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STATES
SECURITIES COMMISSION
C. 20549

DIVISION OF
MARKET REGULATION

October 13, 1987

Charles S. Whitman III, Esq.
Davis Polk & Wardwell
1 Chase Manhattan Plaza
New York, New York 10005

PUBLIC AVAILABILITY DATE: 10-14-87
ACT SECTION RULE
1934 10(b) 10b-6
1934 10(b) 10b-7

Re: The British Petroleum Company p.l.c.
File No. TP 87-338

Dear Mr. Whitman:

In your letter dated September 22, 1987, as supplemented by meetings and telephone conversations with the staff, you request on behalf of The British Petroleum Company p.l.c. ("BP"), the Lords Commissioners of Her Majesty's Treasury ("HM Treasury") on behalf of Her Majesty's Government ("HMG"), and certain distribution participants as described herein, exemptions from Rules 10b-6 and 10b-7 under the Securities Exchange Act of 1934 ("Exchange Act") with respect to certain market activities during a distribution of equity securities of BP, as more fully described below.

You make the following representations:

I. British Petroleum

BP and its subsidiaries form the largest company in the United Kingdom ("U.K."), the second largest in Europe, and one of the largest in the world on the basis of 1986 sales. At the present time about 1,735,000,000 Ordinary Shares of BP of 25 pence each ("BP Shares") are owned by HMG, representing approximately 31.5 percent of all outstanding BP Shares. The balance of about 3,768,000,000 outstanding BP Shares, or 68.5 percent of the class, is held by the public. BP Shares are currently traded on The International Stock Exchange of the United Kingdom and The Republic of Ireland Limited ("ISE") in the form of Ordinary Shares and American Depositary Shares ("ADSs"). ADSs are also listed and traded on the New York Stock Exchange in the form of American Depositary Receipts ("ADRs"). BP Shares have recently begun trading on the Tokyo Stock Exchange and ADSs are expected to begin trading on the Toronto Stock Exchange on October 30, 1987.

There are approximately 260,000 registered holders of BP Shares, including a nominee for Morgan Guaranty Trust Company of New York ("MGT"). MGT currently holds in London approximately 319 million BP Shares against which it has issued ADSs, each of which represents 12 BP Shares. The ADSs are issued by MGT in the form of ADRs, and are the form in which substantially all United States ("U.S.") investors hold title to BP Shares. There are approximately 450 individual holders of BP Ordinary Shares holding an aggregate of 800,000 BP Shares that have U.S. addresses on BP's share register. Over the past few years, ADSs have represented between 1 and 6 percent of the BP Shares outstanding, and at the present time represent about 5.8 percent. No significant holdings outside the U.K. and U.S. markets are identifiable.

II. The Combined Offering

As part of its continuing program of privatizations, HMG proposes to sell all its remaining BP Shares, except for a small holding retained to accommodate a "bonus share" program for small investors ("Bonus Shares"). At the same time, BP will sell approximately £1.5 billion worth of newly issued fully-paid BP Shares to HMG against full payment therefor, and HM Treasury will include these shares with its own holdings as part of a combined offering ("Combined Offering"). The current market value of the Combined Offering is approximately £7.5 billion or, translated at current exchange rates, approximately \$13 billion.

HM Treasury intends to sell all these BP Shares on an instalment basis, with approximately one-third of the purchase price payable upon issuance of the instalment payment BP Shares or ADSs ("Instalment Payment BP Shares or ADSs;" collectively, "Instalment Payment Securities"). The remainder of the purchase price is payable in two approximately equal portions during the next 18 months. ^{1/} Under procedures utilized by HMG in all of the previous privatizations involving instalment payments, purchasers of the Instalment Payment Securities who are holders on the subsequent payment dates are obligated to make the payments on penalty of forfeiture.

^{1/} The Division's Office of Legal Policy has responded separately to your inquiry concerning the applicability of Section 11(d)(1) of the Exchange Act to the instalment payment feature by letter dated September 30, 1987.

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At the present time, HM Treasury has determined that the major portion of the BP Shares to be sold in the Combined Offering will be to U.K. retail subscribers and eligible BP employees in the U.K. ("U.K. Retail Offer") at a price ("Fixed Price"), which will represent a discount off the market price of outstanding fully paid BP Shares. Existing holders of BP Ordinary Shares or ADSS, wherever situated, will also be offered the opportunity to subscribe in the offering on a priority basis for Instalment Payment BP Shares at the Fixed Price ("Shareholder Offer"). A "pathfinder" prospectus was released in the U.K. on September 25, 1987. A registration statement on a Form S-3 under the Securities Act of 1933 ("Securities Act") was filed on September 25, 1987, with respect to the Shareholder Offer ("Shareholder Offer Registration Statement").

The remainder of the Combined Offering ("International Offer") will be to U.K. institutions and syndicates of underwriters ("International Underwriters") in the U.S., Canada, Japan, and Continental Europe. It is expected that the price at which Instalment Payment BP Shares and ADSS are sold in the International Offer will exceed the Fixed Price. Although the allocation of the International Offer will be made on the basis of demand, as described below, HM Treasury and BP anticipate that the shares offered in the U.S. could carry an aggregate offering price in excess of \$2 billion (on a fully paid basis). A registration statement on a Form S-3 under the Securities Act was filed on September 25, 1987, with respect to the International Offer ("International Offer Registration Statement").

On October 15, 1987 ("Impact Day"), the Fixed Price in pounds will be determined and the U.K. Retail Offer will commence. Applications in the U.K. Retail Offer, together with payment, must be submitted to HM Treasury's receiving banks by October 28, 1987 ("Application Day"), and the basis of allocation will be announced on October 30, 1987 ("Allocation Day"), when trading in Instalment Payment BP Shares and ADSS will commence worldwide. During the period between Application Day and Allocation Day, HM Treasury will negotiate with the U.K. institutions and the International Underwriters and determine the single sales price for the International Offer and the final allocation of Instalment Payment BP Shares and ADSS among them, all of which will be announced at the opening of trading on Allocation Day, when all regulatory clearances, including effectiveness of the Shareholder Offer and International Offer Registration Statements, are expected to be obtained.

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The Shareholder Offer will follow a slightly different schedule to accommodate market practice and laws in a number of jurisdictions. Pursuant to the Shareholder Offer, holders of BP Ordinary Shares on September 30, 1987, and holders of ADSs on October 14, 1987, will be offered the opportunity to subscribe, on a priority basis, to a certain amount of the shares being offered at the Fixed Price. Subscription forms in the Shareholder Offer will be personal to each holder of BP Shares or ADSs and cannot be assigned or transferred. For non-U.S. and non-Canadian holders, the Shareholder Offer requires acceptance by the holders in much the same manner as the U.K. Retail Offer, i.e., the holder must subscribe by Application Day with his payment in pounds accompanying his subscription. U.S. and Canadian holders ("North American Holders") will be treated differently. The North American Holders will be required to subscribe, but without sending payment, for Instalment Payment BP Shares or ADSs by October 27, 1987, retaining the right to revoke their subscriptions up through 2 p.m. (New York time) on October 30, 1987. After the Shareholder Offer Registration Statement becomes effective on October 30, 1987, HM Treasury will accept all outstanding subscriptions not theretofore revoked and send confirmations and final prospectuses to subscribers, who have until November 5, 1987 to provide payment. If payment is received, the subscriber will be sent certificates representing his Instalment Payment Securities. There will be no dealer group receiving separate compensation for soliciting subscriptions, and no "success fee" will be paid for obtaining subscriptions.

III. Underwriting

The Combined Offering (except for the Bonus Shares) will be underwritten at the Fixed Price on Impact Day, when HM Treasury expects to enter into two underwriting agreements: one with the International Underwriters and the other with a group of approximately 15 U.K. underwriters ("U.K. Underwriters"). The U.K. Underwriters will make a stand-by underwriting commitment covering the Instalment Payment BP Shares to be sold in the U.K. Retail Offer, and the securities that are anticipated to be sold to U.K. institutions in the International and Shareholder Offers outside the U.S., Canada, and Japan. The International Underwriters will underwrite those portions of the International Offer expected to be sold to each of them, and will also underwrite the Shareholder Offer to, respectively, the U.S., Canadian, and Japanese holders of BP Ordinary Shares and ADSs. Shares not taken up in the Shareholder Offer will be allocated to the U.K. Retail Offer to the extent there is

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demand, and if not, will be allocated back to the underwriting syndicate that had originally committed to stand-by for them. As compensation for these commitments, each group of underwriters will be paid commissions by HMG.

As is typical in a U.K. offering, the U.K. Underwriters expect to "lay off" all or a portion of their underwriting risk by entering into agreements with a number of institutional and other investors (collectively, "Sub-Underwriters"), such as pension funds, insurance companies, unit trusts, and investment trust companies, as well as market makers in BP Shares. As in the case of many larger U.K. offerings there can be as many as 800 Sub-Underwriters. Portions of the sub-underwriting may be arranged by brokers ("U.K. Brokers") who customarily receive a commission based on the amount of the securities sub-underwritten through them. Pursuant to the sub-underwriting agreements, each Sub-Underwriter will be obligated in the event the Shareholder Offer is undersubscribed, to purchase, at the Fixed Price, a specified portion of any BP Shares which the U.K. Underwriters may be required to take up pursuant to their underwriting agreement with HM Treasury. For its sub-underwriting commitment, each Sub-underwriter will be paid a commission based on the amount of the securities which it has agreed to sub-underwrite. The U.K. Underwriters and U.K. Brokers will in this manner arrange for all or substantially all of the securities being offered in the U.K. to be sub-underwritten, but the U.K. Underwriters will be responsible for purchasing on the same terms as the U.K. public any shares which a Sub-Underwriter fails to take up.

If at the conclusion of the Combined Offering a Sub-Underwriter holds securities which it has acquired pursuant to such commitment or in the market in excess of the amount it wanted to obtain or is willing to retain, it can be expected to dispose of such securities in the market. Each such Sub-Underwriter is free to, and can be expected to, act independently.

U.K. sub-underwriters ("U.K. Sub-Underwriters"), which will constitute the great majority of all Sub-Underwriters, will not take any active role in soliciting applications for the BP Shares being offered. The U.K. Sub-Underwriters' involvement in such an offer consists solely of their stand-by commitment. There is no mechanism in a U.K. offering for the U.K. Sub-Underwriters, or any group of them, to act together in bidding for or purchasing the securities being distributed for their principal accounts; indeed, since the recent

restructuring of the U.K. financial markets ("Big Bang"), it would probably be illegal for any such concerted purchasing activity to take place in the absence of permissive rules which are not yet in force. The principal exception to the discussion of U.K. Sub-Underwriters is the group of U.K. Sub-Underwriters that are ISE market makers in BP Shares ("U.K. Sub-Underwriter Market Makers"), who participate as Sub-Underwriters at least partly to obtain BP Shares with which to make a market.

The non-U.K. Sub-Underwriters ("Non-U.K. Sub-Underwriters"), however, may fall into a different category. A number of Non-U.K. Sub-Underwriters will be much more nearly comparable to U.S. securities dealers, and can be expected to distribute a substantial portion of any Instalment Payment BP Shares taken up by them either through application in the International Offer or pursuant to their sub-underwriting commitments. In addition, neither the significance of BP Shares to the overall trading activities of Non-U.K. Sub-Underwriters nor the importance of their participation to assure an orderly market in BP Shares is comparable to the situation with the U.K. Underwriters and the U.K. Sub-Underwriters.

IV. Trading Market for BP Shares

The principal market for BP Shares is the ISE, where BP Shares have been designated as an Alpha stock. BP's advisors estimate that daily trading volume in BP Shares on the ISE averages 15 million Ordinary Shares, and that this level of activity would be substantially increased during the period of the Combined Offering. Trading of ADSS on the ISE commenced in July 1987 and has an average daily volume of about 150,000 ADSS (equivalent to 1,800,000 BP Shares). By comparison, the daily trading volume of ADSS on the NYSE, the second largest market for BP Shares, averages 375,000 ADSS (which is equivalent to 4.5 million BP Shares).

As a result of "Big Bang," trading of BP Shares in London has changed radically from that which prevailed at the time of the Letter regarding British Petroleum (letter dated September 15, 1983). At that time, U.K. underwriters could not be affiliated with the jobber firms that facilitated market making on the ISE. Today, financial conglomerates combining brokerage houses, jobber firms, and underwriters have been established in London and, of the 14 current market makers in BP Shares and ADSS

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on the ISE, all but four are affiliated with or are divisions of firms that are anticipated to be either U.K. Underwriters ("ISE U.K. Underwriter Market Maker Affiliates") or U.S. Underwriters ("ISE U.S. Underwriter Market Maker Affiliates") for the Combined Offering (collectively, "Affiliated Market Makers"). The 10 Affiliated Market Makers represent about 90 percent of average trading volume in BP Shares. The other four ISE market makers in BP Shares will be U.K. Sub-Underwriter Market Makers. There are four current ISE market makers in ADSs, all of which are also market makers in BP Shares.

The ISE market is now wholly a dealer market, and superficially resembles the National Association of Securities Dealers Automated Quotation System ("NASDAQ"). The ISE rules, promulgated under the umbrella of the U.K. Financial Services Act 1986 ("FSA"), govern market maker conduct. Furthermore, as described more fully in the Letter regarding The International Stock Exchange (letter dated September 29, 1987) ("ISE Letter"), market makers are registered as such in a particular stock, and must continuously maintain two-way prices in not less than a marketable quantity on the ISE's Stock Exchange Automated Quotation ("SEAO") system. Failure to maintain quotes or a continuous market can result in deregistration in the particular stock and the termination of market making activities. Once a market maker is deregistered in a security it may not become re-registered for a period of three months without ISE permission.

Market makers publish firm bid and offer prices together with the size of their quotes on SEAO. They are committed thereafter to buy or sell at the price and in the size quoted. Market makers are committed to make a two-way price in a minimum size of 1000 shares, but 10 of the 14 BP market makers are accustomed to making a two-way price in a size of at least 100,000 and up to 250,000 shares, and U.K. investors are used to seeing such market making in such sizes for BP Shares, particularly in light of the daily volume.

V. Exemption Request

Because the offering of Instalment Payment BP Shares outside the U.S. is proposed to be coordinated with a registered distribution of Instalment Payment ADSs in the U.S., and because trading on the ISE will definitely influence market prices of BP Shares and ADSs in the U.S., a question arises as to the potential applicability of Rules 10b-6 and 10b-7 to trading in BP Shares and ADSs by the participants in the portions of the Combined Offering outside the U.S. In your view, it is essential

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to the success of the Combined Offering that all portions of the Combined Offering (particularly those portions to be offered in the U.S. and the U.K.) be conducted simultaneously, and that the ISE market in BP Shares and ADSs not be inhibited during the Combined Offering. Application of Rules 10b-6 and 10b-7 to all U.K. Underwriters, Sub-Underwriters, and Affiliated Market Makers would remove virtually all significant participants in the U.K. market and effectively halt trading in BP Shares. Therefore, you have requested the exemptive relief described in your letter.

Additionally, you have proposed that the date of "commencement of offers and sales" be deemed to be the date of effectiveness of the Shareholder Offer and International Offer Registration Statements, expected to be October 30, 1987, and therefore that the period for prohibition of bids and purchases under Rule 10b-6 extend from October 28, 1987 (i.e., two business days prior to the date of effectiveness of the Shareholder and International Offer Registration Statements) to the time of termination of the Combined Offering.

Response:

A. Requirements of Rule 10b-6 and Rule 10b-7

Rule 10b-6 is an anti-manipulative rule that, subject to certain exceptions, prohibits persons engaged in a distribution of securities from bidding for or purchasing, or inducing others to bid for or purchase, such securities, any security of the same class and series as those securities, or any right to purchase any such security ("related securities") until they have completed their participation in the distribution.

The provisions of Rule 10b-6 apply to issuers, selling shareholders, underwriters, prospective underwriters, dealers, brokers, and other persons who have agreed to participate or are participating in the distribution, and their "affiliated purchasers" as defined in Rule 10b-6(c)(6), including broker-dealer affiliates. Accordingly, from at least the date of the filing of the Shareholder Offer and International Offer Registration Statements, the persons participating in the Combined Offering, including BP, the U.K. Underwriters, International Underwriters, Affiliated Market Makers, U.K. Brokers, and Sub-Underwriters (collectively, "Distribution Participants") are subject to Rule 10b-6. As a result, absent an exception to or an exemption from Rule 10b-6, bids for or

Charles S. Whitman III, Esq.
Davis Polk & Wardwell
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purchases of BP Shares or related securities ("BP Securities"), including market making activities, would be prohibited until the Shareholder Offer and the International Offer have been completed or abandoned.

Rule 10b-7 applies to "any person who, either alone or with one or more other persons, directly or indirectly, stabilizes the price of a security to facilitate an offering of any security." Stabilization transactions are those involving "the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing or stabilizing the price of any security." Rule 10b-7(c) provides: "No stabilizing bid shall be made except for the purpose of preventing or retarding a decline in the open market price of a security." Stabilization does not contemplate transactions in excess of those required to prevent or retard a decline in the market price, or those which raise the market price of a security or which create a false or misleading appearance of active trading in a security, or a false or misleading appearance with respect to the market for a security. Although market making activities may prevent or retard the price decline of a security, they are not necessarily so limited. For these reasons market making activities do not comply with Rule 10b-7, and are not excepted from the provisions of Rule 10b-6 by virtue of Rule 10b-6(a)(4)(viii).

B. Exemptions

On the basis of your representations and the facts presented, particularly the ISE regulatory framework and the need to maintain an orderly market for BP Securities during an offering of such unprecedented magnitude, the Commission has granted the following exemptions from Rule 10b-6 and Rule 10b-7 subject to the conditions herein:

1. During the period from two business days 2/ prior to the commencement of offers and sales in the International Offer and the Shareholder Offer to the North American Holders (which is expected to be the date of effectiveness of the registration statements relating to these offers, October 30, 1987) until the termination of the distribution ("Rule 10b-6 Period"),

2/ A two business day cooling-off period is applicable to BP Shares and ADSS because they are designated Alpha securities. See ISE Letter.

ISE U.K. Underwriter Market Maker Affiliates and U.K. Sub-Underwriter Market Makers may effect bids and purchases in BP Securities in normal market making transactions reported to the ISE. Moreover, such market makers may effect purchases of BP Securities: (a) in response to inquiries that are unsolicited (other than through bids disseminated in SEAQ) from clients or other ISE member firms; (b) in brokerage transactions which are unsolicited (other than through the bids disseminated through SEAQ); and (c) otherwise as permitted by the exceptions in Rule 10b-6.

Other than through the bids disseminated through SEAQ, ISE U.K. Underwriter Market Maker Affiliates and U.K. Sub-Underwriter Market Makers shall not solicit or induce any purchases of BP Securities during the Rule 10b-6 Period. Bids for or purchases of BP Securities made pursuant to this exemption shall be limited to transactions related to market making activities in the U.K. in accordance with the Rules and Regulations of the ISE.

2. ISE U.S. Underwriter Market Maker Affiliates may effect "passive market making" transactions in BP Securities, subject to the terms and conditions of the ISE Letter, which is incorporated herein by reference.

3. All Sub-Underwriters, other than U.K. Brokers, U.K. Sub-Underwriter Market Makers, and Non-U.K. Sub-Underwriters, have been granted an exemption from Rule 10b-6 during the Combined Offering.

C. Conditions to Exemptions

1. All Affiliated Market Makers and U.K. Sub-Underwriter Market Makers undertake to comply with such transaction reporting and surveillance requirements for BP Securities implemented by the ISE during the Rule 10b-6 Period.

2. Each ISE U.K. Underwriter Market Maker Affiliate and U.K. Sub-Underwriter Market Maker will maintain records of each purchase and sale of BP Securities effected directly or indirectly for its account during the Rule 10b-6 Period for two years from such purchases or sales.

3. Each ISE U.K. Underwriter Market Maker Affiliate and U.K. Sub-Underwriter Market Maker will make available, in person or by telephone, representatives to respond to inquiries made by

the Commission staff, when it is requested to do so by the ISE and the U.K. Department of Trade and Industry in connection with a request made by the Commission pursuant to the "Memorandum of Understanding on Exchange of Information between the United States Securities and Exchange Commission and the United Kingdom Department of Trade and Industry in Matters Relating to Securities and between the United States Commodity Futures Trading Commission and the United Kingdom Department of Trade and Industry in Matters Relating to Futures," dated September 23, 1986.

4. All Distribution Participants shall not from the time they become a Distribution Participant until the completion of the distribution effect any transactions in BP Securities that are made for the purpose of creating actual, or apparent, active trading in or raising the price of any such security.

5. All Distribution Participants will comply, in all transactions relating to BP Securities, with the provisions of Section 47(2) of the FSA as if it were in full force.

6. The International Offer Registration Statement and Shareholder Offer Registration Statement will include a statement, as required by Item 502(d)(1) of Regulation S-K under the Securities Act regarding transactions which stabilize or maintain the market price of securities, with appropriate modification, to reflect the intention to engage in market making during the Rule 10b-6 Period. Pursuant to Rule 408 under the Securities Act there will be included in the "Plan of Distribution" section of the prospectus a brief description of the proposed market making activities.

7. In all other respects, all Distribution Participants relying on the exemptions granted herein shall comply with the provisions of Rules 10b-6 and 10b-7.

The foregoing exemptions from Rule 10b-6 and Rule 10b-7 are based solely on your representations and the facts presented and are strictly limited to the application of those rules to the transactions described. Such transactions should be discontinued pending presentation of the facts for our consideration in the event that any material change occurs with respect to any of those facts or representations. In addition, all persons relying on these exemptions are directed to the antifraud and anti-manipulation provisions of the Exchange Act, particularly Sections 9(a)(2) and 10(b) and Rule 10b-5 thereunder. Responsibility for compliance with these and any other applicable

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provisions of the federal securities laws must rest with the Distribution Participants. The Division expresses no view with respect to any other questions that the proposed transactions might raise, including but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, the proposed transactions.

You have agreed to waive the provisions of the Commission's rules concerning publication of interpretive and no-action letters and other written communications (17 CFR 200.81) which provides for the public availability of written communications requesting interpretive legal advice together with any response. Accordingly, your letter dated September 22, 1987, and this letter shall be placed in the Commission's public file on October 14, 1987.

Pursuant to delegated authority,



Richard G. Ketchum
Director

87-338 (EJ)

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DAVIS POLK & WARDWELL

1 CHASE MANHATTAN PLAZA
NEW YORK, N. Y. 10005

212-530-4000

TELEX: ITT-421341
TELECOPIER: 212-530-4800

499 PARK AVENUE
NEW YORK, N. Y. 10022

4, PLACE DE LA CONCORDE
75008 PARIS

1675 I STREET, N. W.
WASHINGTON, D. C. 20005

1 FREDERICK'S PLACE
LONDON EC2R 8AB

WRITER'S DIRECT NUMBER:
SECURITIES & EXCHANGE COMMISSION

RECEIVED

SEP 23 1987

DIVISION OF MARKET REGULATION

1934 Act - Section 10(b)
Rules 10b-6,
10b-7

September 22, 1987

Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549

Attention: Division of Market Regulation
Office of Legal Policy and
Trading Practices

Re: Proposed Offering of Instalment Payment
Shares and ADSs of The British Petroleum
Company p.l.c. -- Rule 10b-6

Dear Sirs:

We are serving as counsel to the United States underwriters (the "US Underwriters") of the proposed secondary offering of equity securities of The British Petroleum Company p.l.c. ("BP") to be sold by the Lords Commissioners of Her Majesty's Treasury ("HM Treasury") on behalf of Her Majesty's Government ("HMG"), and described in Part I below. On behalf of BP, HM Treasury and all the market participants for the proposed transaction, we hereby submit the following

- PETER O. A. SOLBERT
- JOHN P. CARROLL, JR.
- WILLIAM A. RAYNOR
- HENRY L. KING
- RICHARD B. SMITH
- EDWIN DEANE LEONARD
- BRUCE W. NICHOLS
- SAMUEL F. PRYOR, III
- ROBERT D. FISKE, JR.
- EDWARD S. REID
- PHILIP C. POTTER, JR.
- JAMES F. DOLAN
- RICHARD E. NOLAN
- M. CARR FERGUSON, JR.
- JOHN A. CORRY
- RICHARD D. SPIZZIRRI
- ALLAN A. FLYNN
- CHARLES S. HOPPIN
- JOEL J. COHEN
- TROLAND S. LUMK
- HERBERT M. LOBL
- JOHN J. MCATEE, JR.
- JONATHAN M. CLARK
- CHRISTOPHER CROWLEY
- LYDIA E. RESS
- JAMES W. S. BENKARD
- COLIN E. HARLEY
- DANIEL F. KOLB
- DONALDSON C. MILLSBURY
- DAVID J. STRUPP
- GUY MILLER STRUVE
- JOSEPH CHUBB
- JAMES WOODMAN LLOYD
- BARTLETT H. MCGUIRE
- STEPHEN H. CASC
- FRANCIS J. MORISON
- FRANK S. NOSELEY
- JEFFREY SMALL
- DAVID C. OXMAN
- WILLIAM PARSONS, JR.
- CHARLES S. WHITMAN, III
- LEWIS S. KAOZH
- WILLIAM C. GIFFORD
- ARTHUR F. GOLDEN
- STEVEN F. GOLDSTONE
- DENNIS S. HERSCH
- WINTHROP B. CONRAD, JR.
- LOWELL GOROON HARRISS
- W. F. KROENER, III
- RICHARD J. SANDLER
- ROBERT F. WISE, JR.
- JOHN P. COONEY, JR.
- ROBERT LEE HECKART
- WILLIAM S. KABLE
- ODDEN H. LEWIS
- BRADLEY Y. SMITH
- MIKEL M. ROLLYSON
- MARLENE ALVA
- PETER R. DOUGLAS
- JOHN FOUHEY
- CHRISTOPHER HAYEN
- PIERRE DE SAINT PHALLE
- ROBERT J. LEVINE
- JOHN J. MCCARTHY, JR.
- GEROME O. SHIDZR
- WILLIAM E. WURTZ
- HOWARD A. ELLINS
- PATRICK S. KENADJIAN
- WILLIAM HOWARD WEIGEL
- BEVERLY FANGER CHASE
- KEITH L. KEARNEY
- PETER C. KORNMAN
- JAVIS P. LAWTON
- SCOTT W. MULLER
- WILLIAM L. ROBOFF
- GEORGE R. BASON, JR.
- DONALD S. BERNSTEIN
- ALAN DEAN
- JOHN R. ETTINGER
- RICHARD MOE (D.C. BAR ONLY)
- JAMES D. PHYFE
- E. WADE WARNER, JR.
- THOMAS PATRICK DORE, JR.
- DAVID W. FERGUSON
- AVISHAI SHACHAR
- LINDA A. SIMPSON
- DAVID M. WELLS
- D. SCOTT WISE

September 22, 1987

application to the Securities and Exchange Commission (the "Commission") for exemptions from Rule 10b-6 (and, to the limited extent set forth, from Rule 10b-7) to the extent and for the reasons set forth in Part IV below.

I. The Proposed Offering

BP and its subsidiaries form the largest company in the United Kingdom ("UK"), the second largest in Europe and one of the largest in the world (on the basis of 1986 sales). At the present time, about 1,735,000,000 Ordinary Shares of BP of 25p each ("BP Shares") are owned by HMG, representing approximately 31.5% of all outstanding BP Shares. The balance of about 3,768,000,000 outstanding BP Shares, or 68.5% of the class, is held by the public. BP Shares are currently traded on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "LSE"). By October 30, 1987, BP expects that BP Shares will also be accepted for trading on the Toronto Stock Exchange and the Tokyo Stock Exchange. There are some 260,000 registered shareholders, including a nominee for Morgan Guaranty Trust Company of New York ("MGT"), which now holds in London approximately 319 million BP Shares against which it has issued American Depositary Shares ("ADSs"), each of which represents 12 BP Shares. The ADSs are issued in the form of American Depositary Receipts ("ADRs") by MGT, are listed on the New York Stock Exchange and are the form in which substantially all US investors hold title to BP Shares, although there are some 450 individual holders of BP Shares (who hold an aggregate of 800,000 BP Shares) who have US addresses on BP's share register. Over the past few years, ADSs have represented between 1 and 6% of the BP Shares outstanding, and at the present time the percentage is about 5.8%. No significant holdings outside the UK and US markets are identifiable.

As part of its continuing program of privatizations, HMG proposes to sell all its remaining BP Shares, except for a small holding retained to accommodate a "bonus share" program for small investors. At the same time, BP will sell approximately £1.5 billion worth of newly issued fully-paid BP Shares to HMG against full payment therefor, and HM Treasury will include these shares with its own holdings as part of a Combined Offering. The current market value of the entire Combined Offering aggregates approximately £7.5 billion.

HM Treasury intends to sell all these BP Shares on an instalment basis, with roughly one third of the purchase price payable upon issuance of the instalment payment BP Shares or ADSS, and the remainder (in roughly equal portions) payable at two dates during the next 18 months. Under familiar procedures utilized by HMG in all of the previous privatizations involving instalments, purchasers of the instalment payment securities who remain holders at the respective record dates are obligated to make the subsequent payments on penalty of forfeiture.

At the present time, HM Treasury has determined that the major portion of the BP Shares to be sold in the Combined Offering will be to UK retail subscribers and eligible BP employees in the UK at a price (the "Fixed Price") which will represent a discount off the market price of outstanding fully paid BP Shares. Existing holders of BP Shares or ADSS, wherever situated, will also be entitled to subscribe in the offering on a priority basis for instalment payment BP Shares at the Fixed Price (the "Priority Offer").

The remainder of the Combined Offering will be to UK institutions and syndicates of underwriters in the US, Canada, Japan and Continental Europe (the "International Offer"). It is expected that the price at which instalment payment BP Shares and ADSS are sold in the International Offer will exceed the Fixed Price. Although the allocation of the International Offer will be made on the basis of demand, as described below, HM Treasury and BP anticipate that the shares offered in the US could carry an aggregate offering price in excess of \$2 billion (on a fully paid basis).

Marketing considerations dictate that in order to accomplish a successful distribution of the total amount of instalment payment securities to be sold, the offerings, particularly those in the US and UK, must be conducted essentially simultaneously, because if any of the distributions were to precede the other, the overhang created by the impending offerings would be likely to have a substantial adverse impact upon the first of them.

II. Mechanics - Combined Offering

It is anticipated that the mechanics of the Combined Offering -- and the timetable -- will follow the typical UK practice familiar to the Commission as a result of the privatizations of British Telecommunications plc in 1984,

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British Gas plc in 1986 and British Airways plc in early 1987, but with a few differences. A "pathfinder" prospectus will be released in the UK on September 25, 1987, while at the same time regulatory filings will be made in the overseas jurisdictions (including a registration statement filed with the Commission under the Securities Act of 1933 (the "1933 Act")). On October 15 ("Impact Day"), the Fixed Price in pounds sterling will be determined, and the UK retail offer will commence. Subsequent applications from UK retail purchasers, together with payment, must be submitted to HM Treasury's receiving banks by October 28 ("Application Day"), and the basis of allocation will be announced on October 30 ("Allocation Day"), when trading in instalment payment BP Shares and ADSs will commence worldwide. During the period between Application Day and Allocation Day, HM Treasury will negotiate with the UK institutions and the overseas underwriters and determine the single sales price for the International Offer and the final allocation of instalment payment securities among them, all of which will be announced at the opening of trading on Allocation Day, when all regulatory clearances (including SEC effectiveness) are expected to be obtained.

The Priority Offer will follow a slightly different schedule, to accommodate market practice and laws in a number of jurisdictions. Holders of BP Shares and ADSs on Impact Day will be offered the opportunity to subscribe, on a priority basis, to a certain amount of the shares being offered at the Fixed Price. For non-U.S. or Canadian holders, the Priority Offer requires acceptance by the holders in much the same manner as the Fixed Offer -- i.e., the holder must apply by Application Day with his payment in pounds accompanying his application. US and Canadian holders (the "North American holders") will be treated differently and the Priority Offer to them will be registered with the Commission under a 1933 Act registration statement separate from the one registering the US and Canadian portions of the International Offer. The North American holders will be required to apply, but without sending payment, for instalment payment BP Shares or ADSs by October 27, retaining the right to revoke their applications up through October 30. After the registration statement becomes effective on October 30, HM Treasury will accept all outstanding applications not theretofore revoked and send confirmations and final prospectuses to applicants, who have until November 5 to provide payment. If payment is received, the applicant will be sent certificates representing their instalment payment

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securities; if not, the defaulting applicants will be "sold out" to mitigate losses.

The entire Combined Offering (except for the bonus shares) will be underwritten at the Fixed Price on Impact Day, when HM Treasury expects to enter into two underwriting agreements: one with all overseas underwriting groups and the other with a group of some 15 UK merchant banks (the "UK Underwriters"), which will make a "stand-by" underwriting commitment covering instalment payment BP shares in the Combined Offering made to the UK public, the eligible BP employees, the anticipated securities that are to be sold to UK institutions in the International Offer and, lastly, the Priority Offer outside the US, Canada and Japan. The US, Canadian, Japanese and European syndicates will underwrite those portions of the International Offer expected to be sold to each of them and the US, Canadian and Japanese syndicates will also underwrite the Priority Offer to, respectively, US, Canadian and Japanese holders of BP Shares and ADSS. Shares not taken up in the Priority Offer will be allocated to the UK retail purchasers, to the extent there is demand, and if not, will be allocated back to the underwriting syndicate that had originally committed to stand by for them. As compensation for these commitments, each group of underwriters will be paid commissions by HMG.

As is typical in a UK offering, the UK underwriters expect to "lay off" all or a portion of their underwriting risk by entering into agreements with a number of institutional and other investors, such as pension funds, insurance companies, unit trusts and investment trust companies, as well as marketmakers in the securities being sold (collectively, the "Sub-underwriters"). In a typical offering there would be around 250 Sub-underwriters, but in the case of many larger UK offerings (including the 1977 BP Offering) there can be as many as 800. Pursuant to the sub-underwriting agreements each Sub-underwriter will be obligated in the event of the offering being undersubscribed to purchase, at the Fixed Price, a specified portion of any BP Shares which the UK Underwriters may be required to take up pursuant to their underwriting agreement with HM Treasury. Portions of the sub-underwriting may be arranged by brokers who customarily receive a commission based on the amount of the securities sub-underwritten through them. For its sub-underwriting commitment, each Sub-underwriter is normally paid a commission based on the amount of the securities which it has agreed to sub-underwrite. In the usual case the UK Underwriters and brokers will in this manner arrange for all

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or substantially all of the securities being offered in the UK to be sub-underwritten, but the UK Underwriters will be responsible for purchasing, on the same terms as the UK public, any shares which a Sub-underwriter fails to take up.

Unlike US Underwriters, the Sub-underwriters are typically substantial investors and not securities dealers (other than the Sub-underwriter-Marketmakers and the Non-UK Sub-underwriters described below). Many of them may therefore wish to acquire and hold for investment the securities being offered. If any such UK Sub-underwriter believes that the offering will be fully subscribed and that it will not acquire as a Sub-underwriter any of the securities being offered, it may make application for such securities in the International Offer or make purchases in the market, after October 30, of outstanding securities of the same class. Any such transactions by such a UK Sub-underwriter will be taken with a view to acquiring, whether as Sub-underwriter or through application or in the market, the aggregate amount of securities it wishes to acquire as an investment. Each such Sub-underwriter is free, and can be expected, to act independently. It will take its own investment decisions (i) during the offering period in accordance with its estimate of the likely outcome of the offering, (ii) after Allocation Day in accordance with the actual outcome of the offering and (iii) in either case with a view to its own investment objectives. There is no mechanism in a UK offer for sale for the Underwriters, the Sub-underwriters or any group of them to act together in bidding for or purchasing the securities being distributed for principal account; indeed, since the "Big Bang" discussed below, it would probably be illegal for any such concerted purchasing activity to take place -- in the absence of permissive rules, which are not yet in force.

UK Sub-underwriters do not take any active role in soliciting applications for the securities being offered. The principal inducement for an investor to make an application in a UK offer for sale is the discount from the market price. The UK Sub-underwriters' involvement in such an offer consists solely of what is known in U.S. offerings as a standby commitment -- that is, a commitment to purchase a specified proportion of the securities offered for which applications are not received. If at the conclusion of the offering a Sub-underwriter holds securities which it has acquired pursuant to such commitment, through application or in the market during the offering period in excess of the amount which it wanted to obtain or is willing to retain as

an investment, it can be expected to dispose of such securities in the market.

The major exception to the above discussion about UK Sub-underwriters involves the six marketmakers on the LSE who are expected to be Sub-underwriters in the proposed BP transaction. These marketmakers are the lineal and functional descendants of the "jobbers", referred to in the Rule 10b-6 exemption letter dated September 15, 1983 given by the Staff to Sullivan & Cromwell regarding the 1983 BP offering (the "1983 BP Letter"), who participate as Sub-underwriters at least partly to obtain stock with which to make a market. Unlike the case in 1983, we do not intend to ask for an exemption for these Sub-underwriter-Marketmakers, who will instead agree to be bound by the UK Underwriter-Marketmaker exemption requested in Part IV of this letter.

While the foregoing accurately describes the UK Sub-underwriters, which will constitute the great majority of all Sub-underwriters, Sub-underwriters outside the UK (the "Non-UK Sub-underwriters") may fall into a different category. A number of Non-UK Sub-underwriters will be much more nearly comparable to US securities dealers, and can be expected to distribute a substantial portion of any installment payment BP Shares taken up by them either through application in the International Offer or pursuant to their sub-underwriting commitments. In addition, neither the significance of BP Shares to the overall trading activities of Non-UK Sub-underwriters nor the importance of their participation to assure an orderly market in BP Shares is comparable to the situation with the UK Underwriters and the UK Sub-underwriters. Our proposal with respect to such non-UK Sub-underwriters is found in Part IV hereof.

III. The UK Market

Because the principal market for BP Shares is the LSE, and hence the entire Combined Offering depends on the maintenance of an orderly market in London, we believe it is important to explain how that market operates. BP's advisors estimate that daily trading volume in BP Shares on the LSE averages 15 million shares, and that this level of activity would be substantially increased during the period of the Combined Offering. By comparison, the daily trading volume on the New York Stock Exchange, the number two market for BP, averages 375,000 ADSs (equivalent to 4.5 million BP Shares).

As a result of the so-called "Big Bang" for UK financial markets in October 1986, the process by which BP Shares are traded in London has changed radically from that which prevailed at the time of the 1983 BP Letter. Prior to Big Bang, UK underwriters could not be affiliated with the "jobber" firms that facilitated marketmaking on the LSE. As a result of Big Bang, financial conglomerates -- combining brokerage houses, jobbers and underwriters -- have sprung up in London and, of the 16 current marketmakers in BP Shares on the LSE, all but four are affiliated with firms that are anticipated to be either UK or US underwriters for the proposed BP transaction.

The LSE market itself is now wholly a dealer market, and superficially resembles NASDAQ. The LSE rules, promulgated under the umbrella of the UK Financial Services Act 1986 ("FSA"), govern marketmaker conduct. Marketmakers are "registered" as such in a particular stock, and must continuously maintain two-way prices in not less than a marketable quantity on the LSE's Stock Exchange Automated Quotation ("SEAQ") system. Failure to maintain quotes or a continuous market can result in deregistration in the particular stock and the termination of marketmaking activities. Once a marketmaker is deregistered, re-registration does not become effective for a period of three months without LSE permission.

The regulatory pattern for LSE marketmakers is not yet completely set, and certain sections of the FSA itself are not in effect at this time. Nonetheless, certain anti-manipulative strictures seem certain to be imposed in the near future. Section 47(2) of the FSA, which becomes effective after December 31, 1987, provides

"any person who does any act or engages in any course of conduct which creates a false or misleading impression as to the market in or the price or value of any investments is guilty of an offence if he does so for the purpose of creating that impression and of thereby inducing another person to acquire, dispose of, subscribe for or underwrite those investments or to refrain from doing so or to exercise, or refrain

from exercising, any rights conferred by those investments."

It is expected that the LSE, within the penumbra of the authority of this statutory provision, will be imposing rules on its members that may parallel certain of the Commission's rules under Section 10 of the 1934 Act.

Marketmakers publish firm bid and offer prices together with the size of their quote on SEAQ. They are committed thereafter to buy or sell at the price and in the size quoted. In addition, the "inside" price of highest bid and lowest offer is highlighted in a yellow strip on the SEAQ screen, which also names the three firms -- ranked in the order their bid or offer was first made -- featuring the most competitive bid or offer price for each listed security. Marketmakers are committed to make a two-way price in a minimum size of 1,000 shares, but 12 of the 16 BP marketmakers are accustomed to making a two-way price in a size of at least 100,000 shares and up to 250,000 shares, and UK investors are used to seeing such marketmaking in size for BP Shares, particularly in light of the daily volume. The LSE has designated BP as an "alpha" stock in the SEAQ system, recognizing the need for liquidity; the 60-odd alpha stocks have to have a minimum of 10 active marketmakers.

Unlike the case with NASDAQ in the US, UK customers cannot directly enter orders with a UK marketmaker through the SEAQ system, but must reach him by phone to "hit" his bid. A marketmaker is committed, however, to executing orders at the price and size displayed in the system. Hence, the lead marketmaker in a particular stock can at times have his bid hit in size by several customers, resulting occasionally in an excessive long position. When this happens, the marketmaker acts somewhat in the role of an involuntary block positioner, and he usually attempts to lighten his capital commitment in a number of ways familiar to US practice. One method is to "lay off" the commitment by hitting the bids of other marketmakers; another is to lower his sale price to attract buy orders. In addition, UK marketmakers often sample the institutional market for the particular security by offering privately a special price at or below the current offered price in the SEAQ system. These special offerings, comparable to practices adopted by US marketmakers working on block transactions, are run off the marketmaker's desk to attract buyer interest and some additional liquidity for long positions.

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There is in addition to the LSE market for BP Shares a small LSE market in ADSs, which commenced operating in July of 1987 and has exhibited an average daily volume of about 150,000 ADSs (equivalent to 1,800,000 BP Shares). There are four current marketmakers, all of which are also marketmakers in BP Shares.

IV. Exemption from Rule 10b-6

Because the offering of instalment payment BP Shares outside the US is proposed to be coordinated with a registered distribution of instalment payment ADSs in the US, and because trading on the LSE will definitely influence market prices of BP Shares and ADSs in the US, a question arises as to the potential applicability of Rule 10b-6 under the Securities Exchange Act of 1934 (the "1934 Act") to trading in fully-paid BP Shares and ADSs by the UK Underwriters and Sub-underwriters and their affiliates during the US offering period.* In our view, there are serious doubts as to whether the jurisdictional requirement of the 1934 Act -- namely that there be a purchase of a security "by use of any means or instrumentality of interstate commerce, or of the mails or any facility of any national securities exchange" -- would be satisfied in the case of a UK Underwriter or Sub-underwriter's engaging in market transactions in the UK. Nonetheless, as discussed with the staff on a previous occasion, we hereby apply for an exemption from the provisions of Rule 10b-6 pursuant to paragraph (h) thereof, to the extent and for the reasons set forth below. We have been requested by HM Treasury to point out, however, that this application does not reflect a concession that Rule 10b-6 would apply to the activities of any UK Underwriter or Sub-underwriter in the absence of such an exemption.

As mentioned at our meeting with the Staff on August 13, 1987, it is essential to the success of the proposed transaction that the LSE market in fully-paid BP

* All members of the US, Canadian, Japanese and European underwriting syndicates will be subject to, and will agree in the orderly marketing agreement for the BP transaction to abide by, all rules and regulations of the Commission relating to trading and stabilization, including Rules 10b-6 and 10b-7, with respect to their own markets and that of the US.

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Shares not be inhibited during the course of the offering. Literal application of Rule 10b-6 to all UK marketmakers affiliated with a UK or US underwriter would remove all but four minor participants in the UK market and effectively halt trading in BP Shares at the very time that it is most crucial to maintain liquidity and an orderly market.

We recognize that the Staff has an interest in not granting an exemption more extensive than that needed to achieve the desired result. We therefore propose that the exemption cover the following points.

1. UK Marketmakers affiliated with UK Underwriters. -- These persons would be exempted from the operation of Rule 10b-6, but only to the extent of their marketmaking activities. Outside of marketmaking, these persons and their affiliates will not be permitted to purchase for their own accounts, or solicit or induce others to purchase, BP Covered Securities* during the Rule 10b-6 Period (see 5 below). These firms will cease publishing investment research on BP and their institutional and retail sales personnel will be prohibited from issuing investment advice with respect to, or otherwise inducing purchases of, fully-paid BP Shares and other BP Covered Securities; this prohibition on soliciting orders from clients will extend to responding to clients' requests for a view as to the purchase of fully-paid BP Shares. The investment recommendations on fully-paid BP Shares that are electronically transmitted by these firms to customers through the TOPIC system will be withdrawn from that system for the Rule 10b-6 Period. Phone calls regarding fully-paid BP Shares will be limited to the marketmaking activities described earlier in this application -- that is, responding to orders resulting from the bids displayed on the SEAQ system and informing institutions of special offers in the event of imbalances. And, to assure that there is no manipulative intent, each UK Underwriter will commit its affiliated marketmaker, through the UK underwriting agreement, to comply with, and be bound by, the provisions of Section 47(2) of the FCA as if it were currently in effect.

* For purposes of Rule 10b-6, "BP Covered Securities" herein includes fully-paid BP Shares and ADSs, and Warrants to purchase BP Shares issued in the Standard Oil transaction of 1987.

2. UK Marketmakers affiliated with US Underwriters -- There are currently four UK marketmakers on the LSE who are affiliated with firms expected to be US underwriters for the BP transaction, and who are not affiliated with any UK underwriter. We propose that the Commission issue an exemption from Rules 10b-6 and 10b-7 to permit such marketmakers to continue making markets on the LSE during the Rule 10b-6 Period, but only in a "passive" manner. We are aware that there have been extensive discussions between members of the Staff and the LSE on "passive" marketmaking and that both parties to these discussions favor some form of accommodation, but in the absence of any published proposal, we request an exemption for the BP transaction along the lines of Annex A hereto.

3. Sub-underwriters and Brokers. -- As in 1983, we propose that UK Sub-underwriters not acting as marketmakers be wholly exempted from Rule 10b-6. Such persons are, in the main, traditional institutional investors and should not be treated as market participants. The UK Sub-underwriters who are marketmakers, however, will be treated as if they were UK Underwriters, and will be subject to the limited exception set forth in 1 above, as will the brokers who obtain sub-underwriting commitments. As for the Non-UK Sub-underwriters, we propose to include in the sub-underwriting agreement with each of them (as was done in the 1977, 1979 and 1983 BP stock offerings), a provision requiring such Non-UK Sub-underwriters to observe the trading restrictions set forth in Rule 10b-6 in full during the Rule 10b-6 Period. Although many of these persons are also institutional investors and end-buyers comparable to the UK Sub-underwriters, it is easier to draw the line at the national boundary than to examine the status of each Non-UK Sub-underwriter as a separate issue.

4. ADSS. -- The market in fully-paid ADSS is clearly derivative of the market for fully-paid BP Shares. The ADS market on the LSE is very small, having only recently started up, and really gets most of its volume when the ADS market on the NYSE is closed. In light of the small volume, and the potential hardship if the LSE marketmaking rules described in Part III above were to prevent this market from operating for three months, we request that the Staff permit marketmaking on the LSE in fully-paid ADSS by marketmakers affiliated with UK underwriters to continue during the Rule 10b-6 Period, subject to the same restrictions laid down in 1 above.

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As to the market in ADSs in New York, all persons affiliated with US or UK Underwriters will comply with Rule 10b-6 during the Rule 10b-6 Period. It is expected that the NYSE specialist, and marketmakers unaffiliated with underwriters, will enter the market during the period of withdrawal to fill up any vacancies caused by the departure of the affiliated broker-dealers.

5. Applicable Period. -- We propose that the date of commencement of offers or sales provided in Rule 10b-6 be deemed to be the date of effectiveness of the registration statement for the International Offer, October 30, 1987, and that solicited brokerage and principal transactions be permitted to be effected prior to two business days before commencement of such offers or sales -- i.e., through October 27. The period for prohibition of such purchases and inducements (the "Rule 10b-6 Period"), therefore, will extend from October 28 to the time of termination of the US distribution. The Staff has recently recognized, in a number of contexts, that the price of stocks of many large corporations in the UK often are below the \$5 price set forth in Rule 10b-6(a)(v) and (xi), and hence a two day "cooling-off" period is more appropriate for such a security than a nine day period would be. Cf. C.H. Beazer (Holdings) PLC (avail. May 28, 1987). At a current price level of 350p per BP Share, the stock is actually above the \$5 limit, but the instalment payment BP Shares will be priced below \$5, and markets can fluctuate. We submit that for a corporation like BP, with the trading characteristics described above, the two day period should be adequate to satisfy the Commission's regulatory responsibilities.

As indicated above, the Priority Offer to US and Canadian holders -- the quasi-rights offering -- will commence October 15, although sales will not take place until after the US and Canadian registration statements go effective (or the Canadian equivalent -- acceptance of the Canadian prospectus by Canadian regulators), applications not previously rescinded are accepted by HMG and confirmations -- together with final prospectuses -- are mailed out to successful applicants. But the real inducement for US and Canadian ADS holders and direct holders of BP Shares to purchase in the Priority Offer is the anticipated substantial discount from the current market price of the fully-paid BP Shares. This discount, it should be noted, is not merely an arithmetic calculation off the price of fully-paid BP Shares at October 15, since the effective discount is increased by the partly-paid feature of the instalment payment BP Shares

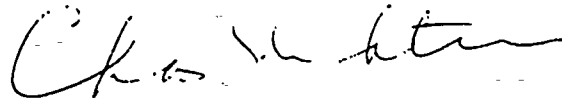
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and ADSS, and also by the time value of money. As a result of the discount, the US underwriters are really not involved in the distribution of the Priority Offer securities in the US, despite the fact that they have underwritten the offer on a stand-by basis. We believe, therefore, that the Staff would be correct in ignoring the Priority Offer in determining the date for commencement of the Rule 10b-6 Period.

We believe these proposed exemptions would make it possible to maintain liquidity for BP Shares throughout the offering while effectively eliminating the chances for abuse at which Rule 10b-6 is aimed.

Please do not hesitate to call collect to the undersigned at (212) 530-4888 or to Samuel F. Pryor, III at (212) 530-4300 if we may be of any assistance in connection with this application.

Very truly yours,



Charles S. Whitman, III