

this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE proposes to provide for the listing and trading of options on the CBOE Euro 25 Index and the CBOE Asian 25 Index, both broad-based indexes. Options on the CBOE Euro 25 Index and the CBOE Asian 25 Index would be cash-settled and would have European-style exercise provisions. The text of the proposed rule change is available at the Office of the Secretary, CBOE, and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CBOE included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below and is set forth in Sections A, B, and C below.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled, European-style stock index options on the CBOE Euro 25 Index and the CBOE Asian 25 Index. Both the CBOE Euro 25 Index and the CBOE Asian 25 Index are capitalization-weighted indexes of twenty-five (25) American Depositary Receipts ("ADR"), New York Registered Shares ("NYS"), or NYSE Global Shares ("NGS"), which are traded on the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange LLC ("AMEX"), or the NASDAQ.

Index Design

The CBOE Euro 25 Index and the CBOE Asian 25 Index have each been

designed to measure the performance of large market capitalization companies in their respective regions. Both are market-capitalization weighted indices composed of twenty-five ADRs, NYSSs or NGSSs, which are traded on the NYSE, NASDAQ or the AMEX.⁴ Options on both indexes shall be A.M. settled.

The component securities included in each index are based on market capitalization and the trading volume on the NYSE, NASDAQ, or AMEX over the past six months. Specifically, each component security must have a minimum market capitalization of \$250 million and a trading volume of at least 500,000 shares in each of the previous six months to be included in the index. In the case of depository receipts, the market capitalization is determined based on the shares outstanding in the "home" market and the price in U.S. Dollars of the ADRs, NYSSs, and NGSSs.

Unless otherwise specified herein, both indexes shall satisfy the following general initial and maintenance criteria. (1) At least 75% of the index, in terms of market capitalization weighting, must meet CBOE's listing criteria for equity options as set forth in CBOE Rule 5.3. (2) Any non-U.S. component security (common stock or ADR) that is not subject to a comprehensive surveillance agreement shall not in the aggregate represent more than 20% weight of the index's aggregate market capitalization, unless those non-U.S. components satisfy the alternative criteria under Interpretation and Policy .03 to Rule 5.3, as further discussed below. (3) No single component security will represent more than 30% of the weight of the index. (4) Finally, the five highest weighted component security, in the aggregate, shall not account for more than 60% of the total weight of the index.

CBOE represents that it will review each index quarterly following the expiration of the respective index option contract to ensure that the above criteria are satisfied, and to make quarterly share changes as appropriate.

CBOE Euro 25 Index

According to CBOE, the pool of index components from which CBOE may choose consists of 161 ADRs, NYSSs, and NGSSs that are traded on the NYSE or NASDAQ, and issued on behalf of companies domiciled in one of eleven member nations of the European Union.⁵ Exhibit B to the proposed rule

change⁶ illustrates the capitalization and weighting of the 25 component securities that constitute the current CBOE Euro 25 index, as well as the listed shares outstanding and prices for each respective security as of December 20, 2002. On that date, the twenty-five components ranged in capitalization from \$5.37 billion to \$97.208 billion. The largest component accounted for 11.64% of the total weighting of the index, while the smallest accounted for 0.64%. The mean capitalization of the firms in the index was \$30.326 billion.

CBOE believes that the CBOE Euro 25 Index satisfies the index criteria provided above. (1) 23 of the 25 stocks in the CBOE Euro 25 Index meet CBOE's listing criteria for equity options as set forth in CBOE Rule 5.3. This represents 92.59% of the index by market capitalization weight and 92% by number. (2) 23 of the 24 ADR or NYS components that underlie the index are subject to comprehensive surveillance agreements.⁷ (3) No single component represents greater than 30% of the aggregate weight of the CBOE Euro 25 Index. (4) Finally, the five highest weighted component securities in the aggregate do not account for more than 60% of the weight of the Index.⁸ Exhibit C to the proposed rule change specifically illustrates the manner by which each respective index component satisfies, or fails to satisfy, the underlying component listing criteria.

CBOE Asian 25 Index

The pool of index components from which CBOE may choose consists of 107 ADRs, NYSSs, and NGSSs that are traded on the NYSE, NASDAQ, or AMEX and are issued on behalf of companies domiciled in one of eight Asian-Pacific countries.⁹ Exhibit D to the proposed rule change illustrates the capitalization and weighting of the CBOE Asian 25 Index component securities, as well as listed shares outstanding and prices on

in France, Finland, Ireland, Italy, Germany, the Netherlands, Spain, Belgium, Portugal, Greece, and Austria.

⁶ Exhibits to the proposed rule change discussed herein are available at the Office of the Secretary, CBOE, and at the Commission.

⁷ 24 of the 25 Euro 25 Index components are either ADRs or NYSSs and all are subject to comprehensive surveillance agreements or memoranda of understanding. One of the components, DaimlerChrysler, is a common stock. There is only one ADR in the Euro 25 Index, Nokia OYJ, in which the CBOE does not have in place a comprehensive surveillance agreement.

⁸ The top five components of the CBOE Euro 25 Index represent 39.68% of the Index in terms of market capitalization.

⁹ The components that make up the CBOE Asian 25 Index include securities of companies domiciled in Australia, China, India, Indonesia, Philippines, Singapore, South Korea and Taiwan.

of Market Regulation, Commission, dated January 10, 2003 ("Amendment No. 1") (replacing the original filing in its entirety). Amendment No. 1, among other things: (1) Clarifies the initial and maintenance criteria for the underlying component securities of the indices, including further detail on the component securities that are ADRs and not subject to comprehensive surveillance agreements; (2) clarifies that options on both indices will be A.M. settled; (3) provides more recent market capitalization and weighting figures; and (4) specifies that CBOE's surveillance procedures are adequate to monitor the trading of these products.

⁴ The Exchange will make an updated list of the components underlying each index available to the public on the internet by accessing the following URL: <http://www.cboe.com/optprod/index/indexoptions.asp>.

⁵ The components that make up the CBOE Euro 25 Index include securities of companies domiciled