in Nuvest and a 70% interest in its capital contributions, profits and losses. PSO also proposes to issue grantees in connection with (i) the obligations of Nuvest under a $3 million loan from a third party and (ii) the obligations of Numanco Inc. and Numanco LLC under secured lines or credit established with third parties, aggregating not more than $9 million.

Entergy Corporation (70–8889)

Entergy Corporation (''Entergy''), 639 Loyola Avenue, New Orleans, Louisiana 70113, a registered holding company, has filed an application-declaration under sections 9(a), 10 and 12(f) of the Act and rules 43 and 54 thereunder.

Entergy Power Development Corporation (''EPDC''), a wholly-owned subsidiary of Entergy, is an exempt wholesale generator (''EWG''), as defined in section 32 of the Act. Entergy Richmond Power Corporation (''ER''), a wholly-owned subsidiary of EPDC, holds a 50% partnership interest in Richmond Power Enterprise, L.P., a Delaware limited partnership (''Richmond Power''). Richmond Power owns and operates a 250 MW electric generating plant located in Richmond, Virginia (''Facility''). The remaining 50% of Richmond Power is owned by Enron-Richmond Power Corp. (''Enron-Richmond''), a nonaffiliate.

At present, capacity and energy from the Facility are sold at wholesale to Virginia Electric and Power Company (''VEPCO'') pursuant to a long-term power purchase agreement (''PPA'') and thermal energy from the Facility is sold to an industrial customer pursuant to a steam sales agreement (''SSA''). As of June 1, 1996, Entergy's ''aggregate investment'' in Richmond Power, applying the definition set forth in rule 53(a) under the Act, was approximately $12.5 million.

To resolve certain disputes between Richmond Power and VEPCO, subject to receipt of all requisite consents and regulatory approvals, the parties have agreed that: (1) Richmond Power will sell the Facility to VEPCO for cash, and VEPCO will be solely responsible for the operation, maintenance and management of the Facility; (2) the PPA will be amended and Richmond Power's interest in the PPA will be assigned to an affiliate of Enron-Richmond, Enron Marketing, Inc. (''Enron Marketing''); (3) the SSA will be terminated; and (4) as consideration for the PPA assignment, Enron Marketing will pass through to Richmond Power the bulk of capacity payments it receives under the amended PPA, which Richmond Power will use to retire its term debt obligations. Following the above transactions, Richmond Power and ER will no longer qualify as EWGs under section 32 of the Act.

The continued ownership by EPDC of interests in ER and Richmond Power following the loss of their EWG status could call into question EPDC's status as an EWG. As a result, Entergy requests authority to acquire from EPDC all issued and outstanding shares of ER and, indirectly, ER's interest in Richmond Power. Entergy may subsequently transfer its interests in ER and Richmond Power to a new special purpose subsidiary.

Allegheny Generating Company (70–8893)

Allegheny Generating Company (''AGC''), 10435 Downsville Pike, Hagerstown, MD 21740, an indirect subsidiary company of Allegheny Power System, Inc. (''Allegheny''), a registered holding company, has filed a declaration under section 12(c) of the Act and rule 46 thereunder.

AGC is a single asset company, owning a 40% undivided interest in a 2100-megawatt hydroelectric station located in Bath County, Virginia. AGC has declining capital needs, and currently, its retained earnings are insufficient to pay common stock dividends. As a result thereof, AGC proposes to pay dividends with respect to its common stock, out of capital or unearned surplus through December 31, 2001.

Current earnings by AGC continue to be determined as they have since the generating facility commenced operation in 1985, in accordance with a Federal Energy Regulatory Commission (''FERC'') approved cost of service formula. Available cash flow from operations is applied first to the minimal capital expenditure requirements for its existing single asset, and next to the pay down of debt and to the payment of dividends in a proportion that maintains debt at about 55% and equity at about 45% of capital.

The current and proposed dividend payment policy is unchanged from that which has been followed since operations commenced in 1985. Prior to 1985, no dividends were paid, but retained earnings accrued as a result of recording allowance for funds used during construction in accordance with the FERC uniform system of accounts. From 1985–1996, dividends were paid out of current earnings and the accrued retained earnings.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–20831 Filed 8–14–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37540; File No. SR–CBOE–96–29]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Chicago Board Options Exchange, Incorporated Relating to the Exercise of American-style Index Options

August 8, 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 April 26, 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 CBOE. 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 Exchange proposes to adopt new CBOE Rule 24.18 which prohibits the exercise of an American-style index option series after the holder has entered into an offsetting closing sale (writing) transaction. 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, 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

As noted in CBOE's Regulatory Circular RG 96–11,[1] the rules and procedures of The Options Clearing Corporation (''OCC'') permit a holder of an American-style option to exercise that option at any time up to the exercise cut-off time on any day, other than the final trading day, even if the holder had entered into an offsetting closing sale transaction earlier that day. This result stems from the fact that on such days OCC processes opening purchase transactions and exercises before it processes closing sales transactions, so that option purchasers remain holders of their options on OCC's books for the purpose of exercise without regard to their closing sales that day.

The Exchange is concerned that this result may be confusing to investors—because it may give the appearance that investors are able to exercise the same options which they have previously sold—and lead to a perception that this result is unfair to writers of American-style index options that are in the money by subjecting them to a potentially increased ''timing risk'' of the type described under ''Special Risks of Index Options'' on pages 73–74 of the risk disclosure document entitled ''Characteristics and Risks of Standardized Options'' (February 1994).

Additionally, the Exchange believes that the average retail customer might not understand how investors could exercise options which they believed they no longer owned. The Exchange represents that, during the period from November 1993, through December 1995, almost all of the gross exercises in customers' accounts were effected at one clearing firm on behalf of a single customer that is a foreign professional trading account. The Exchange believes that retail customers might view the gross exercise ability as giving professional traders an unfair advantage over retail customers and that such perception could lead to the diminished popularity of OEX options for retail customers.[2]

To eliminate this possible perception of unfairness, the proposed rule would prohibit CBOE members from effecting an exercise of an American-style index option series, whether on the member's own behalf or on behalf of a customer, if the member knew or had reason to know that the exercise was for more option contracts than the ''net long position'' of the account for which the exercise is to be made. For this purpose, the ''net long position'' in an account is the net position of the account in options of a given series at the opening of business of the day of exercise, plus the total number of such options purchased on that day in opening purchase transactions up to the time of exercise, less the total number of such options sold on that day in closing sale transactions up to the time of exercise. OEX options are the only American-style index options now traded on CBOE, and thus are the only options that would currently be affected by the proposed rule.

In order to prevent persons from circumventing the proposed rule by designating a sale as ''opening'' so as to maintain a net long position capable of being exercised, and the redesignating the sale as ''closing'' by means of an adjustment later in the day if in fact the long position has not been exercised, the rule would prohibit a member from adjusting the designation of an opening transaction to a closing transaction except to remedy mistakes or errors made in good faith.

A market maker's transactions are not required to be marked as opening or closing. Rather, a market maker's purchase and sales transactions are netted by OCC every day after exercises are processed. As a result, it is impossible to tell whether a particular transaction by a market maker is intended as an opening or closing transaction. Under OCC's processing procedures, unmarked market makers' transactions are in effect treated as opening transactions prior to the processing of exercises and as closing transactions thereafter. For the purpose of applying the prohibition of the proposed rule, every market maker transaction would be treated as a closing transaction to the extent the market maker has pre-existing positions (including positions resulting from transactions effected earlier that day) which could be netted against the transaction. For example, if a market maker is long 10 option contracts of a series and sells 15 contracts of that series, the sale will be deemed, under the proposed rule, to be a closing sale transaction for 10 contracts and an opening sale transaction for 5 contracts, resulting in a net short position of 5 contracts. If the market maker then purchases 20 contracts, the purchase will be deemed a closing purchase for 5 contracts and an opening purchase for 15 contracts, resulting in a net long position of 15 contracts. Under the proposed rule, the market maker would be permitted to exercise only those 15 contracts. In the absence of the proposed rule, the market maker would have been able to exercise 30 contracts, representing his gross long position, before netting against this position the 15 contracts sold.

The Exchange notes that the proposed rule is not intended to affect OCC's processing rules and procedures. If a member submitted an exercise notice to OCC in violation of the proposed CBOE rule, the exercise would be processed by OCC in accordance with its procedures. In that case, the proposed CBOE rule would be enforced solely through the Exchange's disciplinary procedures.

The Exchange emphasizes that the proposed rule has been adopted to eliminate the perception that a holder's ability to exercise options that had been the subject of closing transactions might create enhanced risk to writers of OEX options. However, it is not clear that the writers of in-the-money OEX options will, in fact, be subject to less risk as the result of the proposed rule. Such writers should continue to anticipate that they could be assigned an exercise of their options positions, especially as expiration approaches. (For example, the proposed rule would not prohibit the exercise of an OEX option held in a net long position before—even seconds before—an opening sales transaction in that option has been effected.) It is possible that the early exercise of OEX options will continue at the same level after the proposed rule becomes effective as before.

Upon the effectiveness of the proposed rule, the Exchange would modify Regulatory Circular RG 96–11 to describe the proposed rule. Three examples were given in the Regulatory Circular as originally published on January 17, 1996. These three examples would be modified to read as follows (italicized language is proposed to be added; language in brackets is proposed to be deleted):

Example 1: Investor X is long 15 call option contracts of a series at the opening of a trading day other than the final trading day. During that day, X purchases 20 contracts of that series in opening purchase transactions and sells 10 contracts in closing sale transactions. X will be able *under OCC's rules* to exercise 35 contracts of that series that day. *However, in the case of American-style index options only (i.e., OEX options), CBOE Rule 24.18 would prohibit a member who know or has reason to know of the closing sale transactions from exercising on X's behalf more than the net long position of*

[1] *See* Securities Exchange Act Release No. 36797 (January 31, 1996), 61 FR 4691 (February 7, 1996) (File No. SR–CBOE–96–03).

[2] *See* Letter from Michael L. Meyer, Attorney, Schiff Hardin & Waite, to John Ayanian, Attorney, Office of Market Supervision (''OMS''), Division of Market Regulation, (''Market Regulation''), Commission, dated June 17, 1996.

25 contracts at any time at or after the closing sale of 10 contracts.

Example 2: Investor Y is short 20 call option contracts of a series at the opening of such a trading day. During the day, Z purchases 20 contracts of that series in opening purchase transactions. Y will be able to exercise 20 contracts of that series that day, and will remain short the 20 contracts. *However, in the case of OEX option contracts, if Y's transactions had been effected in a market-marker's account, the purchase would have been deemed to have been a closing transaction for the purposes of CBOE Rule 24.18 and would have been offset by Y's short position, resulting in no net long position to exercise.*

Example 3: Market-maker Z is short 100 call options contracts at the opening of that trading day. During the day, X purchases 100 contracts and sells 100 contracts of that series, and Z does not mark the transactions as opening or closing]. Z will be able to exercise 100 contracts of that series that day *under OCC's rules. However, in the case of OEX option contracts, CBOE Rule 24.18 would prohibit Z from exercising any contracts without regard to the sale transactions, since the purchase transactions would be deemed to be closing transactions, and would be netted against his beginning short position, resulting in no net long position to exercise.*

The Exchange believes that the proposed rule change is consistent with, and furthers the objectives of, Section 6(b)(5) of the Securities Exchange Act of 1934 in that, by eliminating a possible source of confusion to investors concerning the terms applicable to the exercise of American-style index options, it will promote just and equitable principles of trade and contribute to the protection of investors and the public interest.

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

CBOE does not believe that the proposed rule change will impose any 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 in 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 CBOE. All submissions should refer to File No. SR–CBOE–96–29 and should be submitted by September 5, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[3]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–20788 Filed 8–14–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37539; File No. SR–NSCC–96–10]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change to Permit Establishment of Alternative Settlement Cycles for Mutual Fund Transactions Through the Fund/SERV System

August 8, 1996.

On April 4, 1996, National Securities Clearing Corporation filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–NSCC–96–10) under Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] On May 8, 1996, NSCC filed an amendment to the proposed rule change.[2] Notice of the proposal was published in the Federal Register on June 26, 1996.[3] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change enables NSCC members using NSCC's Fund/SERV system to select settlement cycles for mutual fund transactions.[4] The Fund/SERV system automatically establishes a settlement cycle and assigns a settlement date to a mutual fund transaction based on the transaction type.[5] The proposed rule change permits mutual fund transactions to settle on an expanded or shortened settlement cycle upon agreement of the submitting parties. The date established by the submitting parties for a transaction will be the date used for all processing related to that particular transaction and could be as short as the same day or as long as seven business days.

When a member submits a mutual fund order and desires to establish a settlement cycle other than that established by the Fund/SERV system, the member will include in the order data the date on which the transaction is to settle and a reason code for modifying the settlement cycle. The contraparty has the opportunity to accept or reject the transaction. The transaction also will be rejected by NSCC if the specified settlement cycle is longer than seven business days. Once the mutual fund transaction is accepted, NSCC will process the transaction in accordance with the specified settlement cycle.

II. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency, such as NSCC, be designed to promote the prompt and accurate clearance and settlement of securities

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[3] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78(b)(1) (1988).

[2] Letter from Julie Beyers, Associate Counsel, NSCC, to Jerry Carpenter, Associate Director, Division of Market Regulation, Commission (May 8, 1996).

[3] Securities Exchange Act Release No. 37341 (June 20, 1996), 61 FR 33159.

[4] FUND/SERV is an NSCC service that permits NSCC members to process and to settle on an automated basis mutual fund purchase and redemption orders and to transmit registration instructions.

[5] For example, transactions involving shares of traditional load mutual funds normally settle on a three business day settlement cycle whereas transactions for shares of the same fund involving 401K accounts normally settle on a next day settlement cycle.