



CBOE Regulatory Circular #RG98-134

DATE: December 3, 1998

TO: Members and Member Firms

RE: **Re-Balance of Nasdaq-100 Index**

FROM: Eileen Smith

CBOE has been informed by Nasdaq that following the close of business on December 18, 1998, Nasdaq will change the Nasdaq-100 Index (NDX) to a modified capitalization weighted index (the "New Index"). The Nasdaq will continue to calculate the index using the standard capitalization-weighting methodology (the "Old Index") until March 20, 1999 to facilitate options trading. The "Old Index" will be disseminated by the Nasdaq under the symbol **IXO**. The "New Index" will be disseminated under the symbol **NDX**.

#### **Adjustment to Current Option Series**

All Nasdaq-100 options series outstanding on December 18 will continue to settle based on the "Old Index" (IXO). Currently there are nine underlying symbols associated with the NDX –**series currently using the underlying symbol NDX will have a symbol change to IXO, all remaining symbols will stay the same.** The settlement value symbol for these contracts will be **NDA**. Following are the underlying symbols associated with the NDX as of December 3, 1998:

Current Symbol	Strikes	Expiration Months	New Symbol
<b>NDX</b>	900 – 990	Mar 1999	<b>IXO</b>
<b>NDV</b>	1010 – 1090	Jan, Mar 1999	<b>NDV</b>
<b>NCZ</b>	1100 – 1190	Jan, Mar 1999	<b>NCZ</b>
<b>NDY</b>	1200 – 1290	Jan, Mar 1999	<b>NDY</b>
<b>NDZ</b>	1300 – 1390	Jan, Mar 1999	<b>NDZ</b>
<b>NDU</b>	1400 – 1490	Jan, Mar 1999	<b>NDU</b>
<b>NDO</b>	1500 – 1590	Jan, Mar 1999	<b>NDO</b>
<b>NDK</b>	1600 – 1690	Jan, Mar 1999	<b>NDK</b>
<b>NDL</b>	1700 – 1790	Jan, Mar 1999	<b>NDL</b>

#### **New Option Series**

Options based on the "New Index" ("NDX") will be listed on December 21, 1998. At-the-money options will be listed under the symbol **NDX**. Additional symbols may have to be used for other strike prices. The settlement value symbol for options based on the "New Index" will be **NDS**. The new series to be listed will be determined by the Exchange and disseminated by Wednesday, December 16.

#### **Position Limits**

Any combination of options based on the "Old Index" and options based on the "New Index" cannot exceed 15,000 contracts in the near-term and 25,000 contracts overall.

### **Calculation of the New Index**

The new modified capitalization-weighting methodology is intended to make the index more diversified. To implement the change, Nasdaq will review the composition of the Nasdaq-100 Index on a quarterly basis, beginning in December 1998, and will adjust the weightings of Index components using a proprietary algorithm whenever (1) Any individual component security represents more than 24% of the total market value of the Index, and/or (2) The combined weight of all securities having individual weightings of at least 4.50% exceeds 48% of the total market value of the Index. (Once the index has been adjusted, it will be re-adjusted only if the *adjusted* index exceeds the 24% or 48% thresholds.) More information on the new calculation of the index can be obtained at the [nasdaqtrader.com](http://nasdaqtrader.com) web site.

On Friday, December 11, Nasdaq will post the shares to be used in the "New Index" on the [nasdaqtrader.com](http://nasdaqtrader.com) web site.

### **Other Index Changes**

**ADDITIONALLY on December 18, Nasdaq will perform its regularly scheduled quarterly share changes as well as the annual component changes. Please see [nasdaqtrader.com](http://nasdaqtrader.com) on December 11, for the new shares and new components for both the OLD and NEW indices.**

Questions regarding this memo can be addressed to the CBOE Investor Services Department at 1-800-OPTIONS (1-800-678 4667).