INSTRUCTIONS

NASD CONDUCT RULE: 2860-1 (5) REPORTING OF OPTION POSITIONS

This rule is applicable to member transactions in **exchange-listed options** which are effected on an "access" basis (i.e., transactions effected by NASD members that conduct a business in exchange listed options but which are not members of any option exchange upon which options are listed and traded) and to all member transactions in **conventional**, **over-the-counter option contracts**. This rule requires every member to file a report on each business day following the establishment of long and/or short positions of 200 or more option contracts of the put class and the call class on the same side of the market in the same underlying security in each account in which the member has an interest; in each account of a partner, officer, director or employee of such member; and, in each customer account. Positions of 200 or more contracts, long or short, of the same class, not just the same series, should be reported.

It is important to include the tax identification number (social security number) as well as other information for each person having an interest in the account. The symbol (P) should be used to identify put options and the symbol (C) should be used to identify call options under the heading "Option Class/Type".

In aggregating options on the "same side of the market" long calls in any class of options should be combined with short puts of the same class and short calls should be combined with long puts to determine a reportable position. Long and short positions for the same class should not be netted or combined (e.g., both 200 contracts long and 200 contracts short for the same class in the same account should be reported and 100 contracts long and 100 contracts short for the same class in the same account should not be reported).

An option position summary report should be filed in each of the following situations:

- (a) a long and/or short position of 200 or more contracts of the put class and the call class on the same side
 of the market is established in an account;
 - (b) there is an increase in a previously reported position (e.g., from 250 contracts to 275 contracts); or.
- (c) there is a decrease in a previously reported position to a position less than 200 contracts (e.g., from 250 contracts to 199 contracts). Once a position has been reduced to less than 200 contracts, no subsequent position report would have to be filed until the account once again established a long/and or short position of 200 or more contracts of the put class and the call class on the same side of the market.

For more information regarding this report, see NASD Rules of Conduct 2860-1 (5) - Reporting of Option Positions.

This form may be duplicated at your convenience. Copies may also be obtained from your local NASD Regulation, Inc. District Office.

Completed reports should be sent to the attention of Karen Herlihy, Brian Shute, Syvera O'Pharrow, Susan Polaski or Katherine Price at NASD Regulation, Inc., Market Regulation Department, 9513 Key West Ave. Rockville, MD 20850 or sent via facsimile to 301-590-6481.

Any questions regarding the NASD Regulation's reporting requirements should be directed to Joseph Alotto at 301-590-6845.