

SECURITIES AND EXCHANGE COMMISSION

[Securities Exchange Act Release No. 34-40599; International Series Release No. 1164; File Nos. SR-Amex-98-41; SR-CBOE-98-45; and SR-Phlx-98-49]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Changes by the American Stock Exchange, Incorporated, the Chicago Board Options Exchange, Incorporated and the Philadelphia Stock Exchange, Incorporated Relating to the Listing and Trading of Options on Telebras Portfolio Certificate American Depositary Receipts

October 23, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934¹ ("Act") and Rule 19b-4² thereunder, on October 14, 1998, October 15, 1998, and October 19, 1998, the Chicago Board Options Exchange, Incorporated ("CBOE"), the American Stock Exchange, Incorporated ("Amex") and the Philadelphia Stock Exchange, Incorporated ("Phlx"), respectively, filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule changes, as described in Items I and II below, which Items have been prepared by the self-regulatory organizations ("SROs"), to permit the listing and trading of standardized equity options on Telebras Portfolio Certificate American Depositary Receipts ("RTBs"), as described below.³ The Commission is publishing this notice to solicit comments from interested persons on the proposed rule changes and to grant approval to the proposed rule changes on an accelerated basis.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

The SROs proposed to list and trade standardized equity options on the RTBs, as described below. The texts of the proposed rule changes are available at the Office of the Secretary, Amex, CBOE and Phlx, respectively, and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ RTBs are sponsored American Depositary Receipts ("ADRs") established by Morgan Guaranty Trust Company of New York ("Depository"). RTBs began trading on the New York Stock Exchange ("NYSE") on October 13, 1998 pursuant to NYSE Listing Standard 103.5. A copy of the Depository Agreement and Form F-6 (Registration No. 333-9476) was filed with the Commission, declared effective on October 8, 1998 and is publicly available.

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, the SROs included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments they received on their respective proposed rule changes. The text of those statements may be examined at the places specified in Item IV below and summaries of the most significant aspects are set forth in Sections (A), (B), and (C) below.

(A) Self-Regulatory Organizations' Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Changes

1. Purpose

Telecomunicacoes Brasileiras S.A. ("Telebras") is a corporation organized under the laws of the Federative Republic of Brazil. Prior to July 28, 1998, Telebras was wholly-owned by the government of Brazil.⁴ Telebras was eventually reorganized ("Reorganization") into twelve spin-off companies ("Spin-Offs"). In April 1998, the Bolsa de Valores de Sao Paulo ("BOVESPA") began listing and trading RCTB Portfolio Certificates ("RCTB Certificates"). On September 21, 1998, the Spin-Off shares were listed, and began trading, on the BOVESPA. The RCTB Certificates currently represent one share each of the Spin-Offs and the residual Telebras shares.⁵ Each RTB will represent 1,000 RCTB Certificates. As a result, each RTB will provide investors with a single exchange traded instrument that is intended to represent shares of each Spin-Off and the residual Telebras shares.

Currently, the SROs trade options on Telebras ADRs ("TBR") and options on Telebras Holding Company Depositary ReceiptsSM ("HOLDRs")⁶ in order to allow investors in TBRs and HOLDRs to hedge their respective positions by

⁴ The Brazilian government divested its interest in Telebras through a public auction in Brazil that commenced on July 28, 1998.

⁵ Prior to September 21, 1998, the RCTB Certificates only represented Telebras shares. The RCTB Certificates will represent one share of each Spin-Off when Telebras is extinguished.

⁶ HOLDRs are listed on the NYSE and are intended to represent TBRs currently listed on the NYSE, until such time as the Spin-Off ADRs are listed on the NYSE. When the Spin-Off ADRs are listed on the NYSE, HOLDRs will provide a single exchange traded instrument that is intended to represent each Spin-Off ADR and the residual TBR. When Telebras is finally extinguished, TBR will cease to exist and HOLDRs will represent each Spin-Off ADR. See Securities Exchange Act Release No. 40298 (August 3, 1998), 63 FR 43435 (August 13, 1998).

opening offsetting positions in TBR options and HOLDRs options. The SROs now seek to list and trade options on RTBs as a way to permit investors in RTBs to hedge their exposure to the Brazilian telecommunications industry.

To acquire an RTB prior to the listing of the Spin-Off ADRs, an investor must first acquire a TBR. To acquire an RTB after the listing of the Spin-Off ADRs, an investor must first acquire the Spin-Off ADRs, and a residual TBR (if the residual TBRs still exist). In either case, the investor must then cancel the TBR, or the Spin-Off ADRs and residual TBR (whichever is applicable), and have the underlying securities delivered to the Companhia Brasileiras de Liquidacao e Custodia ("CBLC"). The CBLC is responsible for all clearing and custody services related to securities traded on the BOVESPA. The CBLC will convert the underlying securities without charge into RCTB Certificates. The RCTB Certificate will then be deposited into the custody account of J.P. Morgan ("JPM") at Banco Itau in Brazil. JPM will then issue an RTB, created by the Depository and representing 1,000 RCTB Certificates, to the investor.

The SROs now propose to trade options on the RTBs pursuant to Amex Rule 915, CBOE Rule 5.3, and PHLX Rule 1009 (collectively, the "SRO Rules"), respectively.⁷ The SROs have requested to rely upon the public ownership, public holding, trading volume and market price history of RCTB Certificates for purposes of satisfying the associated requirements for RTBs under the SRO Rules. Commentary .01 of the SRO Rules⁸ requires that, absent exceptional circumstances, at the time the SRO selects an underlying security for options transactions, the following guidelines with respect to the issuer shall be met: (1) there are a minimum of 7 million shares of the underlying securities which are owned by persons other than those required to report their security holdings under Section 16(a) of the Act ("Public Ownership Requirement"); (2) there are a minimum of 2,000 holders of the underlying security ("Public Holder Requirement"); (3) there is trading volume (in all markets in which the underlying security is traded) of at least 2.4 million shares during the preceding 12 months ("Volume Requirement"); (4) the market

⁷ The SROs have already filed certification with the Options Clearing Corporation for options on RTBs.

⁸ The Amex and Phlx Rules refer to "Commentaries" while the CBOE Rules refer to "Interpretations and Policies." For purposes of this order, the term "Commentary" will be used for all SRO Rules.

price per share of the underlying security has been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection ("Price Requirement"); and (5) the issuer is in compliance with any applicable requirements of the Act. The SROs request to reply upon the price history of RCTB Certificates in order to satisfy the Price Requirement applicable to options on the RTBs so that they do not have to wait three months prior to listing options on the RTBs. The SROs believe that it is essential that options on RTBs be provided without significant delay so that investors who have invested in RTBs can use options to manage the risks of their positions in RTBs.

Commentary .03 of the SRO Rules requires that with respect to an ADR, an effective surveillance sharing arrangement be in place with the proper regulatory authority in the country where the security underlying the ADR trades or, as one of several alternatives, as the Commission otherwise authorizes the listing. The SROs note that the Commission has entered into a Memorandum of Understanding ("MOU") with the Comissao de Valores Mobiliarios ("CVM") in Brazil. In addition, the Amex represents that it has a surveillance sharing agreement ("SSA") with the BOVESPA. The CBOE also represents that it has an SSA with BOVESPA. The Phlx does not have an SSA with the BOVESPA. If the MOU ceases to exist, each SRO represents that it will contact the Commission immediately in order to enable the Commission to determine what measure should be taken with regards to the listing and trading of options on the RTBs.⁹

Commentary .05(d) of the SRO Rules, which applies to options on securities issued during a restructuring transaction that are sold in a public offering or pursuant to a rights distribution ("Restructure Security"), provides that an SRO may "look back" to the "original" security regarding the Public Ownership Requirement and Public Holder Requirement subject to certain conditions enumerated in the SRO Rules. Commentary .05(d) also provides that an SRO may certify that the market price of the Restructure Security meets the Price Requirement by relying on the price history of the original security, provided that the Restructure Security has traded "regular way" on an exchange or automatic quotation system for at least five trading days

immediately preceding the date of selection and has a market price of at least \$7.50. In addition, Commentary 05.(d) permits the SROs to assume the satisfaction of one or both of the Public Ownership Requirement and the Public Holder Requirement on the date RTB is selected for options trading only if (A) RTB is listed on an exchange or automatic quotation system subject to initial listing requirements in respect of public ownership of shares or number of shareholders, or both, is no less stringent than the list requirements of the SRO, or (B) at least 40 million shares of RTB are issued and outstanding on the intended date for listing options on RTB, unless, in the case of (A) or (B), the SRO, after reasonable investigation, has determined that such requirements will not in fact be satisfied on the date the SRO intends to list options on RTB.¹⁰ Finally, Commentary .05(d) provides that an SRO may certify that the trading volume of the Restructure Security satisfies the Volume Requirement only if the trading volume in the Restructure Security, without reliance on the original security, has been at least 2.4 million shares during a period of 12 months or less ending on the date the Restructure Security is selected for options trading.¹¹

Initial reports indicate that the RTBs have been trading near the current market price range for RCTB Certificates (approximately \$50 to \$134). In addition, the SROs state that although the RTBs are a unique product, it resembles shares issued during a restructuring transaction. Therefore, the SROs believe that they should be allowed to rely on the price history of the original security. Accordingly, the SROs represent that the RTBs will comply with the requirement that its market price be at least \$7.50 for at least 5 trading days immediately prior to the listing date in order to rely upon the market price history of the original security to satisfy the three month Price Requirement. Thus, the SROs assert that options should be permitted to be listed on the RTBs following the five day Price Requirement Period, provided that all other options listing criteria, including

¹⁰In other words, if the Restructure Security does not meet either of these alternatives, it cannot piggyback upon the public ownership of shares and the number of shareholders of the original security. In such instances, the SRO cannot select a Restructure Security for options listing until there are 7 million shares of the Restructure Security outstanding and 2,000 public holders of the Restructure Security.

¹¹The Restructure Security cannot piggyback upon the trading volume of the original security. Accordingly, the SROs cannot select a Restructure Security for options listing until 2.4 million shares of the Restructure Security actually have traded.

that there are 7 million RTB shares owned by Public Owners, that there are 2,000 Public Holders of RTB shares and that 2.4 million RTB shares have been traded, will be met prior to the listing of RTB options.¹² In addition, the SROs note that, the Commission recognized a similar need for investors to have the ability to employ adequate hedging strategies using options on newly acquired securities issued in a restructuring transaction when it approved the SROs' proposal to list and trade options on HOLDRs following the five day Price Requirement period, provided that all other options listing criteria were met.¹³

The CBOE and Phlx represent that they will establish position and exercise limits for RTB options equal to 25,000 contracts on the same side of the market. The Amex represents that it will establish position and exercise limits for RTB options equal to 7,500 contracts on the same side of the market.¹⁴ Prior to the commencement of trading, the SROs will issue an Information Circular advising their members concerning the proposed options on the RTBs.

2. Statutory Basis

The basis under the Act for the proposed rule changes is the requirement under Section 6(b) of the Act, and Section 6(b)(5) in particular¹⁵ that an exchange have rules that are designed to promote just and equitable principals of trade, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, to protect investors and the public interest. The SROs believe that the proposed rule changes satisfy the requirements of Section 6(b) in general, and Section 6(b)(5) in particular, because the expedited trading of options on the RTBs will allow investors currently holding RTBs, to continue to hedge their positions by opening offsetting positions in options on RTBs.

¹²Phone call between Nandita Yagnick, Counsel, Phlx, Claire McGrath, Vice President and Special Counsel, Amex, Timothy Thompson, Director, Regulatory Affairs, Legal Department, CBOE, James Yong, First Vice President, General Counsel and Secretary, The Options Clearing Corporation and Marianne Duffy, Special Counsel, Division of Market Regulation ("Division"), SEC and Sonia Patton, Attorney, Division, SEC on October 21, 1998 ("October 21, 1998 Conference Call").

¹³See *supra* note 6.

¹⁴The Commission has informed the SROs that they should establish position limits for RTB options under their respective rules based upon the trading volume of RTB only and not the trading volume of RCTB Certificates.

¹⁵15 U.S.C. 78f(b)(5).

⁹In the case of the Amex and CBOE, if the SSAs cease to exist but the MOU is still effective, they are not required to notify the Commission.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others

No written comments were either solicited or received.

III. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Changes

For the reasons discussed below, the Commission finds that the SRO's proposals are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission finds that the proposed rule changes is consistent with Section 6(b)(5) of the Act, which requires an exchange to have rules designed to promote just and equitable principals of trade, to remove impediments to, and perfect the mechanism of, a free and open market and national market system, and in general, to protect investors and the public interest.¹⁶

As the Commission has previously stated,¹⁷ it is necessary for securities to meet certain minimum standards regarding both the quality of the issuer and the quality of the market for a particular security to become options eligible. The Commission believes that these standards are imposed to ensure that those issuers upon whose securities options are to be traded are financially sound companies whose trading volume, market price, number of holders and public ownership of shares are substantial enough to ensure adequate depth and liquidity to sustain options trading that is not readily susceptible to manipulation. The Commission also recognizes that under Commentary .01 of the SRO Rules, investors may be precluded for a significant period (generally, the three calendar month period required to meet the Price Requirement) from employing an adequate hedging strategy involving options on newly issued securities such

¹⁶ Pursuant to Section 6(b)(5) of the Act, the Commission must predict approval of any new securities product upon a finding that the introduction of such product is in the public interest. Such a finding would be difficult with respect to a warrant that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns.

¹⁷ See Securities Exchange Act Release No. 37011 (March 22, 1996) 61 FR 14177 (March 29, 1996) (order approving proposed rule relating to listing standards for options on securities issued in a reorganization transaction pursuant to a public offering or a rights distribution).

as those issued during an initial public offering or rights distribution.

As the SROs observe in their filings, and alternate method of meeting equity option listing standards has been established for securities issued in connection with a spin-off, reorganization, restructuring or similar corporate transaction.¹⁸ These alternate standards facilitate the earlier listing of options on Restructure Securities by permitting an SRP to determine whether the Restructure Security satisfies the Public Ownership Requirement, Public Holder Requirement, Volume Requirement and Price Requirement by reference to the outstanding equity security previously issued by the issuer of the Restructure Security. While such criteria are not directly applicable to the listing of options on RTBs, the CBOE notes that RTBs are being issued as a result of a corporate restructuring. The SROs believe that the price history of the RCTB Certificate should be allowed to be used to determine compliance with the Price Requirement since RTBs are designed to replicate RCTB Certificates.

The Commission believes that it is appropriate for the SROs to deem the Price Requirement satisfied for the listing of options of RTBs if the RTBs have a closing price of a least \$7.50 for at least five trading days since its issuance.¹⁹ This conclusion is based on the Commission's determination that RTBs are designed to track the price of RCTB Certificates. It is extremely likely that RTBs would independently meet the Price Requirement over the next three months.²⁰ Nevertheless, permitting the use of RCTB Certificates price history to meet the Price Requirement will allow the desirable result of permitting owners of RTBs to be able to hedge their exposure sooner

¹⁸ The Commission notes that there is a distinction in treatment of options overlying securities issued to existing shareholders in spin-off, reorganization or restructuring and options overlying securities issued through a public offering or rights distribution. Specifically, options overlying securities issued pursuant to a public offering or rights distribution cannot be listed until the market price of Restructure Security has been at least \$7.50 for a least five trading days immediately preceding the selection date, while options overlying securities issued to existing shareholders in a spin-off, reorganization or restructuring can "look back" to the "original" security to meet the Price Requirement without waiting five trading days.

¹⁹ This approach incorporates the price history of RCTB Certificates for the prior measured period converted to U.S. dollars. RCTB Certificates have traded well in excess of \$7.50 per share for the prior three months.

²⁰ RTBs have traded from approximately \$70 to \$77 per share since October 13, 1998. Thus, the RTBs have been trading well within the previously discussed \$50 to \$134 trading range of the RCTB certificates.

through a single overlying options product. Finally, the Commission notes that requiring actual five day price history of RTBs, prior to listing options thereon, further ensures that the market is sufficient to support options trading and is not subject to manipulation.

The Commission's approval of these proposals is also based on the fact that, apart from the Price Requirement period, all other options listing criteria, including that there are 7 million RTB shares owned by Public Owners, that there are 2,000 Public Holders of RTB shares and that 2.4 million RTB shares have been traded, will be met prior to the listing of RTB options.²¹

In addition, as previously stated, Commentary, .03 of the SRO Rules requires that with respect to an ADR, an effective surveillance sharing arrangement be in place with the proper regulatory authority in the country where the security underlying the ADR trades or, as one of several alternatives, as the Commission otherwise authorizes the listing. In evaluating new derivative instruments, the Commission, consistent with the protection of investors, considers the degree to which the derivative instrument is susceptible to manipulation. The ability to obtain information necessary to detect and deter market manipulation and other trading abuses is a critical factor in the Commission's evaluation. It is for this reason that the Commission requires that there be an SSA in place between an exchange listing or trading a derivative product and the exchanges trading the stocks underlying the derivative contract that specifically enables officials to survey trading in the derivative product and its underlying stocks.²² Such agreements provide a

²¹ The Commission notes that the SROs may use various sources for collecting data on Public Owners of RTB shares, Public Holders of RTB shares and trading volume of RTB shares. As a result of the unique circumstances surrounding the Reorganization, the SROs have agreed to notify the Commission, prior to listing RTB options, when there are 7 million RTB shares owned by Public Owners, 2,000 Public Holders of RTB shares and 2.4 million RTB shares have been traded so that the Commission can ensure that the SROs list RTB options consistently pursuant to this order. See October 21, 1998 Conference Call, *supra* note 12.

²² The Commission believes that the ability to obtain relevant surveillance information, including, among other things, the identity of the ultimate purchasers and sellers of securities, is an essential and necessary component of an SSA. An SSA should provide the parties thereto with the ability to obtain information necessary to detect and deter market manipulation and other trading abuses. Consequently, the Commission generally requires that an SSA require that the parties to the agreement provide each other, upon request, information about market trading activity, clearing activity and customer identify. See Securities

necessary deterrent to manipulation because they facilitate the availability of information needed to fully investigate a potential manipulation if it were to occur. With regards to RTBs, these agreements are especially important to facilitate the collection of necessary regulatory, surveillance and other information from foreign jurisdictions.²³

In order to address the above noted concerns and to comply with Commentary .03 of the SRO Rules, the SROs note that the Commission has entered into an MOU and the CVM. The Amex represents that it has an SSA with the BOVESPA. The CBOE also represents that it has an SSA with the BOVESPA. If the MOU ceases to exist, each SRO represents that it will contact the Commission immediately in order to enable the Commission to determine what measures should be taken with regards to the listing and trading of options on RTBs.²⁴ The Commission believes that the combination of the SSAs and the MOU satisfy the requirement of Commentary .03 of the SRO Rules. The Commission also notes that the SROs have relied on the SSAs and the MOU to trade option overlying Telebras ADSs.

For the reasons described above, the Commission finds good cause to approve the proposed rule changes prior to the thirtieth day after publication of notice of filing thereof in the **Federal Register**. The Commission believes that the proposals will benefit investors that have invested in TRBs and who seek to hedge their exposure to the Brazilian telecommunications market through a single overlying options product. In addition, the Commission believes that any regulatory issues that are posed by options on RTBs have been addressed adequately by the SROs in a manner

Exchange Act Release No. 31529 (November 27, 1992).

²³ An MOU provides a framework for mutual assistance in investigatory and regulatory matters. Generally, the Commission has permitted an SRO to rely on an MOU in the absence of an SSA only if the SRO receives an assurance from the Commission that such an MOU can be relied on for surveillance purposes and includes, at a minimum, the transaction, clearing and customer information necessary to conduct an investigation. See Securities Exchange Act Release No. 35184 (December 30, 1994) 60 FR 2616 (January 10, 1995). In addition, an SRO should nonetheless endeavor to develop SSAs with the foreign exchange that trades the underlying securities even if the SRO receives prior Commission approval to rely on an MOU in place of an SSA.

²⁴ The Commission notes that although the Phlx does not have an SSA with the BOVESPA, the MOU alone satisfies the requirement of Commentary .03 of the SRO Rules. Furthermore, the Commission believes that in the case of the Amex and the CBOE, if the SSAs cease to exist but the MOU is still effective, the Amex and the CBOE are not required to notify the Commission.

consistent with past Commission action.²⁵

Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2)²⁶ of the Act, to find that good cause exists to approve the proposed rule changes on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule changes are consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will be available for inspection and copying at the principal office of the SROs. All submission should refer to File Nos. SR-Amex-98-41, SR-CBOE-98-45 and SR-Phlx-98-49 and should be submitted by November 24, 1998.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule changes (SR-Amex-98-41, SR-CBOE-98-45 and SR-Phlx-98-49) are approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²⁷

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-29340 Filed 11-2-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40607; File No. SR-CBOE-98-22]

Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving Proposed Rule Change Relating to Floor Official Fining Authority

October 27, 1998.

I. Introduction

On May 28, 1998, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change consolidating most floor official fining authority governed by Exchange Rule 17.50, Imposition of Fines for Minor Rule Violations ("Summary Fine Rule"), under one regulatory circular. The CBOE filed Amendment No. 1 to its proposal with the Commission on July 8, 1998,³ Amendment No. 2 on August 27, 1998,⁴ and Amendment No. 3 on September 9, 1998.⁵

On September 21, 1998, the proposed rule change and amendments were published for comment in the **Federal Register**.⁶ No comments were received on the proposal. This order approves the proposal.

II. Description of the Proposal

The Exchange proposes to modify Exchange Rule 6.20, Admission to and Conduct on the Trading Floor, and certain other Exchange Rules to consolidate most floor official fining authority governed by Exchange Rule 17.50, Imposition of Fines for Minor Rule Violations ("Summary Fine Rule"), under one regulatory circular.⁷ The CBOE also proposes to modify its

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Debora E. Barnes, Senior Attorney, CBOE, to Gail Marshall-Smith, Special Counsel, Division of Market Regulation ("Division"), Commission, dated July 7, 1998 ("Amendment No. 1").

⁴ See Letter from Debora E. Barnes, Senior Attorney, CBOE, to Terri L. Evans, Attorney, Division, Commission, dated August 26, 1998 ("Amendment No. 2").

⁵ See Letter from Debora E. Barnes, Senior Attorney, CBOE, to Terri L. Evans, Attorney, Division, Commission, dated September 8, 1998 ("Amendment No. 3").

⁶ Exchange Act Release No. 40440 (Sept. 14, 1998) 63 FR 50265.

⁷ The Exchange has issued separate circulars setting forth fine schedules for violations of Rule 8.51 with respect to OEX and DJX options. These circulars were approved by the Commission in SR-CBOE 96-31 and SR-CBOE 97-45.

²⁵ *Supra* note 6.

²⁶ 15 U.S.C. 78s(b)(2).

²⁷ 17 CFR 200.30-3(a)(12).