

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.

during regular CBOE trading hours to market information vendors via the Options Price Reporting Authority ("OPRA").

Maintenance. The GSTI Composite Index will be maintained by the Exchange. Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to such events as company restructuring or spinoffs.

Stocks may be added or deleted from the Index at a time other than at the rebalancing according to the "Fast Add and Delete" Rule. All Index constituent changes made in accordance with this rule will be announced by the Exchange at least five trading days prior to the effective date of the Fast Add or Delete whenever possible.

Any technology-related company whose shares start trading between semiannual rebalancings is eligible to be Fast Added to the Index if all the inclusion criteria described above are met and the stock ranks in the top quartile of market capitalization of the GSTI Composite Index on the previous month-end closing prices. No minimum share turnover ratio is required.

If two companies in the Index merge or if an Index constituent merges with a company not currently in the Index, the merged company shall remain in the Index if it meets all the Index inclusion criteria. If the target company is currently in the Index, it will be Fast Deleted after the close on the date the merger is completed.

If a GSTI Composite Index constituent is acquired by a non-Index company, the acquiring company may be added to the Index if it meets the inclusion criteria; otherwise, the target company will be Fast Deleted. Any such additions or deletions will be effective after the close on the date the acquisition is completed.

If a company in the Index spins off another company, the parent and the spinoff will remain in the Index provided that each meets the Index inclusion criteria. If either the parent of the spinoff fails to meet the inclusion criteria, it will be removed from the Index.

In the event that a company represented in the Index files for bankruptcy, its stock will be removed from the Index effective after the close on the date of filing. In the event that trading in an Index constituent is suspended for thirty (30) trading days, a decision will be made whether the stock will be removed from the Index. Any such removal will be preannounced and, for purposes of

minimizing impact to the Index, the stock to be removed will be removed at the value at which it last traded.

The GSTI Index will be rebalanced for additions and deletions on a semiannual basis. Stocks will be added or deleted from the Index at the rebalancing based on the inclusion criteria described in the "Index Design" section above. Index share changes will be made to reflect the outstanding shares and closing prices of all Index constituents on the "rebalancing" date. The changes will be implemented after the close on the "effective" date. The effective dates shall be the third Friday of January and July. The rebalancing date shall be 7 business days inclusive prior to the effective date. The Exchange will screen the technology stocks for inclusion in the Index and will determine the components of the Index. Notice of the new component list will be disseminated by the Exchange to the public before trading begins on Monday. Therefore, Goldman Sachs will not learn of the new composition during regular U.S. trading hours.

Except for stocks which meet the criteria for Fast Add or Delete (as described above), stocks can only be added or deleted from the Index at the time of the semiannual rebalancing.

Index Option Trading. In addition to regular Index options, the Exchange may provide for the listing of long-term index option series ("LEAPS®") and reduced-value LEAPS on the Index. For reduced-value LEAPS, the underlying value would be computed at one-tenth of the Index level. The current and closing Index value of any such reduced-value LEAP will, after such initial computation, be rounded to the nearest one-hundredth.

Strike prices will be set to bracket the Index in a minimum of 2½ point increments for strikes below 200 and in 5 point increments above 200. The minimum tick size for series trading below \$3 will be ¼¢ and for series trading above \$3 the minimum tick will be ⅛¢. The trading hours for options on the Index will be from 8:30 a.m. to 3:15 p.m. Chicago time.

Exercise and Settlement. The proposed options on the Index will expire on the Saturday following the third Friday of the expiration month. Trading in the expiring contract month will normally cease at 3:15 p.m. (Chicago time) on the business day preceding the last day of trading in the component securities of the Index (ordinarily the Thursday before expiration Saturday, unless there is an intervening holiday). The exercise settlement value of the Index at option expiration will be calculated based on

the opening prices of the component securities on the business day prior to expiration. If a stock fails to open for trading, the last available price on the stock will be used in the calculation of the Index, as is done for currently listed indexes. When the trading day is moved because of Exchange holidays (such as when CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Wednesday and the exercise settlement value of Index options at expiration will be determined at the opening of regular Thursday trading.

Surveillance. The Exchange will use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in Index options and Index LEAPS on the GSTI Composite Index.

Position Limits. The Exchange proposes to establish position limits for options on the Index at 100,000 contracts on either side of the market, with no more than 60,000 of such contract permitted to be in the series in the nearest expiration month. These limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices.

Exchange Rules Applicable. As modified herein, the Rules in Chapter XXIV will be applicable to GSTI Composite Index options.

CBOE has the necessary systems capacity to support new series that would result from the introduction of GSTI Composite Index options. CBOE has also been informed that the OPRA has the capacity to support such new series.⁴

CBOE believes 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 will permit trading in options based on the Index pursuant to rules designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and thereby will provide investors with the ability to invest in options based on an additional index.

2. Statutory Basis

CBOE believes 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 will permit trading in options based on the IPC pursuant to rules designed to prevent fraudulent and

⁴ See memo from Joe Corrigan, Executive Director, OPRA, to Eileen Smith, Director of Product Research, CBOE, dated June 26, 1996 (confirming that the traffic generated is within the OPRA's capacity).

manipulative acts and practices and to promote just and equitable principles of trade, and thereby will provide investors with the ability to invest in options based on an additional index.

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

The Exchange believes 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Within 35 days of the 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 the 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-96-43 and should be submitted by August 30, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Jonathan G. Katz,

Secretary.

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[Release No. 34-37520; File No. SR-NYSE-96-15]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the New York Stock Exchange, Inc., Relating to Members' Compliance With Position and Exercise Limits for Non-NYSE Listed Options

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 June 28, 1996, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II 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 NYSE proposes to amend NYSE Rules 704, "Position Limits," and 705, "Exercise Limits," to require NYSE members who trade non-NYSE-listed option contracts and who are not members of the exchange where the options are traded to comply with the option position and exercise limits set by the exchange where the transactions are effected.²

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

¹ The NYSE requested accelerated approval of the proposed rule change. See Letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Yvonne Fraticelli, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, dated July 9, 1996 ("Amendment No. 1").

² Position limits impose a ceiling on the number of option contracts in each class on the same side of the market (i.e., aggregating long calls and short puts or long puts and short calls) that can be held or written by an investor or group of investors acting in concert. Exercise limits prohibit an investor or group of investors acting in concert from exercising more than a specified number of puts or calls in a particular class within five consecutive business days.

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 Statutory Basis for, the Proposed Rule Change

(a) Purpose

Currently, NYSE Rule 704 limits the size of options positions that opening transactions in NYSE-listed options may create. Exchange Rule 705 prohibits a member or member organization from exercising NYSE-listed option contracts in amounts that exceed the NYSE's position limits. The purpose of the proposal is to expand the scope of those position and exercise limits to include opening transactions and exercises that are not dealt in on the Exchange, but that are dealt in on other options exchanges. The proposal applies to both equity options and index options.

As a result, the NYSE will gain the authority to exercise jurisdiction over its members and member organizations for activity in options that are not dealt in on the NYSE. The NYSE could thereby discipline members and member organizations for violations of position and exercise limits in option contracts, regardless of the exchange on which the contracts trade.³

The Exchange will exercise this authority only when the NYSE member or member organization is not a member of the other option exchange. That is, the proposal is intended to provide authority to discipline violations where no such authority currently exists. That authority currently is absent because (1) the NYSE's rules currently do not grant that authority to the NYSE and (2) the NYSE member or member organization that is in violation of another options exchange's rules is not a member or member organization of the other options exchange and therefore is not subject to the rules of that exchange.

³ The Commission notes that, generally, the options exchanges have adopted uniform options position and exercise limits.

⁵ 17 C.F.R. 200.30-3(a)(12) (1994).