

April 29, 1998

Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
Mail Stop 10-1

Re: **File No. SR-NASD-98-23, Amendment No. 1**
Amendments to Rule 2860, Options Position Limits

Dear Ms. England:

Pursuant to Rule 19b-4, NASD Regulation, Inc. is hereby amending the proposed rule change as published for comment in the Federal Register with the following clerical corrections, as suggested by Securities and Exchange Commission ("Commission") staff. Proposed new language is underlined; proposed deletions are in brackets.

- Amend paragraph (b)(3)(A)(vii)(a) of Rule 2860 to state as follows: "The following positions, where each option contract is "hedged" by 100 shares of stock or securities readily convertible into or economically equivalent to such stock, or, in the case of an adjusted option contract, the same number of shares represented by the adjusted contract, shall be exempted from established limits contained in subparagraphs (b)(3)(A)(i) through (vi) above. . . ."
- Amend paragraph (b)(3)(A)(vii)(b) of Rule 2860, to state as follows: "Except as provided in subparagraph (b)(3)(A)(ix) and in the OTC Collar Exemption contained in subparagraph (b)(3)(A)(viii), in no event may the maximum allowable position, inclusive of options contracts hedged pursuant to the equity option position limit hedge exemption in subparagraph a. above, exceed three times the applicable position limit established in subparagraph (b)(3)(A)(i)[-] through (v) with respect to standardized equity options, or subparagraph (b)(3)(A)(ix) with respect to conventional equity options."
- Amend paragraph (b)(3)(A)(vii)(c) of Rule 2860, to state as follows: "The Equity Option Hedge Exemption is a pilot program authorized by the Commission through December 31, 1998[9]." This change is necessary to reflect the fact that the Commission extended the Equity Option Hedge Exemption pilot program until December 31, 1998, instead of December 31, 1999, as originally requested. See Exchange Act Release No. 39865 (April 14, 1998) (SR-NASD-98-23).

- Amend paragraph (b)(3)(A)(viii)(b) of Rule 2860 to state as follows:
“Notwithstanding the aggregation provisions for short (long) call positions and long (short) put positions contained in subparagraphs (b)(3)(A)(i) through (v) above, the conventional options positions involved in a particular OTC collar transaction need not be aggregated for position limit purposes”
- Amend paragraph (b)(3)(A)(viii)(e) of Rule 2860 to state as follows: “Nothing in this subparagraph (b)(3)(A)(viii) changes the applicable position limit for a particular equity security.”
- Amend paragraph (b)(3)(A)(ix) of Rule 2860 to state as follows: “For purposes of this paragraph (b), standardized equity options contracts of the put class and call class on the same side of the market overlying the same security shall not be aggregated with conventional equity options contracts or FLEX Equity Options contracts overlying the same security on the same side of the market. Conventional equity options contracts of the put class and call class on the same side of the market overlying the same security shall be subject to a basic position limit equal to three times the applicable position limit established for standardized equity options overlying the security pursuant to subparagraphs (b)(3)(A)(i)[-] through (v) above and are eligible for the OTC Collar Exemption set forth in subparagraph (b)(3)(A)(viii) above and the Equity Option Hedge Exemption set forth in subparagraph (b)(3)(A)(vii) above.”

If you have any questions, please contact the undersigned at (202) 728-8159 or Gary L. Goldsholle at (202) 728-8104.

Very truly yours

John M. Ramsay
Vice President and Deputy General Counsel
NASD Regulation, Inc.