CHICAGO BOARD OPTIONS EXCHANGE

400 S. La Salle
Chicago, IL 60605

To: Members
From: Trading Operations
Date: October 29, 2008
Re: CBOE Direct 7.1 Enhancements

Regulatory Circular RG08-140

The CBOE is very pleased to announce several significant enhancements included in its CBOEdirect 7.1 version. The enhancements will benefit both order-flow and liquidity providers. None of the enhancements requires any format changes on the part of order-flow providers. However, liquidity providers will have to make changes to read newly-available fields within CBOE auction messages to take advantage of some of the features. Those features will not be rolled out till December but are identified in advance to provide time for coding/testing.

General questions may be directed to Anthony Montesano at 312-786-7365/Montesan@cboe.com or the Help Desk at 866-728-2263/helpdesk@cboe.com. Questions regarding specific message formats and testing may be directed to the API Group at 312-786-7300/api@cboe.com.

The following features will be available the week of November 3, 2008:

- AIM for Stock-Option Orders – CBOE's electronic crossing mechanism (AIM), including AON Solicitation for orders of 500 contracts or more, will be expanded to include stock-option orders. For now, only orders in the ratio of 100 shares to 1 option will be permitted. Stock-option orders of differing ratios will be added later this year. The system requires that execution prices be in penny increments and be inside the NBBO. The option portion of the trade will print on CBOE, and the stock portion on CBSX.
- Complex Order Price Protections – For verticals and butterflies, limit orders will be rejected back to the sender if attempting to buy the strategy for a credit limit or sell the strategy for a debit limit. A price of EVEN will still be accepted. Also, market orders to sell a vertical or butterfly will be protected from executing at a debit. Note that MKT orders to buy the strategy will be permitted to execute for a credit. Order reject messages will include a reject code of 1160 (Invalid Price).

The following features will be available in mid-December, 2008:

- "Re-COA" – Upon receipt, multi-leg orders can initiate a Complex Order Auction (COA) in an attempt to execute the order with price-improvement. If the order does not fill in the auction, it may then rest in the Complex Order Book (COB). With this enhancement, orders resting in COB will be eligible to automatically re-auction once they are within two ticks of the displayed strategy quote (comprised of the individual CBOE quotes for the component series).
- NBBO Bid/Ask on COA Message – The NBBO bid/ask (based on the displayed option quotes from the NBBO on each component series) will now be included on the COA message. This additional information is not used within the auction process itself and is provided simply as a convenience to auction participants who may want to respond within the NBBO. Liquidity providers can read this additional information in the extensions fields in the CMI AuctionStruct or in FIX tag 9221. Firms may contact the API Group for specific message formats and to schedule testing.
- Voluntary Identification Information for Auction Messages (Attributable Orders or Caller ID) – Order-flow providers will have the option to include a Firm ID with orders processed through COA, HAL or SAL. More specifically, any or all of the following may be included in a COA, HAL or SAL: (A) clearing number (tag 76); (B) CORRESPONDENT acronym (tag 109); (C) CMTA number (tag 439). No changes are needed on the order-flow provider side to include the additional identifier(s) on the auction messages. Instead, the firm must simply contact the CBOE Help Desk and specify which information they would like included. Liquidity providers can read this additional information in the extensions fields in the CMI AuctionStruct or in FIX tag 9221. Firms may contact the API Group for specific message formats and to schedule testing.