Subject: Bid/Ask Differentials for NDX Options

The Exchange will initiate trading in options on the Nasdaq 100 Index (NDX) on Tuesday, February 22nd. Rule 803(b)(4) requires market makers to maintain bid/ask spreads no wider than $5. In consideration of the width of the market in the basket of stocks underlying the NDX, and in accordance with Rule 803(b)(4), the Exchange has determined to provide the following bid/ask differential relief for options 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.

This relief is granted through the March 2005 Expiration Cycle.