

cost means of participating in the performance of the high technology sector or hedging against the risks of investing in high tech industries.

Stocks Comprising the Index

All of the stocks in the Index are securities of U.S. issuers and currently trade on the New York Stock Exchange ("NYSE") or as National market securities traded through Nasdaq. Additionally, all of the stocks are "reported securities" as defined in Rule 11Aa3-1 under the Exchange Act.

The Exchange represents that all of the stocks in the Index meet the CBOE's listing criteria for equity options as set forth in CBOE Rule 5.3. Accordingly, 100% of the stocks in the index—both by number and by weight—are eligible for standardized options trading pursuant to CBOE rules. In fact, all of the stocks are currently the subject of listed options trading in the U.S.

In accordance with CBOE Rule 24.2, the Exchange further represents that each of the stocks in the index has a market capitalization well in excess of \$75 million. Specifically, the stocks comprising the Index ranged in capitalization from \$736 million to \$55.4 billion as of June 27, 1995. The total capitalization as of that date was \$370.4 billion, and the mean and median capitalizations were \$12.3 billion and \$5.0 billion, respectively.

In addition, each of the component stocks in the index has had monthly trading volumes in excess of one million shares over the six month period ending on May 31, 1995. The average monthly trading volumes per Index component over this six month period ranged from a low of 4.5 million shares to a high of 265.4 million shares. As of June 27, 1995, the largest stock in the Index, by weight, accounted for 5.97% of the Index, while the smallest represented 0.35% of the Index. Also on that date, the top 5 stocks in the Index accounted for 26.14% of the weight of the Index.

Accordingly, the Exchange represents that the Index satisfies the CBOE's generic listing standards for options on narrow-based stock indexes.

Calculation

The Index is price-weighted and reflects changes in the prices of the component stocks relative to the Index base date, January 3, 1995, when the Index was set to 200.00. Specifically, the Index value is calculated by adding the prices of the component stocks and then dividing this sum by the Index divisor. The Index divisor is adjusted to reflect non-market related changes in the prices of the component securities as well as changes in the composition of

the Index. Changes which may result in divisor changes include, but are not limited to, stock splits and dividends, spin-offs, certain rights issuances and mergers and acquisitions.

The value of the Index will be calculated on a real-time basis using last-sale prices by the CBOE or its designee, and will be disseminated every 15 seconds by the CBOE. If a component stock is not currently being traded, the most recent price at which the stock traded will be used in the Index calculation. The value of the Index at the close on June 27, 1995 was 289.07.

Maintenance

The Index will be maintained by the CBOE. The Index is reviewed on approximately a monthly basis by the CBOE staff. The CBOE may change the composition of the Index at any time to reflect changes affecting the components of the Index or the technology industry generally. If it becomes necessary to remove a stock from the Index (for example, because of a takeover or merger), the CBOE will only add a stock having characteristics that will permit the Index to remain within the maintenance criteria specified in CBOE's Rules and the Generic Index Approval Order.⁴ The CBOE will take into account the capitalization, liquidity, volatility, and name recognition of any proposed replacement stock.

Absent prior Commission approval, the CBOE will not increase to more than 40, or decrease to fewer than 20, the number of stocks in the Index. Additionally, the CBOE will not make any change in the composition of the Index that would cause fewer than 90% of the stocks by weight, or fewer than 80% of the total number of stocks in the index, to qualify as stocks eligible for equity options trading under CBOE Rule 5.3.

⁴ These maintenance criteria provide, among other things, that each component security must have (1) a market capitalization of at least \$75 million, except that securities accounting for no more than 10% of the weight of the Index may have market capitalizations of at least \$50 million, and (2) trading volume of at least 500,000 shares in each of the last six months, except that securities accounting for no more than 10% of the weight of the Index may have trading volumes of at least 400,000 shares in each of the last six months. Additionally, no single security may account for over 25% of the weight of the Index and no five securities may account for over 50% of the weight of the Index. Furthermore, each component security must be a reported security as defined in Rule 11Aa3-1 of the Act. Finally, at least 90% of the weight of the Index and 80% of the number of components in the Index must be eligible for standardized options trading pursuant to CBOE Rule 5.3. See CBOE Rule 24.2 and Generic Index Approval Order, *supra* note 2.

If the Index fails at any time to satisfy the maintenance criteria discussed above, the Exchange will immediately notify the Commission of that fact and will not open for trading any additional series of options on the Index unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of options on the Tech Index has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

Index Option Trading

The Exchange proposes to base trading in options on the Tech Index on the full value of that Index. The Exchange may also list full-value long-term index option series ("Index LEAPS") on the Tech Index having expirations of up to 60 months from the date of issuance, as provided in CBOE Rule 24.9. The Exchange also may provide for the listing of reduced-value Index LEAPS, for which the underlying value would be computed at one-tenth of the value of the Index. The current and closing index value of any such reduced-value Index LEAPS will, after such initial computation, be rounded to the nearest one-hundredth.

Exercise and Settlement

Tech Index options will have European-style exercise and will be "A.M.-settled index options" within the meaning of the Rules in Chapter XXIV, including Rule 24.9, which is being amended to refer specifically to Tech Index options. The Index options will expire on the Saturday following the third Friday of the expiration month. Thus, the last day for trading in a expiring series will be the second business day (ordinarily a Thursday) preceding the expiration date.

Exchange Rules Applicable

Except as modified herein, the Rules in Chapter XXIV will be applicable to Tech Index options. Index option contracts based on the Tech Index will be subject to the position limit requirements of Rule 24.4A, which presently would result in position limits for full-value Tech Index options of 10,500 contracts. Positions in Index options and full and reduced-value Index LEAPS will be aggregated for position and exercise limit purposes. Ten reduced-value options will equal one full-value contract for such purposes.

The CBOE represents that it has the necessary systems capacity to support new series that would result from the introduction of Tech Index options. The