



DATE: September 21, 2009

TO: Members

FROM: Legal Division and Trading Operations

RE: \$0.50 Strike Program in Equity Option Classes

CBOE recently amended its rules to establish a \$0.50 Strike Program that allows CBOE to list \$0.50 strikes, beginning at \$1 and up through and including \$3.50, on up to five equity option classes whose underlying security closed at or below \$3.¹ The following is an overview of the rules and procedures for listing \$0.50 strike prices under the \$0.50 Strike Program.

Eligible Option Classes

- CBOE can choose five equity option classes as part of the \$0.50 Strike Program, but is not required to choose any or the maximum number of permissible classes.
- CBOE can also list \$0.50 strike price intervals on any class another options exchange selects under a similarly adopted \$0.50 Strike Program, but is not required to list \$0.50 strike intervals on another exchange's pick.
- To be eligible, an underlying stock must close at or below \$3 in its primary market on the previous trading day and have a national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months.

Procedures for Adding \$0.50 Strike Prices

- After an option class is added to the \$0.50 Strike Program, CBOE can list \$0.50 strike prices of \$1, \$1.50, \$2, \$2.50, \$3 and \$3.50.

¹ See Securities Exchange Act Release No. 60695 (September 18, 2009) (SR-CBOE02009-06).. The Exchange recently eliminated from Rule 5.4.01 the \$3 market price per share maintenance listing requirement for continued approval of an underlying security. See Securities Exchange Act Release No. 59336 (February 2, 2009), 74 FR 6332 (February 6, 2009) (SR-CBOE-2008-127).

- The strike setting parameters set forth on the previous page are subject to the following restriction set forth in the recent amendment to the Options Listing Procedure Plan ("OLPP"):²

- If the price of an underlying security is less than or equal to \$20, the addition of new option series will be limited to 100% above or below the price of the underlying security.

Example. If a stock closes at \$1.50 the highest strike that may be added is \$3 and the following \$0.50 strikes would be permissible: \$1, \$1.50, \$2, \$2.50 and \$3.

- Requests for \$0.50 strikes should be directed to Kimberly Clady (312) 786-7743, cladyk@cboe.com.

Questions regarding this circular may be directed to Jenny Klebes, Legal Division, at 312-786-7466 or to Charlie Hulihan, Trading Operations, at 312-786-7176.

² The OLPP is a national market system plan under the Securities Exchange Act of 1934. The SEC's approval order of the recent amendment to the OLPP is available at <http://www.sec.gov/rules/sro/nms/2009/34-60531.pdf>.