

6. Applicant believes that the terms of the requested order are consistent with the protection of investors and the intention of the SEC in exempting transactions from section 10(f) pursuant to rule 10f-3. The requested order departs from rule 10f-3 only in that the offerings will not be subject to registration under section 5 of the Securities Act as required by subsection (a)(1) of rule 10f-3.

7. Applicant states that adherence to the conditions contained in the application will provide an adequate substitute for the registration requirement of rule 10f-3. In addition, the nature of a public offering and a firm commitment underwriting in Mexico make it highly likely that a wide group of offerees will take part in the offering, and that the securities will be offered to and purchased by affiliated and unaffiliated persons on the same terms. Furthermore, where an issuer's financial statements are available for the last two years, applicant believes that it will be assured of having the basic financial information needed to evaluate the security. Together with the public offering requirement, such statements also provide assurance that the securities were issued in the "ordinary course" of business. Applicant therefore believes that exemption from the provisions of section 10(f) in accordance with the conditions set forth in the application is consistent with the protection of investors and the purposes intended by the passage of section 10(f) of the Act and rule 10f-3 thereunder.

Applicant's Conditions

Applicant agrees that any order of the SEC granting the requested relief will be subject to the following conditions:

1. All securities purchased in Mexico under circumstances subject to section 10(f) of the Act will be purchased in public offerings conducted in accordance with the laws of Mexico.

2. All subject foreign issuers of securities in which the Fund invests pursuant to the requested order will have available to prospective purchasers, including the Fund, financial statements, audited in accordance with Mexican accounting standards, for at least the two years prior to purchase.

3. All purchases made by the Fund pursuant to the requested order will comply with all provisions of rule 10f-3 except for the registration requirement set forth in rule 10f-3(a)(1).

For the SEC, by the Division of Investment Management, under delegated authority.
Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-10583 Filed 4-29-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37139; File No. SR-Amex-96-08]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to the Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Trading of Options on the Amex Gold BUGSSM Index

April 23, 1996.

I. Introduction

On February 9, 1996, the American Stock Exchange, Inc. ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to provide for the listing and trading of standardized options on the Amex Gold BUGSSM Index ("Index").

Notice of the proposed rule change appeared in the Federal Register on March 20, 1996.³ On April 15, 1996, the Amex amended its proposal.⁴ No comment letters were received on the proposed rule change. This order approves the Exchange's proposal, as amended.

II. Description of Proposal

A. General

The Amex proposes to trade options on the Index, a modified equal-dollar

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1995).

³ See Securities and Exchange Act Release No. 36953 (March 11, 1996), 61 FR 11448.

⁴ See Letter from Claire P. McGrath, Managing Director and Special Counsel, Derivative Securities, Amex, to Michael Walinskas, Branch Chief, Derivatives Regulation, Office of Self-Regulatory Oversight, Division of Market Regulation, Commission, dated April 15, 1996 ("Amendment No. 1"). In Amendment No. 1, the Amex replaced one of the Index's component stocks, Hemlo Gold Mines, with Cambior Inc., because Hemlo Gold Mines is expected to merge with Battle Mountain Gold Company in June 1996. The Amex also removed Santa Fe Pacific Gold Corp. from the Index because it no longer meets the Amex's requirement for the hedging of gold production. In addition, the Amex represented that (1) the Exchange will promptly notify the Commission if the Index fails to meet the maintenance criteria provided in the proposal; and (2) the Index will be maintained so that foreign country securities or American Depositary Receipts ("ADRs") thereon that are not subject to comprehensive surveillance sharing agreements will not represent more than 20% of the weight of the Index.

weighted index developed by the Amex and comprised of 14 gold mining company stocks (or ADRs thereon) which are traded on the Amex or the New York Stock Exchange, Inc. ("NYSE"). In addition, the Amex proposes to amend Commentary .01 to Amex Rule 901C, "Designation of Stock Index Options," to indicate that 90% of the Index's numerical index value must be accounted for by stocks which meet the then current criteria and guidelines provided in Amex Rule 915, "Criteria for Underlying Securities" and to indicate that these criteria must also be satisfied immediately following each quarterly rebalancing.

The Exchange believes that an index of gold mining stocks whose values are affected strongly by the price of gold will be attractive to many investors. According to the Amex, gold companies generally manage the risks associated with fluctuating prices by hedging their future production. The Amex notes that companies that hedge their gold production for longer periods are less affected by the fluctuating price of gold. In an effort to give investors an index with a significant exposure to the near term movements in gold prices, the Exchange has included in the Index those gold mining companies that do not hedge their gold production for extensive periods into the future. Specifically, the Amex states that only companies that have a hedging ratio of less than 1½ years production will be considered for inclusion in the Index.

B. Eligibility Standards for Index Components

The Amex states that the Index conforms with Exchange Rule 901C, which specifies criteria for the inclusion of stocks in an index on which standardized options will be traded. According to the Amex, the Index also conforms to most of the criteria set forth in Amex Rule 901C, Commentary .02 (which provides for the commencement of trading of options on an index 30 days after the date of filing), except that the Index is calculated using a modified version of the equal-dollar weighting method and four of the components of the Index do not meet the six month minimum trading volume criteria.⁵

⁵ Under Amex Rule 901C, Commentary .02, the Amex may list options on a stock industry index pursuant to Section 19b(3)(A) under the Act provided that the index satisfies certain criteria. Commentary .02 requires, among other things, that the index be calculated based on either the capitalization weighting, price weighting, or equal-dollar weighting methodology, and that the trading volume for each component stock of the index in each of the last six months be not less than 1,000,000 shares, except that for each of the lowest weighted component securities in the index that in

According to the Amex, all of the Index's component securities meet the following standards: (1) all of the Index's component securities are traded on the Amex or the NYSE; (2) the component stocks comprising the top 90% of the Index by weight have a market capitalization⁶ of at least \$75 million, and those component stocks constituting the bottom 10% of the Index by weight have a market capitalization of at least \$50 million; and (3) foreign country securities or ADRs thereon that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20% of the weight of the Index.

C. Index Calculation

The Index is calculated using a modified equal-dollar weighting methodology. Three of the Index's 14 component companies are given higher weightings based upon their market value. The following is a description of how this modified equal-dollar weighting calculation method works. As of the market close on February 5, 1996, a portfolio of gold mining company stocks was established representing an investment of approximately (1) \$16,000 in two components in the Index; (2) \$12,000 in one of the components; (3) \$2,000 in two components; and (4) \$4,300 in the remaining 12 components (rounded to the nearest whole share). The value of the Index equals the current market value (*i.e.*, based on U.S. primary market prices) of the sum of the assigned number of shares of each of the stocks in the Index portfolio divided by the Index divisor. The Index divisor was initially determined to yield the benchmark value of 200.00 at the close of trading on February 5, 1995. Each quarter thereafter, following the close of trading on the Thursday prior to the third Friday of March, June, September, and December, the Index portfolio will be reviewed and adjusted if any one of the three components initially representing higher weightings in the Index value currently represents 25% or more of the Index value, or if any one of the other components initially representing lower weightings in the Index value currently represents 5% or more of the Index value. The Index portfolio will be rebalanced, if necessary, by changing the number of whole shares of each component stock so that the three components initially given higher weights will again

represent less than 25% of the Index value and the remaining lower-weighted components will each represent less than 5% of the Index value. In any event, the five highest weighted components cannot represent more than 60% of the Index value at each quarterly rebalancing.⁷

The Exchange has chosen to rebalance the Index following the close of trading on the Thursday prior to the third Friday of March, June, September and December, since it allows an option contract to be held for up to three months without a change in the Index portfolio while, at the same time, maintaining the equal-dollar weighting feature of the Index. If necessary, a divisor adjustment will be made at the rebalancing to ensure the continuity of the Index's value. The newly adjusted portfolio becomes the basis for the Index's value on the first trading day following the quarterly adjustment.

As noted above, the number of shares of each component stock in the Index portfolio remains fixed between quarterly reviews except in the event of certain types of corporate actions such as the payment of a dividend other than an ordinary cash dividend, stock distribution, stock split reverse stock split, rights offering, distribution, reorganization, recapitalization, or similar event with respect to the component stocks. In a merger or consolidation of an issuer of a component stock, if the stock remains in the Index, the number of shares of that security in the portfolio may be adjusted, to the nearest whole share, to maintain the component's relative weight in the Index at the level immediately prior to the Corporate Action. In the event of a stock addition or replacement, the new component stock will be added to the Index at a weight determined by the Exchange and the Index will be rebalanced. In all cases, the divisor will be adjusted, if necessary, to ensure Index continuity.

Similar to other stock index values published by the Exchange, the value of the Index will be calculated continuously and disseminated every 15 seconds over the Consolidated Tape Association's Network B.

D. Maintenance of the Index

The Exchange will maintain the Index so that upon quarterly rebalancing: (1) the total number of component securities will not increase or decrease by more than 33⅓% from the number of components in the Index at the time of its initial listing and in no event will the Index have fewer than nine

components; (2) components stocks constituting the top 90% of the Index by weight will have a minimum market capitalization of \$75 million and the component stocks constituting the bottom 10% of the Index by weight will have a minimum market capitalization of \$50 million; (3) at least 90% of the Index's numerical index value and at least 80% of the total number of component securities individually will meet the then current criteria for standardized option trading set forth in Amex Rule 915; (4) stocks constituting 85% of the Index will have a monthly trading volume of at least 500,000 shares for each of the last six months; (5) no single component will represent more than 25% of the weight of the Index and the highest weighted components will represent no more than 60% of the Index at each quarterly rebalancing; and (6) in order to maintain the character of the Index, companies whose gold production hedging policies change to greater than 1½ times annual production will be considered for removal from the Index. In addition, the Index will be maintained so that foreign country securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements will not in the aggregate represent more than 20% of the weight of the Index.⁸

The Amex will not open for trading any additional option series if the Index fails to satisfy any of the maintenance criteria set forth above unless the Exchange determines that such failure is not significant and the Commission concurs in that determination or unless the continued listing of options on the Index has been approved by the commission pursuant to Section 19(b)(2) of the Act.

E. Expiration and Settlement

The options on the proposed Index will be European-style (*i.e.*, exercises permitted only at expiration) and cash-settled. Standard option trading hours (9:30 a.m. to 4:10 p.m. New York time) will apply. Options on the Index will expire on the Saturday following the third Friday of the expiration month ("Expiration Friday"). The last trading day in an expiring option series normally will be the second to last business day preceding the Saturday following the third Friday of the expiration month (normally a Thursday). Trading in expiring options will cease at the close of trading on the last trading day.

The Amex plans to list options series with expirations in the three near-term calendar months and in the two

the aggregate account for no more than 10% of the weight of the index, the trading volume must be at least 500,000 shares in each of the last six months.

⁶In the case of ADRs, this represents market capitalization as measured by total world-wide shares outstanding.

⁷ See *infra* Section II.D.

⁸ See Amendment No. 1, *supra* note 4.

additional calendar months in the March cycle. In addition, the Amex may list longer term option series having up to 36 months to expiration. In lieu of such long-term options on a full value Index, the Amex may instead list long-term, reduced value put and call options based on one-tenth (1/10th) the Index's full value. In either event, the interval between expiration months for either a full value or reduced value long-term option will not be less than six months. The trading of any long-term Index options will be subject to the same rules which govern the trading of all of the Amex's index options, including sales practice rules, margin requirements, and floor trading procedures, and all Index options will have European-style exercise. Position limits on reduced-value long term Index options will be equivalent to the position limits for full value Index options and will be aggregated with such options. For example, if the position limit for the full value Index options is 9,000 contracts on the same side of the market, then the position limit for the reduced value Index options will be 90,000 contracts on the same side of the market.

The exercise settlement value for all of the Index's expiring options will be calculated based upon the primary exchange's regular way opening sale prices for the component stocks. In the case of securities traded through the facilities of the National Association of Securities Dealers Automated Quotation system ("NASDAQ"), the first regular way sale price will be used. If any component stock does not open for trading on its primary market on the last trading day before expiration, then the prior day's last sale price will be used in the calculation.

F. Exchange Rules Applicable to Stock Index Options

Amex Rules 900C, "Applicability and Definitions," through 980C, "Exercise of Stock Index Option Contracts," will apply to the trading of option contracts based on the Index. These rules cover issues such as surveillance, margin requirement, trading halts, exercise prices, and position and exercise limits. The Index is deemed to be a stock index option under Amex Rule 901C (a) and a stock index industry group under Amex Rule 900C (b)(1).⁹ With respect to paragraph (b) of Amex Rule 903C, "Series of Stock Index Options," the Exchange proposes to list near-the-money option series on the Index at 2½ point strike (exercise) price intervals

when the value of the Index is below 200 points. In addition, the Exchange expects that the review required by paragraph (c) of Amex Rule 904C, "Position Limits," will result in a position limit of 9,000 contracts for options on the Index.¹⁰

G. Surveillance

Surveillance procedures currently used to monitor trading in each of the Exchange's other index options will also be used to monitor trading in options on the Index. Further, the Intermarket Surveillance Group ("ISG") Agreement, dated July 14, 1983, as amended on January 29, 1990, will be applicable to the trading of options on the Index.¹¹

III. Findings and Conclusions

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5).¹² Specifically, the Commission finds that the trading of Index options, including full-value and reduced-value long-term Index options, will serve to promote the public interest and help to remove impediments to a free and open securities market by providing investors with an additional means to hedge exposure to market risk associated with

¹⁰ Amex Rule 904C(c) provides that the position limit for an industry index option will be 9,000 contracts if the Amex determines at the commencement of trading of the options that any single stock in the underlying stock index industry group accounted, on average, for 20% or more of the numerical index value or that any five stocks in the group together accounted, on average, for more than 50% of the numerical index value, but that no single stock in the group accounted, on average, for 30% or more of the numerical index value, during the 30-day period immediately preceding the review.

¹¹ ISG was formed on July 14, 1983, to among other things, coordinate more effectively surveillance and investigative information sharing arrangements to the stock and options markets. See Intermarket Surveillance Group Agreement, July 14, 1983. The most recent amendment to the ISG Agreement, which incorporates the original agreement and all amendments made thereafter, was signed by ISG members on January 29, 1990. See Second Amendment to the Intermarket Surveillance Group Agreement, January 29, 1990. The members of the ISG are: the Amex; the Boston Stock Exchange, Inc.; the Chicago Board Options Exchange, Inc.; the Chicago Stock Exchange, Inc.; the National Association of Securities Dealers, Inc. ("NASD"); the NYSE; the Pacific Stock Exchange, Inc.; and the Philadelphia Stock Exchange, Inc. Because of potential opportunities for trading abuses involving stock index futures, stock options, and the underlying stock, and the need for greater sharing of surveillance information for these potential intermarket trading abuses, the major stock index futures exchanges (e.g., the Chicago Mercantile Exchange and the Chicago Board of Trade) joined the ISG as affiliate members in 1990.

¹² 13 U.S.C. 78f(b)(5) (1988).

stocks in the gold mining industry.¹³ The Amex states that the Index is designed to provide significant exposure to the near term movements in gold prices and, accordingly, is comprised of gold mining companies that do not hedge their gold production for extensive periods into the future.

The trading of options on the Index and on a reduced-value Index, however, raises several issues relating to index design, customer protection, surveillance, and market impact. The Commission believes, for the reasons discussed below, that the Amex has addressed these issues adequately.

A. Index Design and Structure

The Commission believes it is appropriate for the Exchange to designate the Index as a narrow-based index for purposes of index options trading. The Index is comprised of 14 stocks intended to track gold mining companies whose values are strongly affected by the price of gold. The Commission also finds that the reduced-value Index is a narrow-based index because it is composed of the same component securities as the Index, and merely dividing the Index value by ten will not alter its basic character. Accordingly, the Commission believes that it is appropriate for the Amex to apply its rules governing narrow-based index options to trading in the Index options and long-term full-value and reduced-value Index options.¹⁴

The Commission also believes that the large capitalizations, liquid markets, and relative weightings of the Index's component stocks minimize the potential for manipulation of the Index. First, the stocks that comprise the Index are actively traded, with a mean and median average monthly trading volume for the six month period ending March 29, 1996, of 6,429,400 shares and 3,500,655 shares, respectively. Second, the market capitalizations of the stocks in the Index are very large, ranging from a high of \$6.6 billion to a low of \$145 million as of March 29, 1996, with the

¹³ Pursuant to Section 6(b)(5) of the Act, the Commission must predicate approval of any new option proposal upon a finding that the introduction of such new derivative instrument is in the public interest. Such a finding would be difficult for a derivative instrument that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns. In this regard, the trading of listed options on the Index will provide investors with a hedging vehicle that should reflect the overall movement of the stocks representing companies in the gold mining sector in the U.S. stock markets.

¹⁴ See *supra* Section II.F.

⁹ Under Amex Rule 900C(b)(1), a stock index industry group is an index of stocks representing a particular industry or related industries.

mean and median being \$1.8 billion and \$759 million, respectively. Third, because the index is modified equal dollar-weighted, as described above, no one particular stock or group of stocks dominates the Index. Specifically, as of March 29, 1996, no one stock accounted for more than 16.79% of the Index's total value and the percentage weighting of the five highest weighted stocks in the Index accounted for 59.19% of the Index's value.

The Amex's proposed inclusion of Class B common and the Class B and Class C convertible preferred stock of Freeport McMoran Cooper & Gold presents some concern since options trading is not currently allowed on convertible preferred stock. However, given the *de minimis* representation of these components in relation to the overall Index (4.2% of the Index's weight) and the Index requirement that over 90% of the weight of the Index must comply with the listing criteria for standardized options trading set forth in Amex Rule 915, the Commission believes it is appropriate to include these components in the Index.¹⁵ The Commission notes that, currently, 91.29% of the weight of the Index complies with the listing criteria for standardized options trading set forth in Amex Rule 915.

Fourth, the proposed maintenance criteria will serve to ensure that: (1) The Index remains composed substantially of liquid highly capitalized securities; and (2) the Index is not dominated by one or several securities that do not satisfy the Exchange's options listing criteria. Specifically, in considering changes to the composition of the Index, 90% of the weight of the Index and 80% of the number of components in the Index must at all times comply with the listing criteria for standardized options trading set forth in Amex Rule 915.

The Amex will notify Commission staff promptly at any time the Amex determines that the Index fails to satisfy any of the foregoing maintenance criteria.¹⁶ Further, in such an event, the Exchange will not open for trading any additional series of Index options or Index long-term options unless the Exchange determines that such failure is

not significant, and Commission staff concurs in the determination.

Finally, the Commission believes that the existing mechanisms to monitor trading activity in the component stocks of the Index, or options on those stocks, will help deter as well as detect any illegal activity.

B. Customer Protection

The Commission believes that a regulatory system designed to protect public customers must be in place before the trading of sophisticated financial instruments, such as Index options (including full-value and reduced-value long-term Index Options), can commence on a national securities exchange. The Commission notes that the trading of standardized exchange-traded options occurs in an environment that is designed to ensure, among other things, that: (1) the special risks of options are disclosed to public customers; (2) only investors capable of evaluating and bearing the risks of options trading are engaged in such trading; and (3) special compliance procedures are applicable to options accounts. Accordingly, because the Index options and Index long-term full-value and reduced-value options will be subject to the same regulatory regime as the other standardized index options currently traded on the Amex, the Commission believes that adequate safeguards are in place to ensure the protection of investors in Index options and full-value or reduced-value Index long-term options.

C. Surveillance

The Commission believes that a surveillance sharing agreement between an exchange proposing to list a stock index derivative product and the exchange(s) trading the stocks underlying the derivative product is an important measure for surveillance of the derivative and underlying securities markets. Such agreements ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the stock index product less readily susceptible to manipulation.¹⁷ In this regard, the Commission notes that the Amex and the NYSE are members of the ISG.¹⁸ The Commission believes that this arrangement ensures the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Index options and full-value and

reduced-value long-term Index options less readily susceptible to manipulation.¹⁹

The Commission notes that foreign country securities or ADRs thereon that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20% of the weight of the Index.²⁰ Accordingly, because the Amex and the NYSE are members of the ISG, at least 80% of the securities comprising the Index are subject to an arrangement that ensures the availability of information necessary to detect and deter potential trading abuses. As a result, the Amex should be able to adequately investigate any potential manipulations of Index options or their underlying securities. In addition, the Commission believes that the limitation on the foreign securities or ADRs may be included in the Index will help to ensure that Index options are not used as surrogate instruments to trade options on stocks and/or ADRs that otherwise are not eligible for options trading.

D. Market Impact

The Commission believes that the listing and trading of Index options, including full-value and reduced-value Index LEAPS on the Amex, will not adversely affect the underlying securities markets. First, because of the "modified equal dollar-weighting" method that will be used, as described above, no one security or group of securities represented in the Index will dominate the weight of the Index immediately following a quarterly rebalancing. Second, the Index maintenance criteria ensure that the Index will be substantially comprised of securities that satisfy the Exchange's listing standards for standardized options trading, and that one or a few stocks do not dominate the Index. Third, the currently applicable 9,000 contract position and exercise limits will serve to minimize potential manipulation and market impact concerns. Fourth, the risk to investors of contra-party non-performance will be minimized because the Index options and Index long-term options will be issued and guaranteed by the Options Clearing Corporation just like any other

¹⁵ This conclusion is strengthened by the fact that the Freeport McMoran Copper & Gold convertible preferred components, when added along with the Freeport McMoran Copper & Gold common stock component, result in a total weighting of only 16.59% of the Index's total value. The Commission notes that it would be concerned if the Freeport McMoran components, taken together, dominated the Index. The Amex's maintenance criteria, along with the quarterly rebalancings of the Index, should help to ensure that such domination is not likely to occur.

¹⁶ See Amendment No. 1, *supra* note 4.

¹⁷ See Securities Exchange Act Release No. 31243 (September 28, 1992), 57 FR 45849.

¹⁸ See *supra* note 10.

¹⁹ See, e.g., Securities Exchange Act Release No. 31243 (September 28, 1992), 57 FR 45849 (order approving the listing of index options and index LEAPS on the Chicago Board Options Exchange Biotech Index).

²⁰ The Index will be maintained so that foreign country securities or ADRs thereon that are not subject to a comprehensive surveillance sharing agreement will not in the aggregate represent more than 20% of the weight of the Index. See Amendment No. 1, *supra* note 4.

standardized option traded in the United States.

Lastly, the Commission believes that settling expiring Index options (including full-value and reduced-value long-term Index options) based on the opening prices of component securities is reasonable and consistent with the Act. As has been noted previously, valuing index options for exercise settlement on expiration based on opening rather than closing prices of index component securities may help to reduce adverse effects on markets for such securities.²¹

The Commission finds good cause for approving Amendment No. 1 to the proposal prior to the thirtieth day after the date of publication of the notice of filing thereof in the Federal Register. Specifically, Amendment No. 1 strengthens the Exchange's proposal by eliminating from the Index the stock of one company which is expected to merge with another company and replacing one Index component which no longer meets the Amex's requirement for the hedging of gold production. In addition, Amendment No. 1 strengthens and clarifies the proposal by indicating that the Exchange will promptly notify the Commission if the Index fails to meet the maintenance criteria provided in the proposal and representing that the Index will be maintained so that foreign country securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements will not represent more than 20% of the weight of the Index. Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 1 to the proposal on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also 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 in the caption above and should be submitted by May 21, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²² that the proposed rule change (SR-Amex-96-08), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²³

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-10585 Filed 4-29-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37141; File No. SR-CBOE-96-13]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to the Exchange's Member Death Benefit Program

April 24, 1996.

I. Introduction

On March 11, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed a proposed rule change with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² to revise its Member Death Benefit Program to expand its coverage to include certain recently active members and to establish a defined benefit of \$50,000.

Notice of the proposal was published for comment and appeared in the Federal Register on March 20, 1996.³ No comment letters were received on the proposed rule change. This order approves the Exchange's proposal.

II. Background

The Exchange's Member Death Benefit Program is set forth in CBOE Rule 3.24 and functions in the following manner. The Member Death Benefit Program covers any natural person who is a nominee of a member organization, a Chicago Board of Trade exerciser, a

lessee of an Exchange membership, or an owner of an Exchange membership that is not being leased to a lessee. The Exchange refers to the foregoing individuals as "active members." Each active member designates a beneficiary under the Program. Upon the death of an active member, the Exchange pays a member death benefit to that member's designated beneficiary. The amount of the benefit is equal to the number of active members at the time of the member's death multiplied by \$25. Because this benefit is based on the number of active members, the amount of the benefit fluctuates as the number of active members fluctuates. As of December 31, 1995, there were 1,384 active members. Therefore, if a benefit were to have been paid on that date, it would have been equal to \$34,600. After a member death benefit has been paid under the Program, the Exchange bills each active member \$25 in order to recoup the cost of the benefit.

III. Description of the Proposal

The Exchange proposes to revise the Member Death Benefit Program in two primary respects. First, the Exchange proposes to expand the coverage of the Member Death Benefit Program to cover any individual who (i) was an active member within 90 days prior to the date of his or her death and (ii) was an active member during at least 274 out of the 365 days preceding the date of his or her last termination from active member status. This expanded coverage would be in addition to the Program's current coverage of any individual who is an active member at the time of his or her death. Second, the Exchange proposes to establish a defined member death benefit under the Program of \$50,000. This \$50,000 benefit would replace the current member death benefit under the Program which is based on the number of active members at the time of a member's death. Accordingly, instead of being billed \$25 by the Exchange after a member death benefit payout has occurred, under the proposed rule change each active member will be assessed an amount equal to \$50,000 divided by the number of active members at the time of the assessment.

The proposed rule change also makes two clarifications concerning the administration of the Member Death Benefit Program. First, the proposed rule change clarifies that in no event shall more than one member death benefit be paid by reason of the death on an individual who is eligible to receive the member death benefit. Second, the proposed rule change clarifies that the active members who will be assessed after a member death

²¹ See Securities Exchange Act Release No., 30944 (July 21, 1992), 57 FR 33376 (July 28, 1992).

²² 15 U.S.C. 78s(b)(2) (1988).

²³ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 36961 (March 13, 1996), 61 FR 11452.