

The interest rate on all Short-Term Notes will be determined on the basis of competitive quotations from several lending institutions, and will either be at a fixed interest rate or a floating interest rate determined with reference to an agreed-upon index (such as a lending institution's prime rate, LIBOR certificate of deposit rates, money market rates or commercial paper rates). The interest rate in any case will not exceed two percentage points above the Federal Funds Effective Rate. The Applicants will select the lending institution(s) from which to make a particular short-term borrowing and determine whether to borrow at a fixed or a floating rate on the basis of the lowest expected effective interest cost for borrowings of comparable sizes and maturities.

Borrowings bearing floating interest rates will generally be subject to prepayment at the borrower's option. In order to realize the benefits of fixed interest rates when a fixed-rate borrowing is evaluated to be the lowest cost borrowing available, the Applicants may from time to time agree with individual lenders that such borrowings may not be prepaid or may only be prepaid if the lender is made whole for its losses (including lost profits) as a result of the prepayment.

NU, CL&P, WMECO and PSNH propose to secure both formal and informal credit lines with a number of lending institutions. Formal credit lines may be subject to compensating balance and/or fee requirements and will therefore be used only when an Applicant determines that such a credit line offers advantages as compared with other available credit options. Compensating balance requirements will not exceed 5% of the committed credit line amount, and fees will not exceed 0.30% per annum. Each Applicant participating in a credit line would be able to draw funds to the exclusion of the other Applicants. The Applicants may change their credit lines and may obtain additional lines over time. The continued availability of such credit lines is subject to the continuing review of the lending institutions.

CL&P, WMECO and NU propose to sell Commercial Paper publicly. Such Commercial Paper will be issued through The Depository Trust Company in the form of book entry notes in denominations of not less than \$50,000, of varying maturities, with no maturity more than 270 days after the date of issue. The Commercial Paper will not be repayable prior to maturity. The Commercial Paper will be sold through a placement agent or agents in a co-managed commercial paper program at

either the discount rate per annum or the interest rate per annum prevailing at the date of issuance for commercial paper of comparable quality and of the particular maturity sold by public utility issuers thereof. No Commercial Paper will be issued unless the issuing Applicant believes that the effective interest cost to the Applicant will be equal to or less than the effective interest rate at which the Applicant could issue Short-Term Notes in an amount at least equal to the principal amount of such Commercial Paper. The placement agent or agents will receive a commission for the sale of the Commercial Paper of not more than $\frac{1}{8}$ of 1% per annum on a discounted basis.

The Applicants also propose the continued use, through December 31, 2000, of the Money Pool, which is composed of available funds loaned by the NU and participating subsidiaries and borrowed by those subsidiaries to assist in meeting their respective short-term borrowing needs. Another potential component of the Money Pool is funds borrowed by NU through the issuance of Short-Term Notes, by selling Commercial Paper or by borrowing through the Facility (or existing revolving credit agreements if all are not terminated when the new Facility becomes effective) for the purpose of making open account advances through the Money Pool. NU requests that its authority for such borrowings be extended through December 31, 2000. The amounts to be borrowed by NU for the purpose of making open account advances and to be borrowed through the Money Pool by the recipients set forth above will also be subject to the short-term limits on aggregate amount outstanding for which approval is sought in this filing.

All borrowings from and contributions to the Money Pool, including the open account advances, will be documented and will be evidenced on the books of each Applicant that is borrowing from or contributing surplus funds to the Money Pool. Except for loans from the proceeds of external borrowings by NU, all loans made under the Money Pool will bear interest for both the borrower and lender, payable monthly, equal to the daily Federal Funds Effective Rate as quoted by the Federal Reserve Bank of New York. Loans from the proceeds of external borrowings by NU will bear interest at the same rate paid by NU on the borrowings, and no such loans may be prepaid (unless NU is made whole for any additional costs that may be incurred because of such prepayment). To the extent that there are any excess funds available in the Money Pool, such

funds will be invested with the earnings allocated on a pro rata basis.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz,
Secretary.

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[Release No. 34-37522; File No. SR-Amex-96-29]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by American Stock Exchange, Inc. Relating to Restrictions on the Available Exercise Prices for FLEX Equity Call Options and Elimination of the Requirement that Members Sign the Trade Sheet to Create a Binding FLEX Contract

August 2, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on July 29, 1996, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The American Stock Exchange, Inc. proposes to amend Exchange Rule 906G to restrict the available exercise prices for FLEX equity call options and Rule 904G to eliminate the requirement that members sign the Trade Sheet when creating a binding FLEX contract.

The text of the proposed rule changes is available at the Office of the Secretary, the Amex and at the Commission.

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 self-regulatory organization 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 IV below. The self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

(1) Purpose

Rule 903G Amendment

On June 19, 1996, the Exchange received approval to list and trade flexible options on individual stocks known as FLEX equity options.¹ Similar to the FLEX index options currently trading at the Exchange, investors will be able to set the specific terms of each FLEX equity option contract. Among the terms that can be specified are: (1) the expiration date of the option; (2) the exercise price of the option; and (3) the exercise style of the option (American or European). The Exchange, however, imposes some limitations on these flexible terms. For example, the Exchange does not permit the expiration date of a FLEX option to be any business day that falls on or within two business days of the expiration date for standardized non-FLEX equity options.

Although the Exchange has received approval to trade these products, it has not done so due to a concern that the flexible exercise price feature could result in an available call option that would impact the qualified covered call rules of Section 1092(c)(4) of the Internal Revenue Code, thus jeopardizing a modest tax benefit currently enjoyed by writers of standardized non-FLEX equity call options. Under the straddle rules of Section 1092, a loss on one position in a straddle is taken into account for tax purposes only to the extent that the amount of the loss exceeds unrecognized gain on the other position(s) in the straddle. In addition, if a taxpayer has held stock for less than the long-term holding period at the time the taxpayer acquires an offsetting position with respect to the stock, the taxpayer's holding period in the stock will be forfeited until disposing of the position offsetting the stock.

Although stock and an offsetting option (e.g., a short call) constitute a straddle for purposes of Section 1092, a straddle consisting solely of stock and a qualified covered call ("QCC") has been exempted from these rules provided, among other things, that the call option is not "deep-in-the-money." Under certain conditions a "deep-in-the-money" call option is defined to mean an option having an exercise price lower

than the highest available exercise price which is less than the previous day's closing price of the stock. For example, using standardized options, if stock XYZ closed yesterday at \$54 and opened at that price today, the standardized exercise price of \$50 for a call option would *not* be "deep-in-the-money" since \$50 would be the highest available exercise price that is less than the applicable stock price. A standardized exercise price of \$45, however, would be "deep-in-the-money" and would *not* be a QCC. Thus, if a FLEX equity call option were written with an exercise price of \$53, the standardized exercise price of \$50 might be considered "deep-in-the-money" since the FLEX equity call option with an exercise price of \$53 could be considered the highest available exercise price and the only qualified covered call for that option. Another interpretation might consider any call option struck at or below $53\frac{3}{4}$ "deep-in-the-money" since FLEX Equity Call Option strikes of $53\frac{7}{8}$ and $53\frac{3}{4}$ could be created.

While the Exchange hopes to petition the Treasury Department for relief from these latter interpretations of the straddle rules, in the interim, the Exchange proposes to go forward with the FLEX equity option program by prohibiting the writing of FLEX equity call options with exercise prices other than those exercise prices currently available for standardized or non-FLEX equity options.

Although this proposal will place limitations on a product designed to be flexible and free of such standardized terms, the Exchange believes that the proposed limitations appropriately balance the needs of investors with concerns that flexible exercise prices for FLEX equity call options could disrupt the existing framework for determining whether a standardized option is a qualified covered call. FLEX equity put options would have no restrictions placed on exercise prices since the exemption from the straddle rules is available only for call options. In addition, the Exchange anticipates that it will seek to eliminate the proposed restriction on the exercise prices of FLEX equity call options when it receives guidance and relief from the Treasury Department.

Rule 904 G

The Exchange proposes to eliminate the requirement that acceptance of the best bid or offer will take place only when each party to the FLEX transaction signs a trade sheet, thus creating a binding contract. Since the Exchange began trading Flex index

options in 1993, the fully manual process for executing transactions has been automated. Currently, trade information is input into the Exchange's Intra-Day Comparison (IDC) System for FLEX index options after completion of a trade in a manner similar to that for non-FLEX options. IDC input results in the immediate comparison of FLEX option trades; thus, the requirement that trade sheets be signed is unnecessary and time consuming.

(2) Statutory Basis

The Exchange believes that 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

¹ See Securities Exchange Act Release No. 37336 (June 19, 1996) (order approving SR-Amex-95-57).

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 in 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 Amex.

All submissions should refer to File No. SR-Amex-96-29 and should be submitted by August 30, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²

Jonathan G. Katz,
Secretary.

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[Release No. 34-37519; File No. SR-CBOE-96-43]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Listing and Trading of Options on the Goldman Sachs Technology Composite Index

August 2, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on July 2, 1996, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization.¹ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The CBOE proposes to provide for the listing and trading on the Exchange of options on the Goldman Sachs

Technology Composite Index ("GSTI Composite Index" or "Index"), a cash-settled, broad-based index designed to measure the performance of high capitalization technology stocks.²

The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

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 IV 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 permit the Exchange to list and trade cash-settled, European-style stock index options on the GSTI Composite Index. The GSTI Composite Index is a capitalization-weighted index of the universe of technology-related company stocks which meet certain objective criteria.

Index Design. The GSTI Composite Index has been designed to measure the performance of high capitalization technology stocks. The GSTI Composite Index is a capitalization-weighted index with each stock affecting the Index in proportion to its market capitalization.

As mentioned above, the GSTI Composite Index will consist of the universe of technology-related stocks that meet certain objective criteria. First, the company's stock must trade on the New York Stock Exchange, the American Stock Exchange, or through the facilities of the NASDAQ and be "reported securities" under Rule 11Aa3-1. Only outstanding common shares are eligible for inclusion; American Depositary Receipts are not eligible. Second, the total market capitalization of the company's stock must be equal to or greater than the capitalization "cutoff" value. The base

period "cutoff" value will be \$600 million, but this value will be adjusted on each semiannual rebalancing date (as described below) to reflect the price performance of the GSTI Composite Index since the base period and rounded up to the nearest \$50 million. Index constituents with capitalization below 50% of the "cutoff" value on a semiannual rebalancing date shall be removed after the close on the effective date of the rebalancing. Third, company stocks with a public float below 20% of shares issued and outstanding are not eligible for inclusion in the GSTI Composite Index.³ Fourth, the company stock must have annualized share turnover over 30% or more based on its average daily share volume for the six calendar months prior to inclusion in the Index. Finally, the components must be from a group of specified Standard Industrial Classification codes or Russell Industry codes.

As of April 30, 1995, the GSTI Composite Index was comprised of 177 stocks ranged in capitalization from \$604 million to \$67.3 billion. The largest stock accounted for 8.5% of the total weighting of the Index, while the smallest accounted for 0.08%. The median capitalization of the firms in the Index was \$1.5 billion.

Calculation. The methodology used to calculate the value of the Index is similar to the methodology used to calculate the value of other well-known broad-based indices. The level of the Index reflects the total market value of all the component stocks relative to a particular based period. The GSTI Composite Index base date is April 30, 1996, when the Index value was set to 100. The daily calculation of the GSTI Composite Index is computed by dividing the total market value of the components in the Index by the Index Divisor. The divisor is adjusted as needed to ensure continuity in the Index whenever there are additions and deletions from the Index, share changes, or adjustments to a component's price to reflect offerings, spinoffs, or extraordinary cash dividends. The values of the Index will be calculated by CBOE or a designee of Goldman Sachs, and disseminated at 15-second intervals

³ The public float is determined by dividing the number of shares which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Act by the total number of shares outstanding. With respect to options on underlying individual components, CBOE Rule 5.3, Interpretations and Policies, 01(a)(1) requires a minimum of 7,000,000 shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Act. Telephone conversation with Eileen Smith, CBOE and Janice Mitnick, SEC, on July 30, 1996.

² 17 CFR 200.30-3(a)(12).

¹ Concurrent with this proposal, CBOE has filed for approval to list and trade options on six different sub-indexes, each of which is a narrow-based index, composed of components of the Goldman Sachs Technology Composite Index proposed in this filing. See SR-CBOE-96-44.

² A list of the securities comprising the GSTI Composite Index, as well as listed shares outstanding and prices as of April 30, 1996, was submitted by the Exchange as Exhibit B, and is available at the Office of the Secretary, CBOE and at the Commission.