

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

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| |) | |
| In the Matter of: |) | |
| |) | |
| Morgan Stanley & Co., Incorporated |) | |
| 1585 Broadway |) | |
| New York, NY 10036 |) | |
| |) | |
| |) | |
| Respondent |) | File No. 97-0010 |
| |) | |

AMENDED
DECISION ACCEPTING OFFER OF SETTLEMENT

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, which indicated that there was probable cause for finding a violation within the disciplinary jurisdiction of the Exchange. In accordance with that determination, the Committee directed the issuance of a Statement of Charges ("Statement of Charges"). Pursuant to Exchange Rule 17.8, the respondent ("Respondent"), Morgan Stanley & Co., Incorporated ("Morgan Stanley"), 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 Statement of Charges.

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 his 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, Morgan Stanley, was a member of the Exchange.

2. During all relevant periods herein, Morgan Stanley was registered with the Exchange to transact business as on the Exchange in accordance with Exchange Rules as a clearing member organization associated with a market maker and a floor broker and an organization authorized to conduct a non-member customer business.
3. During all relevant periods herein, Exchange Rule 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 near-term position limit in the NASDAQ-100 (NDX) class of option contracts was 15,000 contracts on the same side of the market.
5. On November 9, 1995, Morgan Stanley controlled an aggregate short call, long put near-term position of 16,141 NDX option contracts in its proprietary account.

FINDINGS

6. The acts, practices, and conduct described in Paragraph 5 above constitute a violation of Exchange Rules 4.11 and 24.4(a) by Morgan Stanley in that Morgan Stanley exceeded the near-term position limit in the NDX option class in its proprietary account.

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 Morgan Stanley shall be and hereby is fined in the amount of two thousand five hundred dollars (\$2,500).

**SO ORDERED
FOR THE COMMITTEE**

Dated: June 16, 1997

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