

demonstrating that QOS in IWM options are one of the most popular and heavily traded QOS on the Exchange.

QOS	October 2007		November 2007		December 2007	
	ADV	Total Vol	ADV	Total Vol	ADV	Total Vol
IWM	1,690	38,891	1,597	33,540	3,230	64,612
QQQQ	1,883	43,329	2,353	49,414	3,432	68,642
SPY	699	16,086	1,349	28,335	2,087	41,756
DIA	180	4,150	325	6,830	502	10,049
XLE	188	4,329	927	19,483	261	5,237

Recently, certain options exchanges (“Options Exchanges”) have received requests from their members and participants to add additional strike prices for QOS in IWM options that would be outside of the price range for setting strikes as provided for under Supplemental Material .04 to Section 6 of Chapter IV of the BOX Rules (hereinafter “+/- \$5 range”).⁶ These members and participants have advised the Options Exchanges that they are buying and selling QOS in IWM options to trade volatility. In order to adequately replicate the desired volatility exposure, these members and participants need to trade several IWM option series, many having strike prices that fall outside of the +/- \$5 range currently allowed under the QOS rules.

In addition, other members and participants have advised the Options Exchanges that their investment strategies involve trading options tied to a particular option “delta,”⁷ rather than a particular level of the underlying security or index. At issue is the fact that delta depends on

⁶ See Securities Exchange Act Release No. 57410 (March 3, 2008), 73 FR 12483 (March 7, 2008) (SR-CBOE-2007-96). See also Securities Exchange Act Release No. 57425 (March 4, 2008) 73 FR 12783 (March 10, 2008) (SR-ISE-2008-19). Supplemental Material .04 to Section 6 of Chapter IV provides that the Exchange shall list strike prices for a QOS that are within \$5 from the closing price of the underlying on the preceding day.

⁷ “Delta” is a measure of how an option price will change in response to a \$1 price change in the underlying security or index. For example, an ABC option with a delta of “50” can be expected to change by \$0.50 in response to a \$1 change in the price of ABC.

