standardized options trading) or the maintenance criteria in CBOE Rule 5.4 [15] (for components which are currently the subject of standardized options trading).

The CBOE will promptly notify the Commission staff at any time that the CBOE determines that the Index fails to satisfy any of the above maintenance criteria. Further, in such an event, the Exchange will not open for trading any additional series of Index options or Index LEAPS unless the Exchange determines that such failure is not significant, and the Commission staff affirmatively concurs in that determination, or unless the Commission specifically approves the continued listing of that class of Index options or Index LEAPS pursuant to a proposal filed in accordance with Section 19(b)(2) of the Act.

D. Applicability of CBOE Rules Regarding Index Options

Except as modified by this order, the rules in Chapter XXIV of the CBOE Rules will be applicable to Index options and full-value and reduced-value Index LEAPS. In accordance with Chapter XXIV of CBOE's rules, the Index will be treated as a narrow-based index for purposes of applicable position and exercise limits, policies regarding trading halts and suspensions,[16] and margin treatment.[17]

E. Calculation of the Index

The Index will be calculated by CBOE or its designee on a real-time basis using last-sale prices. The value of the Index will be calculated continuously and will be disseminated to the Options Price Reporting Authority (''OPRA'') every fifteen seconds by the CBOE, based on the last-sale prices of the securities comprising the Index. OPRA, in turn, will disseminate the Index value to other financial vendors such as Reuters, Telerate, and Quotron.[18] If a component security is not currently being traded on its primary market, the most recent price at which the security traded on such market will be used in the Index calculation.

The Index is calculated on a ''modified equal-dollar-weighted'' method. The value of the Index equals the current combined market value (based on U.S. primary market prices) of the assigned number of shares of each of the components in the Index divided by the current Index divisor. The Index divisor was initially calculated to yield a benchmark value of 150.00 at the close of trading on December 16, 1994. The value of the Index at the close on July 31, 1995, was 179.93.

Each of the ten component securities is represented in dollar amounts that approximate the relative sizes of the companies in the Index. The Exchange believes that this methodology will present a fair representation of the automotive industry without assigning excessive weight to the top three securities (GM, F, and C), as measured by market capitalization. The initial component weights, and the weights at the time of the last quarterly re-balancing on June 16, 1995, were: GM—20%, F—17.5%, C—12.5%, GT—10%, ETN—8.33%, GPC—8.33%, TRW—8.33%, DCN—5%, ECH—5%, and MGA—5%.

The number of shares of each component security in the Index will remain fixed between quarterly reviews except in the event of certain types of corporate actions, such as the payment of a dividend (other than an ordinary cash dividend), stock distributions, stock splits, reverse stock splits, rights offerings, or a distribution, reorganization, recapitalization, or some such similar event with respect to an Index component. When the Index is adjusted between quarterly reviews, the number of shares of the relevant component in the portfolio will be adjusted, to the nearest whole share, to maintain the component's relative weight in the Index at the level immediately prior to the corporate action. In the event of a replacement, the average dollar value of the remaining portfolio components will be calculated and that amount invested in the new component stock, to the nearest whole share. In both cases, the divisor will be adjusted, if necessary, to ensure continuity in the value of the Index.[19]

The Index value for purposes of settling outstanding regular Index options and full-value and reduced-value Index LEAPS contracts upon expiration will be calculated based upon the regular way opening sale prices for each of the securities comprising the Index in their primary market on the last trading day prior to expiration.[20] In the event that a security traded as a Nasdaq/NM security is added to the Index, the first reported sale price for those shares will be used for determining a settlement value. Once the shares of all of the component securities represented in the Index have opened for trading, the value of the Index will be determined and that value will be used as the final settlement value for expiring Index options contracts, including full-value and reduced-value Index LEAPS. If any of the components of the Index do not open for trading on the last trading day before expiration, then the prior trading day's (i.e., normally Thursday's) last sale price will be used in the Index value calculation. In this regard, before deciding to use Thursday's closing value for a security contained in the Index for purposes of determining the settlement value of the Index, the CBOE will wait until the end of the trading day on Expiration Friday (as defined herein).[21]

F. Contract Specifications

The proposed options on the Index will be cash-settled, European-style options.[22] The trading hours applicable to the Index options will be from 8:30 a.m. to 3:10 p.m., Chicago time. The Index multiplier will be $100. The strike price interval will be $5.00 for full-value Index options with a duration of one year or less to expiration.[23] In addition, pursuant to CBOE Rule 24.9, there may be up to six expiration months outstanding at any given time. Specifically, there may be up to three expiration months from the March, June, September, and December cycle plus up to three additional near-term months so that the two nearest term months will always be available. As described in more detail below, the Exchange also intends to list several Index LEAPS series that expire from 12 to 36 months from the date of issuance.

Lastly, the options on the Index will expire on the Saturday following the third Friday of the expiration month

[15] The CBOE's options maintenance standards, which are uniform among the options exchanges, provide that a security underlying an option must, among other things, meet the following requirements: (1) The public float must be at least 6,300,000 shares; (2) there must be a minimum of 1,600 stockholders; (3) trading volume in the U.S. must have been at least 1.8 million over the preceding twelve months; and (4) the U.S. market price must have been at least $5.00 for a majority of the business days during the preceding six calendar months. See CBOE Rule 5.3, Interpretation and Policy .01.

[16] See CBOE Rule 24.7.

[17] See CBOE Rule 24.11.

[18] Telephone conversation between Eileen Smith, Director, Product Development, Research Department, CBOE, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on October 31, 1995.

[19] Telephone conversation between Eileen Smith, Director, Product Development, Research Department, CBOE, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on October 31, 1995.

[20] As noted above, each of the component securities currently trade on the NYSE.

[21] Telephone conversation between Eileen Smith, Director, Product Development, Research Department, CBOE, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on October 31, 1995.

[22] A European-style option can be exercised only during a specified period before the option expires.

[23] For a description of the strike price intervals for reduced-value Index options and long-term Index options, See infra, Section II.G.