

Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of September 23, 1996.

A closed meeting will be held on Friday, September 27, 1996, at 9:30 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(4), (8), (9)(A) and (10) and 17 CFR 200.402(a)(4), (8), (9)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Wallman, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the closed meeting scheduled for Friday, September 27, 1996, at 9:30 a.m., will be:

Institution and settlement of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

September 23, 1996.  
Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-37696; File No. SR-CBOE-96-44]

**Self-Regulatory Organizations;  
Chicago Board Options Exchange,  
Inc.; Order Approving Proposed Rule  
Change and Notice of Filing and Order  
Granting Accelerated Approval of  
Amendment No. 1 Thereto Relating to  
the Listing and Trading of Options on  
the Goldman, Sachs Technology  
Composite Sub-Indexes**

September 17, 1996.

On July 2, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of

1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade options on six different narrow-based indexes, each of which is composed of components from the GSTI Composite Index ("GSTI Composite Index").<sup>3</sup> The six sub-indexes are: the GSTI Internet Index ("Internet Index"), the GSTI Software Index ("Software Index"), the GSTI Semiconductor Index ("Semiconductor Index"), the GSTI Hardware Index ("Hardware Index"), the GSTI Services Index ("Services Index"), and the GSTI Multimedia Networking Index ("Multimedia Index") (collectively "GSTI Sub-Indexes" or "Sub-Indexes"). Notice of the proposed rule change appeared in the Federal Register on August 8, 1996.<sup>4</sup> No comments were received on the proposal. On September 16, 1996, CBOE filed Amendment No. 1 to the proposal to address issues related to index maintenance criteria.<sup>5</sup> This order approves the proposal, as amended, and solicits comments on Amendment No. 1.

**I. Description of the Proposal**

The purpose of the proposal is to permit the Exchange to list and trade cash-settled, European-style index options on the GSTI Sub-Indexes. Each GSTI Sub-Index is narrow-based, modified-capitalization weighted, and composed of components of the GSTI Composite Index. Goldman, Sachs & Co. has designated a GSTI Committee ("Committee") to oversee the selection of GSTI Sub-Index components, as discussed below.

**Index Design.** As discussed in greater detail in SR-CBOE-96-43, the GSTI Composite Index is comprised of the universe of securities that satisfy objective criteria (GSTI Index Rules").<sup>6</sup>

<sup>1</sup> 15 U.S.C. § 78s(b)(1) (1988 & Supp. V 1993).

<sup>2</sup> 17 CFR 240.19b-4 (1994).

<sup>3</sup> Concurrent with this order, the Commission is approving a CBOE proposal to list and trade options on the Goldman Sachs Technology Composite Index; a broad-based, capitalization weighted index composed of the universe of technology-related company stocks meeting certain objective criteria, as amended. See Securities Exchange Act Release No. 37693 ("SR-CBOE-96-43"). A list of components for the Composite Index or any of the Sub-Indexes is available at the Commission or CBOE.

<sup>4</sup> Securities Exchange Act Release No. 37509 (July 31, 1996), 61 FR 41434.

<sup>5</sup> Letter from Eileen Smith, CBOE, to Stephen M. Youhn, SEC, dated September 16, 1996.

<sup>6</sup> All securities satisfying the following criteria are automatically included in the GSTI Composite Index: First, a company's stock must trade on the New York Stock Exchange, the American Stock Exchange or through the facilities of the Nasdaq, and be a "reported security" under rule 11Aa3-1. Only outstanding common shares are eligible for inclusion. Additionally, only foreign companies whose primary market is in the United States will

Upon inclusion in the GSTI Composite Index, the Committee then selects and assigns stocks to the GSTI Sub-Indexes based upon relevant qualitative criteria. Furthermore, any stock in a Sub-Index must appear in the GSTI Composite Index. Stocks may be represented in one or more GSTI Sub-Indexes, however, not all GSTI Composite Index components necessarily will be assigned to a GSTI Sub-Index. All of the components of the GSTI Composite Index currently trade on the New York Stock Exchange ("NYSE"), the American Stock Exchange or Nasdaq.

**Calculation.** The Sub-Index will be calculated by CBOE on a real-time basis using last-sale prices and will be disseminated every 15 seconds by CBOE.<sup>7</sup> If a component security is not currently being traded on its primary market, the most recent price at which the security traded on such market will be used in the Index calculation.

The Sub-Indexes are calculated on a "modified capitalization-weighted" method, which is a hybrid between equal weighting (which may impose liquidity concerns for smaller-cap stocks) and capitalization weighting (which may result in two or three stocks dominating an index's performance). Under the method employed for each of the sub-indexes, the maximum weight for the largest stock in the sub-index will be set to no higher than 25% on the semiannual rebalancing date. The maximum weight for the second largest stock will be set to no higher than 20% of the maximum weight for the third largest stock and any stock thereafter will be set to no higher than 15% on the rebalancing date. The weight of all the remaining Sub-Index stocks shall be market capitalization weighted. Thus, the weights of these remaining stocks

be eligible for the Index; 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 initial 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 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 Index. Fourth, the company stock must have annualized share turnover of 30% or more, based on its average daily share volume for the six calendar months prior to inclusion in the Index. Fifth, the components must be from a group of Standard Industrial Classification codes or Russell Industry codes.

<sup>7</sup> Telephone conversation between Eileen Smith, CBOE and Sharon Lawson, SEC, on September 17, 1996. The original filing proposed that the Sub-Index values be calculated by CBOE or a designee of Goldman, Sachs.

are not "capped." At the time of semi-annual rebalancing, stocks with Sub-Index weights in excess of their capped weight in that Sub-Index, will be restored to the appropriate capped weight.

For stocks which are not "capped," the number of index shares will equal the company's outstanding common shares. For stocks which are capped, index shares will equal its maximum weight, multiplied by the adjusted total market capitalization of the sub-index, divided by the stock's closing price on the rebalancing date. The index's adjusted total market capitalization is the total outstanding market capitalization adjusted to reflect the number of "capped" stocks.

The divisor for each Sub-Index was initially calculated to yield a benchmark value of 100.00 at the close of trading on April 30, 1996. The divisor for each Sub-Index will be adjusted as needed to ensure continuity in each index whenever there are additions or deletions from an index, share changes, or adjustments to a component's price to reflect rights offerings, spinoffs, and special cash dividends.

**Maintenance.** The Sub-Indexes will be maintained by CBOE and the GSTI Committee. The GSTI Composite Index will be adjusted on each semi-annual rebalancing date by adding or deleting stocks according to the inclusion criteria detailed in SR-CBOE-96-43.<sup>8</sup> All changes to the GSTI Composite Index will then be implemented after the close of trading on the effective date, which will be the third Friday of January and July. The rebalancing date will be 7 business days prior to the effective date.

As soon after the close of trading on the day following the rebalancing date for the GSTI Composite Index, the Exchange will provide to the Committee a list of all constituent changes to the GSTI Composite Index. Upon receipt of this list from the Exchange, the Committee will meet to determine any changes to the GSTI Sub-Indexes.

The Committee will notify CBOE of any change in composition for any of the GSTI Sub-Indexes before trading starts on the trading day after the Exchange has provided the Composite Index component list to the Committee.<sup>9</sup>

<sup>8</sup> See *supra* note 6. The GSTI Composite Index is comprised of the universe of technology stocks and all securities that meet the previously established inclusion criteria are added to the Index at the time of semi-annual rebalancing. CBOE maintains the GSTI Composite Index.

<sup>9</sup> For example, if CBOE provides to the Committee a list of composition changes to the GSTI Composite Index after the close of trading on Friday, the Committee would in turn inform CBOE of any corresponding changes to the GSTI Sub-Indexes before trading commences on Monday. CBOE

The Exchange, in turn, will disseminate the information concerning the components of the GSTI Sub-Indexes to the public at least five days before the effective date, wherever possible. The Committee retains discretion to add or delete stocks from the GSTI Sub-Indexes at the rebalancing or to change a stock's industry classification. A stock must appear in the GSTI Composite Index to be eligible for inclusion in a Sub-Index. At the discretion of the Committee, a stock may also be removed from a Sub-Index due to lack of industry representation in the Sub-Index.

The maintenance criteria applicable to the GSTI Composite Index, as described in SR-CBOE-96-43, also will apply to the GSTI Sub-Indexes. First, at least 75% of the weight of any Sub-Index must be options eligible pursuant to CBOE Rule 5.3. Second, Sub-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, if the market capitalization of any component drops below \$75 million at the time of the semiannual rebalancing, it must be options eligible.<sup>10</sup> Fourth, no more than 10% of the weight of a Sub-Index may be composed of stocks with average daily trading volume for the previous six-month period of less than 20,000 shares. Finally, at no time will a Sub-Index fall to less than 6 stocks.<sup>11</sup> In the event that a Sub-Index does not comply with these maintenance criteria, CBOE will notify Commission staff to determine the appropriate regulatory response. Such responses could include, but are not limited to, the removal of securities from a Sub-Index, prohibiting opening transactions, or discontinuing the listing of new series in any Sub-Index.<sup>12</sup>

When a stock is "Fast Added" to the GSTI Composite Index, as described in SR-CBOE-96-43, the stock may be "Fast Added" to one or more GSTI Sub-Indexes at the same time. If added to a Sub-Index, the stock's weight cannot exceed the appropriate cap for that Sub-Index. If a stock is "Fast Deleted" from the GSTI Composite Index, it will be removed from all GSTI Sub-Indexes at the same time.

In the case of a merger, the Committee will decide the Sub-Index classification

would then disseminate such changes to the public at least five business days prior to the effective date, wherever possible. Telephone Conversation between Eileen Smith, CBOE, and Steve Youhn, SEC, on July 24, 1996.

<sup>10</sup> See Amendment No. 1.

<sup>11</sup> Currently, the Sub-Indexes range from 9 to 45 components.

<sup>12</sup> See Amendment No. 1.

of the merged company. If the weight of the merged company would exceed the relevant cap for the Sub-Index to which it is assigned, the weight of the company will be capped at the time that the merger is completed. The index shares of all other stocks in the effected Sub-Index will remain unchanged.

As discussed above, the Committee is responsible for making component changes to the Sub-Indexes. Accordingly, a "chinese wall" has been erected around the personnel at Goldman, Sachs who have access to information concerning changes and adjustments to the GSTI Composite Index and Sub-Indexes. Details of Goldman, Sachs "chinese wall" procedures, which are closely modeled on existing procedures for other Goldman, Sachs derivative products, have been submitted to the Commission under separate cover.

**Index Option Trading.** The Exchange proposes to base trading in options on the GSTI Sub-Indexes on the full value of the relevant Sub-Index. The Exchange may list full-value long-term index option series ("LEAPS®"), as provided in Rule 24.9. The Exchange also may provide for the listing of reduced-value LEAPS, for which the underlying value would be computed at one-tenth of the value of the appropriate Sub-Index (all such LEAPS series are hereinafter referred to as "LEAPS"). The current and closing index value of any such reduced-value LEAPS 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 5 point increments above 200. The minimum tick size for series trading below \$3 will be 1/16th and for series trading above \$3 the minimum tick will be 1/8th. The trading hours for options on the Index will be from 8:30 a.m. to 3:10 p.m. Chicago time.

**Exercise and Settlement.** GSTI Sub-Index options will have European-style exercise and will be "A.M.-settled index options" within the meaning of the Rules in Chapter XXIV, including Rule 24.9, which is being amended to refer specifically to GSTI Sub-Index options. The last reported sale price of such a component security shall be used in any case where that component security does not open for trading on that day.<sup>13</sup>

<sup>13</sup> The Commission notes that pursuant to Article XVII, Section 4 of the Options Clearing Corporation's ("OCC") by-laws, OCC is empowered to fix an exercise settlement amount in the event it determines a current index value is unreported or otherwise unavailable. Further, OCC has the authority to fix an exercise settlement amount

The proposed options will expire on the Saturday following the third Friday of the expiration month. Thus, the last day for trading in an expiring series will be the second business day (ordinarily a Thursday) preceding the expiration date.

*Exchange Rules Applicable.* Except as modified herein, the Rules in Chapter XXIV will be applicable to GSTI Sub-Index options. Index option contracts based on the GSTI Sub-Indexes will be subject to the position limit requirements of Rule 24.4A.<sup>14</sup> Ten reduced-value options will equal one full-value contract for such purposes.

CBOE represents that it has the necessary systems capacity to support new series that would result from the introduction of the GSTI Sub-Index options. CBOE has also been informed that the Options Price Reporting Authority ("OPRA") has the capacity to support such new series.

## II. 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, particular, the requirements of Section 6(b)(5).<sup>15</sup> Specifically, the Commission finds that the trading of options on the GSTI Sub-Indexes, including LEAPS, will serve to promote the public interest and help to remove impediments to a free and open securities market by providing investors with additional means to hedge exposure to market risk associated with stocks in the various high technology sub-sectors.<sup>16</sup>

whenever the primary market for the securities representing a substantial part of the value of an underlying index is not open for trading at the time when the current index value (*i.e.*, the value used for exercise settlement purposes) ordinarily would be determined. See Securities Exchange Act Release No. 37315 (June 17, 1996), 61 FR 42671 (Aug. 16, 1996) (order approving SR-OCC-95-19).

<sup>14</sup> CBOE Rule 24.4A sets position and exercise limits for narrow-based index options under a tiering approach based on the applicable concentration of the component securities. Each of the Sub-Indexes is subject to a position limit of 9,000 contracts on the same side of the market.

<sup>15</sup> U.S.C. §78f(b)(5) (1988).

<sup>16</sup> 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 Sub-Indexes will provide investors with a hedging vehicle that should reflect the overall movement of the stocks representing

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

### A. Index Design and Structure

The Commission believes it is appropriate for the Exchange to designate the Sub-Indexes as narrow-based for purposes of index options trading. The Sub-Indexes are comprised of a smaller number of stocks from the GSTI Composite Index and are intended to trade specific sub-industries of the high capitalization technology sector of the equities market. Accordingly, the Commission believes it is appropriate for CBOE to apply its rules governing narrow-based index options to trading in the GSTI Sub-Index options.<sup>17</sup>

The Commission believes that the large capitalizations, liquid markets, and relative weightings of the component stocks for each Sub-Index significantly minimizes the potential for manipulation of the Sub-Index. As discussed above, each of the Sub-Indexes must be composed only of components of the GSTI Composite Index. Accordingly, the inclusion standards applicable to the GSTI Composite Index will apply to each of the Sub-Indexes.<sup>18</sup>

In this regard, the Commission notes that the market capitalizations of the stocks in the Sub-Indexes are very large, ranging from a high of \$67 billion to a low of \$636 million. Because the Sub-Indexes are modified capitalization-weighted, as described above, no one stock or group of stocks dominates a particular Sub-Index.

Second, the proposed maintenance criteria will serve to ensure that: (A) the Sub-Indexes are not dominated by one or several securities that do not satisfy the Exchange's options listing criteria; (B) the Sub-Indexes remain composed

companies in the high technology sub-industries in the U.S. stock markets.

<sup>17</sup> The Commission also believes that each of the reduced value Sub-Indexes are narrow-based because they are composed of the same component securities as the Sub-Indexes, and merely dividing a Sub-Index value by ten will not alter its basic character.

<sup>18</sup> See *supra* note 6 for the inclusion standards. In approving the GSTI Composite Index (SR-CBOE-96-43), the Commission makes a concurrent finding that the GSTI Composite Index is broad-based because it represents a substantial segment of the U.S. equities market. In addition, the Commission finds that the general broad diversification, capitalization, and relatively liquid markets of the GSTI Composite Index's component stocks significantly minimize the potential for manipulation of that Index.

substantially of liquid highly capitalized securities. Specifically, all components must have a minimum market capitalization of \$75 million and be options eligible; (C) the Sub-Indexes remain composed of actively traded securities. Specifically, the Commission notes that no more than 10% of the capitalization of a Sub-Index may be represented by stocks with average daily volume for the previous six-month period of less than 20,000 shares; and (D) the Sub-Indexes are comprised of no less than six components at all times.<sup>19</sup> In the event a Sub-Index fails to comply with these criteria, CBOE will notify Commission staff to determine the appropriate regulatory response. Such responses could include, but are not limited to, the removal of components from a Sub-Index, prohibiting opening transactions, or discontinuing the listing of new series in any Sub-Index.

Third, CBOE and the Committee will be required to ensure that each component of a Sub-Index is subject to last sale reporting requirements in the U.S. pursuant to Rule 11Aa3-1 of the Act. This will further reduce the potential for manipulation of the value of the Index. 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 Sub-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 Sub-Index options will be subject to the same regulatory regime as the other standardized index options currently traded on CBOE, the Commission believes that adequate safeguards are in place to ensure the protection of investors in Sub-Index options and LEAPS.

<sup>19</sup> See *supra* note 11.

### 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.<sup>20</sup> In this regard, CBOE, Amex, NYSE, and the NASD, on whose markets the component securities of the Sub-Indexes trade, are all members of the Intermarket Surveillance Group ("ISG").<sup>21</sup> Options on the individual component securities also trade on markets which are ISG members. In addition, CBOE will apply the same surveillance procedures as those used for existing narrow-based index options trading on CBOE.

The Commission notes that certain concerns are raised when a broker-dealer, such as Goldman, Sachs, is involved in the development and maintenance of a stock index that underlies an exchange-traded derivative product. For several reasons, however, the Commission believes that CBOE has adequately addressed this concern with respect to options on the Sub-Indexes.

First, the value of the Sub-Indexes, including the final settlement values, are to be calculated and disseminated independent of Goldman, Sachs by CBOE. Accordingly, neither Goldman, Sachs nor any of its affiliates or other persons (except CBOE) will be in receipt of the values prior to their public dissemination. Second, the Commission believes that the procedures Goldman, Sachs has established to detect and prevent material non-public information concerning the Sub-Indexes from being improperly used by members of the Committee, as well as other persons

within Goldman, Sachs, as discussed above, adequately serve to minimize the susceptibility to manipulation of the Sub-Indexes and the securities in the Sub-Indexes. Finally, the Exchange's existing surveillance procedures for stock index options will apply to the options on the Sub-Indexes and should provide CBOE with adequate information to detect and deter trading abuses that may occur. In summary, the Commission believes that the procedures outlined above help to ensure that Goldman, Sachs will not have any informational advantages concerning modifications to the composition of the Sub-Indexes due to its role in the maintenance of the Sub-Indexes.

### D. Market Impact

The Commission believes that the listing and trading of options on the Sub-Indexes, including LEAPS, on CBOE will not adversely impact the underlying securities markets.<sup>22</sup> First, as described above, due to the modified capitalization weighting method, no one stock or group of stocks dominates a Sub-Index. Second, because at each semi-annual rebalancing of a Sub-Index, at least 75% of the weight of the Sub-Indexes must be accounted for by stocks that meet CBOE's options listing standards, the component stocks generally will be actively-traded, highly-capitalized stocks.<sup>23</sup> Third, CBOE's existing 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 Sub-Index options and Sub-Index LEAPS will be issued and guaranteed by the OCC just like any other standardized option traded in the United States.

Lastly, the Commission believes that settling expiring GSTI Sub-Index options, including LEAPS, based on the opening prices of component securities is reasonable and consistent with the Act. As noted in other contexts, valuing options for exercise settlement on expiration based on opening prices rather than closing prices may help reduce adverse effects on markets for stocks underlying options on the Index.<sup>24</sup>

The Commission finds good cause for approving Amendment No. 1 to the

proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. Amendment No. 1 establishes maintenance criteria for the Sub-Indexes which should help to ensure that the Sub-Indexes do not become dominated by lowly capitalized, illiquid, and thinly traded securities. In addition, the Commission believes that the establishment of maintenance criteria should help to increase the integrity and stability of the Sub-Indexes. Therefore, the Commission believes 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.

### III. 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. 20549. 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-96-44 and should be submitted by October 16, 1996.

*It therefore is ordered*, pursuant to Section 19(b)(2) of the Act,<sup>25</sup> that the proposed rule change (SR-CBOE-96-44) is approved, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>26</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

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<sup>20</sup> See Securities Exchange Act Release No. 31243 (September 28, 1992), 57 FR 45849 (October 5, 1992).

<sup>21</sup> The ISG was formed on July 14, 1983 to, among other things, coordinate more effectively surveillance and investigative information sharing arrangements in the stock and options markets. See Intermarket Surveillance Group Agreement, dated July 14, 1983, amended January 29, 1990. The members of the ISG are the following: American Stock Exchange; Boston Stock Exchange, Inc.; CBOE; Chicago Stock Exchange, Inc.; National Association of Securities Dealers, Inc.; New York Stock Exchange, Inc.; Pacific Stock Exchange Inc.; and Philadelphia Stock Exchange, Inc. The major stock index futures exchanges (including the Chicago Mercantile Exchange and the Chicago Board of Trade) joined the ISG as affiliate members in 1990.

<sup>22</sup> In addition, CBOE has represented that it and OPRA have the necessary systems capacity to support those new series of index options that would result from the introduction of Sub-Index options and LEAPS.

<sup>23</sup> See Amendment No. 1.

<sup>24</sup> Securities Exchange Act Release No. 30944 (July 21, 1992), 57 FR 33376 (July 28, 1992).

<sup>25</sup> 15 U.S.C. § 78s(b)(2) (1988).

<sup>26</sup> 17 CFR 200.30-3(a)(12) (1994).