

Chicago Board of Trade

Leslie Rosenthal
Chairman

November 18, 1981

Dear Fellow Member:

In a letter dated November 16, 1981 Walter Auch, the Chairman and Chief Executive Officer of the Chicago Board Options Exchange, offers some clarifications of the CBOE policy "for the record."

More important, in the last paragraph of page two, Wally expresses an opinion that I share along with many of the members of the commodities and securities industry. Any student of history could point out that a long debilitating war results in a weakening of both sides, while a negotiated peace, provided it is fair to both sides, can work out to be a strong partnership.

The hunger for new products on the part of the Exchanges, and the turf fighting on the part of government agencies, the Commodity Futures Trading Commission as well as the Securities Exchange Commission, has precipitated a world wide competitive conflict.

A number of battles are in progress resulting in some winners and some losers, but if it is allowed to continue at this pace we will all, no doubt, wind up losers.

The proposed Chicago Board of Trade linkage with the New York Futures Exchange has been criticized by some as helping the "enemy." I submit that a "negotiated peace" and a helping hand in a time of need will result in two competitors forming a strong alliance that will benefit both. I also point out that this development has already served to surface and shed light on the true enemy, that of redundancy, and is even now bringing forth a call for cooperation, instead of battle.

For the first time in our industry, and I have been involved in many other starts that sputtered, two Boards of Directors have agreed to take a first step, albeit a tentative one, that could result in a format that others would be modeled on.

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I applaud the spirit of Wally's letter and his suggestion that our two Exchanges sit down and explore "any way that we can work toward the best interest of the memberships of both Exchanges."

I am, therefore, appointing a special committee, Vice Chairman Ralph Goldenberg, Directors John Gilmore, Tom Brown and C.C. Odom, to represent the Chicago Board of Trade and charge them with bringing a preliminary report to the Special Board of Directors meeting on December 1, 1981 and a progress report to the December 11, 1981 membership meeting.

In conclusion, I wish to point out that the two approaches are not mutually exclusive and they should rise or fall on their own merits.

Very truly yours,

Leslie Rosenthal

LR/gs