

OPTIONS EXCHANGE			
Regulatory Information Circular			
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Subject: Complex Orders

The SEC has approved an amendment to ISE Rule 722 (see SR-ISE-2008-91), which made changes to the complex order definition.

- **Option Complex Order:** The amendment eliminated the listing specific types of strategies that would fall within the complex order definition. The definition now reads as follows:

A complex order is any order involving the simultaneous purchase and/or sale of two or more different options series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00).

- **Stock to Option Complex Order:** The amendment adds a limitation on delta neutral stock-option orders. The definition now reads as follows:

A stock-option order is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than 8 options contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.

Members should note that for stock-option orders with two or more options legs, the 8:1 limitation will be applied to the net long or short options position in the underlying security.

Examples of permissible stock-option orders:

- Buy 100 shares and Sell 8 calls
- Buy 100 shares and Sell 4 calls in series X and Sell 4 calls in series Y
- Buy 100 shares, Sell 17 calls and Buy 9 calls (equivalent to being short 8 contracts)
- Buy 100 shares, Sell 17 calls and Sell 9 puts (equivalent to being short 8 contracts)

Examples of stock-option orders that are not permitted:

- Buy 100 shares and Sell 9 calls
- Buy 100 shares and Sell 1 call in series X and Sell 8 calls in series Y
- Buy 100 shares, Sell 4 calls and Sell 5 calls (equivalent to being short 9 contracts)
- Buy 100 shares, Sell 4 calls and Buy 5 puts (equivalent to being short 9 contracts)