



Information Circular IC04-100

DATE: July 19, 2004  
TO: Members and Member Organizations  
FROM: Market Performance Committee  
RE: Hybrid Opening Tips

1. The Hybrid system sends unopened series messages to quote providers. Autoquote systems interfacing with CBOE Direct should utilize this information and display messages appropriately to its users.
2. A Hybrid series will not open unless there is a legal width, two-sided DPM market (must be a quote, rather than DPM 'I' orders). As stated in Regulatory Circular RG04-31, opening rotation quotes must meet current legal-width requirements.<sup>1</sup> As also stated, the permissible bid-ask differential in all Hybrid classes for intra-day quoting is \$5.00 regardless of the premium value. Consistent with non-hybrid classes, **DPMs who wish to request bid-ask quote relief for Hybrid opening rotation quotes should contact the Trading Floor Liaison Group or Floor Officials to request bid/ask relief prior to the opening of the class.**
3. When Hybrid series have imbalances, in order to open sufficient size must be added within the acceptable quote range (currently defined as the DPM's bid ask). Example: Book has a 100-lot market order to sell. If the DPM bid is 1.50 for 50, and there are additional bidders of 1.45 for 50, the series will not open because it does not have enough size within the acceptable opening range (defined as the DPM bid in this example). Prices and/or sizes must be adjusted using 'I orders' or two-sided quotes so that there is sufficient size within the acceptable quote range.
4. If the DPM cannot participate in the opening, call the Help Desk at x4100 as soon as possible. The system still requires a legal width two-sided market in order for the series to open.
5. Series that do not open will re-try at pre-set intervals (currently set at 30 seconds, but will be reduced over the next few weeks.) Because sufficient size must be present at the moment of the interval, flickering quotes may delay the opening. In addition, some quote providers automatically pull quotes when a stock trades outside of the bid/ask, or the bid/ask inverts. Check with your quote provider to see if this feature can be turned off during rotation to allow the series to open. As a

---

<sup>1</sup> Per Rule 8.7(b)(iv), current legal widths are as follows: The allowable bid-ask differentials are: \$0.25 for options under \$2, \$0.40 for options between \$2 and \$5, \$0.50 for options between \$5 and \$10, \$0.80 for options between \$10 and \$20, and \$1.00 for options above \$20.

reminder, quotes entered during pre-open and rotation are not disseminated and thus will not be hit by incoming orders until after the series opens.

6. Hybrid does not stop the influx of orders into the book during the opening. Limit orders, on both sides of the market, can start to build the longer it takes to open a series. Market participants should adjust prices and sizes as stated above to facilitate opening in a timely manner.
7. In addition to the system messages that are sent by the Hybrid system, tickets print at the post for all series that do not open. Floor members must review these tickets and make price and size adjustments as stated above to open the series.

Any questions regarding this memorandum may be directed to the Help Desk at (312) 786-7100 or Carole Zylus at (312) 786-7174.