Regulatory Circular RG97-41

To: Members and Member Organizations

From: Legal Department

Re: Exemption from the "Tick" Requirements of the Short Sale Rule for S&P 500 Index Bear Market Warrants

Date: April 1, 1997

Pursuant to a letter dated March 21, 1997, the Securities and Exchange Commission ("SEC") has granted an exemption from the "tick" requirements of the Commission's short sale rule, Rule 10a-1[1] of the Securities Exchange Act of 1934 ("Exchange Act"), for S&P 500 Index Bear Market Warrants with 3-month Reset issued by the International Finance Corporation (OPT.WS). As a result of this letter, sales of OPT.WS may also be made without regard to the "tick" requirements of CBOE's short sale rule, CBOE Rule 30.20. The foregoing exemptions are subject to the condition that such transactions in OPT.WS are not made for the purpose of creating actual, or apparent, active trading in or affecting the price of OPT.WS or any component security of the S&P 500 Index. Questions concerning the exemption may be directed to Timothy Thompson (786-7070) in the Legal Department.

[1] Rule 10a-1 under the Exchange Act governs short sales generally. Paragraph (a) of Rule 10a-1 covers transactions in any security registered on a national securities exchange, if trades in such security are reported in the consolidated transaction reporting system, and prohibits short sales with respect to these securities unless such sales occur on a "plus tick" (*i.e.*, at a price above the price at which the immediately preceding sale was effected), or a "zero plus tick" (*i.e.*, at the last sale price if it was higher than the last different price). Rule 10a-1 is designed to prevent the market price of a stock or other reported security from being manipulated downward by unrestricted short selling.