

Regulatory Circular No. #96-05

Date: January 5, 1996
To: Members and Member Firms
From: The Market Performance Committee
Re: Options on the NASDAQ 100 Index (NDX)

The Market Performance Committee has recently reviewed the market conditions in the basket of stocks underlying NDX options. The Committee has also reviewed the modified bid/ask differentials which are being applied to NDX options in consideration of the width of the market in the basket of underlying stocks. As a result of that review and in accordance with Rule 8.7(b)(iv), the Committee has determined to extend the modification to the bid/ask spread differentials as they apply to NDX options. Those modified bid/ask differentials are as follows:

- If the bid is less than \$2, the bid/ask spread may be up to 3/8 point wide.
- If the bid is from \$2 to \$4 7/8, the bid/ask spread may be 1/2 point wide.
- If the bid is from \$5 to \$9 7/8, the bid/ask spread may be 3/4 point wide.
- If the bid is from \$10 to \$19 7/8, the bid/ask spread may be 1 point wide.
- If the bid is from \$20 to \$39 7/8, the bid/ask spread may be 2 points wide.
- If the bid is above \$40, the bid/ask spread may be 3 points wide.

The above bid/ask differentials are the maximum allowable, and in many instances, may be narrower.

This modification to Rule 8.7(b)(iv) is currently effective and the Market Performance Committee will periodically review trading conditions in NDX options and the underlying basket of stocks to determine the length of time for the extension of the spread relief.

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