

BEFORE THE BUSINESS CONDUCT COMMITTEE
OF THE
CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED

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In the Matter of:)	
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Ernst & Company)	
One Battery Park Plaza)	
6 th Floor)	
New York, NY 10004)	
)	File No. 96-0063
)	
Subject)	
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DECISION ACCEPTING LETTER OF CONSENT

This proceeding was instituted by the Business Conduct Committee (the "Committee") of the Chicago Board Options Exchange, Incorporated (the "Exchange") as a result of an investigation by the staff of the Exchange. In order to resolve this matter, the Subject, Ernst & Company, has submitted a Letter of Consent, dated August 3, 1997. Such Letter of Consent was submitted solely for the purposes of this proceeding without admitting or denying that a violation of Exchange Rules has been committed. With due regard to the stipulated facts and findings and the proposed sanction contained therein, the Committee believes it is appropriate to accept the Letter of Consent for File No. 96-0063 which is attached to and made a part of this Decision.

SO ORDERED
FOR THE COMMITTEE

August 11, 1997
Date

/s/ Bruce I. Andrews
Bruce I. Andrews
Chairman
Business Conduct Committee

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AMENDED LETTER OF CONSENT

In order to resolve this proceeding pursuant to the Chicago Board Options Exchange, Incorporated (the "Exchange") Rule 17.3, Expedited Proceeding, Ernst and Company ("Ernst") hereby submits this Letter of Consent in the captioned matter. Only for purposes of this proceeding and without admitting or denying that a violation of Exchange Rules has been committed, Ernst consents to the Stipulation of Facts and Findings and Sanction set forth below.

Stipulation of Facts and Findings

1. During all relevant periods herein, the Subject, Ernst, was an Exchange member organization registered with the Exchange to transact business on the Exchange in accordance with Exchange rules as a clearing member, a member organization associated with a floor broker, and as a member organization authorized to conduct a lessee and a non-member customer business.
2. During all relevant periods herein, Exchange Rules 4.2- Adherence to Law and 6.8(a)(i)- RAES Operations in Equity Options were in full force and effect.
3. During all relevant periods, Ernst's order entry system (the "Ernst system") was electronically linked to the Exchange's Order Routing System ("ORS") and, through ORS, to the Exchange's Retail Automated Execution System ("RAES") for small public customer market or marketable limit order execution on the Exchange floor.
4. During all relevant periods, only non-broker-dealer customer orders were entitled to entry and execution on RAES.
5. During all relevant periods herein, Ernst provided order execution services to Wachovia Investments ("Wachovia"), a registered broker dealer and a non-CBOE member, and provided Wachovia access to the Ernst system.

6. During all relevant periods herein, a correspondent firm of Wachovia, New Source Securities ("New Source"), was a registered broker dealer and a non-CBOE member who was able to access the Ernst system.
7. On or about February 28, 1996, Ernst failed to prevent New Source from entering a RAES order onto the Ernst system to buy 10 LSI Logic Corporation ("LSI") Mar 40 put option contracts on behalf of New Source's proprietary account, which order was subsequently executed via RAES.
8. On or about March 28, 1996, Ernst failed to prevent New Source from entering a RAES order onto the Ernst system to buy 10 Cheyenne Software ("CYE") Apr 17 ½ call option contracts on behalf of New Source's proprietary account, which order was subsequently executed via RAES.
9. The acts, practices and conduct described in Paragraphs 7 and 8 of this Letter of Consent constitute violations of Exchange Rule 6.8(a)(i) by Ernst for failing to prevent New Source from using the Ernst system to enter and execute broker-dealer proprietary orders via RAES.
10. The acts, practices and conduct described in Paragraphs 7 and 8 of this Letter of Consent constitute violations of Exchange Rule 4.2 by Ernst, in that Ernst failed to have adequate internal control procedures in place, prior to providing access to the Ernst system, to prevent broker-dealer proprietary orders from being routed to RAES.

Sanction: A three thousand five hundred dollar (\$3,500) fine;

A censure; and

Respondent agrees to:

(a) develop written procedures for entry and transmission of RAES orders through the Ernst system, consistent with Exchange RAES eligibility requirements, and distribute those procedures to all Ernst employees and to all persons and entities having access to the Ernst system, which procedures shall be submitted to the Exchange's Department of Market Regulation for advance review within 90 days of issuance of the decision in this matter; and

(b) within 6 months of issuance of the decision in this matter, obtain from all persons and entities having access to the Ernst system and maintain, as part of Ernst's books and records, signed agreements pursuant to which:

(i) said persons and entities with access to the Ernst system agree to abide by Ernst's written procedures for entry and transmission of RAES orders through the Ernst system; and

(ii) said persons and entities with access to the Ernst system agree to require all others having access to their link to the Ernst system to abide by the same.

Ernst acknowledges that it has read the foregoing Letter of Consent, that no promise or inducement of any kind has been made to it by the Exchange or its staff, and that this Letter is voluntary on its part.

Ernst understands and acknowledges that the Committee's decision in this matter will become part of Ernst's disciplinary record and may be considered in any future Exchange proceeding.

Ernst also acknowledges that the Committee's decision to accept or reject this Letter of Consent is final and that it may not seek review thereof in accordance with Exchange Rule 17.3.

August 3, 1997

Date

By: Ernst and Company