

Regulatory Circular No. #95-31

Date: April 3, 1995
To: Members and Member Firms
From: Market Performance Committee
Re: Firm Quotes and Bid/Ask Differentials in LEAPS

The Market Performance Committee has reviewed the trading activity in LEAPS option series and has determined that the provisions of Exchange Rule 8.7(b)(iv) should apply to all LEAPS series. Beginning Monday, April 10, 1995, all markets in all LEAPS series must be made in accordance with the following provisions of Rule 8.7:

(iv)...bidding and/or offering so as to create differences of no more than 1/4 of \$1 between the bid and offer for each option contract for which the bid is less than \$2, no more than 3/8 of \$1 where the bid is at least \$2 but does not exceed \$5, no more than 1/2 of \$1 where the bid is more than \$5 but does not exceed \$10, no more than 3/4 of \$1 where the bid is more than \$10 but does not exceed \$20, and no more than \$1 where the bid is more than \$20, provided that the Market Performance Committee may establish differences other than the above for one or more option series. The bid/ask differentials stated above shall not apply to in-the-money series where the underlying securities market is wider than the differentials set forth above. For these series, the bid/ask differential may be as wide as the quotation on the primary market of the underlying security.

Additionally, the Market Performance Committee would like to remind all members that the provisions of Exchange Rule 8.51, Trading Crowd Firm Disseminated Market Quotes, also apply to all LEAPS series.

If there are any questions regarding this memorandum, please contact Daniel Hustad at (312)786-7715.