

This communication contains images that may be blocked by your email application. Please download images for proper viewing.



**Circular number:** 2012-18      **Contact:** Russ Davidson, Head of Market Surveillance

**Date:** December 3, 2012      **Telephone:** (646) 805-1857

**Subject: Option Contracts Overlying 10 Shares of a Security (“Mini Options”)**

The SEC has approved an ISE rule change (SR-ISE-2012-58) which allows the listing and trading of options overlying ten shares of certain securities (“Mini Options”). All existing ISE rules applicable to regular sized options on equities and ETFs (“standard options”) would apply to Mini Options, except with respect to position and exercise limits and hedge exemptions to those position limits, which would be adjusted for the smaller size of 10 contracts. As of March 18, 2013, market makers may start quoting Mini Options.

#### Frequently Asked Questions

1. What do I need to do in order to quote Mini Options?

By selecting the underlying symbol on your product list you are able to quote both the standard options and Mini Options.

2. If I select a symbol that has mini options in my product list, am I obligated to quote the mini options?

No. Market makers may choose whether or not to quote mini options.

3. For CMM quoting obligations, are Mini Options aggregated with the standard options?

No. Mini Options quoting obligations are independent of standard options. For example, if you only quote the standard option series you have no quoting obligations in the Mini Options series. Also, if you only quote the Mini Options series you have no quoting obligations in the standard options series. However, if you quote the Mini Options, normal quoting rules apply.

4. Is the Bid/Ask spread requirement the same for standard and Mini Options?

Yes. In addition, if an exemption is granted in the standard options, the same exemption will apply to Mini Options.

5. For position and exercise limit purposes, will the standard options and Mini Options of the same underlying security be combined?

Yes. However, ten Mini Options contracts shall equal one standard option contract. For example, a member who is long 10,000 AAPL standard calls and long 20,000 AAPL Mini Option calls will have a total position in AAPL of 12,000 contracts.

6. With regard to the application of an equity hedge exemption to position and exercise limits, is there a difference between standard and Mini Options?

Yes. For standard options, 100 shares are used to hedge 1 contract, whereas 10 shares are

used to hedge 1 Mini Option contract. For example, a member who is long 10,000 AAPL standard calls and long 20,000 AAPL Mini Option calls will be hedged fully if it is short 1.2 million AAPL shares  $((10,000 \times 100) + (20,000 \times 10))$ .

7. Are Mini Options LOPR reportable and what is the threshold to report them?

Yes. The reportable threshold is 20,000 equivalent shares for Mini Options and standard options combined. For example, a member who is long 150 standard option calls and long 100 mini option calls is not required to report to LOPR because the aggregate equivalent shares is 16,000 shares. However, a member who is long 150 standard option calls and long 500 mini option calls is required to report to LOPR because the aggregate equivalent shares is 20,000 shares.