

Regulatory Circular No. #95-61

Date: July 13, 1995

To: Membership

From: Allocation Committee

Re: Modifications to Exchange Rule 5.5, "Option Contracts Open for Trading".

The Securities and Exchange Commission ("SEC") is expected, in the near future, perhaps as early as July 24th, to approve a joint-exchange rule filing which would permit all option exchanges to conduct a one year pilot program establishing 2 ½ point strike intervals in equity options that currently list strike prices over \$25 but under \$50, (i.e., 27-1/2, 32-1/2, 37-1/2, 42-1/2, 47-1/2). The proposed rule limits the number of option classes each exchange can select for inclusion in the pilot (CBOE's share is 28 classes), and stipulates that listing 2 ½ point strike intervals in selected option classes would require listing the 2 ½ point strikes in all expiration months in that class. "LEAPS", however, are not eligible under the pilot. With respect to the selection process, if an exchange chooses a multiply traded class, any other exchange trading that option would be allowed to add 2 ½ point strikes as well, without using a selection from its allotted amount. A multiply traded option would count only toward the selecting exchange, and not toward the responding exchange's allocated number of options.

Although the Exchange has not yet determined criteria for selection of the 28 classes, the Allocation Committee is soliciting interest from trading crowds who wish to participate in this one year pilot program. Interested crowds should print the option classes desired on the back of this form and return the form to the Trading Procedures Office located on the fourth floor by 12:00 p.m. on Friday, July 14, 1995.

Interested crowds should read CBOE file no. SR-CBOE-95-19 which is the rule filing for this pilot program and is available in the Member's Library. Questions about the rule filing should be directed to Fred Bruch at 786-7155 and questions about the selection process should be directed to Daniel Hustad at 786-7715.