

option series ("LEAPS®") and reduced-value LEAPS on the Index. For reduced-value LEAPS, 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, after such initial computation, be rounded to the nearest one-hundredth. The trading hours for options on the Index will be from 8:30 a.m. Chicago time to 3:15 Chicago time. Bridge Information Systems ("Bridge") will calculate the value of the Index every fifteen seconds throughout the trading day and disseminate the Index value through the Options Price Reporting Authority ("OPRA").⁵ Bridge obtains quotes and trade information on a real-time basis directly through the Bolsa through an electronic feed. Accordingly, the value of the Index will be based upon the prices of the components as traded or quoted on the Bolsa.⁶ Finally, CBOE represents that it has the necessary systems capacity to support new series that would result from the introduction of Mexico 30 Index options. CBOE has been informed that OPRA has the capacity to support such new series.⁷

Exercise and Settlement. The trading hours of the Bolsa are the same as those of the New York Stock Exchange, 8:30 a.m. through 3:00 p.m. Chicago time. The proposed options on the Index will expire on the Saturday following the third Friday of the expiration month and trading in the expiring contract month on CBOE will normally cease on Friday at 3:15 p.m. (Chicago time) unless a holiday occurs. The exercise settlement value of Index options at expiration will be determined at the close of the regular Friday trading sessions in Mexico. If a stock does not trade during this interval or if it fails to open for trading, the last available price of the stock will be used in the calculation of the Index. When expirations are moved in accordance with Exchange holidays, such as when the CBOE is closed on the Friday before expiration, the last trading day for expiring options will be Thursday and the exercise settlement value of Index options at expiration will be determined at the close of the regular Thursday trading sessions in Mexico even if the Mexican markets are open on Friday. If the Mexican markets will be closed on the Friday before expiration but the CBOE will not, the last trading day for expiring options will be Thursday.

⁵ See Amendment No. 1.

⁶ Telephone conversation between Eileen Smith, CBOE, and Steve Youhn, SEC, on August 25, 1995.

⁷ See Letter from Joe Corrigan, OPRA, to Eileen Smith, CBOE, dated August 1, 1995.

Surveillance Agreements. The Exchange expects to apply its existing index option surveillance procedures to Index options. In addition, the Exchange is aware of a Memorandum of Understanding ("MOU") between the Commission and the Comisión Nacional Bancaria y de Valores. This MOU will enable the Commission to obtain information concerning the trading of the component stocks of the Mexico 30 Index. The Exchange also will make every effort to enter into an effective surveillance agreement with the Bolsa.

Position Limits. The Exchange is proposing to establish position limits for Mexico 30 Index options equal to 50,000 contracts on the same side of the market, with no more than 30,000 contracts in the series with the nearest expiration date. According to the Exchange, these limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices. Ten reduced-value options will equal one full-value contract for such purposes.

Exchange Rules Applicable. Except as modified herein, the Rules in Chapter XXIV will be applicable to Mexico 30 Index options.

2. Statutory Basis

CBOE 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 will permit trading in options based on the Mexico 30 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 Exchange believes the proposed rule change will impose no 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

Within 35 days of the 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 the 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 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 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-95-45 and should be submitted by September 22, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-21701 Filed 8-31-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36156; File No. SR-NYSE-95-22]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to the Exchange's Wireless Data Communications Initiatives

August 25, 1995.

I. Introduction

On June 1, 1995, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") submitted to the Securities Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

⁸ 17 CFR 200.30-3(a)(12) (1994).

("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to introduce into its trading floor wireless data communications technology that allows a member in a trading crowd or elsewhere on the floor to communicate with others by means of a hand-held wireless device. The Exchange also proposed an interpretation with respect to NYSE Rule 117 which requires members' orders to be in writing.

The proposed rule change was published for comment in Securities Exchange Act Release No. 35931 (June 30, 1995), 60 FR 35767. No comments were received on the proposal.

II. Description of the Proposals

The Exchange's proposed wireless data communications technology involves the floor-based use of wireless hand-held data communication devices. The Exchange proposes to implement a four-phase process to integrate the new technology into the floor environment ("NYSE Plan").³ The Exchange's basic operating premise is to allow private vendors to provide wireless data communications services to Exchange members on the floor, but only in a manner that treats members equitably and does not unfairly discriminate among members. The Exchange also proposes to provide its own wireless data communications service on a non-discriminatory basis.

Phase I, which has been completed, allowed the Exchange to supervise and monitor three "proof-of-concept" pilot programs on the floor to the Exchange.⁴ Each of the programs tested the viability of the operation and functionality of wireless hand-held data devices on the floor. Members participating in the pilot programs were instructed to use the devices strictly for the purposes of evaluating the devices and to compare results that might have been achieved had the devices been used for actual trading purposes with results from actual trades using traditional paper tickets, telephones and the like.

Phase II will involve additional, more structured, pilot testing of independent wireless data communications services, including that offered by the Exchange. A prototype of the infrastructure that will be required to be installed in order to support the wide-scale use of the

wireless hand-held data devices will be used to support the Phase II pilot programs.

In Phase III, the Exchange will conduct on the floor a pre-production pilot test of its wireless data communications system infrastructure. The Exchange will design that infrastructure to use the 2.4 Ghz radio frequency band and to support all hand-held device wireless data communications services of the Exchange and vendors. The Exchange will select an integrator to assist in the design, installation, testing and maintenance of the infrastructure.⁵ In addition, the Exchange plans to allow its wireless data communication service to interface with the Exchange's Broker Booth Support System.

In Phase IV, the Exchange will have installed and tested the infrastructure and moved its own wireless data communications system to the infrastructure. At that point, the Exchange will have commenced the production roll-out of the wireless data communications infrastructure and will have directed all vendors to migrate their systems to the infrastructure. All authorized vendors will be permitted to offer their wireless data communications services (and the Exchange will offer its own system) to such number of members as their respective systems can accommodate. At that point, the floor-based wireless data communications technology should be available to all members.

Implementation of the NYSE's Plan will affect Exchange Rule 117 which prohibits members on the floor of the Exchange from making a bid, offer or transaction for or on behalf of another member except pursuant to a written order.⁶ The Exchange is proposing an interpretation⁷ that will deem a transmission of an order that a member located on the floor of the Exchange receives by means of an authorized hand-held device to constitute a "written order" for the purposes of Rule

117 if the member can show that the transmission of the order:

(i) Provides adequate information relating to the price, size and time of the order, the cancellation of the order, and the like;⁸

(ii) Satisfies the Exchange's audit trail requirements; and

(iii) Satisfies all other Exchange reporting and recordkeeping requirements.⁹

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, with the requirements of Section 6(b) of the Act.¹⁰ Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to protect investors and the public interest, and are not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

The Commission believes that the NYSE Plan should foster coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market, and protect investors and the public

⁸ All orders entered from off the floor must be transmitted to a booth terminal before they are retransmitted to a hand-held device.

⁹ In the case where an order is transmitted electronically from a member's off-floor location to a booth terminal and then the order is retransmitted from the booth terminal to a member's hand-held device, a record must be established and maintained which reflects the time the order was received by the booth terminal and the time the order was received by the hand-held device. The record of time of receipt by the booth terminal may be established and maintained by such terminal or by a server which records the time such terminal acknowledges receipt of the order. The booth terminal must display the order (and the time of receipt, on inquiry) and the automated record of the order (including time of receipt) must be supplemented by a paper record of the order at the booth. If the paper record cannot be produced at the booth terminal, it must then be produced by hand. The record of time of receipt by a hand-held device may be established and maintained by such device or by the server or the booth terminal which receives a message acknowledgement from the hand-held device. Regardless of whether the hand-held device records are maintained in such device or in the booth terminal or a server, such records must be capable of being printed at the booth location.

¹⁰ 15 U.S.C. 78f(b).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ A detailed description of the wireless communication plan and its requirements are set out in Securities Exchange Act Release No. 35931 (June 30, 1995), 60 FR 35767 (July 11, 1995).

⁴ One pilot program was conducted by the Exchange and the other two were conducted by member-sponsored, private wireless data communications vendors.

⁵ The Exchange plans to have the integrator define requirements, analyze technology and design the infrastructure during Phase II.

⁶ Rule 117 also provides that if a member to whom an order has been entrusted leaves the trading crowd without actually transferring the written order to another member, the order shall not be represented in the market during his absence. The use of wireless data communications devices does not affect this portion of Rule 117. If a member receives an order by means of a transmission to his wireless device and he leaves a trading crowd without transferring a written version of the order to another member, the order may not be represented in the market in his absence.

⁷ The Exchange intends to notify its members of this interpretation through an information memo.

interest by expediting and making more efficient the process by which members receive and execute orders on the floor of the Exchange.

The Commission also believes that the NYSE's Plan to phase in the wireless technology is not designed to permit unfair discrimination between customers, issuers, brokers, and dealers. Before implementing Phase II of the NYSE Plan, each of the vendors of the pilot programs must describe its procedures for selecting the 25 participants that will participate in its program. These procedures must provide a fair and non-discriminatory environment and must comply with the Exchange's selection requirements. For example, each vendor must demonstrate to the Exchange that it is willing and able to offer any member who wishes to use that vendor's system the opportunity to participate in the vendor's pilot program, subject to (i) The capacity constraints of the vendor's system, (ii) reasonable lead-time that the vendor may need to bring new users on-line and (iii) the NYSE Plan limit of 25 participants per pilot program. Each vendor is required, among other things, to offer its service in a reasonable manner that does not give the vendor (if it is also a member), or a member that is a sponsor or affiliate of the vendor, an unfair advantage over other Exchange members. In addition, the Exchange will prohibit a vendor from providing its pilot program to any member that primarily trades¹¹ in one stock unless and until (i) The vendor is prepared to provide its service to all members who primarily trade in the same stock and who desire to participate in the pilot program or (ii) the Exchange otherwise permits. Moreover, the Exchange will develop procedures for selecting its own pilot program participants on the same basis. The Commission believes that these procedures and limitations will result in a fair implementation of the NYSE Plan.

Finally, the Commission believes that the proposed interpretation to Rule 117, under which the transmission of an order that is received by means of an authorized hand-held device will be deemed to constitute a "written order" for purposes of Rule 117, in general, protects investors and the public interest. The proposed interpretation provides that an order received through a hand-held device will be considered a "written order" only if it meets the

¹¹ The Exchange deems a member to "primarily trade in one stock" if more than 50 percent of either his trades or share volume occur in that stock. The Exchange will base determinations of percentages of trades and share volumes on, among other things, the Exchange's audit trail data.

specified requirements, concerning the information to be maintained about the order. The Commission believes the proposed interpretation to Rule 117 will provide a more efficient means of communicating orders on the floor at the same time it requires the same information that is currently available for orders processed manually.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-NYSE-95-22) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-21756 Filed 8-31-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36158; File No. SR-PSE-95-16]

Self-Regulatory Organizations; Pacific Stock Exchange Incorporated; Order Granting Approval To Proposed Rule Change and Amendment No. 1 To Proposed Rule Change Relating To Violations of the Intermarket Trading System Rules

August 25, 1995.

On June 8, 1995, the Pacific Stock Exchange Incorporated ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("the Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend its Minor Rule Violation Plan ("MRP")³ to include violations of the Intermarket Trading System ("ITS") rules. On June 26, 1995, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change.⁴

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 U.S.C. 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ Rule 19d-1(c)(2) under the Act, 17 CFR 240.19d-1(c)(2), authorizes national securities exchanges to adopt minor rule violation plans for the summary discipline and abbreviated reporting of minor rule violations by exchange members and member organizations. The PSE's Plan was approved by the Commission in Securities Exchange Act Release No. 22654 (Nov. 21, 1985), 50 FR 48853 (Nov. 27, 1985).

⁴ See letter from Michael Pierson, Senior Attorney, PSE, to Jennifer S. Choi, Attorney, SEC, dated June 23, 1995. Amendment No. 1 withdrew the proposed changes to the Equity Floor Procedure Advice 2-B because these changes have been approved already by the Commission. See Securities Exchange Act Release No. 34760 (Sept.

The proposed rule change and Amendment No. 1 were published for comment in Securities Exchange Act Release No. 35959 (July 12, 1995), 60 FR 36849 (July 18, 1995). No comments were received on the proposal.

The Exchange's MRP, set forth in PSE Rule 10.13, provides that the Exchange may impose a fine not to exceed \$5,000 on any member, member organization, or person associated with a member or member organization, for any violation of an Exchange rule that has been deemed to be minor in nature and approved by the Commission for inclusion in the MRP. Rule 10.13 includes a list of rule violations that are eligible for the expedited disciplinary procedure under the MRP and that may be the subject of fines in accordance with the Recommended Fine Schedule.

The Exchange proposes to amend its MRP by adding the following provision to the MRP as Rule 10.13(i)(9): "Failure to follow the provisions of the rules and regulations governing the use of the Intermarket Trading System (ITS) (PSE Rules 5.20-5.23)." The Exchange is also proposing to amend its Recommended Fine Schedule to establish the following recommended fines (on a running two-year basis) for violations of the ITS rules and regulations: \$500 for a first-time violation; \$1,000 for a second-time violation; and \$2,000 for a third-time violation.⁵

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(b).⁶ In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public, and with the Section 6(b)(6) requirement that the rules of an exchange provide that its members be appropriately disciplined for violations of an exchange's rules and the Act.

Specifically, the Commission believes that an exchange's ability to effectively enforce compliance by its members and member organizations with the Commission and Exchange rules is central to its self-regulatory functions. The inclusion of a rule in an exchange's

30, 1994), 59 FR 50950 (Oct. 6, 1994) (approving File No. SR-PSE-94-13).

⁵ For a discussion of the Exchange's Recommended Fine Schedule, see Securities Exchange Act Release No. 34322 (July 6, 1994), 59 FR 35958 (July 14, 1994).

⁶ 15 U.S.C. 78f(b) (1988 & Supp. v 1993).