

The CBOE may list full-value long-term index option series ("LEAPS"), as provided in CBOE Rule 24.9, "Terms of Index Option Contracts." 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 Index. The current and closing index value of any such reduced-value LEAP will be rounded to the nearest one-hundredth after the initial calculation.

Exercise and Settlement: Index options will have European-style exercise and will be "A.M.-settled Index Options" within the meaning of the rules in Chapter XXIV, "Index Options," of the CBOE's rules, including CBOE Rule 24.9, "Terms of Index Option Contracts," which the CBOE is amending to refer specifically to Index options. 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 of the CBOE's rules will apply to the Index. Options based on the Index will be subject to the position limit requirements of CBOE Rule 24.4A, "Position Limits for Industry Index Options." Currently, the position limit for Index options is 12,000 contracts. Ten reduced-value Index options will equal one full-value Index option for position and exercise limit purposes.

The CBOE represents that the Exchange has the necessary systems capacity to support new series that will result from the introduction of Index options. In addition, the Options Price Reporting Authority ("OPRA") has the capacity to support the new series.⁷

The CBOE believes that the proposal is consistent with Section 6(b) of the Act, in general, and, in particular, with Section 6(b)(5), in that it will permit trading in options based on the Index pursuant to rules designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and thereby will provide investors with the ability to invest in options based on an additional index.

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

The CBOE does not believe that the proposed rule change will impose any burden on competition.

⁷ See Memorandum from Joseph P. Corrigan, Executive Director, OPRA, to William Speth, CBOE, dated February 23, 1996.

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

No written comments were either solicited or received with respect to the proposed rule change.

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

Because the foregoing rule change complies with the standards set forth in the Generic Index Approval Order,⁸ it has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e) of Rule 19b-4 thereunder. Pursuant to the Generic Index Approval Order, the Exchange may not list Index options for trading prior to 30 days after March 28, 1996, the date the proposed rule change was filed with the Commission. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 NW., Washington, DC 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 NW., Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by May 13, 1996.

⁸ See note 3, *supra*.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-9803 Filed 4-19-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37117; International Series Release No. 968; File No. SR-CBOE-96-23]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Chicago Board Options Exchange, Incorporated Relating to Permits to Trade Options on the Indice de Precios y Cotizaciones

April 16, 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 15, 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 Exchange Rule 3.26 and related definitions in Rule 1.1 to authorize the issuance of 33 permits ("IPC Permits")—one to each firm that was a member of the Bolsa Mexicana de Valores ("Bolsa") as of January 1, 1996 ("Bolsa members" or "IPC Permit Holders")—and to set forth the rights and obligations appurtenant to the IPC Permits. The listing and trading of IPC Options by the Exchange is the subject of a separate rule filing, SR-CBOE-96-09, which was noticed by the Commission in Securities Exchange Act Release No. 34-36920 (March 5, 1996), 61 FR 10043 (March 12, 1996).

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed

⁹ 17 CFR 200.30-3(a)(12) (1995).

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 Exchange 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

The Exchange has entered into a license agreement with Bolsa ("License Agreement") pursuant to which Bolsa has licensed the Exchange to trade options on the IPC ("IPC Options"). In consideration for the grant of this license, CBOE has agreed, among other things, to issue the IPC Permits to the Bolsa members.

The IPC Permits, which will be non-leasable and non-transferable, could be used in one of two alternative ways. First, an IPC Permit Holder who wanted direct access to the CBOE trading floor in respect of IPC Options could exercise its permit on behalf of itself, if it is qualified and approved for membership on CBOE, or on behalf of a subsidiary that is qualified and approved for membership on CBOE. (Qualifications for membership are spelled out in CBOE's rules. Among other things, Rule 3.3(a) requires a member to be organized under the laws of one of the United States or under such other laws as the CBOE Board of Directors shall approve and to be a U.S. registered broker-dealer.) The organization on whose behalf an IPC Permit is exercised is referred to as an "IPC Permit Exerciser" under proposed Rule 1.1(yy). Assuming the IPC Permit Exerciser is approved for membership in accordance with CBOE rules, it will have all the rights and privileges of CBOE membership under CBOE's rules with respect to IPC Options—including the right to have a nominee appointed as a market maker or floor broker with respect to IPC Options. The IPC Permit Exerciser will also have all of the limitations and obligations of members, including the obligation to comply with CBOE rules and the federal securities laws, and will be subject fully to CBOE's enforcement jurisdiction. For example, nominees of an IPC Permit Exerciser would be required to complete CBOE member firm orientation and would be required to comply with the requirements set forth in Chapter IX of the Exchange rules in order to conduct a public customer business. IPC Permit Exercisers would also be subject to the Exchange's limitation of liability rules—

Rule 6.7, Rule 7.11, and Rule 24.12—to the same extent as regular members.

IPC Permit Exercisers would not have certain rights of membership and would be subject to certain limitations that do not apply to regular Exchange members. IPC Permit Exercisers would not be deemed to be members of CBOE for purposes of the General Corporation Law of Delaware, CBOE's Certificate of Incorporation, or CBOE's Constitution. Thus, IPC Permit Exercisers will have no property interest in the Exchange, no voting rights, and will not be eligible as members for election to the Board of Directors (although they will be eligible for membership on the committees established pursuant to CBOE Rule 2.1). IPC Permit Exercisers would also not be permitted to enter into transactions or to give orders for any CBOE product other than IPC Options while on the floor of the Exchange.¹

An IPC Permit Holder which does not exercise its permit would not have the rights or obligations of CBOE membership. However, CBOE has agreed, as part of the consideration given by it in order to obtain the license of IPC from Bolsa, that if an IPC Permit Holder traded IPC Options for its own account through a CBOE member (including an IPC Permit Exerciser), that IPC Permit Holder would be charged transaction fees for those trades at the same rates as the transaction fees for CBOE member firm proprietary trades. The Exchange does not believe that this would be an unfair discrimination among non-members or would constitute an inequitable allocation of Exchange fees. First, as mentioned above, this is part of the consideration which Bolsa has required from the Exchange in exchange for Bolsa's grant of a license of IPC. The IPC Index has been built up and has gained recognition and value largely through the efforts of Bolsa, and the reduction in transaction fees is not an inappropriate consideration for Bolsa's efforts. (In this respect, the transaction is not unlike that by which CBOE was originally created through the efforts of the Chicago Board of Trade, in exchange for which CBOE gave Board of Trade members the right to membership on

¹ The Exchange will issue IPC Permit Exercisers with badges of a distinctive color so that the limited authority of these traders will be evident on the floor to other market participants and Floor Officials. The Exchange expects, therefore, that these market participants and Floor Officials will be able to ensure that IPC Permit Exercisers do not engage in activity prohibited by Exchange rules. In addition, the Exchange is contemplating the issuance of distinctive acronyms to IPC Permit Exercisers so that Exchange staff will be able to surveil more effectively and easily for illegal activity through a review of trade reports.

CBOE.) Second, the reduction in transaction fees is extremely limited. It is limited to transactions in IPC Options and will not extend to any other CBOE product. It is limited to the proprietary trades of those Bolsa members who do not exercise their IPC Permits; as a result, it does not give any Bolsa member a competitive advantage in seeking to obtain the business of customers. It is limited to the 33 firms which were Bolsa members as of January 1, 1996, and a number of those 33 firms will either become IPC Permit Exercisers or are already members of, or are affiliated with members of, CBOE. Because of these limitations, it is anticipated that the actual amount of money by which CBOE fees will be reduced will be very small.

The proposed rules changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act") in general and further the objectives of Section 6(b)(5) in particular in that they will grant special access to the Exchange's floor, subject to the Rules of the Exchange, in respect of IPC Options to a group of persons (*i.e.*, the Bolsa members) who are likely to provide increased liquidity for the market in the IPC Options.

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

CBOE does not believe that the proposed rule change will impose any inappropriate burden on completion. For the reasons stated above, CBOE believes that there is a reasonable basis for the difference in Exchange fees to be paid by IPC Permit Holders who do not exercise their IPC Permits and other non-members in respect of proprietary trades in IPC Options and that such difference does not impose a 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, NW., Washington, DC 25049. 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, NW., Washington, DC 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 the file number in the caption above and should be submitted by May 13, 1996.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 96-9804 Filed 4-19-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37116; File No. SR-MSRB-95-17]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Reports of Sales and Purchases

April 16, 1996.

I. Introduction

On December 13, 1995 the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change to require brokers, dealers and municipal securities dealers ("dealers") to include time of trade execution when submitting information on inter-dealer transactions to the Board under rule G-14, in order to enhance the Board's transaction reporting pilot program ("the program").

The proposed rule change was published for comment in Securities Exchange Act Release No. 36827 (February 9, 1996), 61 FR 6276 ("Proposing Release"). The Commission received two comments on the proposal.¹ For the reasons discussed below, this order approves the proposal to amend Board rule G-14, effective July 1, 1996, as requested by the Board in the Proposing Release.

II. Description of the Proposal

a. Purpose

As discussed in the Proposing Release, the proposed rule change is intended to improve the audit trail that is currently available for inter-dealer municipal securities transactions by requiring municipal dealers to include the time of trade execution when submitting information on their trades under Board rule G-14. This would make it possible to reconstruct the time sequence of interdealer transactions. The information would be made available, through the Board's automated transaction reporting system, to the Commission and to organizations charged with inspection for compliance with, and enforcement of, Board rules ("enforcement agencies").

b. Background

This initiative is one element of an ongoing, multi-phase pilot program to increase price transparency for public use and to create audit trails for market surveillance purposes in the municipal securities markets. In 1994,² the Board described its plan to disseminate a daily public report that summarizes market activity for securities traded "frequently" ³ on the previous day ("T+1"), and to construct a comprehensive "surveillance database," that would include details of each trade (the identity of the parties, the price, par value, etc.). The 1994 plan proposed four phases: inclusion of inter-dealer transactions in Phase I, institutional customer transactions in Phase II,⁴ retail

customer transactions in Phase III, and intra-day reporting in Phase IV.

The Commission originally approved the pilot program in concept on November 9, 1995.⁵ That order initiated the Board's transaction reporting program and operation of the supporting computer system, and was an important first step to increase transparency and market surveillance of the municipal securities market.

Accordingly, Phase I of the transaction reporting system has been operational since January 23, 1995. Each day, the system has produced a report of price and volume of inter-dealer transactions in "frequently traded" municipal securities executed on the previous business day. The system also generates a surveillance data base which includes, among other things, the price and volume of each compared trade, the trade date, identification of the security traded, and identification of all parties to each compared interdealer transaction.⁶

The information provided in the surveillance database is intended to enable the enforcement agencies to construct audit trails of inter-dealer transactions. The Board has provided on-line access to the surveillance database to the National Association of Securities Dealers, Inc. ("NASD") and is making information from the surveillance database available to all the agencies responsible for enforcing Board rules. The proposed amendment to rule G-14 is intended to enhance the surveillance information currently available, and to make it more useful to those responsible agencies.

c. Timing

The Proposing Release notes that changes in the automated comparison system are underway to enable that system to collect time-of-trade

on a delivery *versus* payment/receipt *versus* payment (DVP/RVP) basis. These are transactions in which the customer requires that settlement occur with an exchange of money and securities at the time of settlement. Generally, institutional customers require DVP/RVP settlement and retail customers do not.

⁵ See Securities Exchange Act Release No. 34955 (November 9, 1994), 59 FR 59810 (order approving Phase I of the MSRB's transaction reporting pilot program). The input stream for inter-dealer transaction reporting under Phase I is transaction information reported by dealers, pursuant to Board rule G-14, to the Board through the automated comparison system. The Board has designated National Securities Clearing Corporation ("NSCC"), the central facilities provider of the automated comparison system, as its agent for receiving inter-dealer transaction information.

⁶ The Commission has recently approved the requirement to identify all dealers that are parties to a trade when submitting transaction information to the Board. See Securities Exchange Act Release No. 35988 (July 18, 1995), 60 FR 38069.

¹ See letter from Joseph W. Sack, Senior Vice President, Public Securities Association, to Secretary, Securities and Exchange Commission, dated March 8, 1996 ("PSA letter"), and from The Executive Committee of the Regional Municipal Operations Association to the MSRB, dated March 22, 1996 ("RMOA letter"). The Commission notes that the RMOA letter was not submitted to the Commission as a comment letter specifically on this filing, but because the letter provides RMOA's comments on the proposed rule to require time of trade reporting, the Commission is considering the pertinent comments in the present order.

² See letter from Robert Drysdale, MSRB, to Arthur Levitt, SEC, dated November 3, 1994.

³ Currently, the threshold for "frequent" trading is four or more trades in one day.

⁴ "Institutional" transactions were defined for the purpose of Phase II as customer transactions settled