

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁶ that the proposed rule change (File No. SR-CBOE-96-75), is amended, is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-25688 Filed 9-26-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39116; File No. SR-CBOE-96-76]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 1, 2, and 3 to the Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Listing and Trading of Packaged Vertical Spreads

September 22, 1997.

I. Introduction

On December 16, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed a proposed rule change with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² to list for trading Packaged Vertical Spreads based upon the S&P 100 and the S&P 500 Indexes.

Notice of the proposal was published for comment and appeared in the **Federal Register** on February 4, 1997.³ The Exchange filed with the commission Amendment Nos. 1,⁴ 2,⁵

and 3⁶ to the proposal on March 18, May 2, and June 5 1997, respectively.

No comment letters were received on the proposed rule change. This order approves the Exchange's proposal, as amended.

II. Description of the Proposal

The Exchange proposes to list for trading Packaged vertical Spreads based upon the S&P 100 index and the S&P 500 index ("Indexes"). A Packaged Vertical Spread is a packaged European-style option that replicates the behavior and payout of a vertical spread⁷ composed of standard index option contracts. The Exchange proposes that the Packaged Vertical Spreads may have a multiplier of 100 (as with standard index options overlying the S&P 100 and the S&P 500) or a multiplier of 500. To date, the Exchange has not determined whether Packaged Vertical Spreads will initially have a multiplier of 100 or 500. The Exchange, however, does not intend to simultaneously open series with both a 100 and a 500 multiplier. If the Exchange introduces Packaged Vertical Spreads with a new multiplier with a new tricker symbol, it will only result in a brief period (1 or 2 months) of open series with both a 100 and a 500 multiplier. The Exchange represents further that it will notify the Commission so that it can be determined what appropriate steps should be taken prior to listing

position limits for the respective index options and will be aggregated with other option contracts on the same index. See Letter from William M. Speth, Sr. Research Analyst, Product Development, Research Department, CBOE, to Howard L. Kramer, Senior Associate Director, OMS, Market Regulation, Commission, dated May 2, 1997 ("Amendment No. 2").

⁶ In Amendment No. 3, the Exchange made several non-substantive changes to the proposal. In addition, added Rule 24.4(e) to reflect that position limits for Packaged Vertical Spreads with multipliers of 500 would have position limits equal to 1/5th of the position limits for products with multipliers of 100. The Exchange also clarified that for Packaged Vertical Spreads with multipliers of 500, the spread rules for margin would only apply when there are 5 contracts with a 100 multiplier offsetting one contract with a 500 multiplier. Finally, the Exchange also clarified its policy for changing the multiplier and/or the vertical spread intervals, as described more fully herein. See vertical spread intervals, as described more fully herein. See Letter from Eileen Smith, Director, Product Development, Research Department, CBOE, to John Ayanian, Special Counsel, OMS, Market Regulation, Commission, dated June 4, 1997 ("Amendment No. 3").

⁷ A vertical spread is the combination of one long and one short options position having the same expiration. A call vertical spread will have a lower strike price on the long options and a put spread will have a higher strike price on the long option. For example, a call vertical spread might consist of one long December (expiration month) 700 (strike price) call option and one short December 690 call option.

Packaged Vertical Spreads with the different multiplier.⁸

The Exchange believes Packaged Vertical Spreads on the Indexes will provide advantages to the investing public that are not provided for by standard index options. First, the Exchange believes the Packaged Vertical Spreads on the Indexes will offer investors a relatively low risk security which results because Packaged Vertical Spreads, by their nature, have a maximum gain and loss that can be realized regardless of the movement in the index level. These options are the equivalent of standard vertical spreads (*i.e.*, the combination of one long and one short options position with the same expiration) traded as a single security. Second, the "packaging" of a strategy of two option positions into one option product reduces transaction-related expenses because the investor will only have to enter into one transaction. In the case of Packaged Vertical Spreads with a multiplier of 500, the transaction-related expenses would be substantially reduced from a comparable trade involving standard index options which currently have a 100 multiplier. Third, in the case of Packaged Vertical Spreads overlying the S&P 100, the investor will have the opportunity to invest in an option product that has European-style exercise.⁹ Standard S&P 100 options ("OEX") have American-style exercise.¹⁰ Accordingly, with Packaged Vertical Spreads there is no early exercise risk. The Exchange expects Packaged Vertical Spreads on the Indexes to be supported enthusiastically by market-makers because vertical spread trading is a familiar strategy to professional traders and the Packaged Vertical Spreads can be easily incorporated into the overall risk profile of the market-maker's trading strategy in standard index options.

The Exchange proposes to amend Rule 24.1 to describe the new product¹¹ as well as the term "vertical spread interval".¹²

⁸ See Amendment No. 3, *supra* note 6.

⁹ Only European-style Packaged Vertical Spreads will be available to investors. A European-style option is one that may be exercised only during a limited period of time prior to expiration.

¹⁰ An American-style option is one that may be exercised at any time prior to expiration.

¹¹ See Amendment No. 3, *supra* note 6.

¹² Specifically, the "vertical spread interval" means a value specified by the Exchange which, when added to the exercise price for call series or subtracted from the exercise price for put series defines the index level over which (for calls) and under which (for puts) the value of the contract will have its maximum value at expiration. See Amendment No. 1, *supra* note 4.

²⁶ 15 U.S.C. 78s(b)(2).

²⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 38213 (January 28, 1997), 62 FR 5265 (February 4, 1997).

⁴ In Amendment No. 1, the Exchange provided a new definition for "vertical spread interval" and several technical non-substantive revisions to the margin rules. See Letter from Tim Thompson, Senior Attorney, CBOE, to John Ayanian, Special Counsel, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulation"), Commission, dated March 18, 1997 ("Amendment No. 1").

⁵ In Amendment No. 2, the Exchange amended its spread rules for margin when the short index option of a spread position is a Packaged Vertical Spread, as described more fully herein. Amendment No. 2 also verified that CBOE will list and add series for Packaged Vertical Spreads in accordance with Rule 24.9, Interpretation and Policy .01(c). Finally, in Amendment No. 2, the Exchange indicated that position limits for Packaged Vertical Spreads based on the S&P 500 and 100 will be the same as existing

Position and Exercise Limits

The Exchange is proposing position limits for Packaged Vertical Spreads overlying the S&P 100 of 25,000 contracts. The Exchange is proposing position limits for Packaged Vertical Spreads overlying the S&P 500 of 100,000 contracts. For position limit purposes, Packaged Vertical Spreads will be aggregated with option contracts on the same index. These position limits are consistent with the position limits that have been established for standard index options on the S&P 100 and 500 indexes, respectively. The exercise limits for Packaged Vertical Spreads will be equal to the position limits set forth above in accordance with the terms of CBOE Rule 24.5.

To the extent that the Exchange lists and a member holds Packaged Vertical Spread positions with multipliers other than 100 (e.e., 500), the contract will be counted for position limit purposes as the number of contracts times the contract multiplier divided by 100. For example, each Packaged Vertical Spread based on the S&P 100 with a multiplier of 500 would count as 5 Packaged Vertical Spread contracts for the purpose of determining compliance with the position limits.¹³ In addition, if a member holds Packaged Vertical Spread positions with different multipliers, that overlie the same index, these positions would be aggregated in determining compliance with the position limits.

Margin

With respect to margin requirements, risk exposure is limited in Packaged Vertical Spreads, and therefore, the maximum margin requirements should not exceed the maximum exposure amount which, for each Vertical Spread option contract equals the vertical spread interval times the index multiplier. The proposed amendments state that the maximum margin required for a put or call Vertical Spread option contract carried in a short position shall not exceed this maximum exposure amount. In addition, the amendment provides that for each put or call Vertical Spread option contract carried in a short position in a cash account, the customer must deposit cash equal to the maximum exposure amount. The rules will also provide that the required margin for a spread when the exercise price of the long call index option is greater than the exercise price of the short call index option where at least one leg of the spread is a CAPS or Vertical Spread would be the lesser of

(1) The difference in the aggregate exercise prices or (2) the cap interval or the vertical spread interval as appropriate. For Packaged Vertical Spreads with multipliers of 500, the spread rules for margin would only apply when there are 5 contracts with a 100 multiplier offsetting a contract with a 500 multiplier.¹⁴

Listing of Series

The Exchange expects to list contracts having vertical spread intervals of ranging from 10 to 50 points. The Exchange does not intend to simultaneously open series with more than one vertical spread interval. However, the CBOE may introduce a new series with a new vertical spread interval with a new ticker symbol resulting in a brief period (1 or 2 months) of open series with two vertical spread intervals.¹⁵

Initially, the Exchange intends to list an at-the-money and various strikes around the at-the-money in the first two near-term months in accordance with Rule 24.9, Interpretation and Policy .01(c).¹⁶ New strikes will be added when the underlying trades through the highest or lowest strike available.

Settlement

The expiration date for Packaged Vertical Spreads will be the Saturday immediately following the third Friday of the expiration month. Exercise will result in the delivery of cash on the business day following expiration. The exercise settlement amount will be equal to the difference between the OEX or SPX settlement value, as appropriate, and the strike price of the Packaged Vertical Spread contract; or the amount of the spread interval, whichever is less, multiplied by the multiplier, i.e., either \$100 or \$500. As noted above, Packaged Vertical Spreads will have a European-style of exercise.

Miscellaneous

CBOE will use the same surveillance methods it currently employs with respect to their broad-based index options.

CBOE has also been informed that the Options Price Reporting Authority recently added another outgoing high speed line from OPRA processor and thus, has the capacity to support the

new series associated the listing of Packaged Vertical Spreads.¹⁷

By adopting rules that will provide for the trading of index options that will provide investors with certain advantages over current products in the way of reduced transaction costs and risk reduction, CBOE believes the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act in that it is designed to perfect the mechanisms of a free and open market and to protect investors and the public interest.

III. Commission Finding and Conclusions

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) of the Act.¹⁸ Moreover, the Exchange's proposal to list and trade Packaged Vertical Spreads on the S&P 100 and S&P 500 indexes strikes a reasonable balance between the Commission's mandates under Section 6(b)(5) to remove impediments to and perfect the mechanism of a free and open market and a national market system, while protecting investors and the public interest.¹⁹ Specifically, the Commission finds that the Packaged Vertical Spreads are an innovative financial product that will provide investors with additional choices and flexibility in their use of derivatives.²⁰ In addition, Packaged Vertical Spreads offer both holders and writers of options a means to participate in the options markets at a predetermined maximum gain or loss. Under the terms of Packaged Vertical Spreads, the option writer's (holder's) maximum loss (gain) is established at the time of the investment by the option's vertical spread interval. Accordingly, Packaged Vertical Spreads permit investors to participate in the

¹⁷ See Memorandum from Joe Corrigan, OPRA, to Eileen Smith, CBOE, dated November 21, 1996.

¹⁸ 15 U.S.C. 78f(b)(5).

¹⁹ In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

²⁰ Pursuant to Section 6(b)(5) of the Act, the Commission must predicate approval of any new option proposal upon a finding that the introduction of such new derivative instrument 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. In this regard, the trading of Packaged Vertical Spreads will provide investors with another hedging vehicle that should reflect the overall movement of the U.S.-listed stock market.

¹³ See Amendment No. 3, *supra* note 6.

¹⁴ See Amendment No. 3, *supra* note 6.

¹⁵ The Exchange represents that it would not allow margin offset, pursuant to Rule 24.11(c), between spreads with different spread intervals. See Amendment No. 3, *supra* note 6.

¹⁶ See Amendment No. 2, *supra* note 5.

options market at a known cost. In addition, the Commission believes that Packaged Vertical Spreads, which replicate the combination of two options at different exercise prices, on the same underlying interest and expiration, likely will benefit investors by providing them with a more efficient and cost effective method of executing spread transactions.

The Commission also finds that the specific rules proposed by the CBOE to accommodate Packaged Vertical Spreads are consistent with the Act.²¹ Specifically, the Commission believes that it is reasonable for the Exchange to set a vertical spread interval range from 10 to 50 points. In response to the Commission's concerns that having series of Packaged Vertical Spreads simultaneously open with different vertical spread intervals might be confusing to investors, the Exchange does not intend to simultaneously open series with more than one vertical spread interval. However, the CBOE may introduce a new series with a new vertical spread interval with a new ticker symbol resulting in a brief period (1 or 2 months) of open series with two vertical spread intervals.²² The Commission notes that the Exchange may submit a "noncontroversial filing" pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder if it decided to change the present vertical spread range (currently 10 to 50 points) and the proposal does not raise any other regulatory issues.

Similarly, the Commission believes it is reasonable for the Exchange to list Packaged Vertical Spreads with either a 100 or 500 multiplier. In response to the Commission's concerns that having series of Packaged Vertical Spreads simultaneously open with different multipliers might be confusing to investors, the Exchange does not intend to simultaneously open series with two different multipliers. However, the CBOE may introduce a new series with a new multiplier with a new ticker symbol resulting in a brief period (1 or 2 months) of open series with two multipliers. The Commission notes that it will be notified by the Exchange to determine what appropriate steps

should be taken prior to listing Packaged Vertical Spreads with the different multiplier.²³

The Commission also notes that Packaged Vertical Spreads on the S&P 500 and S&P 100 indexes will be subject to the same position and exercise limit requirements that currently apply to S&P 500 and S&P 100 index options, respectively. In particular, Packaged Vertical Spreads on the S&P 500 will be aggregated with all other S&P 500 index options, subject to a 100,000 contract limit under Rule 24.4(b). Packaged Vertical Spreads on the S&P 100 index will be aggregated with all other S&P 100 index options, subject to a 25,000 contract limit under Rule 24.4(b).²⁴

The Commission believes that the proposed margin treatment for Packaged Vertical Spreads in cash and margin accounts is consistent with the Act. Specifically, the Commission believes that, similar to short capped options positions,²⁵ it is reasonable to permit short Packaged Vertical Spreads positions in a cash account so long as the maximum exposure (the vertical spread interval) is deposited. This position is the equivalent of a completely covered position, because the maximum risk of loss is already on deposit. In addition, the Commission believes that the proposed margin requirements for Packaged Vertical Spreads in margin accounts is reasonable because they are virtually identical to the margin requirements for traditional short stock index options positions held in margin accounts, except that a limit equal to the maximum exposure to the option writer is placed on the margin requirement. It is reasonable to limit the margin in this way because the margin would cover 100% of the writer's exposure, thereby requiring no additional margin calls.

The Commission also believes that the proposed margin treatment for a spread transaction where: (1) The short leg of the spread is a Packaged Vertical Spread; (2) the long leg of the spread is a long call index option (not a Packaged Butterfly Spread);²⁶ and (3) the exercise

price of the long call index option is greater than the exercise price of the short call Packaged Vertical Spread is consistent with the Act. Specifically, it is reasonable to limit the margin in this case to the lesser of the difference in aggregate exercise prices or the vertical spread interval because the margin would cover 100% of the writer's exposure, thereby requiring no additional margin calls.²⁷ For example, a spread involving a long 670 S&P 500 index call option and a short 650 Packaged Vertical Spread on the S&P 500, with a vertical spread interval of 10, the margin deposit requirement would be the lesser of: (1) The difference in aggregate exercise prices $((670 - 650) \times 100 = \$2,000)$ and (2) the vertical spread interval times the multiplier (i.e., $10 \times 100 = \$1,000$). The margin requirement in this case would be \$1,000. The writer's maximum exposure is when the current index level is 650, and is limited to \$1,000.

For the same spread transaction where the vertical spread interval is 50, the margin deposit requirement would be the lesser of: (1) The difference in aggregate exercise prices $((670 - 650) \times 100 = \$2,000)$ and (2) the vertical spread interval times the multiplier (i.e., $50 \times 100 = \$5,000$). The margin deposit requirement in this case would be \$2,000. The writer's maximum exposure is when the current index level is 700, and is limited to \$2,000.²⁸

In summary, the Commission believes that the Packaged Vertical Spreads on the S&P 500 and S&P 100 Indexes will provide investors with additional choices and flexibility in their use of derivatives and offer both holders and writers of options a means to participate in the options markets at a predetermined maximum gain or loss. Further, the Commission notes that in order to promote investor protection and to ensure adequate disclosure in connection with Packaged Vertical Spreads, the rules pertaining to standardized options and the requirements of Exchange Act Rule 9b-1 will apply to trading in Packaged

Vertical Spread position which is offset by short position that is not a capped option or a Packaged Vertical Spread, the minimum margin required on such a position is the full purchase price of the long Packaged Vertical Spread position plus the margin required in Rule 24.11(b) for the short position. See Rule 24.11(c)(1)(C).

²⁷ In addition, the long contract must be paid in full. The proceeds from the short option can be used to pay for the long contract.

²⁸ The writer's maximum exposure for this spread position is determined as follows:

short loss - long gain = maximum exposure
 $\$5,000 - (700 - 670) \times 100$
 $\$5,000 - (30) \times 100$
 $\$5,000 - \$3,000 = (\$2,000)$

²¹ The Commission notes that CBOE Rule 24.1, as amended, defines Packaged Vertical Spreads. Because the current Exchange proposed definition is limited to Packaged Vertical Spreads on the S&P 500 and 100 Indexes, the Commission believes the Exchange is required to submit a rule filing pursuant to Section 19(b) of the Act in order to list Packaged Vertical Spreads on another stock index or individual security.

²² The Exchange represents that it would not allow margin offset, pursuant to Rule 24.11(c), between spreads with different spread intervals. See Amendment No. 3, *supra* note 6.

²³ See Amendment No. 3, *supra* note 6.

²⁴ If the Exchange introduces Packaged Vertical Spreads with a multiplier of 500, it will count each Packaged Vertical Spread as 5 Packaged Vertical Spread contracts for the purpose of determining compliance with the position limits.

²⁵ See Securities Exchange Act Release No. 29865 (October 28, 1991), 56 FR 56255 (November 1, 1991).

²⁶ For any long Packaged Butterfly Spread position which is offset by a short option position of any type, the minimum margin required on such a position shall be the full purchase price on the Packaged Butterfly Spread plus the margin required in Rule 24.11(b) for the short position. See Rule 24.11(c)(1)(D). In addition, for any long Packaged

Vertical Spreads. The Commission believes it is important to provide investors with information regarding the rights and characteristics of Packaged Vertical Spreads. In this regard, Packaged Vertical Spread investors will receive a special supplement to the Options Clearing Corporation's ("OCC") Options Disclosure Document ("ODD Supplement") explaining in detail the risks and characteristics of Packaged Spreads.²⁹

The Commission finds good cause for approving Amendment Nos. 1, 2, and 3 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 1 to CBOE's proposal set forth a new definition for "vertical spread interval" and several technical non-substantive revisions to the margin rules.

Amendment No. 2 to CBOE's proposal describes changes to its spread rules for margin when the short index option of a spread position is a Packaged Vertical Spread, as described above; (2) verifies that CBOE will list and add series for Packaged Vertical Spreads in accordance with Rule 24.9, Interpretation and Policy .01(c); and (3) sets position limits for Packaged Vertical Spreads based on the S&P 500 and 100 to equal existing position limits for the respective index options.³⁰ The Commission believes the Exchange's proposed reduction in position limits from those originally proposed presents no new regulatory issues and can be approved on an accelerated basis. Further, the originally proposed higher position limits were subject to the full 21-day comment period without any comments being received by the Commission. Amendment No. 3 to CBOE's proposal also makes several technical non-substantive changes. In addition, the Exchange amended the definition of Packaged Vertical Spread to further clarify the structure of the product.

The Commission believes that the changes proposed in Amendment Nos. 1, 2, and 3, unless otherwise stated above, merely clarify in the rule text what was originally proposed by the Exchange and will help to ensure that investors understand the specifications and trading characteristics of the

Packaged Vertical Spread contracts. In addition, the Commission notes that the original proposal was published for the full 21-day comment period without any comments being received by the Commission.

Accordingly, the Commission finds good cause, consistent with Sections 6(b)(5) and 19(b)(2) of the Act, to approve Amendment Nos. 1, 2 and 3 to the proposed rule change, on an accelerated basis.

VI. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 1, 2, and 3 to the proposed rule change. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to SR-CBOE-96-76 and should be submitted by October 20, 1997.

V. Conclusion

Based upon the aforementioned factors, the Commission finds that the proposed changes relating to the listing and trading of Packaged Vertical Spreads on the S&P 500 and 100 are consistent with the requirements of Section 6(b)(5) and the rules and regulations thereunder. The initiation of Packaged Vertical Spread trading, however, is conditioned upon the issuance of an order approving an ODD Supplement, pursuant to Rule 9b-1 of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,³¹ that the proposed rule change (File No. SR-CBOE-96-76), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-25689 Filed 9-26-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39117; File No. SR-CHX-96-14]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change by the Chicago Stock Exchange, Inc., Relating to Trading of Particular Investment Company Units

September 22, 1997.

I. Introduction

On April 23, 1996, the Chicago Stock Exchange, Inc. ("CHX" 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 19(b)-4 thereunder,² a proposed rule change to amend Article XXVIII of the CHX's Rules to permit them to trade certain units representing an interest in a registered investment company ("Units") on CHX.

The proposed rule change, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 37228 (May 20, 1996) 61 FR 26940 (May 29, 1996). One comment letter was received in response to the proposal.³

II. Background and Description

In SR-CHX-96-12, the Exchange requested and received approval of proposed rule changes allowing the listing and/or trading of Units.⁴ CHX is proposing to apply its existing listing standards for the trading of Units to the trading of World Equity Benchmark Securities ("WEBS") pursuant to unlisted trading privileges ("UTP"). CHX is also proposing to amend Article

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from James F. Duffy, Executive Vice President and General Counsel, Legal and Regulatory Policy, American Stock Exchange ("Amex"), to Jonathan G. Katz, Secretary, Commission, dated June 20, 1996 ("Amex letter").

⁴ See Securities Exchange Act Release Nos. 37121 (April 17, 1996), 61 FR 17932 (April 23, 1996) (notice of File No. SR-CHX-96-12) and 37589 (August 21, 1996), 61 FR 44370 (August 28, 1996) (approval order). In that rule filing, the Exchange also stated its intent to trade CountryBasket securities, pursuant to a request for unlisted trading privileges. CountryBasket securities are Units designed to track the performance of specific foreign indices, more fully described in SR-CHX-96-12 and SR-NYSE-95-23. *Id.* See also Securities Exchange Act Release No. 36923 (March 5, 1996), 61 FR 10410 (March 13, 1996) (order approving File No. SR-NYSE-95-23).

²⁹ In reviewing any disclosure materials submitted, the Commission intends to assure that the materials specifically describe the risks and characteristics associated with trading Packaged Spreads. The trading of Packaged Vertical Spreads is expressly contingent upon the Commission's approval of such an ODD supplement.

³⁰ As described above, Packaged Vertical Spreads on the S&P 500 and 100 indexes will be aggregated with other options on the same index.

³¹ 15 U.S.C. 78s(b)(2).

³² 17 CFR 200.30-3(a)(12).