



Regulatory Information Circular			
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Subject: Position Limit Increases and “Reverse Collar” Hedge Exemption

ISE has received SEC approval of a six month pilot program to increase position and exercise limits for equity options and the Nasdaq-100 Index Tracking Stock (“QQQQ”). In addition, a “reverse collar” is now an allowable hedge exemption. These changes are effective as of February 25, 2005. (File No. SR-ISE-2005-14)

- **Position Limit Pilot**

During the pilot, position and exercise limits are increased to the following levels:

Previous Equity Options Position and Exercise Limits	Current Equity Options Position and Exercise Limits
13,500	25,000
22,500	50,000
31,500	75,000
60,000	200,000
75,000	250,000
Previous QQQQ Position and Exercise Limit	Current QQQQ Position and Exercise Limit
300,000	900,000

- **Reverse Collar Hedge Exemption**

A “reverse collar” is now an allowable hedge exemption under ISE Rule 413(a)(5). Specifically, a long call position is accompanied by a short put position where the long call expires with the short put and the strike price of the long call equals or exceeds the short put and where each long call and short put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the long call or the short put can be in-the-money at the time the position is established.