

PHLX Semiconductor Sector (SOX)

PHLX Index Options – Sector Based

The PHLX Semiconductor SectorSM (SOXSM) is a modified capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors. The index was set to an initial value of 200 on December 1, 1993 and was split two-for-one on July 24, 1995; options commenced trading on September 7, 1994.

PRODUCT SPECIFICATIONS: PHLX SEMICONDUCTOR SECTOR (SOX)

Symbol	SOX
Trading Symbol	SOX
CUSIP® Number	692982101
Expiration Date	The third Friday of the expiration month.
Expiration Cycle	Generally, three months from the March quarterly cycle plus two additional near-term months (a minimum of five months). PM settled quarterlies may be listed.
Settlement Value Symbol	SX
Exercise Style	American - may be exercised on any business day before the expiration date.
Settlement	Cash
Settlement Value for Expiring Contracts	Based on the opening prices of the component stocks on the expiration date.
Last Trading Day for Expiring Contracts	The last business day before the expiration date (usually a Thursday).
Index Multiplier	\$100 (i.e., one contract = index value x 100)
Index Value Calculation	Modified Capitalization of the Index/ Base Market Divisor
Exercise (Strike) Price Intervals	The Exchange shall determine fixed-point intervals of exercise prices for index options. Generally, the exercise (strike) price intervals will be no less than \$5. However, the Exchange may determine to list strike prices at no less than \$2.50 intervals if the strike price is less than \$200 for listed indexes, and in response to demonstrated customer interest or specialist request. Additionally, the Exchange may also introduce strike prices in \$1 intervals, given that the strike price is below \$200 to provide greater investor flexibility.
Premium Quotation	One point = \$100. Thus a premium quote of 2 is \$200. The minimum change in a premium under 3 is \$5.00 and the minimum change in a premium of 3 or greater is \$10.00.
Position Limits	94,500 contracts on the same side of the market. Hedge exemptions are available.
Margin	Uncovered writers must deposit 100% of the option proceeds plus 20% of the aggregate contract value (current index level multiplied by \$100) minus the amount by which the option is out-of-the-money, if any. Minimum margin is 100% of the option proceeds plus 10% of the aggregate contract value. Long puts or calls must be paid for in full.
Trading Hours	9:30 a.m. to 4:00 p.m., ET
Issuer and Guarantor	The Options Clearing Corporation (OCC)

Symbol**SOX**

An investor wishes to capitalize on a market decline in the semiconductor industry over the next 9 months. In April, SOX is trading at a level of 370. The investor decides to purchase 10 in-the-money SOX December 375 puts at 15 ($10 \times \$15 \times 100 = \$15,000$). At expiration, SOX has declined approximately 5% to 351, yielding the investor a profit of \$9,000 - a 60% return on his initial investment.

Trading Example

SOX value at expiration	375
Less SOX call option strike	<u>-351</u>
	24
Intrinsic Value of option 24 pts.	
Multiply by # of contracts	<u>x 10</u>
Intrinsic value of position (measured in pts.)	240
Multiply by index multiplier (\$100)	<u>x 100</u>
Proceeds	\$24,000
Less cost of SOX puts	<u>-15,000</u>
Net Profit	\$9,000

