

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

In the Matter of:)	
)	
)	
Merrill Lynch, Pierce,)	File No. 97-SF0001
Fenner & Smith, Inc.)	
World Financial Center, North Tower)	Rule 17.50.01(b) proceeding
New York, NY 10281-1312)	
)	
Respondent)	
)	

DECISION ACCEPTING RULE 17.50.01(b) SUMMARY FINE OFFER OF
SETTLEMENT

This proceeding was instituted after an investigation by the staff of the Chicago Board Options Exchange, Incorporated (the "Exchange"), which resulted in the issuance of a Disciplinary Notice and a summary fine under Exchange Rule 17.50, the Exchange's minor rule violation plan. Rule 17.50.01(b) provides a respondent the opportunity to submit an offer of settlement contesting a qualifying position limit summary fine, thereby bringing this matter within the disciplinary jurisdiction of the Exchange's Business Conduct Committee (the "Committee"). Pursuant to Rules 17.8 and 17.50.01(b), the respondent ("Respondent"), Merrill Lynch, Pierce, Fenner & Smith, Inc. ("Merrill Lynch"), submitted an offer of settlement ("Offer of Settlement").

In submitting the Offer of Settlement, the Respondent neither admitted nor denied the violations alleged in the Disciplinary Notice.

The Respondent has agreed that the determination of the Committee to accept the Offer of Settlement shall constitute a final Decision, and, as provided in Exchange Rule 17.8, the Respondent may not seek review thereof.

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

With due regard to the particulars of this matter, the Committee believes it is appropriate to accept the Respondent's Offer of Settlement based on the following stipulated facts and findings and thereby to impose the sanction specified below.

FACTS

1. During all relevant periods herein, the Respondent, Merrill Lynch, was a member of the Exchange.

2. During all relevant periods herein, Merrill Lynch was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as an Options Clearing Corporation (OCC) clearing member, as a lessor organization, and as a member organization associated with a market-maker and a floor broker, and was authorized to conduct a non-member customer business.
3. During all relevant periods herein, Exchange Rules 4.11 - Position Limits and 24.4(a) - Position Limits for Broad-Based Index Options were in full force and effect.
4. During all relevant periods herein, the applicable position limit in the Standard & Poor's 100 Stock Index (OEX) class of option contracts was 25,000 contracts on the same side of the market.
5. On April 10 and 11, 1996, Merrill Lynch controlled a long call position of 30,625 OEX option contracts in one of its customer accounts.

FINDINGS

6. The acts, practices, and conduct described in Paragraph 5 above constitute violations of Exchange Rules 4.11 and 24.4(a) by Merrill Lynch.

SANCTION

The sanction to be imposed shall consist of a two thousand five hundred dollar (\$2,500) fine.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Merrill Lynch, Pierce, Fenner & Smith, Inc. shall be and hereby is fined in the amount of two thousand five hundred dollars (\$2,500).

**SO ORDERED
FOR THE COMMITTEE**

Dated: November 12, 1997

**By: /s/ Bruce I. Andrews
Bruce I. Andrews
Chairman
Business Conduct Committee**