

a.m. A closed meeting will be held on Friday, December 20, 1996, at 10 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 Johnson, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the open meeting scheduled for Wednesday, December 18, 1996, at 10 a.m., will be:

(1) Consideration of whether to adopt a new anti-manipulation regulation, Regulation M, and Rules 100 through 105 thereunder, governing securities offerings. The new regulations would simplify, modify, and in some cases, eliminate provisions that otherwise restrict the activities of issuers, underwriters, and others participating in a securities offering. Regulation M would be adopted under various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 ("Exchange Act"), among other statutory provisions, and would replace Rules 10b-6, 10b-6A, 10b-7, 10b-8, and 10b-21 under the Exchange Act. The Commission also will consider related amendments to Items 502(d) and 508 of Regulations S-B and S-K, and to Rules 10b-18 and 17a-2 under the Exchange Act. Technical amendments to various rules and schedules to reflect the adoption of Regulation M also will be considered. For further information, contact M. Blair Corkran or Alan Reed at (202) 942-0772.

(2) Consideration of whether to adopt an amendment to Rule 13e-4 under the Securities Exchange Act of 1934 and to issue a class exemption from Rule 10b-13, and a temporary class exemption from Rule 10b-6, under the Securities Exchange Act of 1934 to eliminate the record date requirement from paragraph (h)(5) of Rule 13e-4 and to permit continuous odd-lot tender offers by issuers. For further information, please contact Lauren C. Mullen at (202) 942-0772.

(3) Consideration of whether to propose for public comment rules 2a51-1, 2a51-2, 2a51-3, 3c-1, 3c-5, 3c-6 and 3c-7 under the Investment Company Act of 1940. The rules would implement certain provisions of the National Securities Markets Improvement Act of 1996 (the "1996 Act") relating to private investment companies. The 1996 Act, among other things, amended section 3(c)(1) of the Investment Company Act (the existing exclusion from Investment Company Act regulation used by private investment companies) and added section 3(c)(7) to create a new exclusion from regulation under the Act for private investment companies

that consist solely of highly sophisticated "qualified purchasers" owning or investing on a discretionary basis a specified amount of "investments" ("section 3(c)(7) funds"). The new rules would: (i) define the term "investments" for purposes of the qualified purchaser definition; (ii) define the term "beneficial owner" for purposes of the provisions that permit an existing private investment company to convert into a section 3(c)(7) fund or to be treated as a qualified purchaser; (iii) address certain interpretative issues under section 3(c)(7); (iv) address certain interpretative issues under section 3(c)(1) resulting from changes made by the 1996 Act; (v) address investments in private investment companies by certain "knowledgeable employees"; and (vi) address transfers of securities issued by private investment companies when the transfer was caused by legal separation, divorce, death, and certain other involuntary events. For further information, please contact Kenneth J. Berman at (202) 942-0690.

(4) Consideration of whether to propose for public comment new rules and rule amendments under the Investment Advisers Act of 1940 ("Advisers Act") to implement provisions of the Investment Advisers Supervision Coordination Act (Title III of the National Securities Markets Improvement Act of 1996) ("Coordination Act") that reallocate regulatory responsibilities for investment advisers between the Commission and the states. The proposed rules would establish the process by which certain advisers would withdraw from Commission registration, exempt certain advisers from the Coordination Act's prohibition on Commission registration, and define certain terms. The Commission is also proposing amendments to several rules under the Advisers Act that would reflect the changes made by the Coordination Act. The proposed rules and rule amendments are intended to clarify provisions of the Coordination Act and thereby assist investment advisers in ascertaining their regulatory status after the effective date of the Coordination Act, April 9, 1997. For further information, please contact Robert E. Plaze at (202) 942-0716.

The subject matter of the closed meeting scheduled for Friday, December 20, 1996, at 10:00 a.m., will be:

Injunction and settlement of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

Formal order of investigation.

Opinion.

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.

Dated: December 11, 1996.

Jonathan G. Katz,
Secretary.

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[Release No. 34-38034; File No. SR-CHX-96-29]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Approval of Applicants to Membership

December 10, 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 December 6, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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 Organizations Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Article I, Rule 5 and Rule 6 of its rules relating to approval procedures for applicants to membership. The specific criteria are set forth below.

Chicago Stock Exchange, Incorporated Rules

Additions are italicized; deletions [bracketed]

Article I

Procedure of Application

Application

RULE 5. (a) Each application for membership shall be made in writing and be filed with the Secretary together with the names of two sponsors who shall be responsible individuals who have known the applicant sufficiently

¹ The proposal was originally filed with the Commission on November 6, 1996. The CHX subsequently submitted Amendment No. 1 to the filing. Amendment No. 1 amends Rule 6 of Article I to change the vote required by the Executive Committee to approve an applicant to membership. Currently, CHX rules require the affirmative vote of not less than two-thirds of the members of the Executive Committee present at the time of the vote. Amendment No. 1 changes the requirement to an affirmative vote of a majority of the Executive Committee present at the time of the vote. Letter from David T. Rusoff, Foley & Lardner to Karl J. Varner, Division of Market Regulation, SEC, dated December 6, 1996.

well and over a long enough period of time that they can unqualifiedly endorse the character and integrity of the applicant from their personal knowledge of him and of his business connections. All applicants shall be investigated by the staff to determine if the applicant meets the requirements for membership [before submission to the Executive Committee for consideration].

Staff [Recommendation] *Determination*

(b) If the staff [recommends] *determines* that the applicant is not [be elected] *qualified for election* to membership, the applicant shall be sent a statement of reasons therefor and may, within 15 days of the receipt thereof, file a request with the Executive Committee that it consider his or her application together with a written statement indicating why in his or her opinion the staff [recommendation] *determination* is in error or insufficient to preclude his or its election to membership.

Notice and Posting

(c) If the staff [recommends] *preliminary determines* that the applicant *is qualified for* [be elected to] membership or if the applicant files a request with the Executive Committee pursuant to paragraph (b), the name of the applicant, the sponsors' names and the name of the member or member organization from which the membership is to be transferred shall be posted upon the bulletin board on the Floor of the Exchange for ten business days and notice thereof mailed to all the members.

Posting and Voting on Membership

Rule 6. During the posting period for a membership application pursuant to Rule 5 of this Article, any member may file an objection to the election of the applicant to membership with the Chairman of the Executive Committee. The applicant shall be sent a statement of reasons for such objection and may, within 10 business days of the receipt thereof, file a written response thereto with the Executive Committee. *If the staff made a preliminary determination that the applicant is qualified for membership, if no objections were filed during the posting period, and if no material information that adversely reflects upon the applicant comes to the attention of the staff before the expiration of the posting period, the membership transfer shall automatically become effective at the opening of business on the first business day after the expiration of the posting period. If all three of these conditions are not present for a particular*

applicant, [A] at the expiration of the posting period[,] staff shall so notify the applicant of such fact and the Executive Committee shall consider the posted application and vote upon the applicant for membership. The affirmative votes for [not less than two-thirds] a majority of the members of the Executive Committee present at the time of voting shall be required to elect. These [T] transfers shall become effective upon election to membership.

In the event the applicant does not receive such [two-thirds] *majority* vote, he, *she* or it shall have the right to a hearing before the Executive Committee, conducted in accordance with procedures set forth in a notice of such hearing to be given to the applicant. Following the hearing, the Executive Committee shall again vote upon the applicant, a [two-thirds] *majority* vote of the members of the Executive Committee present at the time of voting being required to elect. [The applicant may petition the Board of Governors for review of any adverse determination made by the Executive Committee following a hearing, a two-thirds vote of the members of the Board present at the time of voting being required to elect.] The decision of the Executive Committee shall be final.

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*

1. Purpose

Rules 5 and 6 of Article I of the Exchange's rules govern the application and approval process for applicants to Exchange membership. Once an application for membership has been submitted in writing to the Exchange, the rules require the staff to investigate the applicant's qualifications to determine if such applicant meets the requirements for membership. If the staff recommends that the applicant not

be admitted to membership, the applicant may appeal such staff recommendation to the Executive Committee. If the staff recommends that an applicant be elected to membership, the applicant then must go through a 10 business day posting period before membership may be transferred. The purpose of the 10 business day posting period is to allow any member to file an objection to the election of the applicant to membership. At the expiration of the posting period, the Executive Committee then must consider the applicant and vote upon the applicant for membership. These transfers become effective upon election to membership.

Because the Securities Exchange Act of 1934 requires the CHX to approve an applicant to become a member of the Exchange if such applicant meets the requirements of the Act and the Exchange's rules for becoming a member, the Executive Committee has limited discretion in approving a qualified applicant to become a member.

As a result, the purpose of the proposed rule change is to limit the role of the Executive Committee during the approval process to situations where an objection is raised, or material adverse information is received, during the posting period, or where the staff does not recommend an applicant for membership and the applicant decides to appeal. Under Rules 5 and 6 of Article I, as proposed to be amended, if the staff recommends an applicant for membership and if no objections are received, or material adverse information is received, during the subsequent posting period, the membership transfer would become effective at the beginning of the next business day following completion of the posting without any action taken by the Executive Committee. If the staff did not recommend an applicant for membership, or an objection was raised or material adverse information is received during the posting period, the existing procedure would come into play where the Executive Committee would hear an appeal, in the former situation, or would make a determination relating to the objection and either approve or disapprove the applicant in the latter situation.

This new procedure would eliminate the requirement that the Executive Committee perform the pro forma role of approving each membership transfer. At the same time, it would allow the Executive Committee to make a determination if there is some information brought to the Exchange's attention during the posting period

which was not known to the staff at the time of its investigation.

2. Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose a burden on competition.

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

No written comments were solicited or received.

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

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

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

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

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference room. Copies are also available for

inspection and copying at principal office of the Chicago Stock Exchange. All submissions should refer to file number SR-CHX-96-29 and should be submitted by January 6, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-31785 Filed 12-13-96; 8:45 am]

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DEPARTMENT OF STATE

[Public Notice No. 2476]

Additional Information for the Iran and Libya Sanctions Act

This notice provides additional information about the Iran and Libya Sanctions Act of 1996 (P.L. 104-172—"the Act").

Enactment and Delegation

The Act, signed by the President on August 5, 1996, does not replace or supersede existing sanctions against Iran or Libya. The Iranian Assets Control Regulations (31 C.F.R. Part 535), the Iranian Transactions Regulations (31 C.F.R. Part 560), and the Libyan Sanctions Regulations (31 C.F.R. Part 550) remain in effect and will continue to be administered by the Office of Foreign Assets Control at the U.S. Department of the Treasury.

On November 21, 1996, the President delegated to the Secretary of State responsibilities in the following sections of the Act, in some cases to be exercised in consultation with other agencies: Sections 4, 5, 6(1), 6(2), 9, and 10 (see, 61 Fed. Reg. 64249 (Dec. 4, 1996)). The Office of Economic Sanctions Policy will administer the Act for the Department of State.

Public inquiries regarding the Act may be sent to: Iran and Libya Sanctions Act Unit, Office of Economic Sanctions Policy, Room 3329, U.S. Department of State, 2201 C Street N.W., Washington, DC 20520; Attn.: John Finkbeiner, Telephone: (202) 647-7299.

Investment Definition

Section 14(9) INVESTMENT—The term "investment" means any of the following activities if such activity is undertaken pursuant to an agreement, or pursuant to the exercise of rights under such an agreement, that is entered into with the Government of Iran or a nongovernmental entity in Iran, or with the Government of Libya or a nongovernmental entity in Libya, on or after the date of enactment of the Act:

(A) The entry into a contract that includes responsibility for the development of petroleum resources located in Iran or Libya (as the case may be), or the entry into a contract providing for the general supervision and guarantee of another person's performance of such a contract.

(B) The purchase of a share of ownership, including an equity interest, in that development.

(C) The entry into a contract providing for the participation in royalties, earnings, or profits in that development without regard to the form of the participation.

The term "investment" does not include the entry into, performance, or financing of a contract to sell or purchase goods, services, or technology.

Timing of Investment

In order for a contract or the purchase of a share of ownership to be considered under the definition of investment it must be undertaken "pursuant to an agreement * * * that is entered into with the Government of Iran or a nongovernmental entity in Iran, or with the Government of Libya or a nongovernmental entity in Libya on or after the date of enactment of the Act." The House Ways and Means Committee Report states that "Companies may perform existing contracts, and complete existing investments, such as subcontracts, farm-in arrangements, and the like in connection with contracts entered into prior to the date of enactment." The term "agreement" includes, inter alia, option contracts and contracts subject to extension.

What is "Responsibility for the Development of Petroleum Resources?"

Section 14(4) defines "development" as "the exploration for, or the extraction, refining, or transportation by pipeline of, petroleum resources." Therefore, the entry into a contract that includes responsibility for those activities could be considered an investment.

The investment definition specifically excludes contracts for the sale or purchase of goods, services or technology.

The definitions contained in Section 16 of the Export Administration Act (whose provisions are being carried out under the authority of the International Emergency Economic Powers Act) will be used for the terms "goods" and "technology." The term "good" is defined as "any article, natural or manmade substance, material, supply or manufactured product, including inspection and test equipment, and excluding technical data. "Technology" means "the information know-how (whether in tangible form, such as models, prototypes, drawings, sketches,