



DIVISION OF  
MARKET REGULATION

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

June 17, 1996

Richard Truesdell, Jr., Esq.  
Davis Polk & Wardwell  
450 Lexington Ave.  
New York, N.Y. 10017

Re: Société de Compensation des Marchés  
Conditionnels - MONEP Equity and Index Options

Dear Mr. Truesdell:

In your letter, dated June 17, 1996, on behalf of the Société de Compensation des Marchés Conditionnels ("SCMC"), which is the French corporation responsible for the management and surveillance of the French options market known as the Marché des Options Négociables de Paris ("MONEP"), you request advice that the Division of Market Regulation ("Division") will not recommend enforcement action to the Securities and Exchange Commission ("Commission") against the SCMC, any officer, director, or member thereof under Section 6 of the Securities Exchange Act of 1934 ("Exchange Act") by reason of the MONEP not registering under the Exchange Act as a securities exchange, against the SCMC or MONEP Members ("MONEP Members"),<sup>1</sup> under Section 15 of the Exchange Act, by reason of the SCMC and MONEP Members not registering under the Exchange Act as broker-dealers, or against the SCMC or the Société des Bourses Françaises ("SBF") under Section 17A of the Exchange Act, by reason of their not registering under the Exchange Act as a clearing agency, if the SCMC and MONEP Members act as described below to familiarize certain registered broker-dealers and large financial institutions in the United States with the MONEP and its equity and index options.

We understand the facts to be as follows:

The MONEP was organized in 1987 under the laws of the Republic of France as the equity options market of Paris, and is an integral part of the French securities markets (collectively, "Paris Bourse"). As part of the Paris Bourse, the MONEP is subject to the supervisory authority of the Ministry of the Economy, Finances and Planning (through the Treasury Department). As with all French financial markets, the MONEP is supervised by the Commission des Opérations de Bourse ("COB"), the supervisory authority responsible for investor protection. The general

<sup>1</sup> A person may become a MONEP Member by executing an agreement with the SCMC whereby such person agrees to comply with the rules and regulations of the MONEP and the SCMC.

authority responsible for investor protection. The general organization of the Paris Bourse was set out by the law of January 22, 1988, which created the Conseil des Bourses de Valeurs ("CBV") and the SBF. The CBV is the body responsible for the organization and regulation of the Paris Bourse. The CBV establishes the General Rules and Directives which govern all French securities markets, including the MONEP. The SBF is the French market's business corporation, which implements the regulations promulgated by the CBV and handles day-to-day administration, security, and development of the Paris Bourse at large. Under French law, only members authorized by the competent French authorities may have direct access to a market placed under the supervision of the COB; thus, only MONEP Members may have direct access to the MONEP.<sup>2</sup>

As provided in the General Rules of the CBV, the SBF delegates technical responsibilities with respect to the day-to-day operations of the MONEP to its 99.95% owned subsidiary, the SCMC, which assumes full responsibility for technical clearing, general administration and market surveillance of the MONEP on the SBF's behalf. The SCMC, however, does not provide any guarantee of the trades cleared between MONEP clearing members ("Clearing Members"); such a guarantee is provided by the SBF itself, as described below.

With shareholders' equity (which, by definition, does not include deposits of Clearing Members) in excess of FF 1 billion as of December 31, 1995, the SBF is the ultimate guarantor of all trades registered by the SCMC and cleared between Clearing Members with respect to options contracts available on the MONEP, and guarantees each of the Clearing Members, as necessary, full payment of deficits resulting from another Clearing Member's default. As an institution financière spécialisée, the SBF also benefits from certain institutional procedures designed to ensure the financial security of the French financial community. These procedures provide that the Bank of France may intervene to provide support to certain financial institutions, including the SBF.

Two basic types of options are traded on the MONEP: options on individual stocks that are listed and traded on the Paris Bourse ("Equity Options") and options on the CAC-40 stock index<sup>2</sup> ("Index Options" and, together with Equity Options, "MONEP Options").

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<sup>2</sup> The CAC-40 stock index consists of the 40 stocks that are most representative of the various business sectors quoted on the monthly settlement market of the Paris Bourse, and is managed by an independent committee.

Each Clearing Member is required to deposit and maintain a margin with the SBF with respect to each Option for which it represents the writer. Such margin is calculated by the SCMC, and collected and held by the SBF. The margin represents the amount necessary to cover the theoretical cost of liquidation of a Clearing Member's Option positions. Margin deposit requirements are adjusted at a minimum on a daily basis, and are calculated separately for each global account kept by the Clearing Member on the basis of overall portfolio risk. The SBF may require a Clearing Member to deposit higher margin in excess of the minimum cover requirements in the event it deems such action necessary and appropriate to protect the interests of other Clearing Members, the MONEP, the SBF, or the public.

Prices on the MONEP for Equity and Index Options are publicly quoted, and the Options are bought and sold, in French francs. All transactions creating or closing positions in such Options are executed and settled in Paris by MONEP Members. The Options are dematerialized (certificateless) and transactions and positions are evidenced by statements from the SCMC to Clearing Members and statements from Clearing Members to customers.

MONEP Equity and Index Options are not fungible nor interchangeable with options that are traded on any other market. Thus, any MONEP Equity and Index Option position registered can be closed only on the MONEP or exercised by a Clearing Member giving an exercise notice to the SCMC.

The SCMC's settlement procedures are designed so that for every outstanding Option there will be a writer, and a Clearing Member that is or that represents the writer, of an Option of the same series who has undertaken to perform the writer's obligations in the event that an exercise is assigned to such writer. As a result, no matter how many Options of a given series may be outstanding at any time, there always will be a group of writers of Options of the same series who, in the aggregate, have undertaken to perform the writer's obligations with respect to such Options. Once an exercise of an Option is allocated by a broker to a particular writer, that writer is contractually obligated to its broker to perform in accordance with the terms of the Option. These contractual obligations are secured by the securities or other margin which the customer is required to deposit with its broker.

Once an Equity Option is allocated, clearing and settlement of the transaction in the underlying security take place within the monthly settlement system of the equity market of the Paris Bourse. Index Options, however, are cash-settled only.

The SCMC wishes to familiarize certain registered broker-dealers and large financial institutions in the United States with the Equity and Index Options traded on the MONEP, and thus

proposes to take the limited steps described below with respect only to "Eligible Broker-Dealers" and "Eligible Institutions." To be Eligible, each such entity must meet the following standards:

(a) it must be a "qualified institutional buyer" as defined in Rule 144A(a)(1) under the Securities Act of 1933 ("Rule 144A" and the "Securities Act," respectively), or an international organization excluded from the definition of "U.S. person" in Rule 902(o)(7) of Regulation S under the Securities Act, and

(b) it must have had prior actual experience with traded options in the United States options market (and, therefore, would have received the disclosure document for U.S. standardized options called for by Rule 9b-1 under the Exchange Act).

MONEP Members will be required to take reasonable steps to assure themselves, before effecting any MONEP Option transaction for or with a customer located in the United States, that the customer is an Eligible Broker-Dealer or an Eligible Institution, that the customer is acting for its own account or the account of another Eligible Broker-Dealer or Eligible Institution or the managed account of a non-U.S. person (within the meaning of Rule 902(o)(2) of Regulation S under the Securities Act), and that the customer has received the MONEP disclosure document referred to below. The SCMC will advise MONEP Members that it has been advised that, under U.S. law, MONEP Members which are not U.S. registered broker-dealers may deal with Eligible Institutions only in accordance with Rule 15a-6 under the Exchange Act, principally through U.S. registered broker-dealers as provided in such Rule.

The SCMC will institute rules requiring MONEP Members to furnish to Eligible Broker-Dealers and Eligible Institutions a MONEP disclosure document before accepting an order from that Eligible Broker-Dealer or Eligible Institution to purchase or sell MONEP Options. The rules also will require that MONEP Members obtain written representations from any Eligible Broker-Dealer or Eligible Institution, signed by an appropriate officer of the Eligible Broker-Dealer or Eligible Institution, to the following effect:

1. it is an Eligible Broker-Dealer or Eligible Institution, and as such it (i) owns and invests on a discretionary basis a specified amount of eligible securities sufficient for it to be a qualified institutional buyer under Rule 144A under the Securities Act (and if a bank, S&L, or other thrift institution, has a net worth meeting the requirements of Rule 144A under the Securities Act), and (ii) has had prior actual experience in the U.S. standardized options markets and as a result thereof has

received the options disclosure document entitled "Understanding the Risks and Uses of Listed Options" ("Options Disclosure Document" or "ODD") that is prepared by The Options Clearing Corporation and U.S. options exchanges;

2. it has received the MONEP disclosure document;

3. its transactions in MONEP Options will be for its own account or for the account of another Eligible Broker-Dealer or Eligible Institution or for the managed account of a non-U.S. person within the meaning of Rule 902(o)(2) of Regulation S under the Securities Act;

4. it will not transfer any interest or participation in a MONEP Option it has purchased or written to any other U.S. person, or to any person in the United States, that is not an Eligible Broker-Dealer or Eligible Institution;

5. it will cause any disposition of a MONEP Option that it has purchased or written to be effected only on the MONEP and to be settled on the MONEP in Paris, and it understands that any required payments for premium, settlement, exercise or closing of any MONEP Option in respect of which it has a contract with the MONEP Member must be made in Paris and in French francs. It also understands that, if in relation to a MONEP Option it has a contract as a writer with the MONEP Member, margin must be provided to the MONEP Member, and maintained, measured and deposited in French francs or any other instrument approved by the SBF;

6. if it is an Eligible Broker-Dealer or Eligible Institution acting on behalf of another Eligible Broker-Dealer or Eligible Institution that is not a managed account, it has obtained from the other a written representation to the same effect as the foregoing and will provide it to the MONEP Member upon demand; and

7. it will notify the MONEP Member of any change in the foregoing representations prior to placing any future order, and the foregoing representations will be deemed to be made with respect to each order it gives to the MONEP Member.

A MONEP disclosure document, in the form submitted and reviewed by the Division, will be provided only to Eligible Broker-Dealers and Eligible Institutions. The disclosure document provides an overview of the MONEP and the MONEP Options, with attention to significant differences from standardized options in the U.S. domestic options market, and sets forth special factors relevant to U.S. entities transacting in MONEP Options.

The SCMC will not engage in any general advertisement concerning MONEP Options in the United States.

The SCMC will appoint certain officers located in Paris to act as the MONEP's representatives in the United States ("MONEP Representatives"). MONEP Representatives will be available to respond to inquiries concerning the MONEP from Eligible Broker-Dealers and Eligible Institutions. Any MONEP Representative may make personal calls on and correspond or otherwise communicate with entities whom such representative reasonably believes to be Eligible Broker-Dealers and Eligible Institutions to familiarize them with the existence and operations of the MONEP. Any Eligible Broker-Dealer or Eligible Institution would be provided with the MONEP disclosure document upon its first visit, communication or inquiry. MONEP Representatives located in Paris will maintain a reasonable supply of that document, and of the most recently published annual reports of the SCMC and the SBF, to respond to requests therefor from Eligible Broker-Dealers and Eligible Institutions. A MONEP Representative also may participate in programs and seminars in the United States. MONEP Representatives will not give investment advice nor make any recommendations with respect to specific MONEP Options, nor will MONEP Representatives solicit, take, or direct orders, nor recommend, or refer particular MONEP Members. If requested by an Eligible Broker-Dealer or Eligible Institution, a MONEP Representative may make available to the requester a list of all MONEP Members and any registered U.S. broker-dealer affiliates of such MONEP Members.

You represent that the MONEP will continue to be an organized exchange operating and regulated abroad, and that making its MONEP Equity and Index Options known to a particular, sophisticated segment of the U.S. financial community will not alter this fact. You also represent that the SCMC will establish careful limitations to assure compliance with applicable U.S. securities laws, and that the SCMC will continue as necessary to establish further limitations to assure continued compliance with applicable U.S. securities laws. You further represent that making information concerning the MONEP available in the United States as described in this letter will serve to increase, in a responsible manner, information concerning an important and growing marketplace in Europe that will be of benefit to appropriate U.S. professionals.

Finally, you also ask the Division to confirm (1) that the furnishing of the MONEP disclosure document by a MONEP Representative, by a MONEP Member or by an Eligible Broker-Dealer, in each case, to an Eligible Broker-Dealer or Eligible Institution will satisfy the obligation under Rule 9b-1(d) of the Exchange Act to furnish an options disclosure document before accepting an order from a customer to purchase or sell a MONEP Option, and (2) that neither the MONEP Representative's

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furnishing of a MONEP disclosure document to an Eligible Broker-Dealer or Eligible Institution, nor a MONEP Member's furnishing of a MONEP disclosure document to an Eligible Broker-Dealer or, in response to an unsolicited inquiry to an Eligible Institution, will constitute either solicitation or the provision of a research report as those terms are used in Rule 15a-6(a) under the Exchange Act.

**Response:**

Based on the facts and representations set forth above, the Division will not recommend enforcement action to the Commission against SCMC or MONEP Members under Section 15(a) of the Exchange Act if SCMC or MONEP members act as you describe to familiarize Eligible Broker-Dealers and Eligible Institutions in the United States with MONEP Options without SCMC or MONEP Members registering with the Commission as broker-dealers under Section 15(b) of the Exchange Act. Also, the Division will not recommend enforcement action to the Commission against SCMC or its members under Section 15(a) of the Exchange Act if, solely in connection with the satisfaction of obligations under Exchange Act Rule 9b-1(d) and under the limited circumstances set forth above, (1) a MONEP Representative, MONEP Member, or Eligible Broker-Dealer provides the MONEP disclosure document to an Eligible Broker-Dealer and the MONEP Member effects transactions in MONEP Options with or for that Eligible Broker-Dealer pursuant to Rule 15a-6(a)(4) under the Exchange Act, or (2) a MONEP Representative furnishes a MONEP disclosure document to an Eligible Institution, or a MONEP Member furnishes a MONEP disclosure document to an Eligible Institution in response to an otherwise unsolicited inquiry concerning MONEP Options, and the MONEP Member effects transactions in MONEP Options with or for that Eligible Institution pursuant to Rule 15a-6(a)(1) under the Exchange Act.

Based on the foregoing, the Division also will not recommend that the Commission take enforcement action against either the SCMC or the SBF under Section 17A of the Exchange Act if they operate solely in the manner described above for MONEP Options without registering with the Commission as a clearing agency. In addition, the Division will not recommend that the Commission take enforcement action against SCMC under Section 5 of the Exchange Act if the MONEP operates solely in the manner described above with respect to MONEP Options without registering with the Commission as a national securities exchange under Section 6 of the Exchange Act.

Finally, the Division has reviewed the proposed MONEP disclosure document. Based on our review of that document, the Division wishes to advise you that it will not recommend that the Commission take enforcement action against an Eligible Broker-Dealer, MONEP Representative, or MONEP Member pursuant to Rule 9b-1(d) under the Exchange Act, if the Eligible Broker-Dealer,

MONEP Representative or MONEP Member furnishes the MONEP disclosure document to an Eligible Broker-Dealer or Eligible Institution before the Eligible Broker-Dealer or Eligible Institution effects a transaction in MONEP Options, subject to the following conditions:

- (1) the Eligible Broker-Dealer or Eligible Institution previously has received the ODD;
- (2) SCMC requires that MONEP Members, before effecting a transaction with or for an Eligible Broker-Dealer or Eligible Institution in MONEP Options, determine as described above that the Eligible Broker-Dealer or Eligible Institution has received the ODD and the MONEP disclosure document and maintain a record of that determination; and
- (3) SCMC furnishes the Division, at least 30 days prior to the date definitive copies are furnished to Eligible Broker-Dealers or Eligible Institutions, with a copy of any amendment made to the MONEP disclosure document because the information contained in that document becomes or will become materially inaccurate or incomplete, or because there is or will be an omission of material information necessary to ensure that the document is not misleading.

These positions of the Division concern enforcement action only and do not represent conclusions on the applicability of statutory or regulatory provisions of the federal securities laws. The Division has taken these positions based, in part, on the fact that the Commission has entered into a Memorandum of Understanding with the COB regarding the sharing of investigative information,<sup>3</sup> and that foreign broker-dealers, including MONEP Members, electing to deal with U.S. institutional investors pursuant to Rule 15a-6(a)(3) under the Exchange Act are required to provide directly to the Commission, upon request, information, documents, testimony, and assistance in taking evidence of persons that relate to transactions pursuant to Rule 15a-6(a)(3) under the Exchange Act. Moreover, these positions are based on the understanding that under French law only members authorized by the competent French authorities may have direct access to a market placed under the supervision of the COB, and, therefore, only MONEP Members may have direct access to the MONEP.

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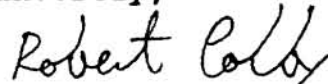
<sup>3</sup> Understanding Regarding the Establishment of a Framework for Consultations Between the Securities and Exchange Commission and the Commission des Opérations de Bourse (December 14, 1989).



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The positions of the Division in this letter are based on the representations that you have made; any different facts or conditions might require a different response, and these positions are subject to modification or revocation if the facts and representations set forth above are altered.

Sincerely,

A handwritten signature in cursive script that reads "Robert Colby". The signature is written in dark ink and is positioned above the typed name.

Robert L. D. Colby  
Deputy Director

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June 17, 1996

Mr. Robert Colby  
Deputy Director  
Division of Market Regulation  
Securities and Exchange Commission  
450 5th Street, N.W.  
Judiciary Plaza  
Washington, D.C. 20549

Dear Mr. Colby:

On behalf of the *Société de Compensation des Marchés Conditionnels* (the "SCMC"), which is the French corporation (*société anonyme*) responsible for the management and surveillance of the French options market known as the *Marché des Options Négociables de Paris* (the "MONEP"), we request your advice that, based on the circumstances stated in this letter, and in view of the relief granted by the Division of Market Regulation (the "Division") to the Hong Kong Futures Exchange Limited<sup>1</sup> and to the London International Financial Futures Exchange and the London Clearing House Limited<sup>2</sup>, the Division will not recommend to the Securities and Exchange Commission (the "Commission") any enforcement action (i) against the SCMC, any officer, director or member thereof under Section 6 of the Securities

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<sup>1</sup>See Hong Kong Futures Exchange Limited -- Hang Seng Index Options, available September 26, 1995.

<sup>2</sup>See London International Financial Futures Exchange, available May 1, 1992.

Exchange Act of 1934, as amended (the "Exchange Act"), by reason of the MONEP not registering under the Exchange Act as a securities exchange, (ii) against the SCMC or MONEP Members<sup>3</sup> ("MONEP Members") under Section 15 of the Exchange Act, by reason of the SCMC and MONEP Members not registering under the Exchange Act as broker-dealers, or (iii) against the SCMC or the SBF (as defined below) under Section 17A of the Exchange Act, by reason of their not registering under the Exchange Act as a clearing agency, if the SCMC and MONEP Members act as described below to familiarize certain registered broker-dealers and large financial institutions in the United States with the MONEP and its equity and index options.

The MONEP was organized in 1987 under the laws of the Republic of France as the equity options market of Paris, and, as one of the largest options markets in Europe, is an integral part of the French securities markets (collectively, the "Paris Bourse").

The MONEP is an integral part of the Paris Bourse and is therefore subject to the supervisory authority of the Ministry of the Economy, Finances and Planning (through the Treasury Department). As with all French financial markets, the MONEP is supervised by the *Commission des Opérations de Bourse* (the "COB"), the supervisory authority responsible for investor protection. The general organization of the Paris Bourse was set out by the law of January 22, 1988 which created the *Conseil des Bourses de Valeurs* (the "CBV") and the *Société des Bourses Françaises* (the "SBF"). The CBV is the body responsible for the organization and regulation of the Paris Bourse. The CBV establishes the General Rules and Directives which govern all French securities markets, including the MONEP. The SBF is the French markets' business corporation, which implements the regulations promulgated by the CBV and handles day-to-day administration, security, and development of the Paris Bourse at large. Under French law, only members authorized by the competent French authorities may have direct access to a market placed under the supervision of the COB; thus, only MONEP Members may have direct access to the MONEP.

As provided in the General Rules of the CBV, the SBF delegates technical responsibilities with respect to the day-to-day operations of the MONEP to its 99.95% owned

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<sup>3</sup>A person may become a MONEP Member by executing an agreement with the SCMC whereby such person agrees to comply with the rules and regulations of the MONEP and the SCMC.

subsidiary the SCMC, which assumes full responsibility for technical clearing, general administration and market surveillance of the MONEP on the SBF's behalf. However, the SCMC does not provide any guarantee of the trades cleared between MONEP clearing members (the "Clearing Members"); such guarantee is provided by the SBF itself, as discussed below.

With shareholders' equity (which, by definition, does not include deposits of Clearing Members) in excess of FF 1 billion at December 31, 1995, the SBF is the ultimate guarantor of all trades registered by the SCMC and cleared between Clearing Members with respect to options contracts available on the MONEP, and guarantees each of the Clearing Members, as necessary, full payment of deficits resulting from another Clearing Member's default. As an *institution financière spécialisée*, the SBF also benefits from certain institutional procedures designed to ensure the financial security of the French financial community. These procedures provide that the Bank of France may intervene to provide support to certain financial institutions, including the SBF.

Each Clearing Member is required to deposit and maintain a margin with the SBF with respect to each Option for which it represents the writer. Such margin is calculated by the SCMC, and collected and held by the SBF. The margin represents the amount necessary to cover the theoretical cost of liquidation of the Clearing Members' Option positions. Margin deposit requirements are adjusted at a minimum on a daily basis, and are calculated separately for each global account kept by the Clearing Member, on the basis of overall portfolio risk. The SBF may require a Clearing Member to deposit higher margins in excess of the minimum cover requirements in the event it deems such action necessary and appropriate to protect the interests of other Clearing Members, the MONEP, the SBF or the public.

Two basic types of options are traded on the MONEP: options on individual stocks that are listed and traded on the Paris Bourse ("Equity Options") and options on the CAC-40 stock index<sup>4</sup> ("Index Options" and, together with Equity Options, "Options").

Prices on the MONEP for Equity and Index Options are publicly quoted, and the Options are bought and sold, in

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<sup>4</sup>The CAC-40 stock index consists of the 40 stocks that are most representative of the various business sectors quoted on the monthly settlement market of the Paris Bourse, and is managed by an independent committee.

French francs. All transactions creating or closing positions in such Options are executed and settled in Paris by Members of the MONEP. The Options are dematerialized (certificateless) and transactions and positions are evidenced by statements from the SCMC to Clearing Members and statements by Clearing Members to customers.

MONEP Equity and Index Options are not fungible or interchangeable with options that are traded on any other market. Thus, any MONEP Equity and Index Options position registered can be closed only on the MONEP or exercised by a Clearing Member giving an exercise notice to the SCMC.

The SCMC's settlement procedures are designed so that for every outstanding Option there will be a writer--and a Clearing Member that is or that represents the writer--of an Option of the same series who has undertaken to perform the writer's obligations in the event that an exercise is assigned to such writer. As a result, no matter how many Options of a given series may be outstanding at any time, there will always be a group of writers of Options of the same series who, in the aggregate, have undertaken to perform the writer's obligations with respect to such Options. Once an exercise of an Option is allocated by a broker to a particular writer, that writer is contractually obligated to its broker to perform in accordance with the terms of the Option. These contractual obligations are secured by the securities or other margin which the customer is required to deposit with its broker.

Once Equity Options are allocated, clearing and settlement of the transaction in the underlying security take place within the monthly settlement system of the equity market of the Paris Bourse. The Index Options are cash-settled only.

The SCMC wishes to familiarize certain registered broker-dealers and large financial institutions in the U.S. with the Equity and Index Options traded on the MONEP, and thus proposes to take the limited steps described below with respect only to "Eligible Broker-Dealers" and "Eligible Institutions". To be Eligible, each such entity must meet the following standards:

- (a) it must be a "qualified institutional buyer" as defined in Rule 144A (a)(1) under the Securities Act of 1933, as amended ("Rule 144A" and the "Securities Act", respectively), or an international organization

excluded from the definition of "U.S. person" in Rule 902(o)(7) of Regulation S under the Securities Act, and

(b) it must have had prior actual experience with traded options in the United States options market (and, therefore, would have received the disclosure document for U.S. standardized options called for by Rule 9b-1 under the Exchange Act).

MONEP Members will be required to take reasonable steps to assure themselves, before effecting any MONEP Equity or Index Option transaction for or with a customer located in the United States, that the customer is an Eligible Broker-Dealer or an Eligible Institution, that the customer is acting for its own account or the account of another Eligible Broker-Dealer or Eligible Institution or the managed account of a non-U.S. person (within the meaning of Rule 902(o)(2) under the Securities Act), and that the customer has received the MONEP disclosure document referred to below. The SCMC will advise MONEP Members that it has been advised that, under U.S. law, MONEP Members which are not U.S. registered broker-dealers may deal with Eligible Institutions only in accordance with Rule 15a-6 under the Exchange Act, principally through U.S. registered broker-dealers as provided in such Rule.

The SCMC will institute rules requiring MONEP Members to furnish to Eligible Broker-Dealers and Eligible Institutions a MONEP disclosure document before accepting an order from such entity to purchase or sell MONEP Options. The rules will also require that MONEP Members obtain written representations from any Eligible Broker-Dealer or Eligible Institution, signed by an appropriate officer, to the following effect:

1. it is an Eligible Broker-Dealer or Eligible Institution, and as such it (i) owns and invests on a discretionary basis a specified amount of eligible securities sufficient to be a qualified institutional buyer under Rule 144A (and if a bank, S&L, or other thrift institution, has a net worth meeting the requirements of Rule 144A), and (ii) has had prior actual experience in the U.S. standardized options markets and as a result thereof has received the options disclosure document entitled "Understanding the Risks and Uses of Listed Options" that is prepared by the Options Clearing Corporation and U.S. options exchanges;

2. it has received the MONEP disclosure document;

3. its transactions in MONEP Equity or Index Options will be for its own account or for the account of another Eligible Broker-Dealer or Eligible Institution or for the managed account of a non-U.S. person within the meaning of Rule 902(o)(2) under the Securities Act;

4. it will not transfer any interest or participation in a MONEP Equity or Index Option it has purchased or written to any other U.S. person, or to any person in the U.S., who is not an Eligible Broker-Dealer or Eligible Institution;

5. it will cause any disposition of a MONEP Option that it has purchased or written to be effected only on the MONEP and to be settled on the MONEP in Paris, and it understands that any required payments for premium, settlement, exercise or closing of any MONEP Option in respect of which it has a contract with the MONEP Member must be made in Paris and in French francs. It also understands that, if in relation to a MONEP Option it has a contract as a writer with the MONEP Member, margin must be provided to the MONEP Member, and maintained, measured and deposited in French francs or any other instrument approved by the SBF;

6. if it is an Eligible Broker-Dealer or Eligible Institution acting on behalf of another Eligible Broker-Dealer or Eligible Institution that is not a managed account, it has obtained from the other a written representation to the same effect as the foregoing and will provide it to the MONEP Member upon demand; and

7. it will notify the MONEP Member of any change in the foregoing representations prior to placing any future order, and the foregoing representations will be deemed to be made with respect to each order it gives to the MONEP Member.

A MONEP disclosure document, in the form submitted to and reviewed by the Division (Exhibit A hereto), will be provided only to Eligible Broker-Dealers and Eligible Institutions. The disclosure document provides an overview of the MONEP and the MONEP's Equity and Index Options, with attention to significant differences from standardized options in the U.S. domestic options market, and sets forth special factors relevant to U.S. entities transacting in MONEP Equity and Index Options.

The SCMC will not engage in any general advertisement concerning MONEP Equity or Index Options in the United States.