Information Circular IC06-37

Date: March 17, 2006

To: CBOE Membership

From: Bill Brodsky
Ed Joyce
Ed Tilly

Re: New Product Announcements

At a press briefing hosted by CBOE at the Futures Industry Association Conference in Boca Raton, Florida earlier this morning, the Exchange announced several new product initiatives, including the launch of a new electronic system for the trading of FLEX options.

This new system, CBOEFLEX.net, expected to launch later this summer, will be the first Internet-based electronic trading system for equity and index FLEX options in the U.S. Through an agreement with Stockholm-based Cinnober Financial Technology, the CBOEFLEX.net system will be based on Cinnober's TRADExpress Trading Engine and will also utilize the over-the-counter (OTC) platform Ctrade. Cinnober's Trading Engine is a fully scalable, fault tolerant trading platform for matching of complex contracts. Cinnober's technology includes electronic negotiation tools that enable brokers, salespeople and their clients to negotiate trades in real-time, securely, over the Internet.

Additionally, CBOE and CFE also unveiled the following four new products:

- "Weeklys" -- new short-term options based on the Mini-S&P 500 Index (XSP) and the European-style exercise of the S&P 100 Index (XEO).

- CBOE OTM BuyWrite Index -- a new BuyWrite benchmark that uses the same methodology as the BXM, but is calculated using out-of-the-money SPX options, rather than at-the-money SPX options.

- Real Estate Index Futures -- five new CFE contracts based on the National Association of Realtors Existing-Home Sales Median Price indicators.

- CBOE S&P 500 Twelve-Month Variance Futures -- new CFE contracts based on the realized variance of the S&P 500 Composite Stock Price Index.

Attached you will find the press releases for each of the announcements.

# CBOE News Release

Chicago Board Options Exchange
400 S. LaSalle Street
Chicago, IL 60605

**FOR IMMEDIATE RELEASE**

## CBOE Announces New BXY BuyWrite Index Using Out-Of-The-Money Calls; Strategy Can Boost Income and Risk-Adjusted Returns

**Chicago, IL and Boca Raton, FL – March 17, 2006 –** The Chicago Board Options Exchange (CBOE) today announced that it will begin publishing the CBOE S&P 500 2% OTM BuyWrite Index (**BXY**) on Monday, March 20, 2006. The new index uses the same methodology as the widely accepted CBOE S&P 500 BuyWrite Index (BXM), but is calculated using out-of-the-money S&P 500 Index (SPX) call options, rather than at-the-money SPX call options.

"As *the* Index innovators, CBOE is now building on the success of the BXM and creating alternatives for different types of markets and for investors with different appetites for risk," said CBOE Chairman and CEO William J. Brodsky. "The recent popularity of the BuyWrite strategy can be attributed to the CBOE BXM, which was the first, and only, benchmark measure of this time-tested strategy and illustrated how the strategy can be used by individual investors as well as large money managers, to enhance returns and reduce risk."

Similar to the BXM, which was created by CBOE in 2002, the CBOE S&P 500 2% OTM BuyWrite Index is a benchmark index that measures the performance of a theoretical portfolio that sells S&P 500 Index (SPX) call options against a portfolio of the stocks included in the S&P 500 Index. Unlike the BXM Index, the BXY Index sells monthly call options that are 2% out-of-the-money, thus allowing investors to participate in some upside of the stock market. A "buy-write," also called a covered-call strategy, generally is considered to be an investment strategy in which an investor buys a stock or a basket of stocks, and also sells ("writes") call options that correspond to the stock or basket of stocks. This strategy can be used to enhance portfolio returns and reduce volatility.

The BuyWrite gained increased acceptance as a conservative strategy following the publication of a 2004 study by Ibbotson Associates, a leading research firm specializing in asset allocation, that concluded that the CBOE BXM had the best risk-adjusted performance of the major domestic and international equity-based indexes over the previous 16 years. Investors recently have allocated more than $20 billion in at least 40 BuyWrite funds.

Key points about the new CBOE BXY Index include the following:

- Buy-write strategies often tend to perform relatively well in markets with negative or slowly rising returns.

- The BXY Index was set to 100 at its base date of June 1, 1988, and it rose to 812.97 by March 10, 2006, an increase of approximately 713%.

**-- more --**

- Buy-write strategies offer a tradeoff between options premium that help cushion downside moves of the market and limited participation in upside moves. The BXY strategy diversifies the buy-write opportunities currently provided by the BXM. It yields lower monthly premiums in return for a greater participation in the upside moves of the S&P 500.

- The expansion of investment choices provided by the BXY is illustrated by the following characteristics of the monthly rates of return for total return indexes from their June 1988 inception to the end of February 2006:

  Annualized Returns:
  - BXY……12.7%
  - BXM……...11.8%
  - S&P 500……11.7%

  Volatility:
  - BXY……11.3%
  - BXM……...9.4%
  - S&P 500……14.0%

CBOE will calculate and disseminate the BXY value at the end of each trading day. Historical daily values for the BXY are available dating back to 1988 on the CBOE website and from options price quote vendors. For more data and information about BXY and its use as a portfolio management tool, please visit www.cboe.com/BXY.

CBOE also calculates and disseminates the CBOE DJIA BuyWrite Index (BXD), that uses the DJX call options vs. a portfolio of the stocks included in the Dow Jones Industrial Average, and the CBOE NASDAQ-100 BuyWrite Index (BXN), based on the NDX options vs. the stocks included in the NASDAQ-100 Index. For more information on methodology, historical data, charts and comparisons for BXD, BXM, BXN and BXY, please visit: www.cboe.com/IndexSites.

CBOE, the world's largest options exchange and creator of listed options, is regulated by the Securities and Exchange Commission (SEC). For additional information about the CBOE and its products, access the CBOE website at: www.cboe.com.

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# # #

# CBOE News Release

Chicago Board Options Exchange
400 S. LaSalle Street
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**FOR IMMEDIATE RELEASE**

## CBOE ANNOUNCES NEW ELECTRONIC SYSTEM FOR TRADING FLEX OPTIONS; Agreement With Cinnober Financial Technology Will Provide The First Fully-Automated Electronic FLEX Options Trading System In The U.S.

**Chicago, IL and Boca Raton, FL -- March 17, 2006 --** The Chicago Board Options Exchange (CBOE) announced today that it has entered into an agreement with Stockholm-based Cinnober Financial Technology under which Cinnober will provide its trading technology to CBOE for the electronic trading of equity and index FLEX options. With this announcement, CBOE brings the first Internet-based, fully automated electronic trading system to the U.S. marketplace for the trading of FLEX options, which are customizable options contracts. CBOE expects to launch its system CBOEFLEX.net later this summer, subject to regulatory approval.

The CBOEFLEX.net system will be based on Cinnober's TRADExpress Trading Engine and will also utilize the over-the-counter (OTC) platform Ctrade. Cinnober's Trading Engine is a fully scalable, fault tolerant trading platform for matching of complex contracts. Cinnober's technology includes electronic negotiation tools that enable brokers, salespeople and their clients to negotiate trades in real-time, securely, over the Internet. The CBOEFLEX.net system will cater to the growing OTC options market, appealing to those FLEX users who wish to execute their trades with simple point-and-click functionality. By offering this new trading interface, CBOE expects to attract a significant segment of the OTC market activity to the system by providing the ability to trade FLEX options electronically.

"CBOE created the concept of FLEX options in 1993, and through this agreement with Cinnober Financial Technology, we will take FLEX option trading to a whole new level by introducing the first Internet-based, fully-automated, electronic FLEX options trading system in the U.S.," said CBOE Chairman and CEO William J. Brodsky. "This revolutionary system will offer FLEX users a host of benefits, including significantly reducing costs, establishing clearing transparency and counterparty anonymity, and offering point-and-click execution of FLEX trades."

"We are very proud to have been assigned by CBOE to provide this new trading technology for their FLEX options trading," said Cinnober CEO Gunnar Lindell. "CBOE is the largest options marketplace in the world and a great innovator and we look forward to a mutually beneficial relationship with them. It has once again been confirmed that our choice of technology is the choice of the future, helping us provide state of the art, cost efficient systems. We see all our clients as partners, working in close cooperation with them to deliver according to expectations. We believe this is the only way to build long-lasting relationships."

FLexible EXchange (FLEX) options are customized equity or index option contracts that provide investors with the ability to customize key contract terms including strike prices, exercise styles and expiration dates of up to ten years from the trade date; with the transparency, administrative ease and clearing guarantees of standard listed options. Currently, more than 1,300 equity options and five index options -- S&P 100 (OEX), S&P 500 (SPX), Dow Jones Industrial Average (DJX), Russell 2000 (RUT) and Nasdaq-100 (NDX) -- are available for FLEX trading at CBOE. CBOE created index FLEX options in 1993 and equity FLEX options in 1996.

**-more-**

Cinnober Financial Technology develops exchange and marketplace solutions for the financial, commodity and energy markets. Cinnober's products are all based on the in-house developed platform TRADExpress, and powers some of the largest exchanges in the world with high performance and reliability. The development is performed in 100% Java, which enables flexible, fast and platform independent solutions built for high capacity. For more information on Cinnober Financial Technology, visit their website at www.cinnober.com.

C-Trade is owned and marketed by Cinetics AB, an affiliate company of Cinnober. For more information, see www.ctrade.com.

CBOE, the world's largest options marketplace and the creator of listed options, is regulated by the Securities and Exchange Commission (SEC). For additional information about the CBOE and its products, visit the CBOE website at www.cboe.com.

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# CBOE Futures Exchange

## *NewsRelease*

400 S. LaSalle Street
Chicago, IL 60605

**FOR IMMEDIATE RELEASE**

## CBOE Futures Exchange (CFE) To Launch New Variance Futures
## 12-Month Variance Contract Expands CFE Volatility Product Line

**Chicago, IL and Boca Raton, FL -- March 17, 2006 -** The CBOE Futures Exchange (CFE) today announced that it plans to launch CBOE S&P 500 Twelve-Month Variance Futures on Friday March 24th, pending regulatory approval. This new contract will expand the suite of volatility contracts offered exclusively at the Chicago Board Options Exchange and CFE, which includes futures and options on the CBOE Volatility Index (VIX) and CBOE DJIA Volatility Index, and 3-Month Variance futures.

"As the derivatives markets continue to become more sophisticated, CBOE is continuing to stay ahead of the curve by bringing innovative products to the marketplace. The growth potential for CBOE's volatility products is tremendous, and as investors better understand the importance of hedging volatility risk, we expect volume will continue to grow," said CBOE Chairman and CEO William Brodsky. "The 12-month Variance Futures further expands volatility hedging and trading opportunities."

"The advantages of CFE's suite of volatility products will especially appeal to over-the-counter traders looking for the convenience and ease of execution that exchange traded products provide," said CFE Managing Director Patrick Fay. "The addition of 12-month S&P 500 Variance contract to CFE's line-up of products offering the advantages of transparency, standardized terms, and the backing of a triple-A rated clearing house, will improve the ability of all investors to effectively manage volatility risk."

CBOE S&P 500 Twelve-Month Variance Futures are based on the realized variance of the S&P 500 Composite Stock Price Index ("S&P 500"). The final settlement value for the contract will be determined based on a standardized formula for calculating the twelve-month realized variance of the S&P 500.

CBOE launched VIX futures in March 2004, and today volume averages about 1,000 contracts per day, with open interest of about 20,000 contracts. CBOE recently launched options on the VIX, and in the first two weeks of trading volume has totaled more than 94,000 contracts, with open interest standing at about 85,000 contracts.

The CBOE Futures Exchange is a wholly-owned subsidiary of Chicago Board Options Exchange, Incorporated, offering an all-electronic exchange, open access market model, with traders providing liquidity and making markets. Currently, CFE lists 25 futures contracts, including futures on the CBOE Volatility Index, "VIX," Gas at the Pump, CBOE China Index, and 12 sector Indexes, called Power Packs. CFE is regulated by the Commodity Futures Trading Commission (CFTC). More information on CFE and its products, including contract specifications, can be found at: www.cboe.com/CFE.

CBOE, the world's largest options marketplace and the creator of listed options, is regulated by the SEC. For additional information about the CBOE and its products, access the CBOE website at www.cboe.com.

**-more-**

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# # #

# News Release

NATIONAL
ASSOCIATION OF
REALTORS®
*The Voice For Real Estate®*

500 New Jersey Avenue, NW
Washington DC 20001

**FOR IMMEDIATE RELEASE**

## CBOE FUTURES EXCHANGE (CFE) ANNOUNCES NEW REAL ESTATE INDEX FUTURES ON NATIONAL ASSOCIATION OF REALTORS EXISTING-HOME SALES MEDIAN PRICES

**Chicago, IL and Boca Raton, FL -- March 17, 2006 –** The CBOE Futures Exchange (CFE) announced today that it plans to launch National Association of Realtors Existing-Home Sales Median Price futures contracts. Through a licensing agreement with the National Association of Realtors (NAR), CFE has created five new futures contracts designed to track the median price of existing-home sales nationally and in four distinct regions within the United States. CFE plans to launch the new contracts in the second quarter of 2006, pending regulatory approval.

"With the U.S. housing market valued at nearly $20 trillion, real estate is not only the hottest topic of conversation, it is an asset class unto itself that is arguably one of the most important segments of the U.S. economy," said CBOE Chairman and CEO William J. Brodsky. "CBOE gave careful consideration to the development of this contract to ensure that it had practical application for hedging as well as speculating, offering a chance to participate in the real estate market to a wide range of investors -- whether your outlook is regional or national, bullish or bearish."

"The launch of the National Association of Realtors Existing-Home Sales Median Price futures contracts marks an important milestone in the evolution of housing as an investment. Now investors, including homeowners, real estate professionals and companies in the real estate business, have a new way to participate in the housing market. In partnership with the CBOE, NAR is proud to be playing a central role in the creation of this new marketplace," said Tom Stevens, NAR President.

"CBOE's selection of NAR's Existing-Home Sales Series testifies to the quality of our data and the significant role the series plays tracking critical trends in the housing markets. Investors in the new futures contracts can be confident that the monthly series will report what is actually happening in the marketplace as accurately as possible," said David Lereah, NAR Senior Vice President and Chief Economist.

The National Association of Realtors Existing-Home Sales survey is a widely recognized median home sales indicator, and is broadly followed in the media. The NAR Existing-Home Sales Median Price indicators are based on a large representative sample of local Realtor associations/boards and multiple listing services (MLS) across the nation that captures 40% of all existing-home closing transactions in its monthly data series.

**-more-**

CFE has created five National Association of Realtors Existing-Home Sales Median Price futures contracts that track the median sales prices in the U.S. overall, and four regions within the U.S.: Northeast, South, Midwest and West. These contracts will settle monthly. An additional 10 contracts based on various metropolitan area markets will also be launched. Those contracts will settle quarterly. Futures quotes will be based on 1/1000th the respective NAR Regional Existing-Home Sales Median Price levels. For example, as of January 2006, the national median sales price was $211,000, so the futures index level for this contract would be 211.00.

The new contracts will be traded electronically, via CBOE*direct*, and will be cleared through the triple-A rated Options Clearing Corporation (OCC). At expiration, the futures contracts will be cash-settled, meaning settlement will result in the delivery of a cash amount based on the final settlement price, determined by the surveys conducted by the NAR.

In general, there will be at least two near-term months and two months in the February quarterly cycle for the Regional NAR Existing-Home Sales Median Price futures and two months in the February quarterly cycle for the Metro Area NAR Existing-Home Sales Median Price futures. Price quotations will be in minimum ticks equivalent to $50.00 per contract. Trading hours will be 8:30 a.m. to 3:15 p.m., Central Time. For more details and contract specifications, go to: http://cfe.cboe.com.

The National Association of Realtors, "The Voice for Real Estate," is America's largest trade association, representing more than 1.2 million members involved in all aspects of the residential and commercial real estate industries.

The CBOE Futures Exchange is a wholly-owned subsidiary of Chicago Board Options Exchange, Incorporated, offering an all-electronic exchange, open access market model, with traders providing liquidity and making markets. CFE is regulated by the Commodity Futures Trading Commission (CFTC). More information on CFE and its products, including contract specifications, can be found at: www.cboe.com/CFE.

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# CBOE News Release

Chicago Board Options Exchange
400 S. LaSalle Street
Chicago, IL 60605

**FOR IMMEDIATE RELEASE**

## CBOE TO LAUNCH NEW MINI-SPX (XSP) AND S&P 100 (XEO) WEEKLYS ON FRIDAY, MARCH 24; New Short Term Options On S&P 500 and S&P 100 Indexes

**Chicago, IL and Boca Raton, FL — March 17, 2006 –** The Chicago Board Options Exchange (CBOE) announced that it will launch short-term, "Weekly" options on the Mini-SPX (XSP) and the S&P 100 Index (XEO) on Friday, March 24, 2006. CBOE broke new ground in October 2005, when it introduced the Weekly concept with the launch of one-week options on the S&P 500 Index (SPX) and S&P 100 Index (OEX). Strong volume in both contracts has proven the popularity of the idea, prompting CBOE to expand the product line to include Weeklys on two more of its top Index products.

Average daily volume in OEX and SPX Weeklys combined has grown to over 4,000 contracts per day since their launch in October. Volume in OEX and SPX Weeklys for the month of February totaled 58,282 contracts and 65,641 contracts in January.

The Mini-SPX (XSP) is a smaller sized, S&P 500 Index contract (1/10th the value of the S&P 500 Index) traded on the CBOE Hybrid Trading System. XEO options are S&P 100 Index options with European-style exercise (OEX options are S&P 100 Index options with American-style exercise).

Weeklys were created by CBOE to provide investors with an efficient means to trade options around specific time periods or certain news or events -- such as economic data announcements. CBOE's one-week options are listed on a Friday and expire the following Friday, as opposed to traditional options which have a life of months or years.

In general, Weeklys have the same contract specifications as standard options, except for the time to expiration, and offer the same continuous, two-sided quotes as standard options. SPX and XSP Weeklys are European-style exercise with Friday A.M. settlement (last day of trading is Thursday). OEX and XEO Weeklys are American-style exercise and European-style exercise, respectively, with Friday P.M. settlement (last day of trading is Friday).

New series are listed each Friday, expiring the following Friday, except that no new Weeklys are listed that would expire during the expiration week for standard options (the third Friday of each month). Ticker symbols for Weeklys differ from the traditional options contract symbols, with letters identifying the Weekly cycle, (for example SPX Weeklys for the first week of the month are JXA, JXB for the second week, etc.). There are no position or exercise limits; however, reporting requirements apply. Please visit www.cboe.com/Weeklys for information.

CBOE, the world's largest options exchange and creator of listed options, is regulated by the Securities and Exchange Commission (SEC). For additional information about the CBOE and its products, visit the CBOE website at: www.cboe.com.

**-more-**

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