Regulatory Circular RG06-78

To: Members

From: Research & Legal Divisions

Date: July 26, 2006

Re: Approval of $1 Strike Range for VIX Options

A rule change that permits CBOE to list and trade VIX options in $1 strike price intervals within certain parameters has been approved by the Securities and Exchange Commission (Release 34-54192; SR-CBOE-2006-27). A copy of the rule change, as well as the revised Rule 24.9.01(e), is available on CBOE's website at www.cboe.com.

Under the revised Rule, CBOE may list series at $1 or greater strike price intervals for each expiration on up to 5 VIX option series above and 5 VIX option series below the current index level. Additional series at $1.00 or greater strike price internals may be listed as the current index level of VIX moves in order to maintain at least 5 series above and 5 series below the current index level. Additionally, CBOE will not list series with $1 intervals within $0.50 of an existing $2.50 strike price with the same expiration month (e.g., if there is an existing 12.50 strike, CBOE would not list a 12 or 13 strike). Finally, the interval between strike prices for VIX LEAPs will continue to be no less than $2.50.

For purposes of adding strike prices at $1.00 or greater strike price intervals, as well as at the standard $2.50 or greater strike price intervals, the "current index level" is defined as the implied forward level of VIX for each expiration. CBOE will determine implied forward levels of VIX through the use of VIX futures prices.

For additional information regarding this rule change, please refer to CBOE rule filing SR-CBOE-2006-27. Any further questions should be directed to Bill Speth, Research Division, at (312) 786-7141 or Jennifer Lamie, Legal Division, at (312) 786-7576.