

| OPTIONS EXCHANGE                |                   |                   |  |
|---------------------------------|-------------------|-------------------|--|
| Regulatory Information Circular |                   |                   |  |
| <b>Circular number:</b>         | 2007-26           | <b>Contact:</b>   | Russ Davidson, Head of Market Surveillance |
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## Subject: Bid/Ask Differentials for NDX and RUT Options

ISE Rule 803(b)(4) requires market makers to maintain bid/ask spreads no wider than \$5. In consideration of the large number of deep in-the-money Nasdaq 100 Index (NDX) options with expirations out to 2009 and Russell 2000 Index (RUT) options with expirations to 2008, the Exchange has determined to provide the following bid/ask differential relief:

### NDX options with a bid \$20 or higher:

- If the bid is under \$20, the bid/ask spread may be up to \$5.
- If the bid is from \$20 to \$39.90, the bid/ask spread may be up to \$6 wide.
- If the bid is from \$40 to \$79.90, the bid/ask spread may be up to \$12 wide.
- If the bid is from \$80 to \$199.90, the bid/ask spread may be up to \$18 wide.
- If the bid is \$200 or greater, the bid/ask spread may be up to \$22 wide.

Prior to the opening rotation, Rule 803(b)(4) requires market makers to maintain quotations that are narrower than \$5. The bid/ask differential listed above for options bid \$20 or greater will be applicable prior to the opening. For options bid less than \$20, the following bid/ask differentials will apply prior to the opening:

- If the bid is less than \$2, the bid/ask spread may be up to \$.75 wide.
- If the bid is from \$2 to \$4.90, the bid/ask spread may be up to \$1 wide.
- If the bid is from \$5 to \$9.90, the bid/ask spread may be up to \$1.50 wide.
- If the bid is from \$10 to \$19.90, the bid/ask spread may be up to \$3 wide.

**RUT options with a bid \$40 or higher:**

If the bid is under \$40, the bid/ask spread may be up to \$5.

If the bid is \$40 and greater, the bid/ask spread may be up to \$10 wide.

Prior to the opening rotation, Rule 803(b)(4) requires market makers to maintain quotations that are narrower than \$5. The bid/ask differential listed above for options bid \$40 or greater will be applicable prior to the opening.

For options bid less than \$40, the following bid/ask differentials will apply prior to the opening:

If the bid is less than \$2, the bid/ask spread may be up to \$.50 wide.

If the bid is from \$2 to \$4.90, the bid/ask spread may be up to \$.80 wide.

If the bid is from \$5 to \$9.90, the bid/ask spread may be up to \$1.00 wide.

If the bid is from \$10 to \$19.90, the bid/ask spread may be up to \$1.60 wide.

If the bid is from \$20 to \$39.90, the bid/ask spread may be up to \$2.00 wide.

This relief is granted through the March 2008 Expiration Cycle.