

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

In the Matter of:)	
)	
Merrill Lynch, Pierce, Fenner)	
and Smith, Inc.)	File No. 97-0018
World Financial Center)	
North Tower)	
New York, NY 10281-1305)	
)	
Subject)	
)	

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, Merrill Lynch, Pierce, Fenner and Smith, Inc., has submitted a Letter of Consent, dated July 1, 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. 97-0018, which is attached to and made a part of this Decision.

SO ORDERED
FOR THE COMMITTEE

Dated: August 11, 1997

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

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LETTER OF CONSENT

In order to resolve this proceeding pursuant to the Chicago Board Options Exchange, Incorporated (the "Exchange") Rule 17.3, Expedited Proceeding, Merrill Lynch, Pierce, Fenner and Smith, Inc. ("Merrill Lynch") 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, Merrill Lynch 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, 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 Exchange member organization authorized to conduct non-member customer business and as a clearing firm associated with a floor broker.
3. During all relevant periods herein, Exchange Rules 4.11 and 24.4A were in full force and effect.
4. During all relevant periods herein, the applicable position limit in the CBOE Environmental Index (EVX) class of option contracts was 9,000 contracts on the same side of the market.
5. On February 26, 1997, Merrill Lynch controlled an aggregate short call, long put position of 15,000 EVX option contracts, and an aggregate long call, short put position of 15,000 EVX option contracts in its proprietary account.

6. The acts, practices, and conduct described in Paragraph 5 of this Letter of Consent constitute violations of Exchange Rules 4.11 and 24.4A by Merrill Lynch.

Sanction: A seven thousand dollar (\$7,000) fine.

Merrill Lynch 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.

Merrill Lynch 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 proceeding brought by the Exchange.

Merrill Lynch also acknowledge 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.

July 1, 1997
Date

By: Merrill Lynch, Pierce, Fenner and Smith, Inc.