

REGULATORY CIRCULAR NO. RG 98-40
April 21, 1998

TO: Members and Member Organizations

ATTENTION: Chief Executive Officers/Managing Partners/
Compliance Officers/Senior Registered Options Principals

FROM: Capital Markets Division

SUBJECT: Asia Tiger 100™ Index Call Warrants
Expiring October __*, 2000

The Warrants are the subject of a Preliminary Prospectus dated April 7, 1998 and will commence trading at a date to be announced (Trading Symbol: ACW.WS, CUSIP 45950K183).

Each Warrant will entitle the holder thereof to receive from International Finance Corporation (the "Issuer") upon exercise, (including automatic exercise) a cash settlement amount in U.S. dollars calculated by reference to increases, if any, in the Asia Tiger 100 Index (the "Index"). The Warrants will be exercisable immediately upon issuance (i.e. American Style), and until 3:00 P.M. Eastern Time on the Index Calculation Day immediately preceding the expiration date.

The "Cash Settlement Value" will equal the product, if positive, of U.S.\$ __* multiplied by the quotient (rounded down to the nearest four decimals) of (i) the Index Spot Price for the applicable Valuation Date** minus the Index Strike Price*, divided by (ii) the Index Strike Price. If the Index Strike Price* is equal to or exceeds the Index Spot Price for such Valuation Date**, the corresponding Cash Settlement Value will be zero, in which case, Warrant holders will be permitted, subject to certain exceptions, to re-exercise such Warrants prior to the Expiration Date. The Cash Settlement Value is described in the following formula:

U.S.\$ __* times (Index Spot Price minus Index Strike Price*) divided by Index Strike Price*

The purpose of this Circular is to provide basic information to Members and Member Organizations regarding a proposed new issue of Asia Tiger 100 Index Call Warrants and to advise of certain compliance responsibilities when handling transactions in the Warrants. This is not a sales document and is not intended to be distributed to customers. Warrants can only be sold to investors whose accounts have been approved for the trading of standardized options.

* To be announced at the time of the initial public offering.

** The Valuation Date will be the first Index Calculation day after the Exercise Date, except in the case of any Extraordinary Event or an Exercise Limitation Event, as more fully described in the Prospectus.

"Asia Tiger 100™" is a service mark of the CBOE.

ASIA TIGER 100™:

The Asia Tiger 100 (Index symbol TXG) is a “Modified-capitalization weighted” stock index calculated, published and disseminated by the CBOE. The stocks selected are among the 100 highest capitalized stocks from Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand and are representative of the composition of the broader equity markets in each of the eight Asian countries. Stocks in the Asia 100 Index will be valued in U.S. dollars using each country’s cross-rate to the U.S. dollar. The component securities represent several industry groups including: airlines, financial institutions, high technology, real estate, telecommunications, and utilities. As of February 11, 1998 the country weights for the Index were as follows: Hong Kong (32%), Taiwan (22%), Malaysia (14%), Singapore (12%), South Korea (6%), Philippines (6%), Indonesia (4%), and Thailand (4%). The Index will be adjusted annually (most likely March) for country weights as of the last trading day of the prior calendar year and semi-annually (most likely March and September) for individual stocks. In addition, at the September stock rebalancing, country weights will be re-set to their previous annual weighting.

OTHER IMPORTANT INFORMATION:

Calculation of the Cash Settlement Value may be postponed and possibly made under an alternative formula due to an “Extraordinary Event” as described under “Extraordinary Events and Exercise Limitation Events” in the Prospectus Supplement.

The Warrants will be immediately exercisable upon issuance and may be exercised until 3:00 p.m. Eastern time, on the earlier of (i) the Business Day immediately preceding the Expiration Date or (ii) the last Business Day prior to the effective date of their removal or permanent suspension from trading and failure to list on another national securities exchange. Any in-the-money Warrants not exercised at or before the expiration date or removal date, will be automatically exercised.

A Warrantholder may exercise no fewer than 500 Warrants at any one time, except in the case of automatic exercise. Warrantholders will also have the right to specify that such Warrants are not to be exercised if the Index Spot Price on the applicable Valuation Date is 15 or more points lower than the most recent closing level of the Index on the applicable Exercise Date.

All exercises of Warrants (other than upon automatic exercise on the Expiration Date or any earlier Delisting Date), are subject, at the Issuer’s option, to the limitation that not more than 500,000 Warrants may be exercised on any Exercise Date and not more than 125,000 of the Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity.

Warrant Certificates will be initially issued in registered form. During the forty-five calendar day period commencing on the forty-fifth day after the closing of the offering, each Warrantholder will have the option to convert from definitive to book-entry form.

CERTAIN RISK FACTORS

The Warrants involve a high degree of risk, including risks arising from the fluctuations in the prices of the stocks comprising the Index, risks relating to the Index and general risks applicable to Asian companies and the stock markets on which the stocks are traded. Many Asian markets, including the eight countries comprising the Index, have been extremely volatile, and some have declined significantly in value during the past nine months. Thus, prospective purchasers of the Warrants should recognize that their Warrants may expire worthless and should be prepared to sustain a total loss of their investment.

Investment decisions relating to international stock index warrants, require the investor to predict the direction of movements in the underlying Index as well as the amount and timing of those movements. Moreover, an international stock index warrant is a “wasting asset” in that, in the absence of countervailing factors, such as an offsetting movement in the level of the index, the market value of an index warrant will tend to decrease over time and the warrant will have no market value after the time for exercise has expired.

Securities prices in Southeast Asia are subject to political, economic, financial, exchange rate and other factors that apply in each stock’s home country as well as Southeast Asia as a whole. These factors could negatively affect the eight Asian securities markets generally and the price of the stocks in the Index.

It is not possible to predict how the Warrants will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a decrease in the liquidity of the Warrants. In addition, the Issuer or one or more of its affiliates or the Underwriters may from time to time purchase Warrants resulting in a decrease in the liquidity of the Warrants.

The trading value of a Warrant is expected to be dependent upon a number of complex interrelated factors, including the value of the Index, the volatility of the Index, the time remaining to the expiration of the Warrants, the dividend rate on the stocks underlying the Index, U.S. dollar exchange rates and the interest rates in each of the eight countries comprising the Index and the United States, and other political and economic factors in each of those countries.

A Warrantholder will not be able to determine, at the time of exercise of a Warrant, the Index Spot Price that will be used in calculating the Cash Settlement Value. In addition, the Valuation Date for exercised Warrants may be postponed upon the occurrence and continuation of an Extraordinary Event or an Exercise Limitation Event.

The foregoing information is excerpted from the Prospectus, and the Exchange assumes no responsibility for the accuracy or completeness of such information. Members and associated persons of member organizations are advised to read the entire Prospectus for information relating to the Warrants.

REGULATORY CONSIDERATIONS

The Warrants involve a high degree of risk and are not for everyone. It is important that investors be afforded an explanation of the special characteristics and risks of the Warrants. Transactions in the Warrants may only be effected for customers whose accounts have been approved for options trading pursuant to CBOE Rule 9.7. Attention is also directed to CBOE Rule 9.9 which is applicable to recommendations concerning transactions in the Warrants. Further, the requirements of CBOE Rules 9.10, (“Discretionary Accounts”) and 9.21 (“Communication to Customers”), are applicable to the Warrants.

Member and Member Organizations are reminded that SEC Rule 10a-1 (“Short Sales”) and “front running” prohibitions (RG92-29) apply to trading the Warrants on the Exchange.

MARGINS AND OTHER REGULATORY INFORMATION

The margin requirement for a short Warrant will be 100% of the premium plus 15% of the underlying value, less out-of-the-money dollar amount, if any, to a minimum of 10% of the Index Value. A long Warrant position must be paid for in full. Straddles will be permitted for call and put Warrants covering the same underlying value. Members should be aware that the special characteristics of Warrants (e.g. the necessity of borrowing to make delivery on short sales, the issuer credit risk associated with long warrants, and pricing differences between Warrants and Options) may cause these margin requirements to be insufficient to fully cover the risk of positions in the Warrants in certain circumstances. Members must be prepared to call for additional margin when appropriate.

For capital purposes, the Warrants will be treated as stock index options. Rules for trading Warrants are found in Chapter XXX of the Exchange Guide. Members must be approved by application submitted to the Membership Committee pursuant to Exchange Rule 30.2 to participate in the trading on the Exchange of securities subject to the rules of Chapter XXX.

POSITION LIMITS

Pursuant to Exchange Rule 30.35 (a) the applicable position and exercise limit is 15 million Warrants on the same side of the market in aggregate of all warrants issued on the Asia Tiger 100.

REPORTABLE POSITIONS

Pursuant to Exchange Rules 4.13 (a) and 30.35 (d) each member shall file a report with the Department of Market Regulation identifying those customer accounts with an aggregate position in excess of 100,000 Warrants overlying the same stock index. Copies of the reporting form are available in the Department of Market Regulation.

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Questions regarding suitability of customer transactions in these Warrants should be directed to Larry Bresnahan (312) 786-7713 and questions regarding marginability should be directed to Jim Adams (312) 786-7718. General product questions should be directed to Nick Parcharidis of the Capital Markets Division in New York at (212) 803-1411.