CHICAGO BOARD OPTIONS EXCHANGE

Regulatory Circular RG06-74

To: Members, Member Firms and Member Organizations
From: Trading Operations
Date: July 21, 2006
Re: Hybrid Agency Liaison (HAL) Timers for Equity Option Classes

The Equity Options Procedure Committee has endorsed a change to one of the timers applicable to the Hybrid Agency Liaison (HAL) for all equity option classes. Effective on **July 25, 2006**, the flash period, *i.e.*, the length of time quoters have to respond to the request for price, will be reduced from 1 second to 750 mili-seconds. The flash period ends as soon as any response to the flash is received, at which point, an "allocation" period commences, allowing other quoters to participate in the trade. The timer for this allocation period will remain un-changed at 1 second.

By way of background, HAL affects the processing of limit orders with a price between the current bid and ask ("tweeners"), orders that are marketable but that are not automatically executed because of a better price on another exchange (NBBO rejects), and orders which cannot be booked because they lock or cross an away market (NBBO locks/crosses). For additional information about the operation of HAL, refer to CBOE Rule 6.14 and Regulatory Circular RG06-15. Any further questions may be directed to Anthony Montesano (montesan@cboe.com) at (312) 786-7365 or the Help Desk at (866)728-2263.