

MEMO# 5345

November 19, 1993

CBOE AND OTHER EXCHANGES PERMITTED TO LIST OPTIONS ON CLOSED-END INTERNATIONAL FUNDS

November 19, 1993 TO: CLOSED-END FUND COMMITTEE NO. 27-93 RE: CBOE AND OTHER EXCHANGES PERMITTED TO LIST OPTIONS ON CLOSED-END INTERNATIONAL FUNDS

As we previously informed you, the Chicago Board Options Exchange filed a request with the SEC to list and trade options on shares of closed-end funds that invest in securities of issuers located in a particular foreign country, in a particular geographic region, or throughout the world ("international funds"). (See Memorandum to Closed-End Fund Committee No. 9-93, dated March 24, 1993.) The SEC recently approved the CBOE's request. In the release approving the rule change to allow the CBOE to list and trade such options, the SEC stated that "allowing the listing and trading of options on international funds, among other things, gives investors a better means to hedge their positions in international fund securities, as well as enhanced market timing opportunities." In addition, the SEC believes that the pricing of the shares underlying these options may become more efficient. Set forth in the release are specific requirements related to the protection of investors that the options must meet. In addition, the SEC approved rule changes to allow the American Stock Exchange, the Philadelphia Stock Exchange and the Pacific Stock Exchange to list and trade options on closed-end international funds. Finally, the SEC approved a request from the CBOE and the Amex to list and trade options on the Growth Fund of Spain. The SEC is still considering their request to list and trade options on Brazil Funds, Inc. (See Memorandum to Closed-End Fund Committee No. 30-92, dated November 19, 1992.) Copies of the SEC's releases approving these rule changes are attached. Amy B.R. Lancellotta Associate Counsel Attachments