



Regulatory Circular RG01-123

Date: August 1, 2001

To: Members and Member Firms

From: The Index Market Performance Committee

Re: European-style S & P 100 (XEO) Index Options and Long Term Index Option Series ("LEAPS")

The Index Market Performance Committee ("Committee") has reviewed the market conditions in the basket of stocks underlying XEO options and the width of the markets in the related futures contracts which are frequently utilized to hedge options positions. Based upon this review, the Committee in accordance with Rule 8.7(b)(iv), has determined to modify the bid/ask differentials as they apply to XEO options. The modified bid/ask differentials are as follows:

- If the bid is less than \$1, the bid/ask spread may be up to .50 cents wide.
- If the bid is from \$1 to \$2, the bid/ask spread may be .70 cents wide.
- If the bid is from \$2.10 to \$5, the bid/ask spread may be up to \$1.00 point wide.
- If the bid is from \$5.10 to \$8, the bid/ask spread may be \$1.50 wide.
- If the bid is from \$8.10 to \$15, the bid/ask spread may be \$2 wide.
- If the bid is from \$15.10 to \$25, the bid/ask spread may be \$3 wide.
- If the bid is greater than \$25.10, the bid/ask spread may be \$4 wide.

Members and member firms are reminded that Rule 8.7 allows markets for in-the-money options to be as wide as the market in the underlying basket of stocks.

This relief was granted by the Committee with the contingency that the disseminated markets in this class will be competitive and in many instances will be narrower than the relief granted above and may be withdrawn by the Committee at any time.

Any questions regarding this memorandum may be directed to Daniel Hustad at (312) 786-7715.