



To: Membership
From: Equity Options Procedure Committee (EOPC)
Index Options Procedure Committee (IOPC)
Date: August 17, 2009
Re: Allocation of 1-5 Lots to Designated Primary Market-Makers

Effective Tuesday, August 18, 2009, Designated Primary Market-Makers (DPMs) in all CBOE Hybrid classes will receive a new small-order participation entitlement. This entitlement will allocate 100% of incoming, electronic, marketable 1-5 lot orders to the DPM subject to certain conditions described in Rules 6.45A(a)(iii) and 6.45B(a)(iii).

The entitlement will only apply after satisfying resting customer orders and only when the DPM is present on the NBBO prior to execution of the order. In addition, the entitlement will not override the allocation of Preferred Market Maker (PMM) orders when the target PMM is on the NBBO. Lastly, the CBOE matching algorithm is presently set to override any DPM allocation with a PMM allocation. As a result, DPMs who are also preferred on 1-5 lot orders when they are present on the market will continue to receive a 40% allocation instead of the 100% allocation. CBOE is developing an algorithm change that will enable DPMs to receive the 100% allocation on orders preferred to them. That change is expected to be in place before the end of the year.

The 1-5 lot allocation change will not impact the collection and control of any marketing fees collected under the marketing fee program.

For additional information please refer to rule change filings SR-CBOE-2009-056 and -058, which are available at www.cboe.org/legal. Please direct any further questions to Anthony Montesano at (312) 786-7365 (email: montesan@cboe.com) or Eric Frait at (312) 786-7747 (email: frait@cboe.com).