

Chicago Board Options Exchange, Incorporated  
Rules

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Rule 24A.1 – Definitions

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[Cap Interval]

(c) [The term "Cap Interval" for purposes of this Chapter means the value specified by the Submitting Trading Permit Holder in a Request for Quotes that is to be added to the exercise price for a European-Capped FLEX Option (in the case of a call) or subtracted from the exercise price for a European-Capped FLEX Option (in the case of a put) in setting the cap price as defined in Rule 24.1(q).] Reserved.

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Index Multiplier

(i) The term "Index Multiplier" means the monetary amount, stated in terms of the settlement currency specified in the contract, by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the option. The Exchange has established the following Index Multipliers for FLEX Index Options on domestic indices: U.S. Dollars—\$100; Canadian Dollars—\$100; Japanese Yen—10,000Y; Deutsche Marks—200DM; British Pounds—100£; Swiss Francs—200SF; French Francs—500F; E.C.U.—100 ECU].

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Rule 24A.4 – Terms of FLEX Options

RULE 24A.4. (a) *General*

(1) No change.

(2) Every FLEX Request for Quotes and every FLEX Option contract shall contain one element, as designated by the parties to the contract, from each of the following contract term categories:

(i) – (ii) No change.

(iii) Exercise Style (American[, ] or European[, or European-Capped]);

(iv) – (v) No change.

(3) – (4) No change.

(b) Special Terms for FLEX Index Options

(1) – (3) No change.

(4) FLEX Index Options shall be designated for settlement in U.S. Dollars[, Canadian Dollars, British Pounds, Japanese Yen, Deutsche Marks, Swiss Francs, French Francs, or European Currency Units only and shall settle in the designated currency].

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Rule 24A.5 – FLEX Trading Procedures and Principles

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(f) *Incremental Changes for Bids and Offers.* [Changes in decimal bids and offers for FLEX Index Options in the designated currency shall meet or exceed the following minimums (or such other minimums as the Exchange sets from time to time to ensure fair and orderly markets): U.S.

Dollars—\$.01; Canadian Dollars—\$.01; Japanese Yen—.01Y; Deutsche Marks—.01DM; French Francs—.01F; Swiss Francs—.01F; British Pounds—.01; European Currency Units—.01ECU.] Changes in decimal bids and offers for FLEX [Equity] Options shall be determined by the Exchange on a class-by-class basis, but may not be smaller than \$.01. Pronouncements regarding the applicable minimum increment shall be announced to the Trading Permit Holders via Regulatory Circular.

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Rule 24B.1 - Definitions

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[Cap Interval]

(c) [The term "Cap Interval" for purposes of this Chapter means the value specified by the Submitting Trading Permit Holder in a Request for Quotes or a FLEX Order that is to be added to the exercise price for a European-Capped FLEX Option (in the case of a call) or subtracted from the exercise price for a European-Capped FLEX Option (in the case of a put) in setting the cap price as defined in Rule 24.1(q).] Reserved.

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Index Multiplier

(m) The term "Index Multiplier" means the monetary amount, stated in terms of the settlement currency specified in the contract, by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the option. The Exchange has established the following Index Multipliers for FLEX Index Options on domestic indices: U.S. Dollars - \$100[; Canadian Dollars - \$100; Japanese Yen - 10,000Y; Deutsche Marks - 200DM; British Pounds - 100£; Swiss Francs - 200SF; French Francs - 500F; E.C.U. - 100 E.C.U].

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Trade Condition

(y) The term "Trade Condition" means a certain contingency that has been placed on an RFQ, RFQ Order or FLEX Order. The following Trade Conditions will be available in the System for a FLEX Trader to choose from:

(1) [Fill-or-Kill] Immediate-or-Cancel, which is a condition to execute an RFQ Order or FLEX Order in its entirety or in part as soon as it is represented or cancel[ed] it.

(2) All-or-None, which is a condition to execute an RFQ Order or FLEX Order in its entirety or not at all.

[(3) Minimum Fill, which is a condition to execute an RFQ Order or a FLEX Order in a minimum quantity or not at all.]

[(4) Lots Of, which is a condition to execute an RFQ Order or a FLEX Order in minimum lot sizes or not at all.]

[(5) Intent to Cross, which is an RFQ condition indicating that the Submitting Trading Permit Holder intends to cross or act as principal and receive a crossing participation entitlement.]

[(6)] (3) Hedge, which is a RFQ or FLEX Order condition contingent on trade execution in Non-FLEX Options or other Non-FLEX components (*e.g.*, stock, futures, or other related instruments or interests).

Trade Conditions, other than [Intent to Cross or] Hedge, will be inputted but not disclosed on the System. FLEX Orders, other than those designated as [Fill-or-Kill] Immediate-or-Cancel, will be

designated as day orders and, if unexecuted, will be automatically cancelled at the close of each trade day.

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#### Rule 24B.3 – Trading Rotations

RULE 24B.3. There shall be no trading rotations in FLEX Options, either at the opening or at the close of trading. An existing FLEX Option series will automatically open for trading at a randomly selected time within a number of seconds after 8:30 a.m. (all times are CT), at which point FLEX Orders may be entered directly into the electronic book (if available) and/or FLEX RFQ auctions may be initiated pursuant to Rule 24B.5. A new FLEX Option series may be established on any business day prior to the expiration date as provided for in Rule 24A.4 and opened for trading pursuant to the procedures and principles as provided for in Rule 24B.5. This rule supersedes Exchange Rule 6.2.

#### Rule 24B.4 – Terms of FLEX Options

RULE 24B.4. (a) General

(1) No change.

(2) Every FLEX Request for Quotes, every FLEX Order and every FLEX Option contract shall contain one element, as designated by the parties to the contract, from each of the following contract term categories:

(i) – (ii) No change.

(iii) exercise style (American[,] or European[, or European-Capped]);

(iv) – (v) No change.

(3) – (5) No change.

(b) Special Terms for FLEX Index Options

(1) – (3) No change.

(4) FLEX Index Options shall be designated for settlement in U.S. Dollars[, Canadian Dollars, British Pounds, Japanese Yen, Deutsche Marks, Swiss Francs, French Francs, or European Currency Units only and shall settle in the designated currency].

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#### Rule 24B.5 - FLEX Trading Procedures and Principles

RULE 24B.5. (a) Request for Quotes Process. The Request for Quotes process may be used at any time, but is required to open trading in a new series [initiate a FLEX transaction when there are no FLEX Orders currently resting in the electronic book in the particular FLEX Options series to be traded]. The Request for Quotes process may be conducted through the System or in open outcry pursuant to the following processes:

(1) Electronic RFQ Process.

(i) Initiating a FLEX Request for Quotes.

(A) To initiate a FLEX transaction using the electronic RFQ process, a Submitting Trading Permit Holder shall submit to the FLEX System a Request for Quotes, utilizing for that purpose the forms, formats and procedures prescribed by the Exchange.

(B) On receipt of a Request for Quotes in proper form, the System shall cause the terms and specifications of the Request for Quotes to be communicated via the System to FLEX Traders.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) FLEX Traders, including the Submitting Trading Permit Holder, may enter on the System FLEX Quotes responsive to an electronic Request for Quotes (provided, however, FLEX Quotes may not be entered for the account of an options Market-Maker from another options exchange).

(B) FLEX Quotes and FLEX Orders may be entered, modified or withdrawn at any point during the RFQ Response Period (provided, however, FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24B.9).

(C) During the RFQ Response Period, the System will dynamically calculate and disseminate to all FLEX Traders the RFQ Market given the current FLEX Quotes and resting FLEX Orders.

(iii) Formation of Contracts Following the RFQ Response Period.

(A) After the expiration of the RFQ Response Period, the Submitting Trading Permit Holder shall accept or reject the bids or offers, provided that such acceptance or rejection must occur within the RFQ Reaction Period (the duration of the RFQ Reaction Period will be established by the Exchange on a class-by-class basis and such time shall not be more than five minutes). Failure to accept the bids or offers before completion of the RFQ Reaction Period equates to a rejection.

(B) During the RFQ Reaction Period:

(I) FLEX Quotes and FLEX Orders may be entered, modified or withdrawn (provided, however, FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24B.9). FLEX Orders that are entered or modified during the RFQ Response and Reaction Periods will be treated the same as FLEX Quotes for purposes of the priority allocation.

(II) The System will dynamically calculate and disseminate to all FLEX Traders the RFQ Market given the current FLEX Quotes and resting FLEX Orders.

(III) If the Submitting Trading Permit Holder chooses to reject the bids and offers, the Submitting Trading Permit Holder may either cancel the RFQ or let it expire.

(IV) If the Submitting Trading Permit Holder chooses to trade, the Submitting Trading Permit Holder may enter an RFQ Order to trade with one side of the RFQ Market (either bids or offers, not both); provided, however, if the Submitting Trading Permit Holder enters a FLEX Quote during the RFQ Reaction Period, the Submitting Trading Permit Holder must be bidding (offering) for at least the Crossing Exposure Period prior to entering the RFQ Order. The duration of the Crossing Exposure Period will be [as provided in subparagraph (a)(1)(iii)(D)(IV) below] established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.

(C) [If the Submitting Trading Permit Holder has not indicated an intention to cross with respect to any part of the FLEX trade] Allocation:

(I) The incoming RFQ Order will be eligible to trade with FLEX Quotes and FLEX Orders at the best price(s) [a single price that will leave bids and offers which cannot trade with each other ("BBO clearing price")]. In determining the priority of FLEX Quotes and FLEX Orders to be traded, the System gives priority to FLEX Quotes and FLEX Orders whose price is better than the BBO clearing price, then to FLEX Quotes and FLEX Orders at the BBO clearing price].

(II) Allocation among multiple FLEX Quotes and FLEX Orders [that are priced at the BBO clearing] at the same price shall be as follows:

(aa) [any FLEX Quotes that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below;

(bb) FLEX Orders resting in the electronic book will participate in the execution pursuant to paragraph (b) below;

(cc) FLEX Quotes and FLEX Orders for the account of public customers and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority;

(bb) any FLEX Quotes and FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below; then

[(dd)] (cc) all other FLEX Quotes and FLEX Orders will participate in the execution based on time priority.

In the event the RFQ Market is locked or crossed (*e.g.*, \$1.25-\$1.20), FLEX Quotes and FLEX Orders will be eligible to trade at a single clearing price that will leave bids and offers which cannot trade with each other ("BBO clearing price"). In determining the priority of FLEX Quotes and FLEX Orders to be traded, the System gives priority to FLEX Quotes and FLEX Orders whose price is better than the BBO clearing price, then to FLEX Quotes and FLEX Orders at the BBO clearing price based on the allocation in paragraphs (aa) through (cc) above. A[a]llocation among multiple FLEX Quotes and FLEX Orders that are priced at the BBO clearing price and are on the same side of the transaction as the RFQ Order shall be as follows:

(aa) FLEX Quotes and FLEX Orders [resting in the electronic book] for the account of public customers and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority [pursuant to paragraph (b) below];

(bb) [if applicable,] an RFQ Order [for the account of a public customer or non-Trading Permit Holder broker-dealer] will participate in the execution, then any FLEX Quotes and FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below;

[(cc) FLEX Quotes for the account of public customers and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority;

(dd) if applicable, an RFQ Order for the account of a Trading Permit Holder will participate in the execution, then any FLEX Quotes that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below;] then

[(ee)] (cc) all other FLEX Quotes and FLEX Orders will participate in the execution based on time priority.

(III) The System will then enter any remaining balance of the incoming RFQ Order in the electronic book (if available), unless the Submitting Trading Permit Holder has indicated that the balance is to be automatically cancelled if it is not traded. Once entered in the electronic book, an RFQ Order will be treated the same as other FLEX Orders.

[(D) If the Submitting Trading Permit Holder has indicated an intention to cross with respect to any part of the FLEX trade:

(I) A Submitting Trading Permit Holder may obtain a crossing participation entitlement using the electronic RFQ mechanics only if a crossing participation entitlement has been established pursuant to paragraph (d) below, the Submitting Trading Permit Holder has indicated an intention to cross as part of the Request for Quotes, and the RFQ Order submitted during the RFQ Reaction Period matches or improves the BBO clearing price.

(II) The incoming RFQ Order will be eligible to trade with FLEX Quotes and FLEX Orders at the BBO clearing price as described in subparagraph (C)(I) above.

(III) Allocation among multiple FLEX Quotes and FLEX Orders that are priced at the BBO clearing price shall be as follows:

(aa) FLEX Orders resting in the electronic book will participate in the execution pursuant to paragraph (b) below;

(bb) FLEX Quotes for the account of public customers and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority;

(cc) the crossing participation entitlement will participate in the execution pursuant to paragraph (d) below;

(dd) any FLEX Quotes that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below; then

(ee) all other FLEX Quotes will participate in the execution based on time priority.

In the event the RFQ Market is locked or crossed (*e.g.*, \$1.25-\$1.20), allocation among multiple FLEX Quotes and FLEX Orders that are priced at the BBO clearing price and are on the same side of the transaction as the RFQ Order shall be as provided in subparagraph (a)(1)(iii)(C)(II) above.

(IV) If there is an electronic book available for the option class in accordance with paragraph (b) below, the System will enter any remaining balance of the incoming RFQ Order in the electronic book. Once entered

in the electronic book, an RFQ Order will be treated the same as other FLEX Orders. If there is no electronic book available for the option class in accordance with paragraph (b) below, the System will expose the remaining balance of the incoming RFQ Order, if any, so other FLEX Traders can trade against the order.

After the remaining balance of the order has been exposed for at least the Crossing Exposure Period, the Submitting Trading Permit Holder may enter a contra-side order to trade all or any portion of the remaining balance; provided the Submitting Trading Permit Holder must enter a contra-side order when necessary to satisfy the minimum value size requirements of Rule 24B.4(a)(5)(ii) or (iii), as applicable. The duration of this Crossing Exposure Period will be established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.]

[(E)](D) The Submitting Trading Permit Holder has no obligation to accept any FLEX bid or offer.

[(F)](E) Whenever the Submitting Trading Permit Holder rejects the RFQ Market or the RFQ Market size exceeds the Submitting Trading Permit Holder's FLEX transaction size, the System will automatically execute the remaining balance of any FLEX Quotes and FLEX Orders that are marketable against each other at the BBO clearing price. Allocation shall be in accordance with subparagraph (C) above. Thereafter:

(I) If there is an electronic book available for the option class in accordance with paragraph (b) below, any remaining balance of the FLEX Quotes will be automatically entered into the electronic book unless the FLEX Trader has indicated that the FLEX Quote is to be automatically cancelled if it is not traded. Once entered in the electronic book, FLEX Quotes will be treated the same as other FLEX Orders.

(II) If there is no electronic book available for the option class in accordance with paragraph (b) below, any remaining balance of the FLEX Quotes will be automatically cancelled at the conclusion of the RFQ Reaction Period.

(2) Open Outcry RFQ Process.

(i) Initiating a FLEX Request for Quotes.

(A) To initiate a FLEX transaction using the open outcry RFQ process, a Submitting Trading Permit Holder shall submit to the FLEX Official a Request for Quotes, utilizing for that purpose the forms, formats and procedures established by the Exchange.

(B) After providing a Request for Quotes in proper form to the FLEX Official, the Submitting Trading Permit Holder shall immediately announce the terms and specifications of the Request for Quotes to the trading crowd for the FLEX Option by public outcry.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) FLEX Traders present in the trading crowd may provide the Submitting Trading Permit Holder with FLEX Quotes responsive to each Request for Quotes. FLEX Quotes must be entered during the RFQ Response Period by public outcry.

(B) All FLEX Quotes may be entered, modified or withdrawn at any point during the RFQ Response Period (provided, however, that FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24B.9). At the expiration of the RFQ Response Period, the BBO shall be identified by the Submitting Trading Permit Holder considering FLEX Quotes and, if applicable, FLEX Orders resting in the electronic book. At the expiration of the RFQ Response Period, the Submitting Trading Permit Holder shall announce the BBO to the FLEX Traders in the trading crowd.

(iii) Formation of Contracts Following the RFQ Response Period.

(A) If the Submitting Trading Permit Holder does not intend to cross or act as principal with respect to any part of the FLEX trade, the Submitting Trading Permit Holder shall promptly accept or reject the BBO; provided, however, that if the Submitting Trading Permit Holder either rejects the BBO or is given a BBO for less than the entire size requested, all FLEX Traders present in the trading crowd other than the Submitting Trading Permit Holder will have an opportunity during the BBO Improvement Interval in which to match or improve, as applicable, the BBO. At the expiration of any such BBO Improvement Interval, the Submitting Trading Permit Holder must promptly accept or reject the BBO. The Submitting Trading Permit Holder will trade with eligible FLEX Quotes and FLEX Orders in accordance with the priority algorithm described in subparagraph (v) below.

(B) If the Submitting Trading Permit Holder indicates an intention to cross or act as principal with respect to any part of the FLEX trade, acceptance of the displayed BBO shall be automatically delayed until the expiration of the BBO Improvement Interval. Prior to the BBO Improvement Interval, the Submitting Trading Permit Holder must announce to the trading crowd the price at which the Trading Permit Holder expects to trade. In these circumstances, the Submitting Trading Permit Holder may participate with all other FLEX Traders present in the trading crowd in attempting to improve or match the BBO during the BBO Improvement Interval. At the expiration of the BBO Improvement Interval, the Submitting Trading Permit Holder must promptly accept or reject the BBO. The Submitting Trading Permit Holder will trade with eligible FLEX Quotes and FLEX Orders in accordance with the priority algorithm described in subparagraph (v) below.

(C) The Submitting Trading Permit Holder has no obligation to accept any FLEX bid or offer.

(D) Whenever, following the completion of the RFQ Response Period or BBO Improvement Interval, as applicable, the Submitting Trading Permit Holder rejects the BBO or the BBO size exceeds the FLEX transaction size indicated in the Request for Quotes, FLEX Traders present in the trading crowd may accept the unfilled balance of the BBO. Such acceptance must occur by public outcry promptly following the Submitting Trading Permit Holder's determination whether to accept or reject the BBO or at the expiration of any applicable BBO Improvement Interval.

(iv) Quote Rejection. Rejection of the BBO or failure promptly to accept the BBO pursuant to subparagraph (a)(2)(iii) above results in expiration of the BBO and the Request for Quotes.

(v) Open Outcry RFQ Priority.

(A) The highest bid (lowest offer) shall have priority. Allocation among multiple best bids (offers) at the same price shall be as follows:

(I) any crossing participation entitlement will participate in the execution pursuant to paragraph (d) below;

(II) any FLEX Quotes that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below;

(III) all other FLEX Quotes submitted in response to an open outcry RFQ will have priority in the sequence in which they are made; to the extent two or more best bid (offer) FLEX Quotes are submitted in open outcry at the same time and same price, or the Submitting Trading Permit Holder cannot reasonably determine the sequence in which the open outcry bid (offer) FLEX Quotes were made, priority will be apportioned equally among those open outcry bids (offers); then

(IV) FLEX Orders resting in the electronic book will participate in the execution pursuant to paragraph (b) below.

(B) Notwithstanding subparagraph (A) above, bids (offers) submitted on behalf of the proprietary account of a Trading Permit Holder relying on the "G" exemption described in paragraph (d) below must yield priority to any bid (offer) at the same price that is represented in the electronic book and all other bids (offers) that have priority over the electronic book. In the event a Submitting Trading Permit Holder is asserting a crossing participation entitlement on behalf of a proprietary account of a Trading Permit Holder relying on the "G" exemption and a FLEX Appointed Market-Maker(s) is also asserting a participation entitlement, the Submitting Trading Permit Holder's crossing percentage entitlement to the remaining balance of the original order, when combined with the FLEX Appointed Market-Maker(s) guaranteed participation, shall not exceed 40% of the original order. However, provided the "G" exemption requirements are satisfied, nothing prohibits a Submitting Trading Permit Holder or FLEX Appointed Market-Maker from trading more than their applicable entitlement if other FLEX Traders in the crowd do not chose to trade the remaining portion of the order.

(b) FLEX Electronic Book

(1) Availability of the Electronic Book: The Exchange may determine on a class-by-class basis to make an electronic book available in the System. If made available, FLEX Orders may be entered into the electronic book, as well as any remaining balance of RFQ Orders as provided in subparagraph[s] (a)(1)(iii)(C) [and (D)] above and FLEX Quotes as provided in subparagraph (a)(1)(iii)(F)(E) above.

(2) Entering a FLEX Order:

(i) To enter a FLEX Order, a Submitting Trading Permit Holder may submit to the System an order, utilizing for that purpose the forms, formats and procedures prescribed by the Exchange.

(ii) All FLEX Orders must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder, including the requirements described in paragraph (d) below. A FLEX Order submitted on behalf of the proprietary account of a Trading Permit Holder relying on the "G" exemption described in paragraph (d) may only be entered to "hit" the electronic book. To the extent such a FLEX Order is not executed in whole or in part as soon as it hits the electronic book, it must be immediately cancelled by the FLEX Trader.

(iii) All FLEX Orders are ranked and matched based on price[-time priority; provided, if a FLEX Appointed Market-Maker is quoting at the best bid (offer) and a FLEX Appointed Market-Maker participation entitlement has been established pursuant to paragraph (d) below,] A[a]llocation among multiple bids (offers) at the same price shall be as follows:

(A) all FLEX Orders for the account of a public customer and non-Trading Permit Holder broker-dealers [ranked ahead of the FLEX Appointed Market-Maker] will participate in the execution based on time priority;

(B) any FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below; then

(C) all other FLEX Orders will participate in the execution based on time priority.

(3) Crossing FLEX Orders:

(i) Principal Transactions: Submitting Trading Permit Holders may not execute as principal against FLEX Orders they represent as agent unless: (A) the agency FLEX Order is first subject to an RFQ and the agency FLEX Order (or any remaining balance not executed during the RFQ Reaction Period) is exposed on the System for at least the Crossing Exposure Period, or (B) the Submitting Trading Permit Holder has been bidding or offering for at least the Crossing Exposure Period prior to receiving an agency FLEX Order that is executable against such bid or offer.

(ii) Solicitation Orders: Submitting Trading Permit Holders may not execute solicited orders against FLEX Orders they represent as agent unless the agency FLEX Order is first subject to an RFQ and the agency FLEX Order (or any remaining balance not executed during the RFQ Reaction Period) is exposed on the System for at least the Crossing Exposure Period.

(iii) The duration of the Crossing Exposure Period referenced in subparagraphs (b)(3)(i) and (ii) above will be established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.

(c) Quote Acceptance:

Acceptance of any bid or offer creates a binding contract under Rule 6.48.

(d) Priority of Bids and Offers:

(1) Basic Priority Methodology: Priority will be as provided in subparagraphs (a)(1)(iii) above for electronic RFQs, (a)(2)(v) above for open outcry RFQs and (b)(2)(iii) for the FLEX Book.

(2) Additional Priority Overlays:

(i) The Exchange may establish from time to time a crossing participation entitlement subject to the following:

(A) In the case of FLEX Equity Options, where the Submitting Trading Permit Holder has matched or improved the BBO or BBO clearing price, as applicable, the Submitting Trading Permit Holder will have priority to execute the contra-side of the trade, but only to the extent of the applicable crossing participation entitlement percentage. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations with respect to open outcry RFQs [and/or electronic RFQs] and the applicable entitlement percentage, which shall not exceed 40% of the trade.

(B) In the case of FLEX Index Options, where the Submitting Trading Permit Holder has matched or improved the BBO or BBO clearing price, as applicable, the Submitting Trading Permit Holder will have priority to execute the contra-side of the trade, but only to the extent of the largest of (i) the applicable crossing participation entitlement percentage, (ii) a proportional share of the trade, (iii) \$1 million Underlying Equivalent Value, or (iv) the remaining Underlying Equivalent Value on a closing transaction valued at less than \$1 million. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations with respect to open outcry RFQs [and/or electronic RFQs] and the applicable crossing participation entitlement percentage in subparagraph (i), which shall not exceed 40% of the trade. [With respect to electronic RFQs, the parameters in subparagraphs (ii) through (iv) will only be available to the extent the Exchange may determine to make them available in the System.]

(C) A Submitting Trading Permit Holder that is utilizing the open outcry RFQ mechanics may not cross an order pursuant to subparagraphs (d)(2)(i)(A) or (B) above that he is holding with a solicited order from a FLEX Market-Maker that is then in the trading crowd, except in accordance with Rule 6.55. A Submitting Trading Permit Holder that is utilizing the electronic RFQ mechanics may not cross an order pursuant to subparagraphs (d)(2)(i)(A) or (B) above that he is holding with (i) a solicited order for a FLEX Market-Maker's individual or joint account or (ii) a solicited order initiated by the FLEX Market-Maker for an account in which the FLEX Market-Maker has an interest, unless the FLEX Market-Maker refrains from participating on the same trade. It is the responsibility of the FLEX Market-Maker to ascertain whether solicited orders for the FLEX Market-Maker's joint account are being represented by the Submitting Trading Permit Holder.

(ii) The Exchange may establish from time to time a participation entitlement formula that is applicable to FLEX Appointed Market Makers on a class-by-class basis with respect to open outcry RFQs, electronic RFQs and/or electronic book transactions. Any such FLEX Appointed Market-Maker participation entitlement shall: (A) be divided equally by the number of FLEX Appointed Market-Makers quoting at the BBO or BBO clearing price, as applicable; (B) collectively be no more than: 50% of the amount remaining in the order when there is one other FLEX Market-Maker also quoting at the same price, 40% when there are two other FLEX Market-Makers also quoting at the same price; and 30% when there are three or more FLEX Market-Makers also quoting at the

same price; and (C) when combined with any crossing participation entitlement, shall not exceed 40% of the original order.

(iii) Pronouncements regarding the applicable participation entitlements and applicable rates pursuant to subparagraphs (d)(2)(i) and (ii), if any, shall be announced to the Trading Permit Holders via Regulatory Circular.

(3) Notwithstanding subparagraphs (d)(1) through (2), Trade Conditions detailed in Rule 24B.1(x) may prevent a match from occurring.

(4) All transactions must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder. Section 11(a)(1) prohibits a Trading Permit Holder from effecting transactions on the Exchange for the Trading Permit Holder's own account, the account of an associated person, or an account over which the Trading Permit Holder or its associated person exercises investment discretion (collectively referred to as "proprietary" orders), unless an exception applies.

(i) Market-Makers: Any such proprietary transaction entered by a dealer acting in the capacity of a market maker is exempt from Section 11(a)(1) pursuant to Section 11(a)(1)(A).

(ii) "G" Exemption: A transaction shall be permitted on behalf of the proprietary account of a Trading Permit Holder relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (referred in this Rule as the "G" exemption), subject to the provisions set forth in subparagraphs (a)(2)(v)(B) and (b)(2)(ii) above. Such a Trading Permit Holder would also have to be in compliance with the requirements of paragraph (b) of the "G" exemption rule.

(iii) "Effect versus Execute" Exemption: A Trading Permit Holder relying on 11a2-2(T) under the Exchange Act (referred to in this Rule as the "effect versus execute" exemption) may use the System to submit a proprietary order originating from off the Exchange's trading floor only when such proprietary order is submitted as a FLEX Order into the electronic book as described in paragraph (b), provided the Trading Permit Holder is in compliance with the requirements of Section (a)(2)(iv) of the "effect-versus-execute" exemption rule. Nothing in this subparagraph precludes a Trading Permit Holder from having a proprietary order executed by another Trading Permit Holder that is unaffiliated with the Trading Permit Holder initiating the proprietary order, provided the Trading Permit Holder also satisfies the other requirements of the "effect-versus-execute" exemption rule.

(iv) Nothing in this Rule precludes a Trading Permit Holder from relying on another exception to comply with the requirements of Section 11(a)(1) and the rules promulgated thereunder.

(e) Incremental Changes for Bids and Offers

[Changes in decimal bids and offers for FLEX Index Options in the designated currency shall meet or exceed the following minimums (or such other minimums as the Exchange sets from time to time to ensure fair and orderly markets): U.S. Dollars - \$.01; Canadian Dollars - \$.01; Japanese Yen - .01Y; Deutsche Marks - .01DM; French Francs - .01F; Swiss Francs - .01F; British Pounds - .01£; European Currency Units - .01ECU.] Changes in decimal bids and offers for FLEX [Equity] Options shall be determined by the Exchange on a class-by-class basis, but may not be smaller than \$.01. Pronouncements regarding the applicable minimum increment shall be announced to the Trading Permit Holders via Regulatory Circular.

This rule supersedes Exchange Rules 6.5, 6.9(d)(in those situations where a Submitting Trading Permit Holder representing an eligible order determines to take advantage of the crossing participation entitlement provisions of this Rule), 6.41, 6.42(paragraphs (1) through (3) and those provisions of paragraph (4) pertaining to complex orders in options on the S&P 500 Index or on the S&P100 Index that are not box/roll spreads), 6.44, 6.45, 6.53(paragraphs (l) and (m)), 6.74, (except that the Exchange may designate a class to be eligible for the tied hedge procedures set forth in Interpretation and Policy .10), 24.8 and 24.9.

... Interpretations and Policies:

.01 There is no electronic complex order book for multi-legged, complex orders. To trade electronically, complex orders will only be eligible to trade with other complex orders through the electronic RFQ process described in paragraph (a)(1) of this Rule. For purposes of the electronic RFQ process, order allocation shall be the same as provided in paragraph (a)(1)(C). In the event there are bids (offers) in any of the individual component series legs represented in the electronic book when an electronic RFQ for a complex order strategy is submitted to the System, the electronic RFQ will not commence. In the event an unrelated FLEX Order in any of the individual series legs is received during the duration of an electronic RFQ, such FLEX Order will not be considered in the electronic RFQ allocation. To the extent that a complex RFQ Order or responsive FLEX Quote is not executed, any remaining balance of the complex order or FLEX Quote will be automated cancelled if not traded.