



Information Circular # IC05-109

Date: August 30, 2005

To: Members and Member Organizations

From: Index Market Performance Committee

Re: Solicitation for Lead Market Makers (LMMs) in the Short Term Options Series for the SPX and OEX, OEF, XEO and related LEAPs option classes (collectively, "SPX" or "SPX Classes" or OEX" or "OEX classes").

The Index Market Performance Committee ("Committee") is accepting applications for those member organizations that are interested in becoming Lead Market Makers (LMMs) in the Short Term Options Series for the SPX or OEX classes, in the event those classes are selected in the Short Term Option Series program. In addition to the requirements listed below, the LMM must be qualified and approved to provide autoquote services for the SPX or OEX option classes. Primarily, the Committee is seeking vendors to provide continuous two-sided markets within the limitations of published bid-ask widths and minimum sizes as prescribed by the Committee. It is the intent of the Committee to secure LMMs and remunerate them for participating in this program. The Committee has set the following standards that all LMMs will be required to fulfill:

1. Provide accurate quotes for the CBOE's Rapid Opening System ("ROS") for each day the applicant is the appointed LMM
2. Provide accurate, continuous two-sided firm quotes of no greater than legal width throughout the entire trading session in all series of all classes in the SPX or the OEX, OEF, XEO, and all LEAPS (including those series added in intra-day) in all market conditions
3. Adjust bid-ask widths to respond to competitive situations and market conditions
4. Disseminate quote size that is reflective of the crowd size as prescribed by the Committee
5. Demonstrate that traders responsible for operating the system are present in the SPX or OEX crowd at all times
6. Have in place appropriate system back-up/recovery capabilities for proprietary system and CBOE Autoquote
7. Demonstrate system capacity and performance as prescribed by the Committee
8. Provide back-up for an expiration cycle either before and/or after the LMMs appointed month

Members wishing to participate in the LMM program should obtain an application from the Market Quality Assurance Office located on the 5th Floor, CBOE.

Any questions regarding this Circular may be directed to Carolyn Rutan (786-7835) or Dennis Carta (10782).