

trillion (Russell 3000) to a low of \$278 billion (Russell 2000 Growth). The number of index components range from a high of 2,933 (Russell 3000) to a low of 453 (Russell Midcap Growth). The Russell 1000 Growth Index has the highest percentage of options-eligible components with 99.8% by weight and 97.7% by number. The Russell 2000 Value index has the lowest percentage of options-eligible components with 90.7% by weight and 74.8% by number.

Calculation. The values of each Index are currently being calculated by Reuters on behalf of the Frank Russell Company and will be disseminated at 15-second intervals during regular CBOE trading hours to market information vendors via the Options Price Reporting Authority ("OPRA").

The CBOE notes that the methodology used to calculate the value of the Russell Indexes is similar to the methodology used to calculate the value of other well-known market-

capitalization weighted indexes. The level of each Index reflects the total market value of the component stocks relative to a particular base period and is computed by dividing the total market value of the companies in each Index by its respective index divisor. The divisor is adjusted periodically to maintain consistent measurement of each Index. The following is a table of base dates and the respective Index levels as of February 28, 2003:

Index	Base date/base index value	2/28/03 Index value
Russell 3000®	12/31/86 = 140.00	468.15
Russell 1000®	12/31/86 = 130.00	446.96
Russell Midcap®	12/31/86 = 200.00	464.62
Russell 1000® Growth	8/31/92 = 200.00	354.20
Russell 1000® Value	8/31/92 = 200.00	430.96
Russell 2000® Growth	3/16/00 = 500.00	190.56
Russell 2000® Value	3/16/00 = 500.00	522.72
Russell 3000® Growth	3/16/00 = 700.00	282.42
Russell 3000® Value	3/16/00 = 700.00	558.95
Russell Midcap® Growth	3/16/00 = 500.00	202.01
Russell Midcap® Value	3/16/00 = 500.00	506.05

Index Option Trading. According to the CBOE, options on these indexes shall be A.M.-settled. In addition to regular Index options, the Exchange may provide for the listing of long-term index option series ("LEAPS®") in accordance with CBOE Rule 24.9.

For options on each Index, strike prices will be set to bracket the respective index in 2.5-point increments for strikes below \$200 and 5 point increments for strikes at or above \$200. The minimum tick size for series trading below \$3 will be 0.05 and for series trading above \$3 the minimum tick will be 0.10. The trading hours for options on the Indexes will be from 8:30 a.m. to 3:15 p.m. Chicago time. Exhibit C to the proposed rule change represents the proposed contract specifications for the options on the Russell Indexes.

Maintenance. The Russell Indexes will be monitored and maintained by the Frank Russell Company. The Frank Russell Company will be responsible for making all necessary adjustments to the Indexes to reflect component deletions, share changes, stock splits, stock dividends (other than an ordinary cash dividend), and stock price adjustments due to restructuring, mergers, or spin-offs involving the underlying components. Some corporate actions, such as stock splits and stock dividends, require simple changes to the available shares outstanding and the stock prices of the component securities. Other corporate actions, such as share issuances, change the market value of the Indexes and would require the use

of an index divisor to effect adjustments.

The CBOE represents that the Russell Indexes are re-constituted annually on June 30th, based on prices and available shares outstanding as of the preceding May 31st. New component securities to the Indexes are added only as part of the annual re-constitution and, after which, should a component security be removed from an Index for any reason, it cannot be replaced until the next re-constitution.

The CBOE represents that it will monitor each Russell Index on an annual basis, at which point the Exchange will notify the Commission if: (1) The number of securities in each index drops by 1/3rd or more; (2) 10% or more of the weight of each index is represented by component securities having a market value of less than \$75 million; (3) less than 80% of the weight of each Index is represented by component securities that are eligible for options trading pursuant to CBOE Rule 5.3; (4) 10% or more of the weight of each Index is represented by component securities trading less than 20,000 shares per day; or (5) the largest component security accounts for more than 15% of the weight of each Index or the largest five components in the aggregate account for more than 50% of the weight of the Index.

Surveillance. The Exchange represents that CBOE's surveillance procedures are adequate to monitor the trading in options and LEAPS on the Russell Indexes. Further, the CBOE shall

have complete access to the information regarding the trading activity of the underlying securities.

Exercise and Settlement. The proposed options on each Index will expire on the Saturday following the third Friday of the expiration month. Trading in the expiring contract month will normally cease at 3:15 p.m. (Chicago time) on the business day preceding the last day of trading in the component securities of the Index (ordinarily the Thursday before expiration Saturday, unless there is an intervening holiday). The exercise settlement value of the Index at option expiration will be calculated by Reuters on behalf of the Frank Russell Company based on the opening prices of the component securities on the last business day prior to expiration. If a component security fails to open for trading, the exercise settlement value will be determined in accordance with CBOE Rules 24.7(e) and 24.9(a)(4). When the last trading day is moved because of Exchange holidays (such as when CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Wednesday and the exercise settlement value of index options at expiration will be determined at the opening of regular trading on Thursday.

Position Limits. The Exchange proposes to establish position limits for options on the Russell Indexes at 50,000 contracts on either side of the market, and no more than 30,000 of such contracts may be in the series in the