



## **REGULATORY CIRCULAR RG05-26**

Date: February 24, 2005

To: Members and Member Organizations

From: Department of Market Regulation

Re: Position and Exercise Limits

Effective today, for a pilot program period of six (6) months beginning February 23, 2005 the standard position and exercise limits as provided under Exchange Rule 4.11, Interpretation and Policy .02 to Rule 4.11, and Rule 4.12 will be increased from their current levels of 13,500, 22,500, 31,500, 60,000, and 75,000 contracts to 25,000, 50,000, 75,000, 200,000, and 250,000 contracts, respectively. During this same period, the standard position and exercise limit for options on the Nasdaq-100 Index Tracking Stock ("QQQQ") shall be increased from 300,000 contracts to 900,000 contracts. Prior to the conclusion of the pilot program period, the Exchange may request an extension of the pilot program.

Additionally, a new qualified equity hedge exemption may be employed for "reverse collars", in which a long call position is accompanied by a short put position where the long call expires with the short put and the strike price of the long call equals or exceeds the short put and where each long call and short put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the long call, short put position can be in-the-money at the time the position is established.

Any questions concerning position and exercise limits should be directed to Tim MacDonald at (312) 786-7706 or Jim Flynn at (312) 786-7070.