



Regulatory Circular RG04-92

To: Membership

From: Trading Operations and Legal Division

Date: August 19, 2004

Re: Ability to Quote 1-up Markets in Hybrid Classes

Effective immediately in Hybrid classes, market makers, DPMs, and e-DPMs have the ability to post a 1-up size on the appropriate side of the underlying option quote when the quote size on the primary underlying market is 1-up (i.e., 100 shares).¹ This process must be automated (i.e., no manual adjustments), which means that when the primary market increases its quote size from 1-up, CBOE MMs automatically (not manually) must increase their quote size to the minimum requirement of 10-up.

Examples:

NYSE quote size in ABC stock is 1x1. CBOE MMs' minimum quote size requirement is 1x1 for calls and puts.

NYSE quote size in ABC stock is 1x7. CBOE MMs' minimum quote size requirement is 1x10 for calls and 10x1 for puts.

NYSE quote size in ABC stock is 20x1. CBOE MMs' minimum quote size requirement is 10x1 for calls and 1x10 for puts.

Prerequisite to Quoting 1-up

Prior to being able to participate in this pilot program, MMs or their vendors that provide their handheld quoting devices must demonstrate to the Exchange that they have automated the process. Members should have their vendors contact Trading Operations (via the Help Desk at 7100) to certify that their systems are compliant. Members that provide 1-up quoting without certification by themselves or their vendors may be in violation of Exchange rules and subject to disciplinary action.

If you have questions regarding the certification process, please contact Anthony Montesano at (312)786-7365 or Greg Burkhardt at (312)786-7531 in Trading Operations, or Doug Beck in Market Regulation at (312) 786-7959. For questions regarding application of the rule, please contact Steve Youhn in the Legal Division at (312) 786-7416.

¹ The ability to quote 1-up in Hybrid has been approved for a one-year pilot period.