7(d) is required to disclose on request to all participants in the option or security trading crowds information about aggregate buying and selling interest at different price points represented by limit orders then being represented or otherwise held by the DPM.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112).

. . . *Interpretations and Policies:*

.01 Side-by-side trading refers to the trading of options and their underlying securities in the same physical vicinity, though not necessarily by the same DPM or firm.

Adopted September 11, 2006 (04-21).

.02 Notwithstanding the fact that a DPM's transactions may be in conformity with Rule 54.7 and its Interpretations and Policies, such DPM shall nonetheless be deemed to be in violation of Rule 54.7 if the DPM has engaged in such transactions for manipulative purposes.

Adopted September 11, 2006 (04-21); amended March 2, 2007 (06-112).

Rule 54.8 Special Provisions for Commodity-Based Trust Shares

(a) The Exchange will consider for trading, pursuant to unlisted trading privileges, Commodity-Based Trust Shares that meet the criteria of this Rule.

(b) Applicability. This Rule is applicable only to Commodity-Based Trust Shares. Except to the extent inconsistent with this Rule, or unless the context otherwise requires, all Rules shall be applicable to the trading on CBSX of such securities. Commodity-Based Trust Shares are included within the definition of "security" or "securities" as such terms are used in the Rules.

(c) Definitions. The following terms shall, unless the context otherwise requires, have the meaning herein specified:

(1) Commodity-Based Trust Shares. The term "Commodity-Based Trust Shares" means a security (a) that is issued by a trust ("Trust") that holds a specified commodity deposited with the Trust; (b) that is issued by such Trust in a specified aggregate minimum number in return for a deposit of a quantity of the underlying commodity; and (c) that, when aggregated in the same specified minimum number, may be redeemed at a holder's request by such Trust which will deliver to the redeeming holder the quantity of the underlying commodity.

(2) Commodity. The term "commodity" is defined in Section 1(a)(4) of the Commodity Exchange Act.

(d) Information Barriers. No Trading Permit Holder acting as a Market-Maker and no partner, officer, director, Associated Person or employee of such Trading Permit Holder shall act as a Market-Maker or function in any capacity involving Market-Making responsibilities in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivative, except that an Associated Person of the TPH organization acting as a Market-Maker in Commodity-Based Trust Shares may act in a Market-Making capacity, other than as a Market-Maker in Commodity-Based Trust Shares on another market center, in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivative, so long as the Associated Person obtains prior written consent from the Exchange that the Associated Person and the Trading Permit Holder acting as Market-Maker (the "Market-Maker Trading Permit Holder") have established procedures that are sufficient to restrict the flow of privileged information between the Associated Person and the Market-Maker Trading Permit Holder ("Information Barriers").

These Information Barriers (i) must provide for the organizational separation of the Associated Person and the Market-Maker Trading Permit Holder; (ii) must ensure that the Associated Person does not exert influence over the Market-Maker Trading Permit Holder; (iii) must ensure that information relating to each entity's stock positions, trading activities, and clearing and margin arrangements is not improperly shared (except with persons in senior management who are involved in exercising general managerial oversight of one or both entities); (iv) must require the Associated Person and the Market-Maker Trading Permit Holder to maintain separate books and records (and separate financial accounting); (v) must require each entity to separately meet all required capital requirements; (vi) must ensure the confidentiality of the Market-Maker's book as provided by Exchange rules; and (vii) must ensure that any other material, non-public information (such as information related to any business transactions between the Associated Person and the issuer of Commodity-Based Trust Shares or any research reports or recommendations issued by the Associated Person) is not made improperly available to the Market-Maker Trading Permit Holder, its officers, directors, partners or employees in any manner that would allow the Market-Maker Trading Permit Holder to take undue advantage of that information in the trading of Commodity-Based Trust Shares. The Market-Maker Trading Permit Holder and the Associated Person must submit the proposed Information Barriers in writing to the

Exchange and the Exchange will not approve any exemption from the requirements of Rule 54.8(d) until it has determined that the Information Barriers are acceptable to the Exchange.

(e) Market-Maker Accounts. A Trading Permit Holder acting as a registered Market-Maker in Commodity-Based Trust Shares must file with the Exchange, in a manner prescribed by the Exchange, and keep current, a list identifying all accounts for trading in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, that the Market-Maker may have or over which it may exercise investment discretion. No Market-Maker shall trade in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, in an account in which a Market-Maker, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, that has not been reported as required by this Rule.

(f) The Trading Permit Holder acting as a registered Market-Maker in Commodity-Based Trust Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity, or registered or non-registered employee affiliated with such entity, for its or their own accounts for trading the underlying physical commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, as may be requested by the Exchange.

(g) In connection with trading the underlying physical commodity, related commodity futures or options on commodity futures, or any other related commodity derivative (including Commodity-Based Trust Shares), the Trading Permit Holder acting as a Market-Maker in Commodity-Based Trust Shares shall not use any material nonpublic information received from any person associated with the Trading Permit Holder or employee of such person regarding trading by such person or employee in the physical commodity, commodity futures or options on commodity futures, or any other related commodity derivatives.

(h) The Exchange requires that Trading Permit Holders provide all purchasers of newly issued Commodity-Based Trust Shares a prospectus for the series of Commodity-Based Trust Shares.

Adopted May 11, 2007 (07-44); amended June 18, 2010 (10-058).

Appendix A—Applicability of Rules of the Exchange

Appendix A—Applicability of Rules of the Exchange

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