

Regulatory Circular RG97-143

Date: October 24, 1997

To: Members and Member Firms

From: The OEX Market Performance Committee

Re: S&P 100 (OEX) Bid/Ask Calculations

The Exchange is calculating the bid/ask values of the S&P 100 Index (OEX) pursuant to Exchange Rule 8.7, Interpretation .08, and effective October 24, 1997 is making those values available to the trading floor and to the public. The Exchange is not making a market in the basket of stocks comprising the OEX and is not guaranteeing the accuracy or availability of the bid/ask values. The Exchange's liability in connection with the calculation and dissemination of these bid/ask values of the OEX is limited pursuant to CBOE Rule 6.7.

Since the primary market places of the components of the OEX include a variety of exchanges and dealers, the calculated markets of the index, in most cases, tend to be wider than the bid/ask differentials as allowed under CBOE Rule 8.7(b)(iv). As a result, the OEX Market Performance Committee would like to remind the Members and Member Firms that certain provisions of Rule 8.7 allow markets for in-the-money options to be as wide as the markets in the securities underlying such options. Therefore, in the case of OEX, Rule 8.7 will be interpreted to incorporate the calculated bid/ask of the index as the market in the underlying security, and it would follow that markets for in-the-money OEX options could be as wide as the calculated markets for the index itself. The Exchange, of course, encourages its members to make markets as narrow as possible in the index options.

Questions may be directed to any member of the OEX Market Performance Committee or to Daniel Hustad at (312)786-7715.