

security into another class of security or the spin-off of a subsidiary. If the security remains in the Index, the multiplier may be adjusted to maintain the continuity of the Index's value. In the event that a security in the Index is removed due to a corporate consolidation and the holders of such security receive cash, the cash value of such security will be included in the index and will accrue interest at LIBOR to term.

(2) Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

B. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change will impose no burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. 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. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to SR-Amex-96-18 and should be submitted by June 27, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹

Jonathan G. Katz,

Secretary.

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[Release No. 34-37251; International Series Release No. 987; File No. SR-CBOE-96-32]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Board Options Exchange, Inc., To Change the Method for Determining the Exercise Settlement Value of Options on the Mexican Indice de Precios y Cotizaciones

May 29, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 16, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The CBOE has requested accelerated approval for the proposal. This order approves the CBOE's proposal on an accelerated basis and solicits comments from interested persons.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Change

The CBOE is proposing to allow for an alternative method of determining the settlement value of options on the

Mexican Indice de Precios y Cotizaciones ("IPC" or "Index").³

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend Exchange Rule 24.9 to provide the Mexican Stock Exchange ("Bolsa") with the discretion to utilize either the closing prices of the component securities or a weighted average of the prices for each of the component securities in determining the exercise settlement value of IPC options. Currently, the settlement value of the IPC is determined based upon the closing prices of the component stocks on the regular Friday trading sessions in Mexico.⁴

If the Bolsa elects to use the weighted average methodology, the IPC's settlement value will be determined by reference to transactions in the component securities during a period of time at the end of the trading day immediately preceding expiration, or in the cases described below on the Thursday before expiration. The Exchange notes, however, that if a stock fails to open for trading or if a stock fails to trade during the time period when its value is determined, the stock's last available price will be used in the calculation of the IPC. In addition, when expirations are moved in accordance with Exchange holidays, such as when the CBOE is closed on the Friday before expiration, the last trading day for expiring IPC Index options will be the regular Thursday trading session in Mexico even if the Mexican markets are open on Friday. Similarly, if the

³ The IPC is a broad-based, capitalization-weighted index comprised of 35 of the largest and most liquid stocks (issued by 28 issuers) on the Mexican Stock Exchange ("Bolsa").

⁴ See Securities Exchange Act Release No. 37189 (May 9, 1996). 61 FR 24982 (May 17, 1996) (order approving the listing and trading of options on the IPC).

¹ 17 CFR 200.30-3(a)(12).

² 15 U.S.C. 78s(b)(1) (1988).

³ 17 CFR 240.19b-4

Mexican markets are closed on the Friday before expiration and the CBOE is open for trading, the last trading day for expiring IPC Index options on the CBOE will be Thursday.

The Exchange notes that if the Bolsa decides to use a weighted average method to determine the settlement value of IPC options, the CBOE will issue a press release stating that such a determination has been made and listing which series will be affected by the new settlement methodology. The Exchange will also issue a regulatory circular to its members and member firms informing them of the specifics of the settlement methodology, as well as which series will be affected by the new settlement methodology.⁵ In addition to distributing the regulatory bulletin on the floor of the Exchange, the Exchange will publish the regulatory circular in its regulatory bulletin.

According to the Exchange, the weighted average methodology is less likely to be manipulated because the settlement value is not determined by reference to only one transaction in each of the component securities, but rather is determined by the weighted average of a series of transactions in each of the component stocks over a period of time at the end of the trading day. Presently, the Bolsa has not made a final determination regarding which settlement methodology it will employ.

2. Statutory Basis

The CBOE believes that the proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it will allow the Exchange to trade IPC options without interruption if the Bolsa changes its settlement methodology. In this regard, the CBOE believes that the rule change furthers the objectives of Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The CBOE does not believe that the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Comments were neither solicited nor received with respect to the proposed rule change.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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, NW., Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-96-32 and should be submitted by [insert date 21 days from date of publication].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirement of Section 6(b)(5) thereunder. Specifically, the Commission finds that the CBOE's proposal to change the method for determining the settlement value of IPC options does not present any new or novel regulatory issues as the Commission has previously approved settlement methodologies utilizing average weighted prices.⁶ In addition, by issuing both a press release and a regulatory circular concerning the change in settlement methodology for IPC options, which will include information pertaining to which series will be affected by the new settlement

methodology, investor confusion should be avoided. Lastly, the Commission believes that the weighted average settlement methodology may reduce the susceptibility of the Index to manipulation by diminishing the impact of a single trade on the settlement price.⁷

The Commission finds good cause to approve the proposal prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. By accelerating the effectiveness of the CBOE's rule proposal, the Commission is ensuring that the Exchange will be able to list index options on the IPC without any interruption if the Bolsa decides to change the settlement methodology while continuing to ensure that investors are adequately informed of the changes in settlement methodology. Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the proposed rule change on an accelerated basis.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) ⁸ of the Act, that the proposed rule change (File No. SR-CBOE-96-32) is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Jonathan G. Katz,

Secretary.

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⁵ The Commission notes that such regulatory circular should, at a minimum, specify the exact time period during which the weighted average settlement value for expiring IPC options will be calculated.

⁶ See Securities Exchange Act Release Nos. 32120 (April 9, 1993), 58 FR 19864 (April 16, 1993) (approval order for the Financial Times-Stock Exchange 100 Index); 37089 (April 9, 1996), 61 FR 16660 (April 16, 1996) (approval order for the Nasdaq-100 Index).

⁷ The Commission notes that if the Bolsa determines to sue a weighted average settlement methodology, the weighted average will be commuted from transaction prices over a period of time at the end of the trading day. The Commission expects, however, that once the exact time period for calculating the settlement value for IPC options is established, the CBOE will make conforming changes to its rules in accordance with Section 19(b) of the Act.

⁸ 15 U.S.C. 78s(b)(2) (1988).

⁹ 17 CFR 200.30-3(a)(12).