EXECUTE SUCCESS℠

CBOE Regulatory Circular RG13-036
C2 Regulatory Circular RG13-013

Date: March 4, 2013

To: Trading Permit Holders and TPH Organizations

From: Regulatory Services Division

RE: Mini Options (on SPY, AAPL, GLD, GOOG and AMZN) Information and FAQ

Chicago Board Options Exchange, Incorporated (CBOE) and C2 Options Exchange, Incorporated (C2) recently adopted rules that permit the listing and trading of options overlying ten shares of SPDR S&P 500 (SPY), Apple, Inc. (AAPL), SPDR Gold Trust (GLD), Google Inc. (GOOG) and Amazon.com Inc. (AMZN) (mini-options) set to begin March 18, 2013. All existing CBOE/C2 rules applicable to regular sized options on equities/ETFs that overlie 100 shares (standard options) will apply to mini-options, except with respect to position and exercise limits.

The table below demonstrates the differences between a mini-options contract and a standard contract with a strike price of $125 per share and a bid/offer of $3.20 per share:

	Standard	Mini
Share Deliverable Upon Exercise	100 shares	10 Shares
Strike Price	125	125
Bid/offer	3.20	3.20
Premium Multiplier	$100	$10
Total Value of Deliverable	$12,500	$1,250
Total Value of Contract	$320	$32

Frequently Asked Questions

Q: If I select a symbol that has mini-options in my appointment list, am I obligated to quote the mini-option?

> A: No. Standard options and mini-options on the same security are different classes and have separate appointments. Therefore, if you only have an appointment in and quote the standard option series you have no quoting obligations in the mini-options series. Additionally, if you only have an appointment in and quote the mini-options series you have no quoting obligations in the standard options series. However, if you quote the mini-options, normal quoting rules apply.

Q: Are the required CBOE Bid/Ask differentials and the initial quoting volume the same for the mini-options as the standard option?

> A: Yes. In addition, if an exemption is granted in the standard options, the same exemption will apply to mini-options on the same security (See CBOE Regulatory Circular RG13-031 for Bid/Ask differentials).

Q: Does inter-market trade-through protection apply to mini-options?

> A: Yes, however, price protection would not apply across standard and mini-options on an intra-market basis, as these are separate products.

Q: Regarding position and exercise limits, will the standard options and mini-options of the same underlying security be combined?

A: Yes. Interpretation and Policy .08 to Rule 4.11 provides that, for purposes of compliance with the applicable position limit amount, ten mini-option contracts will equal one standard contract overlying 100 shares. For example, a Trading Permit Holder (TPH) who is long 100,000 AAPL standard calls and long 200,000 AAPL7 mini-option calls will have a total position in AAPL of 120,000 contracts. The Exchange notes that, subject to a pilot program, there are no position and exercise limits for standard and mini-options on SPY. See Rule 4.11.07.

Q: With regard to the application of an equity hedge exemption to position and exercise limits, is there a difference between standard and mini-options?

A: Yes. For standard options, 100 shares are used to hedge 1 contract, whereas 10 shares are used to hedge 1 mini-option contract. For example, a TPH who is long 100,000 AAPL standard calls and long 200,000 AAPL7 mini-option, the calls will be hedged fully if the position is short 12 million AAPL shares ((100,000 x 100) + (200,000 x 10)).

Q: Are mini-options LOPR reportable and what is the threshold to report them?

A: Yes. The reportable threshold is 20,000 equivalent shares for mini-options and standard options combined. For example, a TPH who is long 150 standard option calls and long 100 mini-option calls is not required to report to LOPR because the aggregate equivalent shares is 16,000 shares. However, a TPH who is long 150 standard option calls and long 500 mini-option calls is required to report to LOPR because the aggregate equivalent shares is 20,000 shares.

Additional Information:

Please contact the Regulatory Interpretations and Guidance team at RegInterps@cboe.com or (312) 786-8141 for any additional information.