



To: Members

Regulatory Circular RG03-05

From: Stock Selection Committee

Date: January 14, 2003

Re: Adding New Series of Option Contracts

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Due to questions from members as to when CBOE may add additional series of option contracts on equity option classes, the Stock Selection Committee thought it would be helpful to describe some of the criteria under CBOE Rule 5.4 for adding new series of option contracts.

**Maintenance Criteria.** Pursuant to Rule 5.4, Interpretation .01, CBOE cannot add new series of option contracts on an equity option class whenever any of the following occur<sup>1</sup>:

- **Price.** The market price per share of the underlying security closed below \$3 in the primary market in which it is traded on the previous trading day.
- **Float.** There are fewer than 6.3 million shares of the underlying security held by persons other than those required to report their security holdings under Section 16(a) of the Exchange Act.
- **HOLDERS.** There are fewer than 1,600 holders of the underlying security.
- **Volume.** The trading volume (in all markets in which the underlying security is traded) was less than 1.8 million shares in the preceding 12 months.

**\$3 Price Requirement.** Provided none of the limitations listed above occur, and no other restrictions under CBOE Rules prevent the listing of new series (see footnotes), CBOE can add additional series on an intra-day or next-day basis, or following expiration, when the market price per share of the underlying security is at or above \$3 as follows:

- **For Intra-day Series Additions,** to add new series the underlying security must close at or above \$3 on the previous trading day in the primary market in which the security is traded, and the last reported trade in the primary market must be at or above \$3 at the time CBOE determined to add these additional series.
- **For Next-Day and Expiration Series Additions,** to add new series the underlying security must close at or above \$3 in the primary market in which the underlying security is traded on the last trading day before the series are added.

One exception to the \$3 price requirement is that CBOE can add a new series even though the market price of the underlying security is below \$3 provided that at least one other options exchange trades the series to be added, and at the time the other options exchange added the series, it met the \$3 price requirement.

If a member wishes to add a new series of option contracts for an underlying security that meets the above criteria, members should contact the Market Services Department at ext. 7351.<sup>2</sup>

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<sup>1</sup> Two other limitations in Rule 5.4 not listed below for adding new option series are that the issuer has failed to make timely reports as required by the Exchange Act, and that the issue has been delisted or is no longer designated an NMS security.

<sup>2</sup> Please note that under Rule 5.5, the Exchange due to unusual market conditions may add new series of options on an individual stock until five business days prior to expiration.