CBOE
CHICAGO BOARD OPTIONS EXCHANGE

Regulatory Circular RG08-68

To:	Members, Member Organizations
From:	Division of Member and Regulatory Services
Date:	June 2, 2008
Subject:	Product Description & Margin and Net Capital Requirements - Options on SPDR Gold Shares ("GLD")

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KEY POINTS

- The Chicago Board Options Exchange expects to list and trade options on SPDR Gold Shares ("GLD") beginning on or about June 3, 2008.
- SPDR Gold Shares represent fractional, undivided beneficial ownership interests in the SPDR Gold Trust, the sole assets of which are gold bullion, and from time to time, cash.
- GLD options will have American-style exercise; exercise and assignment will result in the delivery of 100 SPDR Gold Shares.
- For margin and net capital purposes, options on GLD are treated like equity options.

PRODUCT DESCRIPTION

The underlying for GLD options will be SPDR Gold Shares, an exchange-traded fund (ETF) that represents fractional, undivided interest in the SPDR Gold Trust; the sole assets of which are gold bullion, and from time to time, cash. GLD options will have American-style exercise, and trading will generally cease on the business day (typically a Friday or "expiration Friday") preceding the expiration date. Exercise and assignment of GLD options will result in the delivery of 100 SPDR Gold Shares. GLD options will trade during regular CBOE trading hours.

Strike price intervals for GLD options will be no less than one (1) point. GLD options will trade on the March quarterly expiration cycle; initial contract months will be June, July, September and December. The position limit for GLD options will be 250,000 contracts on the same side of the market. Margin and net capital requirements are described in detail below.

CUSTOMER MARGIN

In accordance with CBOE Rule 12.3(c)(4), purchases of puts or calls with 9 months or less until expiration must be paid for in full. For purchases of puts or calls with more than 9 months until expiration, Exchange rules permit a minimum margin requirement of 75% of the total cost (option current market value) be deposited(maintained). When time to expiration reaches 9 months, the option no longer has value for margin purposes.

GLD options are treated as equity options for margin purposes and option writers are subject to the margin requirements specified in CBOE Rule 12.3(c)(5). The initial and maintenance margin requirement for a short put or call on a broad-based index is 100% of the option proceeds* plus 20% of the aggregate contract value (current index level x $100) minus the amount by which the option is out-of-the-money, if any, subject to a minimum for calls of option proceeds* plus 10% of the aggregate contract value and a minimum for puts of option proceeds* plus 10% of the aggregate exercise price amount. (*For calculating maintenance margin, use current market value instead of option proceeds.)

Where a short option contract is covered by an "escrow agreement" meeting the requirements of CBOE Rule 12.3(d)(1), no margin need be required.

Spreads and straddles are permitted for options covering the same number of shares of GLD.

GLD options are not eligible for portfolio margining.

OPTION MARKET–MAKER MARGIN REQUIREMENTS

Pursuant to CBOE Rule 12.3(f), GLD options may be margined on a basis that is satisfactory to the market-maker and carrying broker-dealer.

Questions regarding the margin treatment of GLD options should be directed to James Adams, Department of Member Firm Regulation, at (312) 786–7718.

NET CAPITAL REQUIREMENTS

For risk-based haircuts, a separate product group will be created for GLD options in which the underlying, any product similar to the underlying that has a high correlation to the underlying, and gold futures contracts will be included.[1] The risk–based haircut will be equal to the maximum potential loss calculated over a range of market movements of -15%/+15%, for options market-makers and all other all broker–dealers. GLD options will receive a 100% offset with the underlying and gold futures contracts. No baskets will be permitted. All positions are subject to a minimum charge of $25 per contract.

For those firms not utilizing risk–based haircuts, the haircut will be calculated pursuant to SEC Rule 15c3–1a(b).

Questions regarding the net capital treatment of GLD options should be directed to Robert Gardner, Department of Member Firm Regulation, at (312) 786–7937.

Footnote

[1] Risk–based haircuts may be applied pursuant to SEC Rule 15c3-1a (Appendix A).