

The following are examples of various strategies of customer margin using the current strategy methodology and the proposed portfolio methodology (a/o close of 12-1-06). Note that the strategy methodology uses a 20% market move while the portfolio methodology uses a 15% market move. Computation detail is available upon request. Contact James Adams, (312) 786-7718, in the CBOE's Department of Member Firm Regulation.

### **COVERED WRITE**

Position

Long 500 IBM @ \$91.25

Short 5 calls IBM APR 95 @ \$ 2.78

Strategy margin is 50% of stock less the short option premium or \$21,422.50

Portfolio margin requirement is \$5,504.00

### **PROTECTIVE PUT**

Position

Long 500 IBM @ \$91.25

Long 5 puts IBM APR 90 @ \$ 2.50

Strategy margin is 50% of stock plus full payment for put or \$24,062.50

Portfolio margin requirement is \$1,878.00

### **DEBIT SPREAD**

Position

Long 50 calls IBM APR 90 @ \$5.45

Short 50 calls IBM APR 100 @ \$ 1.16

Strategy margin requires full payment or \$21,450.00

Portfolio margin requirement is \$19,089.00

### **NON-CONFORMING DEBIT SPREAD**

(Long must expire on or after short)

Position

Long 50 calls IBM APR 90 @ \$5.45

Short 50 calls IBM JUL 100 @ \$2.28

Strategy margin requires full payment for long option and appropriate margin on short option position or \$74,750.00

Portfolio margin requirement is \$14,106.00

## LONG CONDOR

### Position

Long 50 calls IBM APR 85 @ \$8.99  
Short 50 calls IBM APR 90 @ \$5.45  
Short 50 calls IBM APR 95 @ \$2.78  
Long 50 calls IBM APR 100 @ \$1.16

Strategy margin requires full payment or	\$9,600.00
Portfolio margin requirement is	\$6,221.00

## NON-COMFORMING LONG CONDOR

(All options must expire at same time)

### Position

Long 50 calls IBM APR 85 @ \$8.99  
Short 50 calls IBM JUL 90 @ \$6.82  
Short 50 calls IBM JUL 95 @ \$4.12  
Long 50 calls IBM APR 100 @ \$1.16

Strategy margin requires full payment for long options and appropriate margin on short option positions or	\$214,500.00
Portfolio margin requirement is	\$ 4,638.00