

As of the close of trading on June 1, 1995, the Index was valued at 131.92. As of the close of trading on March 14, 1995, the market capitalizations of the components comprising the Index ranged in capitalization from a low of \$77.17 million to a high of \$10.58 billion. The total capitalization on that date was \$38.77 billion; the mean capitalization was \$2.58 billion; and the median capitalization was \$812.50 million. The largest component accounted for 11.67% of the total weight of the Index, and the five largest components accounted for 46.67% of the total weight of the Index. On that same date, the smallest component accounted for 5.00% of the total weight of the Index. The average trading volume of the components of the Index, for the period from September 1, 1994, through February 28, 1995, ranged from a high of 5.78 million shares per day to a low of 52,579 shares per day.

C. Maintenance

The Index will be maintained by the CBOE. The CBOE may change the composition of the Index at any time, subject to compliance with the maintenance criteria discussed below, to reflect the conditions in the Latin American securities markets. If it becomes necessary to replace a component of the Index, the Exchange represents that every effort will be made to add only replacement securities (*i.e.*, ADRs, ADSs, and closed-end country funds) that preserve the character of the Index. Moreover, replacement securities must be listed on either the American Stock Exchange ("Amex") or the NYSE, or must be Nasdaq National Market ("Nasdaq/NM") securities.⁹ In considering securities to be added to the Index, the CBOE will take into account the capitalization, liquidity, volatility, and the name recognition of the particular securities. Further, a component of the Index may be replaced in the event of certain events, such as a merger, consolidation, dissolution, or liquidation, or a change in the investment objectives of a country fund component.

The Exchange will most likely maintain 15 components in the Index.¹⁰ In addition, in choosing securities as replacements for or additions to the Index, the CBOE will not make a

composition change that would result in less than 85% of the weight of the Index or 80% of the number of components in the Index satisfying the listing criteria for standardized options trading set forth in CBOE Rule 5.3¹¹ (for securities that are not then the subject of standardized options trading) and CBOE Rule 5.4¹² (for securities that are then the subject of standardized options trading).¹³ Additionally, at least twice each year, the CBOE will review the Index and apply these same standards to ensure that not less than 85% of the weight of the Index and 80% of the number of securities represented in the Index continue to satisfy the criteria for standardized options trading set forth in CBOE Rule 5.3 (for securities that are not then the subject of standardized options trading) and CBOE Rule 5.4 (for securities that are then the subject of standardized options trading).¹⁴

Moreover, at least twice each year, based on the most recent Commission filings by the closed-end funds represented in the Index, the CBOE will review the holdings of each of the closed-end funds to determine whether: (1) Any security that is not eligible for standardized options trading and that is held by one or more closed-end funds represented in the Index accounts, in

¹¹ See Amendment No. 1, *supra* note 4. The CBOE's options listing standards, which are uniform among the options exchanges, provide that a security underlying an option must, among other things, meet the following requirements: (1) the public float must be at least 7,000,000 shares; (2) there must be a minimum of 2,000 stockholders; (3) trading volume in the U.S. must have been at least 2.4 million over the preceding twelve months; and (4) the U.S. market price must have been at least \$7.50 for a majority of the business days during the preceding three calendar months. See CBOE Rule 5.3, Interpretation and Policy .01.

¹² See Amendment No. 1, *supra* note 4. The CBOE's options maintenance standards, which are uniform among the options exchanges, provide that a security underlying an option must, among other things, meet the following requirements: (1) the public float must be at least 6,300,000 shares; (2) there must be a minimum of 1,600 stockholders; (3) trading volume in the U.S. must have been at least 1.8 million over the preceding twelve months; and (4) the U.S. market price must have been at least \$5.00 for a majority of the business days during the preceding six calendar months. See CBOE Rule 5.3, Interpretation and Policy .01.

¹³ For these purposes, the closed-end fund components of the Index will be deemed to satisfy the listing criteria for standardized options trading if they satisfy the numerical requirements in CBOE Rule 5.3, Interpretation and Policy .01 (for closed-end country fund shares that are not then the subject of standardized options trading) and CBOE Rule 5.4, Interpretation and Policy .01 (for securities that are then the subject of standardized options trading). It is currently the case, therefore, that closed-end fund components of the Index that are not eligible for standardized options trading pursuant to the Commission's Country Fund Approval Order (see *infra* note 36) are counted as being options eligible for purposes of this 85%/80% requirement.

¹⁴ *Id.*

aggregate, for more than 5% of the weight of the Index; or (2) securities from any one country that are not eligible for standardized options trading and that are held by one or more closed-end funds represented in the Index account, in aggregate, for more than 25% of the weight of the Index.

The CBOE will promptly notify the Commission staff at any time that the CBOE determines that the Index fails to satisfy any of the above maintenance criteria. Further, in such an event, the Exchange will not open for trading any additional series of Index options or Index LEAPS unless the Exchange determines that such failure is not significant, and the Commission staff affirmatively concurs in that determination, or unless the Commission specifically approves the continued listing of the class of Index options or Index LEAPS pursuant to a proposal filed in accordance with Section 19(b)(2) of the Act.¹⁵

D. Applicability of CBOE Rules Regarding Index Options

Except as modified by this order, the rules in Chapter XXIV of the CBOE Rules will be applicable to Index options and full-value and reduced-value Index LEAPS. In accordance with Chapter XXIV of CBOE's rules, the Index will be treated as a narrow-based index for purposes of applicable position and exercise limits, policies regarding trading halts and suspensions, and margin treatment.¹⁶

E. Calculation of the Index

The value of the CBOE Latin 15 Index is calculated using a "modified equal-dollar-weighted" formula, meaning that each of the components (fund shares or individual stocks) from each of the four countries is represented in approximately equal dollar amounts in relation to the other shares from that country. The countries in the index are then weighted, at the beginning of each quarter, as follows: Argentina—17.5%, Brazil—35%, Chile—17.5%, and Mexico—30%. The Exchange believes this methodology will present a fairer representation of the respective economies. The "modified" description refers to the fact that the dollar-weighting is performed on a country by country basis and not between shares of different countries.

The number of shares of each component security in the Index will remain fixed between quarterly reviews except in the event of certain types of corporate actions, such as the payment

¹⁵ See Amendment No. 1, *supra* note 4.

¹⁶ See *infra* Section II.H.

⁹ The Commission notes that the CBOE will be required to ensure that each component in the Index is a "reported security" as defined in Rule 11Aa3-1 of the Act.

¹⁰ In no event will the CBOE decrease the number of components in the Index to less than 10. The Commission notes that if the CBOE determines to increase the number of components to greater than 20, the Exchange will be required to submit a rule filing pursuant to Section 19(b) of the Act.