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Special Executive Report

S-4285

June 13, 2005

Amendments to the Minimum Tick Fluctuations and Strike Listing Rules for Nasdaq 100™ and E-Mini Nasdaq 100 Options contracts

On June 1, 2005, the Board approved the following changes to the Nasdaq 100 and E-Mini Nasdaq 100 options contracts.

- Both the Nasdaq 100 and E-Mini Nasdaq 100 options contracts will follow a variable tick table. Premiums greater than \$3.00 will tick in 0.25 increments. Premiums less than or equal to \$3.00 will tick in 0.05 increments.
- The Nasdaq 100 strike listing rules will be based on a 15% reference index with 25 index point intervals. 5 index point intervals will be added in the lead month.
- The E-Mini Nasdaq 100 strike listing rules will retain the 100 index point range but with an increased interval from 10 to 25 index points. 5 point intervals will be added in the lead month.

The variable tick will be implemented on July 17, 2005 for the July 18th trade date. The change in strike intervals will get phased in as the current listings expire. The schedule is as follows:

- Nasdaq 100 Options contract roll out
 - July 17, 2005 [March 2006 – amended rules]
 - July 17, 2005 [October 2005 – original rules]
 - August 21, 2005 [November 2005 – original rules]
 - September 18, 2005 [June 2006 – amended rules]
 - All listed contracts following the October 2005 expiration will use the amended strike listing rules.
- E-Mini Nasdaq 100 Options contract roll out
 - June 19, 2005 [December 2005 – original rules]
 - July 17, 2005 [October 2005 – original rules]

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- August 21, 2005 [November 2005 – original rules]
- September 18, 2005 [March 2006 – amended rules]
- All listed contracts following the October 2005 expiration will use the amended strike listing rules.

**** Please note that the Nasdaq 100 March 2006 contract scheduled to be listed on June 19th will be delayed until July 17, 2005 ****

The table below illustrates the current rules versus the amended rules. The changes to rule language follow with additions underlined and deletions bracketed and struck out.

Ticks		Current	Amended Rules
	E-Mini NASDAQ 100	0.05	0.25 for premiums > \$3.00; 0.05 for premiums <= \$3.00
	NASDAQ 100	0.05	0.25 for premiums > \$3.00; 0.05 for premiums <= \$3.00
Strike Listings		Current	Amended Rules
	E-Mini NASDAQ 100	100 point range @ 10 point intervals	100 point range @ 25 point intervals; lead month add in 5 point intervals
	NASDAQ 100	30% reference index @ 50 point intervals; 15% reference index @ 10 point intervals in 2 nearest quarterlies	15% reference index @ 25 point intervals; lead month add in 5 point intervals

For more information, please do not hesitate to call Tom Boggs, Associate Director, Equity Products at 312-930-3038 or Ariel Hantin, Senior Research Analyst, Research & Product Development at 312-559-4951.

Text of Rule Amendments

(Additions are underlined, deletions are bracketed and overstruck.)

CHAPTER 357A
Options on NASDAQ 100 Index Futures

357A01.C. Minimum Fluctuations

The price of an option shall be quoted in index points. Each .01 index point shall represent \$1.00. The minimum fluctuation shall be 0.25 ~~[-.05]~~ index points (also known as one tick), equivalent to \$25.00 per contract. ~~[Trades may also occur at a price of .025 index points (\$2.50, also known as one half tick), whether or not such trades result in the liquidation of positions for both parties to the trade.]~~ A trade with a price equal to or less than 3.00 index points may also occur at a price in multiples of .05 index points, \$5.00.

357A01.E. Exercise Prices

~~[1. — Options in the March Quarterly Cycle]~~

The exercise prices shall be stated in terms of the futures contract which is deliverable upon exercise of the option. In all contract months, the exercise prices shall be an integer divisible by 25 ~~[50]~~ without remainder, e.g., 2000, 2025, 2050, ~~[2100,]~~etc.

A referencing index shall be determined each quarter on the expiration day of the March Quarterly futures. The referencing index shall equal the previous day's settlement price of the lead month NASDAQ 100 Index futures contracts. The chosen referencing index will then be used to calculate the index points for the ~~[30% and]~~ 15% and 7.5% ranges for various contract month options as specified below. The index points are rounded to the nearest integer.

~~[At the commencement of trading for the fourth nearest contract month in the March quarterly cycle,]~~ For all eligible contract months, the Exchange shall list all eligible exercise prices in a range of ~~[30]~~ 15 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

Thereafter, for all listed contract months ~~[a contract month in the March quarterly cycle]~~, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add all eligible exercise prices on the next trading day.

When a contract month becomes the ~~[second nearest]~~ nearest expiring contract month ~~[in the March quarterly cycle]~~, the Exchange shall add exercise prices at an interval that is an integer divisible by ~~[10]~~ 5 without remainder in a range of ~~[15]~~ 7.5 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract. If the previous day's settlement price equals an eligible exercise price, then that exercise price shall be listed also, if not previously listed.

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Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add, on the next trading day, all eligible exercise prices in the corresponding range. New options may be listed for trading up to and including the termination of trading.

[2. — Options not in the March Quarterly Cycle

~~Exercise prices for options not in the March quarterly cycle shall be independent of the exercise prices that are listed for the nearest March quarterly options.~~

~~At the commencement of trading for options not in the March quarterly cycle, exercise prices shall be listed in a range of 30 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract. Exercise prices shall be integers divisible by 50 without remainder. Within a range of 15 percent of the referencing index above and below the previous day's settlement price for the underlying futures contract, 10-point exercise prices shall be listed, if they have not been already listed.~~

~~Thereafter, when a settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall add all eligible prices in the corresponding range on the next trading day.]~~

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

CHAPTER 359A

Options on E-mini NASDAQ 100 Index® Futures

359A01.C. Minimum Fluctuations

The price of an option shall be quoted in index point. Each .01 index point shall represent \$0.20. The minimum fluctuation shall be 0.25 ~~[0.05]~~ index points (also known as one tick), equivalent to \$5 ~~[1]~~.00 per contract. ~~[Trades may also occur at a price of 0.025 index points (\$0.50, also known as one-half tick), whether or not such trades result in the liquidation of positions for both parties to the trade.]~~ A trade with a price equal to or less than 3.00 index points may also occur at a price in multiples of .05 index points, \$1.00.

359A01.E. Exercise Prices

The exercise prices shall be stated in terms of the E-Mini Nasdaq 100 Index futures contract which is deliverable upon exercise of the option. The exercise prices shall be integers divisible by ~~[40]~~ 25 without remainder, e.g., 2000, 2025 ~~[40]~~, 2050 ~~[20]~~, 2075 ~~[30]~~, etc.

At the commencement of option trading for E-Mini Nasdaq 100 option contracts the Exchange shall list all eligible exercise prices in a range of 100 index points above and below the previous day's settlement price of the E-Mini Nasdaq 100 Index futures contract.

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When a contract month becomes the nearest expiring contract month, the Exchange shall add exercise prices at an interval that is an integer divisible by 5 without remainder in a range of 100 index points above and below the previous day's settlement price of the underlying futures contract. If the previous day's settlement price equals an eligible exercise price, then that exercise price shall be listed also, if not previously listed.

Thereafter, when a daily settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall list on the next trading day put and call options with all eligible exercise prices in the above ranges.

The Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.