



Regulatory Circular RG06-20

To: Membership

From: Legal Division

Date: February 17, 2006

Re: Amendment to Rule 8.7 re Bid-Ask Differentials

The SEC recently approved a change to CBOE's Rule 8.7 relating to bid-ask differentials. A copy of CBOE's rule change (SR-CBOE-2006-12), as well as revised Rule 8.7(b)(iv), is available on CBOE's website at www.cboe.org/Legal.

First, Rule 8.7(b)(iv) was reorganized to set forth in separate paragraphs the applicable bid-ask differentials in open outcry, during the opening rotation, and for option classes trading on the Hybrid Trading System ("Hybrid") or the Hybrid 2.0 Platform ("Hybrid 2.0").

Second, Rule 8.7(b)(iv) was amended to provide an exception to the general requirement that option classes trading on Hybrid and Hybrid 2.0 may be quoted electronically with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid. Specifically, under revised Rule 8.7(b)(iv), the \$5 bid-differential shall not apply to in-the-money series where the quote width on the primary market of the underlying security, or the quote width calculated by the Exchange or its agent for various indices pursuant to Interpretation .08 of Rule 8.7, is wider than \$5. For these series, the bid-ask differential may be as wide as the quote width on the primary market of the underlying security or calculated by the Exchange or its agent, as applicable.

Third, Rule 8.7(b)(iv) as amended provides that the Exchange may establish quote width differentials greater than \$5 in unusual circumstances for one or more option series. For example, the Exchange may determine to grant bid/ask relief in the event of unusual circumstances, such as a pending merger or acquisition of an underlying security, a distribution of a special cash dividend, or other unusual circumstances.

Further questions regarding this circular should be addressed to Patrick Sexton, Legal Division, at (312) 786-7467.