

average market capitalization of these stocks was \$1.54 billion on the same date (using the same rate of exchange). The individual market capitalization of these stocks ranged from \$156 million (Grupo Sidek-B) to \$13.3 billion (Telmex) on July 31, 1995. The largest stock accounted for 23.61% of the Index, while the smallest accounted for 0.36%. The top five stocks in the Index by weight accounted for 55.02% of the Index. CBOE represents that upon each semi-annual review of the Index, the Exchange shall make any necessary modifications to ensure that the top three weighted stocks in the Index by weight may not account for more than 45% of the Index at the time of a semi-annual review.³ The average daily volume in the component securities for the period from February 1995 through July 1995, ranged from a low of approximately 9,270 shares to a high of 14,123,392 shares, with an average daily trading volume for all components of the Index of approximately 1,479,390 shares per day.

Calculation. The value of the Index is determined by multiplying the price of each stock times the number of shares outstanding, adding those sums and dividing by a divisor which gives the Index a value of 200 on its base date of January 3, 1995. This divisor is adjusted for pertinent changes as described below in the section titled "Maintenance." The Index had a closing value of 203.07 on July 31, 1995.

Maintenance. The Index will be maintained by the CBOE and CME. To maintain continuity of the Index, the divisor of the Index will be adjusted to reflect certain events relating to the component stocks. These events include, but are not limited to, changes in the number of shares outstanding, spin-offs, certain rights issuances, and mergers and acquisitions. The composition of the Index will be reviewed periodically and the Exchanges may make component changes at any 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"). Bridge obtains quotes and trade information on a real-time basis directly from 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.

Surveillance Agreements. The Exchange expects to apply its existing

warrant surveillance procedures to Index warrants. In addition, the Exchange is aware of a Memorandum of Understanding ("MOU") between the Commission and the Comision 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.

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 warrants 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 warrants 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, 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 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-95-46 and should be submitted by October 3, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-22535 Filed 9-11-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36185; File No. SR-CBOE-95-43]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to the Listing of Flexible Exchange Options on Specified Equity Securities

September 5, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 15, 1995, the Chicago Board Options Exchange ("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 CBOE proposes to amend its rules to provide for the listing and trading of Flexible Exchange Options ("FLEX Options") on specified equity securities ("FLEX Equity Options"). The text of the proposed rule change is available at

⁴ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ As of July 31, 1995, the top three stocks represented 43.6% of the weight of the Index.

the Office of the Secretary, the 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 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 expand the CBOE's FLEX Options rules³ to permit the introduction of trading in FLEX Options on specified equity securities that satisfy the Exchange's listing standards for equity options. Currently, FLEX Options are listed and traded on the CBOE in respect of several broad market indexes of equity securities ("FLEX Index Options").⁴ The Exchange states that because of the success of these products in meeting the needs of investors for greater flexibility in designating the terms of index options within the parameters of the CBOE's FLEX Options rules, the Exchange is now proposing to provide comparable flexibility to investors in equity options. The CBOE believes that by extending the FLEX Options program in this way, the result will be to further broaden the base of institutional investors that use FLEX Options to manage their trading and investment risk.

For the most part, the CBOE represents that the current rules governing FLEX Index Options will apply unchanged to FLEX Equity Options. Certain changes to the CBOE's existing FLEX Options rules, however, are proposed to deal with the special characteristics of FLEX Equity Options. Specifically, the CBOE proposes to add

several new definitions to Rule 24A.1 to accommodate the introduction of trading in FLEX Equity Options,⁵ and to revise certain other CBOE rules describing FLEX Options and governing their trading, as described below.

The CBOE proposes to revise Rule 24A.4 concerning the terms of FLEX Options to make specific reference to the terms of FLEX Equity Options. Specifically, FLEX Equity Options will have (1) a maximum term of three years, (2) a minimum size of 250 contracts for an opening transaction in a new series, and (3) a minimum size of 100 contracts for an opening or closing transaction in a series in which there is already open interest (or any lesser amount in a closing transaction that represents the remaining underlying size). The minimum value size for FLEX Quotes⁶ by a single Market-Maker in response to a Request for Quotes⁷ in FLEX Equity Options is the lesser of 100 contracts or the remaining underlying size in a closing transaction.

The CBOE also proposes to allow exercise prices and premiums for FLEX Equity Options to be stated in dollar amounts or percentages, with premiums rounded to the nearest minimum tick and exercise prices rounded to the nearest one-eighth. The exercise of FLEX Equity Options will be by physical delivery, and the exercise-by-exception procedures of The Options Clearing Corporation ("OCC") will apply.⁸

The CBOE represents that the trading procedures applicable to FLEX Equity Options will be mostly the same as those that apply to FLEX Index Options, except that unless the Exchange's Market Performance Committee decides otherwise, there will not be FLEX Appointed Market-Makers⁹ who are obligated to respond to Requests for Quotes in respect of FLEX Equity Options as there are in respect of FLEX Index Options. Instead, the CBOE proposes to have five or more "FLEX Qualified Market-Makers" appointed to each class of FLEX Equity Options who must satisfy essentially the same

standards of qualification as FLEX Appointed Market-Makers (including the requirement for a specific clearing member letter of guarantee for FLEX Options),¹⁰ and who may, but without obligation to do so, enter quotes in response to a Request for Quotes in a class of FLEX Equity Options in which the Market-Maker is qualified. In addition, FLEX Qualified Market-Makers will be obligated to make responsive quotes when called upon to do so by a FLEX Post Official¹¹ in the interests of a fair and orderly market. Quotes of FLEX Qualified Market-Makers must satisfy the minimum size parameters discussed above for FLEX Equity Options and must be entered within the time periods provided in the CBOE's FLEX Options Rules.¹²

The CBOE represents that the rules governing priority of bids and offers for FLEX Equity Options are also much the same as those that apply to FLEX Index Options, except that in the case of FLEX Equity Options, no guaranteed minimum right of participation is provided to an Exchange member that initiates a Request for Quotes and indicates an intention to cross or act as principle on the trade;¹³ as to such a member the Exchange's regular rules of price and time priority shall apply.¹⁴

The CBOE represents that position limits and exercise limits for FLEX Equity Options are proposed to be larger than the limits applicable to Non-FLEX Equity Options, in the same manner and for the same reasons that the position and exercise limits for FLEX Index Options are larger than those applicable to Non-FLEX Index Options. Position and exercise limits for FLEX Equity Options are proposed to be five times the limits for Non-FLEX Equity Options on the same underlying security. This compares with limits for OEX FLEX Index Options that are eight times the limits for Non-FLEX OEX Options and limits for SPX FLEX Index Options that are 4.44 times the limits for Non-FLEX SPX Options. Also, as is currently the case for FLEX Index Options, it is proposed that there will be no aggregation of positions or exercises in FLEX Equity Options with positions or exercises in Non-FLEX Equity Options for purposes of position or exercise limits. The CBOE believes that the larger position and exercise limits for FLEX Options and the nonaggregation of positions and exercises in FLEX Options

⁵ In addition to the term FLEX Equity Options, the proposal also defines the terms "FLEX Index Options," "Non-FLEX Options," "Non-FLEX Equity Option," and "Applicable Floor Procedure Committee."

⁶ See CBOE Rule 24A.1(f).

⁷ See CBOE Rule 24A.1(k).

⁸ OCC Rule 805 provides for automatic exercise of in-the-money options at expiration without the submission of an exercise notice to the OCC if the price of the security underlying the option is at or above a certain price (for calls) or at or below a certain price (for puts); and the non-exercise of an option at expiration if the price of the security underlying the option does not satisfy such price levels. See OCC Rule 805.

⁹ See CBOE Rule 24A.9.

¹⁰ See, e.g., CBOE Rules 24A.9, 24A.13, 24A.14, and 24A.15.

¹¹ See CBOE Rule 24A.1(e).

¹² See CBOE Rule 24A.5.

¹³ See CBOE Rule 24A.5(c).

¹⁴ See CBOE Rule 6.45.

³ See CBOE Rules 24A.1 through 24A.17.

⁴ Specifically, the Commission has approved the listing by the CBOE of FLEX Options on the S&P 100 ("OEX"), S&P 500 ("SPX"), Nasdaq 100, and Russell 2000 Indexes. See Securities Exchange Act Release Nos. 31920 (February 24, 1993), 58 FR 12280 (March 3, 1993) (approval of FLEX Options on the SPX and OEX indexes), 34052 (May 12, 1994), 59 FR 25972 (May 18, 1994) (approval of FLEX Options on the Nasdaq 100 index), and 32694 (July 29, 1993), 58 FR 41814 (July 5, 1993) (approval of FLEX Options on the Russell 2000 index).

and Non-FLEX Options reflect the institutional nature of the market for FLEX Options and the fact that the CBOE must compete with over-the-counter markets throughout the world, many of which do not impose any position or exercise limits whatsoever.

Also, the Exchange proposes to provide that the expiration date of a FLEX Equity Option may not fall on a day that is within two business days of the expiration date of a Non-FLEX Equity Option. This is intended to eliminate the possibility that the exercise of FLEX Equity Options at expiration will cause any untoward pressure on the market for underlying securities at the same time as Non-FLEX Options expire. The Exchange proposes that this change will also apply to FLEX Index Options.¹⁵

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁶ in particular, in that it is designed to 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 to protect investors and the public interest in that extending the existing FLEX Option program to encompass FLEX Options on specified equity securities will for the first time provide investors with a regulated, transparent exchange market in flexible options on individual equity securities.

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

The Exchange does not believe that 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

Written comments on the proposed rule change were neither solicited nor received.

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

¹⁵ CBOE Rule 24A.4(c)(iv) currently provides that the expiration date of a FLEX Index Option may not fall within three business days of the expiration date of a Non-FLEX Index Option.

¹⁶ 15 U.S.C. 78f(b)(5) (1988).

publishes its reasons for so finding or (ii) as to which the Exchange 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 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, NW., Washington, DC. 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-95-43 and should be submitted by October 3, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-22536 Filed 9-11-95; 8:45 am]

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[Release No. 34-36187; File No. SR-PSE-95-19]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Stock Exchange Incorporated Relating to the Amendment of the Schedule of Rates for Exchange Services

September 5, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 22, 1995 the Pacific Stock Exchange Incorporated ("PSE" or "Exchange") filed with the Securities and Exchange Commission

¹⁷ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1).

("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 is proposing to amend its Schedule of Rates for Exchange Services.

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 self-regulatory organization 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 self-regulatory organization 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 is proposing to amend its Schedule of Rates for Exchange Services as follows: First, the Exchange is proposing to reduce its fee for transfers of membership that are made on a temporary basis. Currently, the fee for certain intra-organizational transfers of membership (temporary or permanent) is \$250.00.² Under the proposal, if a transfer of membership is made on a temporary basis (e.g., while a member is away on vacation), the amount of the fee would be \$100.00.³ Second, the Exchange is proposing to eliminate its charge of \$0.005 per share on net outgoing market maker principal

² See PSE Rule 1.10(a)(ii).

³ The Exchange has represented that a temporary transfer of membership is one made for 30 days or less. The Commission notes that the current language of PSE Rule 1.10(a)(ii) provides for a \$250.00 fee for the temporary transfers of membership and, therefore, conflicts with the proposed amendment. To remedy this conflict, the Exchange has further represented that it will submit a filing in the near future that, among other things, will conform PSE Rule 1 to the proposed amendment and make it clear that a temporary transfer of membership, for the purposes of the proposed amendment, is one for 30 days or less. Telephone conversation between Michael D. Pierson, Senior Attorney, PSE and Glen Barrentine, Team Leader, SEC (Aug. 30, 1995).