

December 20, 2002. On that date, the 25 components ranged in capitalization from \$382.722 million to \$49.140 billion. The largest component accounted for 18.38% of the total weighting of the index, while the smallest accounted for 0.14%. The mean capitalization of the firms in the index was \$10.696 billion.

CBOE believes that the CBOE Asian 25 Index satisfies the index criteria noted above. (1) 18 of the 25 stocks in the CBOE Asia Index meet CBOE's listing criteria for equity options as set forth in CBOE Rule 5.3. This represents 77.73% of the index by market capitalization weight and 72% by number. (2) 13 of the 25 stocks, representing 68.71% of the index by market capitalization weight, in the CBOE Asia Index are either subject to comprehensive surveillance agreements or are common stocks that are not required to have comprehensive surveillance agreements. Although this seemingly would mean that greater than 20% of the aggregate index capitalization is comprised of components without comprehensive surveillance agreements, CBOE notes that the Commission has specified in the past that a non-U.S. security need not be considered in calculating the 20% threshold if at least 50% of the worldwide trading volume in that particular security occurs within the U.S. market.¹⁰ CBOE notes that this is consistent with Interpretation and Policy .03(ii) to CBOE Rule 5.3. Thus, CBOE plans to apply Interpretation and Policy .03 to CBOE Rule 5.3 to any non-U.S. component that exceeds the 20% threshold for non-U.S. components that are not subject to comprehensive surveillance sharing agreements.

Thus, as provided in Interpretation and Policy .03(iii) to CBOE Rule 5.3, an individual ADR without a comprehensive surveillance agreement is deemed to satisfy CBOE's listing criteria if: (a) At least 20% of the worldwide trading volume in that foreign security occurs within the U.S. market and a market for which CBOE has a comprehensive surveillance agreement; (b) the average daily trading volume of the ADR over the past 3 months is 100,000 shares or more; and,

(c) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of trading days during the past months. As of December 20, 2002, CBOE represent that the applicable component securities meet these criteria. In light of these standards, 21 of the 25 stocks, or 89.39% of the aggregate index market capitalization do satisfy acceptable listing standards. (3) No single component represents greater than 30% of the aggregate weight of the CBOE Asian 25 Index. (4) Finally, the five highest weighted component securities, in the aggregate, do not account for more than 60% of the total weight of the Index.¹¹ Exhibit E to the proposed rule change illustrates the manner by which each respective index component satisfies, or fails to satisfy, the underlying component criteria.

Calculation

The methodology used to calculate the value of the indices is similar to the methodology used to calculate the value of other well-known broad-based indices. The level of each index reflects the total market value of the component stocks relative to a particular base period. The indices base date is January 2, 2002, when the respective index values were set to 100. On April 16, 2002, the CBOE Euro 25 Index had a closing value of 95.99 and the CBOE Asian 25 Index had a closing value of 95.64. The daily calculation of each index is computed by dividing the total market value of the companies in the respective Index by the index divisor. The divisor is adjusted periodically to maintain consistent measurement of the index. The values of each Index will be calculated by CBOE and disseminated at 15-second intervals during regular CBOE trading hours to market information vendors via Options Price Reporting Authority.

Index Option Trading

In addition to regular Index options, CBOE proposes to 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 1/2 point increments for strikes below 200 and 5 point increments 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 both indexes will be from 8:30 a.m.

to 3:02 p.m. Chicago time. Exhibits F and G to proposed rule change present proposed contract specifications for CBOE Euro 25 Index options and CBOE Asian 25 Index options.

Maintenance

Both the CBOE Euro 25 Index and the CBOE Asian 25 Index will be monitored and maintained by CBOE. The CBOE will make all necessary adjustments to the indexes to reflect component additions and 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 common shares outstanding and the stock prices of the underlying components. Other corporate actions, such as share issuances, change the market value of the Index and require the use of an index divisor to effect adjustments. Over time the number of component securities in the Index may change, but at no time will the number of underlying components drop to less than twenty. In the event of a stock replacement, the divisor will be adjusted accordingly to provide continuity in index values.¹²

Absent prior Commission approval, the component securities in either index will not exceed 40 nor be lower than 20 and shall satisfy the criteria as provided above. If the Index fails at any time to satisfy the maintenance criteria, CBOE will immediately notify the Commission of that fact and will not open for trading any additional series of options on the Index unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of options on each respective Index has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

Surveillance

CBOE will use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in options and LEAPS. For surveillance purposes, CBOE will make all reasonable efforts to monitor the trading activity and other pertinent information relating to the underlying components. CBOE represents that its surveillance procedures are adequate to monitor the trading of these products.

¹⁰ For further details, see CBOE Mexico Index filing, Securities Exchange Act Release No. 34241 (June 22, 1994), 59 FR 33557 (June 29, 1994) (SR-CBOE-94-18), citing Securities Exchange Act Release No. 33554, 59 FR 5622 (January 31, 1994) (stating by reference to the proposal that it is appropriate to permit the listing of options on an ADR without the existence of a comprehensive surveillance agreement with the foreign market where the underlying trades, as long as the U.S. market for the underlying ADR is at least 50% or more of the worldwide trading volume).

¹¹ The top five components of the CBOE Asian 25 Index represent 55.20% of the weight of the index in terms of market capitalization.

¹² As noted in the section regarding "Index Design," each index will be re-balanced quarterly following the expiration of the index option contract.