

400 S. La Salle
Chicago, IL 60605



Regulatory Circular RG06-29

Date: March 22, 2006
To: Members, Member Firms, and Order Providers
From: Trading Operations
Re: Automated Improvement Mechanism (AIM)

CBOE is pleased to announce the activation of its Automated Improvement Mechanism (AIM), in all equity classes, effective March 24, 2006. AIM, which is described in Exchange Rule 6.74A, is an automated method for processing the facilitation and solicitation of orders. The buy and sell sides of the transaction are sent together and are exposed to a brief electronic auction. The auction must start at no worse than the NBBO for orders of 50 contracts or greater, or at least one auction price increment (currently established at \$.05 by the Equity Options Procedure Committee) better than the NBBO for orders of 49 contracts or less.

Since the facilitation/solicitation side of the transaction ("contra order") must stop the entire "original order" consistent with the above NBBO requirement, the contra order must be for a quantity equal to that of the original order. The price on the contra order must be either a limit that satisfies the above pricing obligation, or MKT. If MKT, the contra is indicating that it will match the best price(s)/size established by other auction participants.

Those market participants on the best price at the end of the auction will be allocated the trade using the allocation methodology in effect for the class. If the contra order is on the final price it will receive: 100% if not matched by any other participant, a minimum of 50% if matched by one other participant or a minimum of 40% if matched by multiple participants.

The functionality to enter AIM orders is available on HYTS terminals and will be available in the near future on the Floor Broker Workstation (FBW). HYTS users who are interested in AIM order entry should contact Patty Schuler at (312) 786-7912. Vendors and firms wishing to enter AIM orders or respond to AIM auctions via their own proprietary systems should contact the CBOE's API Testing Group at (312) 786-7300. For any other questions on AIM functionality, please call Mike Trees (312) 786-8408 or Anthony Montesano (312) 786-7365.