

Regulatory Circular No. #97-158

Date: November 13, 1997

To: Members and Member Firms

From: The Market Performance Committee

Re: Options on the Russell 2000 Index (RUT & RUZ)

The Market Performance Committee has been taking notice of the width of markets in the basket of stocks underlying Russell 2000 Index (RUT & RUZ) 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 RUT & RUZ options themselves. Based upon this review the Market Performance Committee, in accordance with Rule 8.7(b)(iv), has determined to modify the bid/ask differentials as they apply to RUT & RUZ options. The modified bid/ask differentials are as follows:

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

The above bid/ask differentials are the maximum allowable, and in many instances, may be narrower. 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 13, 1997, and should only be considered temporary. RUT & RUZ option trading will be continuously reviewed by the Market Performance Committee.

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