

## INFORMATIONAL MEMORANDUM

MR 76-11  
February 5, 1976

TO: The Commission

FROM: Division of Market Regulation *RB*

RE: Dual Trading of Options by PBW

On January 12, 1976, the Commission approved CBOE's proposal to trade Boise Cascade Options. 1/ Since they are also traded on PBW, CBOE's trading of Boise options will be the first instance of dual trading in options. It has been reported in the press that CBOE intends to commence trading on February 9, 1976.

PBW has recently filed, under Section 19(b)(3)(A) of the Exchange Act, a "Notice as to Stated Policy, Practice of Interpretation Not Deemed to be a Rule" 2/ in which it states that PBW's temporary policy of not engaging in dual trading has now expired.

We are not entirely clear as to the intended meaning of PBW's filing. It could be interpreted to mean, in light of the supplementary material, no more than that PBW will continue to trade Boise options after CBOE commences trading. It could also be interpreted to mean that PBW may in the future, without further notice to the Commission, start trading other options which are already traded on CBOE or Amex. 3/

As to whether the PBW's amendment of its stated policy on dual trading constitutes a "rule change" within the meaning of Section 19b-2 and Rule 19b-4 thereunder, we think it possible to decide the question either way. The filing which PBW made was one designed to let a self-regulatory organization buck a close question to the Commission. We are on notice that PBW has changed a stated policy, but does not consider the change to be a "rule change." If we disagree, we should take steps to advise them. We are inclined, however, in light of the Boise order to see no need to require a more formal "rule change" filing or to raise, at this time, any policy question with PBW.

Prepared by: F.R.Snodgrass X51402  
H.W:Albert X58747

Attachment

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1/ Securities Exchange Act Release No. 12005

2/ Attachment

3/ In an informal telephone conversation inquiring as to the meaning of the Commission's Boise order, George Hender of PBW indicated that, for its next batch of options, PBW intended to select stocks for which options were not currently traded on other exchanges. As to the CBOE order, Mr. Hender was informed that it basically spoke for itself.

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

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Form 19b-4B

Notice as to  
Stated Policy, Practice or Interpretation  
Not Deemed to be a Rule  
of

PBW Stock Exchange, Inc.

File No. SR-PBWSE 76-2

Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934

1. Text of Stated Policy, Practice or Interpretation

The PBW Stock Exchange, Inc., (PBW) intends to trade options in certain underlying securities that are the subject of options presently traded on other national exchanges.

2. Characterization as Stated Policy, Practice or Interpretation

On the subject of "dual trading", the Pilot Program for Trading Options of the PBW Stock Exchange, Inc., states:

Initially, the PBW does not intend to trade options in the same underlying stocks that are the subject of options presently traded on any other national securities exchange. However, in the event the PBW decides to trade options relating to the same underlying security and having the same terms should be traded on more than one Exchange, those options may be purchased and written, and positions in those options may be liquidated in closing transactions on any of those exchanges.

However, under the Commission's recent Release No. 12005, January 12, 1976 order, which permits the Chicago Board of Options to engage in dual trading, the PBW will also be engaged in dual trading of Boise Cascade Options. The PBW has, therefore, determined that the initial period during which it's policy was not to engage in dual trading has expired and that the instant policy change will conform with the Commission's recent order.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the self-regulatory organization has duly caused this notice to be signed on its behalf by the undersigned thereunto duly authorized.

PBW Stock Exchange, Inc.

By: George S. Hender  
George S. Hender  
Senior Vice President

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION  
Release No. 34- ; File No. SR-PBWSE-76-2

SELF-REGULATORY ORGANIZATION

In the Matter of  
Proposed Rule Change by  
PBW Stock Exchange, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), as amended by Pub. L. No. 94-29, 16 (June 4, 1975), notice is hereby given that on the above-mentioned self-regulatory organization filed with the Securities and Exchange Commission a proposed policy change as follows:

The PBW Stock Exchange, Inc., (PBW) intends to trade options in certain underlying securities that are the subject of options presently traded on other national exchanges.

The foregoing policy change has become effective, pursuant to Section 19(b)(3) of the Securities Exchange Act of 1934. At any time within sixty days of the filing of such proposed policy change, the Commission may summarily abrogate such policy change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors,

or otherwise, in furtherance of the purposes of the Securities Exchange Act of 1934.

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons desiring to make written submissions should file 6 copies thereof with the Secretary of the Commission, Securities and Exchange Commission, Washington, D. C. 20549. Copies of the filing with respect to the foregoing and of all written submissions will be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number referenced in the caption above and should be submitted within            days of the date of this publication.

For the Commission by the Division of Market Regulation,  
pursuant to delegated authority.

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Secretary