REGULATORY CIRCULAR NO. 96-93

October 30, 1996

TO: Members and Member Organizations

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

FROM: Capital Markets Division

SUBJECT: S&P 500 Index Bull and/or Bear Market Warrants,
Expiring November __*_, 1997 with 3-month Reset

As more fully set forth in a Preliminary Prospectus dated October 23, 1996, each Warrant will entitle the holder thereof to receive from International Finance Corporation (the "Issuer") upon exercise, (including automatic exercise) an amount in U.S. dollars calculated by reference to changes in the level of the S&P 500 Composite Stock Price Index.

In the case of the **Bull (Call) Warrants** (trading symbol OCL.WS), such amount (the "Cash Settlement Value") will equal the product, if positive, of _*_ multiplied by the quotient (rounded to the nearest cent) of (i) the amount, if any, by which the Index Spot Price for the applicable Valuation Date exceeds the Index Strike Price**,** divided by (ii) the Index Strike Price. This amount is described in the following formula:

$$\textbf{Cash Settlement Value} = \textbf{US\\$\underline{\ \ *\ \ }\ times} \left[\frac{\textbf{Index Spot Price - Index Strike Price**}}{\textbf{Index Strike Price}} \right]$$

In the case of the **Bear (Put) Warrants** (trading symbol OPT.WS), such amount (the "Cash Settlement Value") will equal the product, if positive, of _*_ multiplied by the quotient (rounded to the nearest cent) of (i) the amount, if any, by which the Index Strike Price exceeds the Index Spot Price for the applicable Valuation Date, divided by (ii) the Index Strike Price. This amount is described in the following formula:

$$\textbf{Cash Settlement Value} = \textbf{US\\$\underline{\ \ *\ \ }\ times} \left[\frac{\textbf{Index Strike Price** - Index Spot Price}}{\textbf{Index Strike Price}} \right]$$

The purpose of this circular is to provide basic information to Members and Member Organizations regarding a proposed new issue of S&P 500 Bull and/or Bear Market Index 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.

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

**The Index Strike Price will be announced at the time of the public offering. However, if the closing level of the Index on February _*_ , 1997, three months after the date of the final prospectus (hereinafter the "Reset Date Closing Value") is lower than the announced Index Strike Price, then the Index Strike Price with respect to the Call Warrants shall be decreased to the Reset Date Closing Value. If higher than the announced Index Strike Price, then the Index Strike Price with respect to the Put Warrants shall be increased to the Reset Date Closing Value.

OTHER IMPORTANT INFORMATION:

- 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 fourth Index Calculation Day immediately preceding the Expiration Date or (ii) the last Index Calculation Day prior to the effective date of their removal or permanent suspension from trading. Any unexercised in-the-money Warrant, will be automatically exercised.

- The Valuation Date for a Warrant exercised prior to 3:00 p.m. Eastern Time will be the first Index Calculation Day after the related Exercise Date subject to postponement upon the occurrence of an Extraordinary Event or an Exercise Limitation Event. Warrants exercised after 3:00 p.m. are deemed to be exercised on the following Index Calculation Day.

- For any Valuation Date on or prior to the fourth Index Calculation Day preceding the Expiration Date, the Index Spot Price will be the closing value of the Index on such date and, for any Valuation Date after the fourth Index Calculation Day preceding the Expiration Date, the Index Spot Price will be the opening value of the Index on such date.

- A Warrant holder may exercise no fewer than 500 Call Warrants or 500 Put Warrants at any one time, except in the case of automatic exercise. Holders 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 has declined by 40 or more points in the case of Call Warrants, or has increased by 40 or more points in the case of Put Warrants, from the Index Spot Price on the applicable Exercise Date.

- All exercises of Warrants (other than on Expiration Date, Delisting Date, or Extraordinary Circumstances) are subject, at the Issuer's option, to the limitation that on any Exercise Date not more than 1 million Call or 1 million Put Warrants be exercised, and not more than 250,000 Call or 250,000 Put Warrants exercised on behalf of any person or entity.

- Warrant Certificates will be initially issued in registered form. Forty-five calendar days after the closing of the offering, each registered Warrantholder will have the right to convert to book-entry form within forty-five calendar days.

- The Warrants are unsecured contractual obligations of International Finance Corporation and will rank on a parity with the Issuer's other unsecured contractual obligations and unsecured and subordinated debt. The Warrants are solely the Issuer's obligation and are not standardized options issued or guaranteed by the Options Clearing Corporation.

THE S&P 500 INDEX:

The Index is published by Standard & Poor's ("S&P") and is intended to provide an indication of the pattern of common stock price movement. The calculation of the value of the Index is based on the relative value of the aggregate market value of the common stocks of 500 companies at a particular time as compared to the aggregate market value of the common stocks of 500 similar companies during the base period from the years 1941 through 1943. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the Index to fulfill the above-stated intention of providing an indication of common stock price movement. "Standard & Poor's ®," "S&P®," "S&P 500®," and "Standard & Poor's 500®" are trademarks of The McGraw-Hill Companies Inc.

CERTAIN RISK FACTORS:

- The Warrants involve a high degree of risk, including the risk of expiring worthless. If a Call Warrant is not exercised, and at expiration the Index Spot Price is less than the Index Strike Price, the Call Warrant will expire worthless. If a Put Warrant is not exercised, and at expiration the Index Spot Price is greater than the Index Strike Price, the Put Warrant will expire worthless.

- Trading prices of the stocks underlying the Index will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect the capital markets generally and the equity trading markets on which the underlying stocks are traded, and by various circumstances that can influence the value of the underlying stocks in a specific market segment or a particular market.

- At the time of exercise, Warrant holders will not be able to determine the Index Spot Price that will be used in calculating the Cash Settlement Value (and will thus be unable to determine such Cash Settlement Value). In addition, the Valuation Date for exercised Warrants may be postponed and possibly made under an alternative formula upon the occurrence of an Extraordinary Event or an Exercise Limitation Event.

- Except for cases of automatic exercise, a Warrant holder must tender at least 500 Call Warrants or 500 Put Warrants at any one time in order to exercise Warrants. Thus, except in such cases, Warrant holders with fewer than 500 Call Warrants or 500 Put Warrants will need either to sell their Warrants or to purchase additional Warrants, incurring transaction costs in either case, in order to realize proceeds from their investment.

- It is not possible to predict the price at which the Warrants will trade or the degree of market liquidity. To the extent that Warrants are exercised, the number of Warrants outstanding will decrease and, thereby, may reduce the degree of liquidity.

- The trading value of a Warrants may be affected by a number of interrelated factors including, among other things, the creditworthiness of the Issuer, changes in the level of interest rates, the volatility of the Index, the time remaining to maturity, dividend rates on the stocks comprising the Index, as well as political, economic, and other developments affecting the stocks included in the Index.

- In the event that the Warrants are delisted from, or permanently suspended from trading are not simultaneously accepted for trading pursuant to the rules of another United States national securities exchange, such Warrants not previously exercised will be deemed automatically exercised on the Delisting Date.

The foregoing information is excerpted from the Prospectus Supplement, 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 and Prospectus Supplement 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. <u>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</u>

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" prohibitations (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 S&P 500 Index .

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, questions regarding marginability should be directed to Diane Malley (312) 786-7924 and questions regarding position and exercise limits should be directed to Karen Charleston (312) 786-7724. General product questions should be directed to Nick Parcharidis of the Capital Markets Division in New York at (212) 803-1411.