

information needed from an applicant seeking to possess and use a relatively safe device. These self-shielded irradiators contain sealed sources of radioactive material and incorporate features engineered to enhance their safety. NRC's considerable experience with these licensees indicates that radiation exposures to workers are generally low, if the irradiators operate as designed and workers follow basic safety procedures.

This draft report is strictly for public comment and is NOT for use in preparing or reviewing applications for self-shielded irradiators until it is published in final form. It is being distributed for comment to encourage public participation in its development. **DATES:** The comment period ends March 23, 1998. Comments received after that time will be considered if practicable. **ADDRESSES:** Submit written comments to: Chief, Rules and Directives Branch, Division of Administrative Services, Office of Administration, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001. Hand deliver comments to 11545 Rockville Pike, Rockville, Maryland, between 7:15 a.m. and 4:30 p.m. on Federal workdays. Comments may also be submitted through the Internet by addressing electronic mail to DLM1@NRC.GOV.

Those considering public comment may request a free single copy of draft NUREG-1556, Volume 5, by writing to the U.S. Nuclear Regulatory Commission, ATTN: Mrs. Patricia C. Vacca, Mail Stop TWFN 8F5, Washington, DC 20555-0001. Alternatively, submit requests through the Internet by addressing electronic mail to PCV@NRC.GOV. A copy of draft NUREG-1556, Volume 5, is also available for inspection and/or copying for a fee in the NRC Public Document Room, 2120 L Street, NW. (Lower Level), Washington, DC 20555-0001. **FOR FURTHER INFORMATION CONTACT:** Mrs. Patricia C. Vacca, Mail Stop TWFN 8-F5, Division of Industrial and Medical Nuclear Safety, Office of Nuclear Materials Safety and Safeguards, U.S. Nuclear Regulatory Commission, Washington, DC 20555, telephone (301) 415-7908; electronic mail address: PCV@NRC.GOV.

Dated at Rockville, Maryland, this 16th day of December 1997.

For the Nuclear Regulatory Commission.

**Larry W. Camper,**

*Chief, Medical, Academic, and Commercial Use Safety Branch, Division of Industrial and Medical Nuclear Safety, Office of Nuclear Material Safety and Safeguards.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39453; File No. SR-CBOE-97-63]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Listing and Trading of Options on the Dow Jones High Yield Select 10 Index

December 16, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 8, 1997, 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 Exchange. 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 amend Exchange Rules 24.1, 24.6, and 24.9 to provide for the listing and trading of options on the Dow Jones High Yield Select (10 Index ("Index")), a narrow-based index comprised of the ten highest yielding stocks from the Dow Jones Industrial Average ("DJIA"). Options on the Index will be cash-settled and will have European-style exercise provisions.

The text of the proposed rule change is available at the Office of the Secretary, the Exchange, 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 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

##### 1. Purpose

The Exchange seeks to list and trade cash-settled, European-style stock index options on the Index. The Index is an equal-dollar weighted index comprised of the ten highest yielding stocks from the DJIA.<sup>2</sup> The Index was designed to replicate a popular contrarian strategy which assumes that the ten highest-yielding stocks in the DJIA are oversold and, therefore, underpriced relative to the other DJIA stocks. Because a number of mutual funds and unit investment trusts employ this strategy, the Exchange believes that options based on the same general strategy would provide a valuable hedging and investment tool.

According to the Exchange, the Index satisfies the generic criteria for listing options on narrow-based indexes set forth in Exchange Rule 24.2, "Designation of the Index," as well as the generic criteria appearing in the Commission's order that approved Exchange Rule 24.2 ("Generic Index Approval Order").<sup>3</sup> Because the Exchange submitted this proposed rule change in accordance with the expedited approval procedures set forth in Exchange Rule 24.2 and the Generic Index Approval Order, the Exchange may list and trade options on the Index as soon as 30 days from December 8, 1997, the filing date of the proposed rule change.

(a) *Index Design.* The Index will be constituted at the end of the calendar year, and will be comprised of the ten highest-yielding stocks from the DJIA, determined as of the close of trading on

<sup>2</sup> The DJIA is comprised of 30 of the largest companies traded on the New York Stock Exchange. The DJIA currently consists of the following companies: Allied Signal, Incorporated; Aluminum Company of America; American Express Company; AT&T Corporation; Boeing Company; Caterpillar, Incorporated; Chevron Corporation; Coca Cola Company; Du Pont E.I. de Nemours; Eastman Kodak Company; Exxon Corporation; General Electric Company; General Motors Corporation; Goodyear Tire and Rubber Company; Hewlett Packard Company; International Business Machines; International Paper Company; Johnson and Johnson; JP Morgan and Company, Incorporated; McDonalds Corporation; Merck and Company, Incorporated; Minnesota Mining and Manufacturing; Philip Morris Companies, Incorporated; Procter and Gamble Company; Sears Roebuck and Company; Traveler's Group Incorporated; Union Carbide Corporation; United Technologies Corporation; Wal Mart Stores, Incorporated; and Walt Disney Company. Earlier this year, the Commission approved the Exchange's proposed rule change to list and trade options on the DJIA. See Securities Exchange Act Release No. 39011 (Sept. 3, 1997), 62 FR 47840 (Sept. 11, 1997).

<sup>3</sup> See Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994).

<sup>1</sup> 15 U.S.C. § 78s(b)(1).

the third business day prior to the last business day of the calendar year. The Exchange provided information in its proposed rule change filing that identified the ten DJIA stocks that would make up the Index if it were constituted as of November 20, 1997 ("Sample Index").<sup>4</sup> All of the stocks in the Sample Index are "reported securities" as defined in Rule 11Aa3-1 under the Act.<sup>5</sup> In addition, all of the stocks in the Sample Index meet the Exchange's listing criteria for equity options as set forth in Exchange Rule 5.3. Accordingly, 100% of the stocks in the Sample Index, by number and weight, are eligible to serve as underlying securities pursuant to Exchange rules.

In its proposed rule change filing, the Exchange also provided statistical information indicating that each of the stocks in the Sample Index has a market capitalization well in excess of \$75 million. As of November 20, 1997, the stocks comprising the Sample Index ranged in market capitalization from \$9.55 billion (Goodyear Tire and Rubber Company) to \$154.58 billion (Exxon Corporation). The total market capitalization of the Sample Index as of that date was \$598.77 billion. The mean market capitalization was \$59.88 billion, and the median market capitalization was \$49.43 billion.

Additional information provided by the Exchange demonstrates that each of the component stocks in the Sample Index has experienced monthly trading volume well in excess of 1 million

shares over the six month period through October, 1997. During that period, monthly trading volumes for the Sample Index stocks ranged from a low of 6.1 million shares (Goodyear Tire and Rubber Company—August, 1997), to a high of 174 million shares (Philip Morris—June, 1997). Because the Index will be equal-dollar weighted at the outset, each component stock will comprise 10% of the Index. As described below, the Index will be rebalanced once each calendar quarter at which time each stock will be adjusted so that each component will once again have equal dollar weight within the Index.

(b) *Calculation of the Index.* The Index will be calculated by the Exchange or its designee on a real-time basis using last-sale price information, and will be disseminated by the Exchange every 15 seconds. If a component stock is not being traded currently, the Exchange will use the most recent price at which the stock traded to calculate the Index. The initial value of the Index will be set to equal the value of the DJX as of December 31, 1997.<sup>6</sup>

The Index is equal-dollar weighted and reflects changes in the prices of the component stocks relative to the Index base date, January 1, 1998, when the Index will be set to equal the value of the DJX. Initially, each of the component stocks is represented in equal dollar amounts; the level of the Index is equal to the combined market value of the assigned number of shares

for each of the Index components, divided by the current Index divisor. The Index divisor is adjusted to reflect non-market related changes in the prices of the component securities and changes in the composition of the Index. Changes which result in divisor adjustments include, but are not limited to, quarterly rebalancings, special dividends, spin-offs, certain rights issuances, and mergers and acquisitions.

(c) *Maintenance of the Index.* The Exchange will maintain the Index. Exchange staff will rebalance the Index quarterly on expiration Fridays in March, June, September, and on the last business day in December. If it becomes necessary to remove a stock from the Index (for example, because of a takeover, merger, or component change in the DJIA), it will be replaced by the stock from the DJIA which has the highest yield of those stocks not already included in the Index. As of the third business day before the last business day of the calendar year, the Exchange will determine the ten highest yielding stocks from the DJIA. The Exchange will disseminate notice of these ten stocks on that day. The reconstituted Index, as determined three business days before the last business day of the calendar year, will become effective as of January 1 of the next calendar year. The following table prepared by the Exchange shows the stocks eligible for inclusion in the Index from 1987 through 1996. The table illustrates that turnover from one year to the next generally involves two or three stocks.<sup>7</sup>

1987	GM	UK	CHV	WX	XON	S	T	ALD	GT	DD
1988	GM	UK	CHV	WX	XON	S	T	ALD	UTX	BA
1989	GM	UK	CHV	EK	XON	S	T	ALD	UTX	DD
1990	GM	UK	CHV	EK	XON	S	MMM	ALD	GT	DD
1991	GM	UK	AXP	EK	XON	S	T	ALD	GT	DD
1992	GM	UK	AXP	EK	XON	S	WX	CHV	TX	IBM
1993	GM	UTX	AXP	EK	XON	S	WX	CHV	TX	IBM
1994	JPM	UK	AXP	EK	XON	MO	Z	CHV	TX	DD
1995	JPM	S	MMM	EK	XON	MO	Z	CHV	TX	DD
1996	JPM	GM	MMM	EK	XON	MO	IP	CHV	TX	DD

If the Index fails at any time to satisfy one or more of the required maintenance criteria, the Exchange will immediately notify the Commission of that fact and will not open for trading any additional series of options on the

Index unless the Exchange determines that such failure is insignificant and the Commission concurs in that determination, or unless the Commission approves the continued

listing of options on the Index under Section 19(b)(2) of the Act.<sup>8</sup>

(d) *Trading of Option Contracts Based on the Index.* The Exchange proposes to base trading in Index options on the full value of the Index. The Exchange may

<sup>4</sup> The ten stocks are: AT&T Corporation, Chevron Corporation, Du Pont E.I. de Nemours, Exxon Corporation, General Motors Corporation, Goodyear Tire and Rubber Company, International Paper Company, JP Morgan and Company, Minnesota Mining and Manufacturing, and Philip Morris Companies.

<sup>5</sup> 17 CFR 240.11Aa3-1.

<sup>6</sup> The DJX is the index upon which options on the DJIA are based. The value of the DJX is equal to the

level of the DJIA divided by 100. As of November 20, 1997, the value of the DJX was 78.27.

<sup>7</sup> In the table above, the symbols represent the following DJIA stocks: GM—General Motors; UK—Union Carbide, CHV—Chevron; EK—Eastman Kodak; XON—Exxon Corporation; S—Sears Roebuck & Company; T—AT&T Corporation; ALD—Allied Signal Inc.; GT—Goodyear Tire and Rubber Company; DD—EI du Pont de Nemours and Company; WX—Westinghouse Electric Corporation;

AXP—American Express; TX—Texaco Inc.; IBM—International Business Machines; JPM—JP Morgan; Z—Woolworth Corporation; MO—Philip Morris Companies, Inc.; UTX—United Technologies Corporation; BA—Boeing Company; MMM—Minnesota Mining and Manufacturing; and IP—International Paper Company. An italicized ticker symbol represents a new component stock.

<sup>8</sup> 15 U.S.C. § 78s(b)(2).

elect to list full-value, long-term index option series ("LEAPS®"), as provided in Exchange 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 for any such reduced-value LEAP will be rounded to the nearest one-hundredth.

(e) *Exercise and Settlement of Option Contracts Based on the Index.* Options listed and traded on the Index will have European-style exercise features and will be "A.M.-Settled Index Options" within the meaning of the Exchange Rules in Chapter XXIV, "Index Options," including Exchange Rule 24.9, which is being amended to reference options based on the Index. Option contracts based on the Index 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 preceding the expiration date, typically a Thursday.

(f) *Exchange Rules Applicable to the Trading of Index Option Contracts.* Except as modified in this proposed rule change, the Exchange Rules in Chapter XXIV will apply to options listed and traded on the Index. In addition, option contracts based on the Index will be subject to the position limit requirements of Exchange Rule 24.4A, "Position Limits for Industry Index Options."

The Exchange has represented that it possesses the necessary systems capacity to support new series that would result from the introduction of option contracts based on the Index. In addition, the Options Price Reporting Authority ("OPRA") informed the Exchange that additional traffic generated by options on the Index is within OPRA's capacity.<sup>9</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6 of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>11</sup> in particular, in that it will permit trading in option contracts based on the Index in accordance with rules designed to prevent fraudulent and manipulative acts and practices, and to promote just and equitable principles of trade.

<sup>9</sup> See Letter from Joseph P. Corrigan, Executive Director, OPRA, to William Speth, Exchange, dated November 20, 1997.

<sup>10</sup> 15 U.S.C. § 78f.

<sup>11</sup> 15 U.S.C. § 78f(b)(5).

## 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 did not solicit or receive written comments with respect to the proposed rule change.

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

Because the proposed rule change complies with the requirements set forth in the Generic Index Approval Order,<sup>12</sup> it constitutes a stated policy, practice, or interpretation with respect to the administration of an existing Exchange rule, and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and subparagraph (e) of Rule 19b-4 thereunder.<sup>14</sup> Pursuant to the Generic Index Approval Order, the Exchange may not list Index options for trading prior to 30 days after December 8, 1997, the date the proposed rule change was filed with the Commission.

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, NW., Washington, DC 20549. Copies of the submissions, 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 persons, 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.,

<sup>12</sup> See note 3, *supra*.

<sup>13</sup> 15 U.S.C. § 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(e).

Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CBOE-97-63 and should be submitted by January 13, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39450; File No. SR-CHX-97-31]

## Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to a Rebate to Members of Dues and Certain Fees

December 15, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 11, 1997, the Chicago Stock Exchange, Inc. ("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.<sup>2</sup> 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 rebate to members (1) an amount equal to six months of membership dues and (2) an amount equal to twelve months of floor telephone booth and/or post space charges applicable to them, as set forth in the Exchange's Membership Dues and Fees Schedule.

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> See letter from J. Craig Long, Attorney, Foley & Lardner, to Katherine England, Assistant Director, Division of Market Regulation, Commission, dated December 10, 1997 ("Amendment No. 1"). The Exchange initially submitted the proposal on December 8, 1997. However, at the Commission's request, the Exchange filed Amendment No. 1 to the proposed rule change on December 11, 1997 to provide the reasoning for rebating the dues and fees.