It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change (File No. SR–CBOE–96–55) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–28181 Filed; 11–1–96; 8:45 am]

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[Release No. 34–37878; File No. SR–CBOE–96–64]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto by the Chicago Board Options Exchange, Inc., Relating to Listing and Delisting Standards for Debt Securities

October 28, 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 October 22, 1996, the Chicago Board Options Exchange, Inc. (''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 self-regulatory organization. CBOE submitted Amendment No. 1 to the filing on October 25, 1996 to clarify rule language.[1] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The CBOE proposes to revise its standards for the listing and delisting of debt securities to conform to those of other securities exchanges. 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 CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

The purpose of the proposed rule change is to permit the Exchange to conform the Exchange's listing and delisting standards for debt securities to those of the American Stock Exchange (''AMEX'') and New York Stock Exchange (''NYSE''). The Exchange proposes to revise the listing and delisting standards set forth in Rule 31.5 so that the listing and delisting standards are substantially similar to those that now exist for the NYSE and AMEX. The Commission approved substantially similar standards for listing bonds and debentures for the AMEX and NYSE in Securities Exchange Act Release No. 36594 (December 14, 1995) (''Release No. 36594'') (approval of AMEX proposal to revise debt listing standards) and Securities Exchange Act Release No. 34019 (May 5, 1994) (approval of NYSE proposal to revise debt listing standards). The NYSE and the AMEX stated that the purpose of the revisions to their debt listing standards was to facilitate the exchange listing of debt securities and to provide debtholders with a transparent auction market for secondary trading.

Original Listing Standards

CBOE Rule 31.5 provides that the Exchange will consider listing bonds and debentures if: (1) the issuer meets the net worth and earnings criteria for equity issues (Rule 31.5A) and appears to be able to satisfy interest and principal when due; (2) the issuer meets the size and earnings criteria applicable to issuers listing common stock; and (3) the issue has an aggregate market value and principal amount of at least $5 million for issuers that have common stock listed on the Exchange, AMEX or NYSE, or at least $20 million and 100 holders for issuers that do not have securities listed on the Exchange, AMEX or NYSE.[1]

The Exchange proposes to replace its listing criteria for debt securities with standards similar to those of AMEX and the NYSE. Under the proposed standards, if an issuer has equity securities listed on the Exchange, AMEX or NYSE, and is in ''good standing,'' [2] the Exchange will ordinarily list that issuer's debt securities as long as the debt issue has an aggregate market value or principal amount of at least $5 million. If the issuer does not have equity securities listed on the Exchange, AMEX or NYSE, the Exchange will rely on the analyses of nationally recognized securities rating organizations (''NRSROs''), such as Standard & Poor's or Moody's.[3]

Specifically, the Exchange proposes to make the following changes to Rule 31.5 of the Exchange's rules:

A. Eliminate the requirement that an issuer of debt satisfy net worth and earnings standards applicable to issuers listing common stock. [Proposed Rule 31.5.C.(1)].

B. Eliminate the requirement that an issuer demonstrate that it is able to satisfy interest and principal when due. [Proposed Rule 31.5.C.(1)].

C. Permit the Exchange to list a debt issue if it has an aggregate market value or principal amount of at least $5 million. [Proposed Rule 31.5.C.(1)].

D. Permit the Exchange to list debt securities that are issued or guaranteed by an issuer which has equity securities listed on the Exchange, AMEX or NYSE. [Proposed Rule 31.5.C.(2)(a)]. Alternatively, the issuer of debt securities may list on the Exchange if a majority interest of the issuer of debt is directly or indirectly owned, or under common control with the issuer of equity securities listed on the Exchange, AMEX or NYSE. [Proposed Rule 31.5.C.(2)(b)].

E. Eliminate the public distribution requirement that listed and non-listed issuers have at least 100 holders. [Proposed Rule 31.5.C.(2)].

F. In lieu of the criteria specified in D above, permit the Exchange to list the debt securities of an issuer if an NRSRO has assigned a current rating to the debt security that is no lower than an S&P Corporation ''B'' rating (i.e., B- or better) or the equivalent rating of another NRSRO. A ''B'' rating indicates that the debt issuer currently has the capacity to meet interest payments and principal repayments, and that such capacity is not dependent upon favorable business, financial or economic conditions. If no NRSRO has assigned a rating to the issue, an NRSRO must have currently

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[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12).

[1] *See* Letter from Janet Angstadt, Schiff Hardin & Waite, to Michael Walinskas, SEC, dated October 25, 1996.

[1] CBOE's listing and delisting standards for common stock are substantially identical to those of AMEX.

[2] An issuer is in ''good standing'' if the issuer is in compliance with the relevant Exchange, AMEX or NYSE standards for continued listing.

[3] As noted by the AMEX in its proposed rule filing, the Exchange will not conduct a review to determine whether the issuer satisfies its original equity listing guidelines or, as the case may be, those of the AMEX or NYSE.

assigned either an investment grade rating (i.e., an S&P or equivalent rating no lower than ''BBB−'') to a senior issue or a rating that is no lower than an S&P) ''B'' rating (or equivalent) to a pari passu or junior issue. [Proposed Rule 31.5.C.(21)(d)].

Suspension and Delisting Policies

Exchange Rule 31.94 sets forth the minimum criteria which a security must meet to continue to be listed on the Exchange. Under Exchange Rule 31.94 as proposed, the Exchange will consider delisting a debt issue if (1) its aggregate market value or principal amount is less than $400,000 or (2) if the debt issuer is unable to meet its obligations on the listed debt securities. The standards in Rule 31.94(b)(iii) will permit, but not require, the delisting of the bond or debenture if the debt issuer fails to meet the criteria set forth in the rule. Consistent with policy statements adopted by the Amex, in applying these standards, the Exchange will normally not delist the debt if there is value in the security and continued Exchange trading is in the best interests of investors. However, if an issuer is unable to meet its financial obligations and there is minimal or no value in the security, the Exchange will give serious consideration to delisting the bond issue.

As stated in Rule 31.94.C, the criteria set forth in the rule in no way restricts the Exchange's right to delist a security, and the Exchange may at any time delist a security from listing when in its opinion such security is unsuitable for continued trading on the Exchange. The determination of whether a debt security is suitable for exchange trading would include whether or not there were sufficient holders of the debt security.

In the case of debt securities which are convertible into equity securities, the Exchange proposes to review the continued listing of the debt security when the underlying equity security is delisted. The Exchange will delist the convertible bond when the underlying equity security is no longer subject to real-time trade reporting or if the Exchange delists the underlying equity security for violation of certain specified Exchange rules related to corporate governance (Exchange Rules 31.9—31.14).

Listing Procedures

The Exchange also proposes to reduce the number of supporting documents that an applicant must file in support of its debt listing application. In proposing similar changes, the AMEX stated that its review of the listing process revealed that ''several documents were either unnecessary, duplicative or unduly burdensome to issuers.''[4] The Exchange proposes the following changes to conform Exchange procedures to those of the AMEX:

A. *Form 5—Distribution of Bonds.* Since the Exchange is proposing to eliminate the requirement that debt securities have 100 holders, Form 5 will no longer be necessary.

B. *Trustee's Certificate.* The Exchange currently requires a certificate from the trustee which shows (i) acceptance of the trust; (ii) that the securities have been issued in accordance with the terms of the indenture; (iii) what disposition has been made of securities redeemed or refunded; (iv) that pledged collateral has been deposited; and (v) what disposition has been made of prior obligations. In its filing proposing revisions to the Trustee's Certificate, the AMEX stated that ''[i]ssuers often complain that it is unduly burdensome for them to obtain the trustee's certificate because many trustees are reluctant to certify the issuer-specific information'' required by Items (ii)–(v).[5] Therefore, the AMEX proposed to require that the certificate show only the trustee's acceptance of the trust. The Exchange proposes to conform its practice to that of the AMEX and therefore require that the certificate show only the trustee's acceptance of the trust.

C. *Listing Resolution.* The Exchange currently requires bond issuers to obtain a resolution of the board of directors authorizing the filing of the listing application. In its filing proposing revisions to the listing resolution, the AMEX stated that ''[t]his requirement is often burdensome to comply with, and can delay a listing if the company's board is not scheduled to meet for a month or more.'' The AMEX further stated that ''[t]he requirement to obtain a listing resolution is essentially ceremonial in nature and does not serve any significant purpose.''[6] The Exchange proposes to conform its practice to that of the AMEX.

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and 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 the proposed rule change will impose any inappropriate burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Because the foregoing proposed rule change, as amended: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) was provided to the Commission for its review prior to the filing date,[7] the rule change proposal, as amended, has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(e)(6) thereunder.

A proposed rule change filed under Rule 19b–4(e) does not become operative prior to thirty days after the date of filing or such shorter time as the Commission may designate if such action is consistent with the protection of investors and the public interest. CBOE has requested that the Commission accelerate the implementation of the proposed rule change so that it may take effect prior to the thirty days specified under Rule 19b–4(e)(6)(iii). In particular, the Commission believes the proposal qualifies as a ''noncontroversial filing'' in that the proposed amendments do not significantly affect the protection of investors or the public interest and do not impose any significant burden on competition. In making this determination, the Commission notes that the rule change makes CBOE's debt listing standards almost identical to those of other exchanges, which were approved and found by the Commission to be consistent with Section 6(b)(5) of the Act.[8] Accordingly, the Commission finds that the proposed rule change, as amended, is consistent with the protection of investors and the public interest and therefore has determined to

[4] *See* Release No. 36594.

[5] Id.

[6] Id.

[7] Although there is usually a five day pre-filing requirement for rule changes submitted pursuant to Rule 19b–4(e)(6), subsection (iii) authorizes the Commission to shorten this pre-filing requirement.

[8] *See, e.g.,* Release No. 36594.

make the proposed rule change operative as of the date of this order.

At any time within 60 days of the filing of the 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, 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 provsisions 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–96–64 and should be submitted by November 25, 1996.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–28182 Filed 11–1–96; 8:45 am]

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[Release No. 34–37876; File No. SR–CBOE–96–15]

Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving a Proposed Rule Change Relating to the Placing of Orders Over the Outside Telephone Lines at the Equity Trading Posts

October 28, 1996.

I. Introduction

On March 12, 1996, the Chicago Board Options Exchange, Inc. (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposal to amend its Regulatory Circular governing the use of member-owned or Exchange-owned telephones located at the equity trading post on the floor of the Exchange. The proposed rule change was published for comment and appeared in the Federal Register on April 8, 1996.[3] No comments were received. This order approves the proposal.

II. Description of the Proposal

CBOE Rule 6.23[4] currently prohibits orders of any type to be entered via outside telephone lines at equity option trading posts.[5] The rule change would amend this prohibition by permitting market makers only to place orders with floor brokers over the outside telephone lines at equity option trading posts.[6] The policy for use of the telephones at the equity posts will remain unchanged in every other respect. Thus, for example, customers will not be permitted to place orders over the telephones located at the equity posts.

In its filing, the Exchange stated that the purpose of the proposed rule change was to permit market makers to transmit their orders more efficiently even when they need to be off the floor to attend to personal or Exchange business. The Exchange stated in its filing that this change will be particularly useful to those members of the Exchange that are often requested to attend meetings on Exchange matters during the trading day.

Orders of market makers placed over the outside telephone lines pursuant to the amended policy will be counted as off-floor orders for purposes of determining a market maker's compliance with the 80% requirement of Rule 8.7. Pursuant to Interpretation .03 of Rule 8.7, Obligations of Market-Makers, a market maker must execute in-person 80% of his total transactions to receive market maker treatment for off-floor orders. An order that receives market maker treatment is entitled to certain benefits, such as favorable margin treatment under Federal Reserve Board Regulation T; therefore, there is an incentive for market makers to satisfy the 80% requirement. Also, Interpretation .03 of Rule 8.7 states that the off-floor orders for which a market maker receives market maker treatment shall be effected for the purpose of hedging, reducing risk of, rebalancing, or liquidating open positions of the market maker. Finally, Interpretation .03 to Rule 8.7 also requires a market maker, at a minimum, to execute at least 25% of his total transactions in-person.

As with the current policy governing the use of telephones at the equity trading posts, the Exchange intends to monitor compliance with these conditions by means of customary floor surveillance procedures, including reliance on surveillance by Floor Officials and Exchange employees. In addition, the Exchange will review on a weekly basis clearance data, as it does now, to assure that a market maker meets the 80% in-person requirement.

III. Discussion

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, the requirements of Section 6(b)(5) of the Act,[7] in that it is designed to promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, prevent fraudulent and manipulative acts and practices, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Specifically, the Commission believes that the proposed rule change may allow market makers more efficient access to equity option posts when they are off the Exchange floor temporarily which could potentially enhance liquidity. In this context, under CBOE Rule 8.7(a), any orders placed by a market maker over the outside telephone lines at the equity post should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market. As noted above, the other requirements of Rule 8.7 should also help to ensure that access to place orders over the outside telephone lines

[9] 17 CFR 200.30–3(a)(12) (1994).

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 37050 (March 29, 1996), 61 FR 15542.

[4] Exchange Rule 6.23 prohibits members from establishing or maintaining any telephone or other wire communications between their offices and the Exchange floor, and it authorizes the Exchange to direct the discontinuance of any communication facility terminating on the Exchange floor.

[5] *See* Securities Exchange Act Release No. 33701 (March 2, 1994), 59 FR 11336 (March 10, 1994) (order approving the Exchange's equity options telephone policy).

[6] Currently, the Exchange permits market makers to place orders with floor brokers via intra-floor lines.

[7] 15 U.S.C. § 78f(b)(5) (1988).