



Regulatory Circular RG07-43

Date: April 5, 2007

To: Members and Member Organizations

From: Division of Regulatory Services

Subject: Margin Requirements, Strategy-Based Margin
Relief for Additional Types of Complex Spreads

Exchange
Contacts: James Adams (312) 786-7718

KEY POINT

This Regulatory Circular describes certain variations of complex spread strategies defined in Exchange margin rules.

DISCUSSION

Long Condor Spreads
Long Calendar Condor Spreads
Short Iron Condor Spreads
Short Calendar Iron Condor Spreads

In order to utilize the margin requirement prescribed in the Exchange margin rules for the above-named strategies, Exchange Rule 12.3(a) provides, among other things, that the interval between exercise prices is equal. For purposes of applying this provision, the Exchange has determined that, provided the interval between the 1st & 2nd exercise prices is equal to the interval between the 3rd and 4th exercise prices, the interval between the two middle exercise prices may be any amount greater than zero. In addition, the call exercise price may not be below the put exercise price in the case of the Short Iron Condor and Short Calendar Iron Condor spreads.

Examples of the above-named strategies as traditionally applied, along with examples of variation strategies that would be eligible for the same margin requirement, are as follows:

Strategy	Example of Traditional Strategy	Example of Variation on Strategy	Margin Requirement for Both
Long Condor Spread (Calls)	Long Call Feb 50 Short Call Feb 55 Short Call Feb 60 Long Call Feb 65	Long Call Feb 50 Short Call Feb 55 Short Call Feb 65 Long Call Feb 70	Pay for net debit in full.
Long Condor Spread (Puts)	Long Put Feb 50 Short Put Feb 55 Short Put Feb 60 Long Put Feb 65	Long Put Feb 50 Short Put Feb 55 Short Put Feb 65 Long Put Feb 70	Pay for net debit in full.
Long Calendar Condor Spread (Calls)	Long Call Feb 45 Short Call Feb 50 Short Call Feb 55 Long Call Apr 60	Long Call Feb 45 Short Call Feb 50 Short Call Feb 70 Long Call Apr 75	Pay for net debit in full.
Long Calendar Condor Spread (Puts)	Long Put Feb 45 Short Put Feb 50 Short Put Feb 70 Long Put Apr 75	Long Put Feb 45 Short Put Feb 50 Short Put Feb 70 Long Put Apr 75	Pay for net debit in full.
Short Iron Condor Spread	Long Put Feb 50 Short Put Feb 55 Short Call Feb 65 Long Call Feb 70	Long Put Feb 50 Short Put Feb 55 Short Call Feb 70 Long Call Feb 75	Exercise price interval (aggregate) of the put or call spread. Net credit received may be applied.
Short Calendar Iron Condor Spread	Long Put Feb 45 Short Put Feb 50 Short Call Feb 55 Long Call Apr 60	Long Put Feb 45 Short Put Feb 50 Short Call Feb 60 Long Call Apr 65	Exercise price interval (aggregate) of the put or call spread. Net credit received may be applied.

Questions regarding this Regulatory Circular may be directed to Jim Adams, (312) 786-7718, in the Exchange's Department of Member Firm Regulation.