

Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-97-11 and should be submitted by June 30, 1997.

#### IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

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, in particular, with the requirements of Section 6 and Section 11A of the Act.<sup>4</sup>

The Commission believes the proposed rule change will likely enhance the quality of the market for the affected Nasdaq securities. Nasdaq currently allows quotes as small as  $\frac{1}{32}$  for Nasdaq securities whose bid price is below \$10.00 and, on June 2, 1997, Nasdaq will implement the necessary systems changes to allow market makers and ECNs to quote Nasdaq securities whose bid price is equal to or greater than \$10.00 in sixteenths. Allowing the CHX to quote these securities in increments finer than eighths will facilitate quote competition.<sup>5</sup> This should help to produce more accurate pricing of such securities and can result in tighter quotations.<sup>6</sup> In addition, if the quoted markets are improved by reducing the minimum increment, the change could result in added benefits to the market such as reduced transaction costs.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the

**Federal Register.** As previously noted, market makers and ECNs will be able to quote Nasdaq securities whose bid is \$10.00 or greater in sixteenths beginning June 2, 1997. Currently, bids and offers for these securities are publicly displayed in eighths.<sup>7</sup> The proposed rule change will enable the CHX to continue to competitively quote such securities. Requiring the Exchange to wait the full statutory review period for the proposed rule change could place the CHX at a significant competitive disadvantage vis-a-vis other markets. At the same time, the proposal is effective only until the Commission acts on File No. SR-CHX-97-13.<sup>8</sup> This will provide the Commission with a sufficient period to receive and assess comments on SR-CHX-97-11. Therefore, the Commission believes it is consistent with Section 6(b)(5) and Section 19(b)(2) of the Act to grant accelerated approval on a temporary basis to the proposed rule change.<sup>9</sup>

#### V. Conclusion

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-CHX-97-11) is hereby approved on an accelerated basis until the Commission acts on File No. SR-CHX-97-13.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-14902 Filed 6-6-97; 8:45 am]

BILLING CODE 8010-01-M

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38706; File No. SR-OCC-97-02]

#### Self-Regulatory Organizations; the Options Clearing Corporation; Notice of Filing of Proposed Rule Change Regarding the Issuance, Clearance, and Settlement of Options on Unit Investment Trust Interests and Investment Company Shares That Hold Portfolios or Baskets of Common Stock

June 2, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, notice is hereby given that on February 21, 1997, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on February 21, 1997, and on May 14, 1997, amended the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

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

The purpose of the proposed rule change is to amend OCC's rules and by-laws to permit OCC to issue, clear, and settle options on publicly traded units of beneficial interest of unit investment trusts ("trust units") and on publicly treated shares of open-end management investment companies that hold portfolios or baskets of common stock ("fund shares").

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>4</sup> 15 U.S.C. §§ 78f(b) and 78k-1. In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. *Id.* § 78c(f).

<sup>5</sup> The rule change is consistent with the Recommendation of the Division of Market Regulation ("Division") in its Market 2000 Study, in which the Division noted that the  $\frac{1}{8}$  minimum variation can cause artificially wide spreads and hinder quote competition by preventing offers to buy or sell at prices inside the prevailing quote. See SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments 18-19* (Jan. 1994).

<sup>6</sup> A study that analyzed the reduction in the minimum tick size from  $\frac{1}{8}$  to  $\frac{1}{16}$  for securities listed on the American Stock Exchange ("Amex") priced between \$1.00 and \$5.00 found that, in general, the spreads for those securities decreased significantly while trading activity and market depth were relatively unaffected. See Hee-Joon Ahn, Charles Q. Chao, and Hyuk Choe, *Tick Size, Spread, and Volume*, 5 J. fin. Intermediation 2 (1996).

<sup>7</sup> Although some ECNs allow increments finer than an eighth, Nasdaq currently rounds all ECN orders for such securities that are priced in sixteenths to the nearest eighth for public display.

<sup>8</sup> File No. SR-CHX-97-13 is a companion filing that requests permanent approval of the procedures described herein.

<sup>9</sup> 15 U.S.C. §§ 78f(b)(5) and 78s(b)(2).

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

*(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

Under the proposed rule change, OCC will amend its existing by-laws and rules to accommodate the issuance, clearance, and settlement of options on publicly traded trust units and fund shares that have been proposed for trading by the American Stock Exchange ("Amex").<sup>3</sup> The Amex currently trades trust units known as Portfolio Depositary Receipt ("SPDR's") based on two Standard & Poor's ("S&P") indexes. SPDRs are trust units that represent beneficial ownership in the SPDR trust. The SPDR trust was established to accumulate and hold a portfolio of common stocks that is intended to track the price performance and dividend yield of a particular S&P index. The two S&P indexes on which such SPDRs are based are the S&P 500 index and the S&P MidCap 400 index. SPDRs trade similarly to shares of common stock. They are cleared and settled at the National Securities Clearing Corporation ("NSCC") and are held in book-entry form at The Depository Trust Company ("DTC").

The Amex also trades fund shares which are issued by an open-end management investment company consisting of seventeen separate series known as World Equity Benchmark Shares ("WEBS") based on seventeen foreign equity market indexes.<sup>4</sup> The investment objective of each series is to provide results that correspond to the price and yield performance of publicly traded securities in the aggregate in particular markets as represented by a particular foreign equity index. WEBS are common stock (albeit redeemable), are cleared by NSCC, and are held in book-entry form at DTC.

The Amex has proposed trading options on exchange-traded trust units and fund shares pursuant to the same rules and procedures that are generally applicable to trading in options on equity securities with only minor differences that affect their clearance and settlement.<sup>5</sup> These differences are

that options on trust units and fund shares would be listed as European-style options only and that each option contract would cover 1000 trust units or fund shares as the unit of trading.

OCC believes that options on trust units and fund shares can readily be processed, settled, and margined like existing options on equity securities. Exercise and assignment activity of options on trust units and fund shares will settle through NSCC. As such, OCC proposes to amend only a few by-laws and rules to accommodate Amex's proposal to trade options on trust units and fund shares.

Under OCC's current by-laws, all equity option contracts have an American-style expiration, except for flexibly structured equity options which may have an American, European, or capped-style of expiration. The general rights of a holder of a single call equity option contract are set forth in Article VI, Section 9(a) of OCC's by-laws, and the general rights of a holder of a single put equity option contract are set forth in Article VI, Section 9(b) of OCC's by-laws. Because options on trust units or fund shares will be deemed equity option contracts under OCC's rules, OCC proposes to amend Section 9(a) and (b) of Article VI to set forth the general rights of a holder of a single European-style equity call option<sup>6</sup> and a single European-style equity put option,<sup>7</sup> respectively, to accommodate both European and American styles of expiration for options on trust units or fund shares.

Furthermore, OCC proposes to amend Section .01 of the Interpretations and Policies relating to Section 9. In pertinent part, Section .01 provides that subsections (a) and (b) of Section 9 apply only to stock option contracts. The proposed amendment clarifies that for purposes of Section .01 the term "stock option contracts" will include option contracts on publicly traded interests in trust units, fund shares, or shares in entities similar to investment companies that hold portfolios or baskets of common stock.

OCC also proposes to add Interpretation and Policy .01 to Section 10 of Article VI of the by-laws to reflect that for series of options in which the

underlying security is trust units or fund shares the unit of trading is the amount of the underlying security deliverable upon the exercise of the option as specified by the exchange on which the option is traded unless otherwise specified by OCC in accordance with its by-laws and rules.

In addition, OCC proposes to add a new Rule 807 to its rules. New Rule 807 will contain essentially the same provisions as found in Section .08 of the Interpretations and Policies under Section 11 of Article VI of the by-laws.<sup>8</sup> Section .08 will set forth the general rule that, when a flexibly structured option contract with a European-style expiration has been adjusted to require upon exercise the delivery of a fixed amount of cash, the expiration date with respect to the option will be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive cash occurs. The ability to accelerate an expiration date following an adjustment calling for a fixed amount of cash was added specifically to accommodate European-style, flexibly-structured equity options. Without the ability to accelerate, the option position would have to be maintained until it could be exercised at its regular expiration. For the same reason, OCC proposes to make this applicable to all European-style stock option contracts generally. In connection with the addition of Rule 807, OCC also proposes to amend the term "expiration date" as defined in Section 1 of Article I of OCC's by-laws to provide that the expiration date of a stock option contract will be subject to the acceleration provisions of the new rule.

OCC believes the proposed rule change is consistent with Section 17A of the Act<sup>9</sup> and the rules and regulations thereunder because it will provide for the prompt and accurate clearance and settlement of options on trust units and fund shares by using OCC's systems, procedures, and processes for clearing and settling options on equity securities.

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

OCC does not believe that the proposed rule change would impose any burden on competition.

<sup>8</sup>Section 11 sets forth the general rules pertaining to adjustments on stock option contracts. OCC proposes to delete Section .08 from the Interpretations and Policies and to move those provisions to new Rule 807.

<sup>9</sup>15 U.S.C. 78q-1.

<sup>3</sup>Securities Exchange Act Release No. 38303 (February 19, 1997), 62 FR 8467 [File No. SR-Amex-96-44].

<sup>4</sup>The initial series offered by this investment company are: the Australia Index Series; the Austria Index Series; the Belgium Index Series; the Canada Index Series; the France Index Series; the Germany Index Series; the Hong Kong Index Series; the Italy Index Series; the Japan Index Series; the Malaysia Index Series; the Mexico (Free) Index Series; the Netherlands Index Series; the Singapore (Free) Index Series; the Spain Index Series; the Sweden Index Series; the Switzerland Index Series; and the United Kingdom Index Series.

<sup>5</sup>Supra note 3.

<sup>6</sup>A holder of a single European-style call option contract will have the right on and only on the expiration date, expiring at the expiration time on such date, to purchase from OCC at the aggregate exercise price the number of units of the underlying security represented by such option contract.

<sup>7</sup>A holder of a single European-style put option contract will have the right on and only on the expiration date, expiring at the expiration time on such date, to sell to OCC at the aggregate exercise price the number of units of the underlying security represented by such option contract.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

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

Within thirty-five days of the date of publication of this notice is the **Federal Register** or within such longer period (i) as the Commission may designate up to ninety 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 OCC 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 also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-97-02 and should be submitted by June 30, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-14901 Filed 6-6-97; 8:45 am]

BILLING CODE 8010-01-M

**DEPARTMENT OF TRANSPORTATION**

**Notice of Request for Extension and Revision of a Currently Approved Information Collection**

**AGENCY:** Office of the Secretary, DOT.

**ACTION:** Notice and request for comments.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35, as amended) this notice announces the Department of Transportation's (DOT's) intention to request an extension for and revision to a currently approved information collection.

**DATES:** Comments on this notice must be received by August 8, 1997.

**ADDRESSES:** Comments should be sent to the EAS and Domestic Analysis Division (X-53), Office of Aviation Analysis, Office of the Secretary, U.S. Department of Transportation, 400 7th Street, SW., Washington, DC 20590-0002.

**FOR FURTHER INFORMATION CONTACT:** Mr. Luther Dietrich or Mr. Dennis DeVany, Office of the Secretary, Office of Aviation Analysis, X-53, Department of Transportation, at the address above. Telephone: (202) 366-1046/1061.

**SUPPLEMENTARY INFORMATION:**

*Title:* Air Carrier's Claim for Subsidy and Air Carrier's Report of Departures Flown in Scheduled Service.

*OMB Control Number:* 2106-0044.

*Expiration Date:* July 31, 1997.

*Type of Request:* Extension for and revision to a currently approved information collection.

*Abstract:* In 14 CFR part 271 of its Aviation Economic Regulations, the Department provided that subsidy to air carriers for providing essential air service will be paid to the carriers monthly, and that payments will vary according to the actual amount of service performed during the month. The reports of subsidized air carriers of essential air service performed on the Department's Forms 397, "Air Carrier's Report of Departures Flown in Schedule Service" (formerly "Air Carrier's Report of Revenue/Seat Miles Flown in Scheduled Service"), and 398, "Air Carrier's Claim for Subsidy," establish the fundamental basis for paying these air carriers on a timely basis. Typically, subsidized air carriers are small businesses and operate only aircraft of limited size over a limited geographical area. The collection permits subsidized air carriers to submit their monthly claims in a concise, orderly, easy-to-process form, without having to devise

their own means of submitting support for these claims.

The collection involved here requests only information concerning the subsidy-eligible flights (which generally constitute only a small percentage of the carriers' total operations) of a small number of air carriers. The collection permits the Department to timely pay air carriers for providing essential air service to certain eligible communities that would not otherwise receive scheduled passenger air service.

*Respondents:* Small air carriers selected by the Department in docketed cases to provide subsidized essential air service.

*Estimated Number of Respondents:* 22.

*Average Annual Burden per Respondent:* 278 hours.

*Estimated Total Burden on Respondents:* 6,116 hours.

This information collection is available for inspection at the EAS and Domestic Analysis Division (X-53), Office of Aviation Analysis, DOT, at the address above. Copies of 14 CFR part 271 can be obtained from Mr. Luther Dietrich at the address and telephone number shown above.

Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper functioning of the Department, including whether the information will have practical utility; (b) the accuracy of the Department's estimate of the burden of the proposed information collection; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including the use of automated collection techniques or other forms of information technology.

All responses to this notice will be summarized and included in the request for OMB approval. All comments will also become a matter of public record.

Issued in Washington, D.C., on June 3, 1997.

**John V. Coleman,**

*Director, Office of Aviation Analysis.*

[FR Doc. 97-14973 Filed 6-6-97; 8:45 am]

BILLING CODE 4910-62-P

**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**Air Traffic Procedures Advisory Committee**

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice of Meeting.

<sup>10</sup> 17 CFR 200.30-3(a)(12).