

Regulatory Circular No. #RG95-03

Date: January 6, 1995

To: Members and Member Firms

From: The Market Performance and Allocation Committees

Re: Sector Index Bid/Ask Calculations

The Exchange is now calculating the bid/ask values of certain sector indices and is making those values available to the trading floor and the public. The dissemination of these calculations by no means implies that CBOE is making a market in the underlying basket of stocks represented by the calculation, and because these calculations necessarily include the collection of formulae and data from many different sources, the CBOE cannot guarantee the accuracy of such calculations. Therefore, CBOE will avail itself of the provisions of Rule 6.7.

Since the primary market places of the components of the sector indices include a variety of exchanges and dealers, the calculated markets of the indices, 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 Market Performance and Allocation Committees 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 sector indices, 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 sector index 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 these indices, particularly in the lower priced series.

In order to retrieve markets in the baskets of stocks underlying the sector indices, please refer to the reverse side of this memorandum. Questions may be directed to any member of the Market Performance Committee or to Daniel Hustad at (312)786-7715.

INDEX NAME	INDEX SYMBOL	BID SYMBOL	ASK SYMBOL
CBOE BioTech	BGX	BGB	BEA
S&P Banks	BIX	BNB	BKA
S&P Chemicals	CEX	CEB	CXA
CBOE Comp Soft.	CWX	CWB	CFA
CBOE Environ.	EVX	EVB	EVA
CBOE Gaming	GAX	GMB	GAA
S&P Healthcare	HCX	HCB	HXA
S&P Insurance	IUX	IUB	IUA
CBOE Israel	ISX	IXB	IAA
CBOE Mexico	MEX	MZB	MBA
S&P Retail	RLX	RLB	RLA
S&P Trans.	TRX	TAB	TXA
S&P Telecom.	TCX	TEB	TLA