



DIVISION OF  
MARKET REGULATION

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

June 18, 1987

Mr. Kenneth R. Leibler  
President  
American Stock Exchange, Inc.  
86 Trinity Place  
New York, NY 10006

Mr. James S. Gallagher  
President  
Pacific Stock Exchange, Inc.  
301 Pine Street  
San Francisco, CA 94104

Mr. Alger B. Chapman  
Chairman  
Chicago Board Options Exchange  
LaSalle at Van Buren  
Chicago, IL 60605

Mr. Nicholas A. Giordano  
President  
Philadelphia Stock Exchange, Inc.  
1900 Market Street  
Philadelphia, PA 19103

Mr. Robert J. Birnbaum  
President  
New York Stock Exchange, Inc.  
11 Wall Street  
New York, NY 10005

Dear Sirs:

Today, the Securities and Exchange Commission ("Commission") commenced a proceeding, including public hearings scheduled for September 29, to consider whether to (1) adopt a policy permitting the multiple trading of options on exchange-listed stocks; and (2) adopt a rule under Section 19(c) of the Securities Exchange Act of 1934 ("Act") to amend the rules of the options exchanges to prohibit any rule of any such exchange from preventing the listing of an option on an exchange-listed stock by virtue of the listing of that option on another exchange.

In 1980, the Commission deferred a decision on expansion of multiple trading of options on exchange-listed stocks to permit the options exchanges to explore the feasibility of developing market integration facilities that would ameliorate some of the concerns in a multiple trading environment. Since that time options on exchange-listed stocks have been allocated among the options exchanges pursuant to the Allocation Plan. The Commission has determined today to review its policy on multiple trading of options because it believes preliminarily that the Allocation Plan imposes a burden on competition that is not justified by the purposes of the Act.

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We understand that a lottery to allocate 50 additional put and call options classes on exchange-listed stocks has been scheduled to take place on June 23. In view of the Commission's decision today to consider whether multiple trading of options on exchange-listed stocks should be permitted, the Commission has authorized and directed me to request that the options exchanges suspend any further allocation of new options classes pursuant to the Allocation Plan during the pendency of this proceeding. Accordingly, we are requesting that you (1) postpone the options allocation lottery scheduled for June 23; and (2) refrain from scheduling any future such allocation lotteries, until the Commission has concluded this proceeding. The Commission expects to proceed expeditiously with its deliberations on its policy on multiple trading of options on exchange-listed stocks, and believes that the options exchanges should preserve the status quo with respect to options listings while this policy is under consideration.

We appreciate your cooperation in this matter. If you have any questions concerning this letter, please contact me at (202) 272-3000 or Brandon Becker, Associate Director, at (202) 272-2866.

Sincerely,



Richard G. Ketchum  
Director