



DATE: January 20, 2005

TO: All Exchange Members

FROM: Regulatory Services Division

RE: Index Option Classes Eligible for NASD Short Sale Rule Option Market-Maker Exemption

The purpose of this circular is to inform market-makers of the current listing of certain index option classes whose components may be eligible for the limited exemption from the NASD Short Sale Rule, pursuant to Exchange Rule 15.10. It is recognized that the exemption is necessary and appropriate for the hedging of certain index options, which have a significant proportion of the underlying value comprised by NASDAQ stocks. Therefore, for index options for which at least 10% of the market capitalization of the underlying index is comprised of NASDAQ stocks, the hedge exemption is available for the NASDAQ stocks in that index, subject to certain restrictions. For a complete description, see Regulatory Circular RG95-40, Options Market-Maker Limited Exemption from NASD Short Sale Rule.

The list of index option classes, which are eligible for the exemption will generally be reviewed on a quarterly basis and published from time to time in the Regulatory Bulletin. Once eligible, a class will become ineligible if at a quarterly review the market capitalization has fallen below 8%. As of this date the index option classes that qualify include the following:

Stock Symbol	Index
CX	CBOE China Index Options
DTX	Dow Jones Transportation Average
ECM	Dow Jones Internet Commerce Index
GHA	GSTI™ Hardware Index Options
GIN	GSTI™ Internet Index Options
GIP	GSTI™ Multimedia Networking Index Options
GTC	GSTI™ Composite Index Options
GSM	GSTI™ Semiconductor Index Options
GSO	GSTI™ Software Index Options
GSV	GSTI™ Services Index Options
INX	CBOE Internet Index Options
MML	CBOE Mini – NDX Long-Dated Options
MNX	MNX SM - CBOE Mini-NDX Index Options
MVB	Morgan Stanley Biotech Index Options
MVR	Morgan Stanley Retail Index Options
NDX	Nasdaq-100® Index Options

Stock Symbol	Index
NFT	Morgan Stanley Multinational Company Index
OEX	S & P 100® Index Options - American
RUJ	Russell 2000® Value Index
RUO	Russell 2000® Growth Index
RUT	Russell 2000® Index
SML	S & P® SmallCap 600 Index Options
SPL	S & P Long-Dated Options
SPX	S & P 500® Index Options
TXX	CBOE Technology Index
XEO	European-style S & P 100® Index Options

Any questions in connection with this circular should be directed to Joanne Heenan at (312) 786-7786, Department of Market Regulation.

Replaces Regulatory Circular RG04-103