Regulatory Circular RG00-22

Date: January 20, 2000

To: Members and Member Firms

From: Department of Financial and Sales Practice Compliance

Subject: **Option Margin Rules Changes – Effective on January 20, 2000**

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PLEASE ROUTE TO:
COMPLIANCE DEPARTMENT
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SENIOR REGISTERED OPTIONS PRINCIPAL
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The Securities and Exchange Commission has approved changes to the option margin rules of the New York Stock Exchange, effective January 20, 2000. Similar changes already have been made to the CBOE's rules; these changes were summarized in the four-page Regulatory Circular RG 99-160.

Some of the changes include:

- Loan Value for Long-Term Listed Options and for Certain Long Box Spreads. Member firms may now lend up to 25% of the current market value of a listed option that has more than 9 months until expiration. Thus, the initial and maintenance margin is 75%. Member firms may lend up to 50% of the difference in the aggregate exercise prices on a long box spread if it is comprised of European style options.

- Reduced Maintenance Margin Requirements for Stock Positions Hedged With Options. These include protective puts, protective calls, conversions, reverse conversions and collars.

- Recognition of Certain Long and Short Butterfly Spreads; and Long and Short Box Spreads. Eligible long butterfly and box spreads will pay in full the net debit incurred (i.e., the maximum risk). Eligible short (credit) butterfly and box spreads will pay the difference between the exercise prices. Net credit received may be applied.

- Minimum Margin on Short, Uncovered Puts. The minimum requirement is now calculated using the exercise price of the put rather than the current market value of the underlying.

- Provisions allowing certain spreads, including certain butterfly and box spreads, in cash accounts if they are comprised of European style index options.

For more details, please see **http://www.cboe.com/margin/** or contact Jim Adams - (312) 786-7718 or Rich Lewandowski - (312) 786-7183 in the CBOE's Department of Financial and Sales Practice Compliance.