



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, APRIL 26, 1973

AT

The Department of Justice filed a civil antitrust suit today seeking to prohibit the nation's first securities options exchange, the Chicago Board Options Exchange, Inc., from fixing the commission rates and brokerage fees charged by brokers trading securities options.

Attorney General Richard G. Kleindienst said the suit was filed in U.S. District Court in Chicago.

The suit charged the Chicago Board Options Exchange, which commenced operation today, with violating Section 1 of the Sherman Act by establishing rules which jointly fix and maintain minimum rates of commission, floor brokerage and other fees to be charged by members for the purchase and sale of securities options.

The minimum fixed commission rates range from \$25 to \$65 for each single trading unit order.

A securities option is a contract for the right to purchase or sell shares for a set period of time at a price determined at the time the contract is entered into. A contract for the right to sell is commonly referred to as a "put" and a contract for the right to purchase as a "call."

Assistant Attorney General Thomas E. Kauper, in charge of the Antitrust Division, said that the suit alleged that the defendant's

OVER

rules would deprive the public of the right to trade securities options on the exchange at competitively determined commission rates and brokerage fees. He noted that these options have been traditionally traded over-the-counter, without any fixed brokerage commissions.

He said that the suit also charged that price competition has been eliminated in the sale of services among member brokers of the exchange.

The suit asked that the exchange and its members be permanently enjoined from fixing commission rates or other fees for brokerage services, or from engaging in any other practices having a similar purpose or effect.

The Chicago Board Options Exchange is the nation's only securities options market registered as an exchange under the Securities Exchange Act. The exchange was authorized to commence operation by the Securities and Exchange Commission on February 1, 1973.