

Regulatory Information Circular – 2002-02

To: ISE Members

Date: January 18, 2002

Re: Rule Change Notice – QQQ Position and Exercise Limits

Today the Securities and Exchange Commission approved a rule change by the ISE to increase position and exercise limits for options on the Nasdaq 100 Index Tracking Stock® (“QQQ options”) up to 300,000 contracts on the same side of the market. (Securities Exchange Act Release No. 45311 (January 18, 2002).) The text of the revised rule language is reflected in the Supplementary Material to Rules 412 and 414 and is attached for reference. The revised position and exercise limits are effective immediately.

Any questions regarding the foregoing may be directed to the attention of Katherine Simmons, Vice President and Associate General Counsel (212-897-0233 or ksimmons@iseoptions.com).

Text of the Rule Changes

Underlining indicates additions; [brackets] indicate deletions.

Rule 412. Position Limits

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Supplementary Material to Rule 412

.01 The position limits contained in Rule 412 shall be 300,000 for options contracts overlying the Nasdaq 100 Index Trading Stock®.

.02 Whenever the Exchange determines that a higher margin requirement is warranted in light of the risks associated with an under-hedged options position, the Exchange may impose additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Rule 1204(b). The Clearing Member carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.

Rule 414. Exercise Limits

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Supplementary Material to Rule 414

.01 The exercise limits for options overlying the Nasdaq 100 Index Tracking Stock® shall be 300,000 contracts.