

<b>Regulatory Information Circular</b>			
<b>Circular number:</b>	2005-22	<b>Contact:</b>	Russ Davidson
<b>Date:</b>	August 19, 2005	<b>Telephone:</b>	(646) 805-1857

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## **Subject: Changes to Bid/Ask Spread Cap for LEAPS® Prior to the Opening Rotation**

The maximum spread for normal equity and index options prior to the opening rotation may be no more than:

- \$.25 where the bid is less than \$2;
- \$.40 where the bid is at least \$2 but does not exceed \$5;
- \$.50 where the bid is more than \$5 but does not exceed \$10;
- \$.80 where the bid is more than \$10 but does not exceed \$20; and
- \$1 when the bid is \$20 or greater.

The bid/ask differentials stated above shall not apply to in-the-money options 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 ISE has established the following policy with regard to bid/ask spread differentials prior to the opening rotation in LEAPS® options:

- For equity LEAPS® options with nine months or less to expiration (index LEAPS® options with 12 months or less to expiration), the maximum bid/ask spread differential shall be the same as provided for standard equity and index options.
- For equity LEAPS® options with more than nine months to expiration (index LEAPS® options with more than 12 months to expiration), the maximum bid/ask spread differential shall be no greater than twice the maximum provided for standard equity and index options.

Questions regarding this circular may be directed to Russ Davidson, Head of Market Surveillance, at 646/805-1857.