

Regulatory Circular No. #97-149

Date: November 7, 1997

To: Members and Member Firms

From: The OEX Market Performance Committee

Re: Options on the Standard and Poors 100 Index (OEX)

The OEX Market Performance Committee has been taking notice of the width of markets in the basket of stocks underlying OEX options, the width of the markets in the related futures contracts which are frequently utilized to hedge options positions and the general trading conditions in OEX options themselves.. Based upon this review the OEX Market Performance Committee, in accordance with Rule 8.7(b)(iv), has determined to modify the bid/ask differentials as they apply to OEX options. The modified bid/ask differentials are as follows:

- If the bid is less than \$2, the bid/ask spread may be up to 1/2 point wide.
- If the bid is from \$2 to \$5, the bid/ask spread may be 3/4 point wide.
- If the bid is from \$5 1/8 to \$10, the bid/ask spread may be 1 point wide.
- If the bid is from \$10 1/8 to \$20, the bid/ask spread may be 1 1/2 point wide.
- If the bid is greater than \$20 1/8, the bid/ask spread may be 2 points wide.

The above bid/ask differentials are the maximum allowable, and in many instances, may be narrower.

Additionally, as identified in Regulatory Circular RG97-143, 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. Members and member firms are reminded that Rule 8.7 allows markets for in-the-money options to be as wide as the market in the underlying basket of stocks. The Exchange, of course, encourages its members to make markets as narrow as possible in the index options.

This modification to Rule 8.7(b)(iv) is effective as of the opening on November 7, 1997, and should only be considered temporary. OEX option trading will be continuously reviewed by the OEX Market Performance Committee.

Any questions regarding this memorandum may be directed to Daniel Hustad at (312) 786-7715.