

MEMORANDUM

To: Senior Registered Options Principals
Compliance Registered Options Principals

From: Department of Compliance

Date: September 23, 1991

Re: Rule Amendments and Revised Guidelines Concerning
Options Communications With the Public

On September 13, 1991 the Securities and Exchange Commission ("SEC") approved Rule Change File No. SR-CBOE-90-27, which amends Exchange Rule 9.21, Communications with the Public. The handbook entitled "Guidelines For Options Communications" ("Guidelines") has been revised to reflect the changes to Exchange Rule 9.21 referenced above, in order to address developments in derivative products and to codify policies that have been implemented since the 1980 publication of the Guidelines. Additional changes were made at the suggestion of the SEC. The Guidelines have been developed by the Exchange along with the American Stock Exchange, Midwest Stock Exchange, National Association of Securities Dealers, New York Stock Exchange, Philadelphia Stock Exchange and Pacific Stock Exchange. The Guidelines have been reviewed by member firms and their comments and suggestions have been incorporated.

The full text of the rule change was published in the Regulatory Bulletin on November 14, 1990 (Volume RB2, Number 21). Some of the amendments to Exchange Rule 9.21 and the interpretations and policies thereunder, are briefly summarized below:

- eliminating the "good taste" standard to make the rule consistent with the non- options communications rules of the NYSE and NASD.
- broadening the general communications standard to include educational materials, advertisements and sales literature in order to reflect the changes made to SEC Rule 134a.

- clarifying the dissemination of advertisements to include any telecommunication device, such as a telefax machine or personal computer.
- allowing member firms to use standardized worksheets for each product type, such as equity, debt, index or foreign currency options. This allows member firms the flexibility to tailor worksheets to the unique characteristics of each product.
- allowing Registered Representatives to provide in sales literature, any record or statistics which portray their own past performance or actual transactions, provided it is done within the context of the requirements of Rule 9.21. This change removes the requirement that in sales literature, the portrayal of past performance or actual transactions be limited to the performance of the member firm.
- including language that discusses the risks of uncovered options. This discussion on uncovered options was included to reflect the rules enacted in March 1990 respecting uncovered options.

The following changes were specifically made at the request of the SEC:

- explaining the significance of a communication review by a Self Regulatory Organization. An SRO review of a communication is not an endorsement of the investment plan or its suitability for investors but rather a review to determine whether the information is in keeping with applicable requirements.
- including language that discusses the risks of index options. The discussion on index options is included to call attention to some of the unique risks associated with this investment vehicle.
- including criteria to consider when determining whether or not a particular investment approach could be deemed an options program.
- requiring that portrayals of projected performance figures and annualized rates of return be balanced by including an example of a breakeven market result and a description of the risk of the portrayed investment.
- requiring the disclosure of SIPC membership when applicable.

Questions concerning the revisions to Exchange Rule 9.21 or the Guidelines may be directed to James Adams at (312) 786-7718, Lawrence J. Bresnahan at (312) 786 - 7713

or Arnold Powell at (212) 437-0230. To obtain copies of the Guidelines contact the Exchange's Marketing Services Department at (312) 786 - 7442.