

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

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-12536 Filed 5-17-96; 8:45 am]

BILLING CODE 8010-01-M

[File No. 1-13242]

**Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (The UniMark Group, Inc., Common Stock, \$0.01 Par Value)**

May 14, 1996.

The UniMark Group, Inc. ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the Pacific Stock Exchange, Inc. ("PSE").

The reasons alleged in the application for withdrawing the Security from listing and registration include the following:

According to the Company, since its initial public offering in August 1994, the Company has changed its primary trading market from the Nasdaq Small-Cap Market to the Nasdaq National Market System (Nasdaq/NMS). Consequently, substantially all of the trading in the Company's securities is effectuated on the Nasdaq/NMS. Therefore, the Board of Directors believes that the Nasdaq/NMS provides the Company's stockholders with a well-established and liquid trading market to effectuate transactions in the Company's securities.

The Company believes the costs involved in maintaining the PSE as a secondary trading market for its securities outweighs the benefits to the Company's stockholders, particularly in light of the historic trading volume of the Company's securities on the PSE.

Any interested person may, on or before June 5, 1996 submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchanges and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-12537 Filed 5-17-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37198; File No. SR-CROE-96-11]

**Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving Proposed Rule Change Relating to the Listing and Trading of Options on the CBOE PC Index**

May 10, 1996.

On March 7, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade options on the CBOE PC Index ("CBOE PC Index" or "Index"), a narrow-based, equal-weighted index comprised of eight of the largest personal computer manufacturing companies. Notice of the proposed rule change appeared in the Federal Register on March 27, 1996.<sup>3</sup> No comments were received on the proposal. This order approves the proposal, as amended.

**I. Description of the Proposal**

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled, European-style stock index options on the CBOE PC Index, an equal-weighted index consisting of stocks of eight of the largest personal computer manufacturing companies. CBOE represents that each of these stocks are actively traded and believes that options on the Index will provide investors with a low-cost means to participate in the performance of the domestic PC industry or a means to hedge the risk of investments in that industry. The Exchange believes that the small number of Index components should facilitate replication of the Index for hedging purposes.

**Index Design.** As noted above, the CBOE PC Index consists of eight components, all of which trade on the New York Stock Exchange ("NYSE") or Nasdaq.<sup>4</sup> In addition, the Exchange

<sup>1</sup> 15 U.S.C. § 78s(b)(1) (1988 & Supp. V. 1993).

<sup>2</sup> 17 CFR § 240.19b-4 (1994).

<sup>3</sup> See Securities Exchange Act Release No. 36992 (March 20, 1996), 61 FR 13548.

<sup>4</sup> The components of the Index are: Apple Computer, AST Research, Compaq Computer, Dell

represents that all eight underlying component securities currently meet the Exchange's listing criteria for equity options contained in Exchange Rule 5.3 and are the subject of options trading on U.S. options exchanges.

As of February 6, 1996, the capitalization of the components ranged from a low of \$363 million (AST Research) to a high of \$65.26 billion (IBM). The total capitalization of the Index as of that date was \$135.5 billion; the mean capitalization was \$16.9 billion; and the median capitalization was \$3.34 billion. Because the Index is equal-weighted, each component accounts for 12.5% of the weight of the Index at the time of rebalancing.

**Calculation.** The Index will be calculated by CBOE or its designee on a real-time basis using last-sale prices and will be disseminated every 15 seconds. The updated Index values will be displayed by the Consolidated Tape Association and over the facilities of the Options Price Reporting Authority ("OPRA"). If a component is not currently being traded on its primary market, the most recent price at which the share traded on such market will be used in the Index calculation. The value of the Index at the close on February 1, 1996 was 127.65.

The Index is equal-weighted and reflects changes in the prices of the component stocks relative to the Index base date, January 3, 1995 when the Index was set to 100.00. Specifically, each of the component securities is initially represented in equal-dollar amounts, with the level of the Index 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 maintain continuity in the Index at the time of certain types of changes. Changes which may result in divisor changes include, but are not limited to, quarterly re-balancing, special dividends, spin-offs, certain rights issuances, and mergers and acquisitions.

**Maintenance.** The Index will be maintained by CBOE and will be re-balanced after the close of business on Expiration Fridays on the March Quarterly Cycle. The Index will be reviewed regularly and CBOE may change the composition of the Index at any time to reflect changes affecting the components of the Index or the PC markets generally. If it becomes necessary to replace a component, every effort will be made to add a component

Computer, Gateway 2000, Hewlett Packard, International Business Machines, and Micron Electronics.

that preserves the character of the Index. If no replacement is available, or if CBOE determines to decrease the number of component stocks, it will submit a proposed rule change pursuant to Section 19(b) of the Act prior to opening any new series of Index options for trading. Absent prior Commission approval, CBOE will not increase to more than ten the number of component stocks in the Index. Finally, if at any time any of the components are not options eligible,<sup>5</sup> the Exchange will submit a rule change pursuant to Section 19(b) of the Act prior to opening any new series of Index options for trading.

**Index Option trading.** The Exchange proposes to base trading in options on the CBOE PC Index on the full value of that index. The Exchange may list full-value long-term index option series ("LEAPS<sup>®</sup>"), as provided in Rule 24.9. 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, after such initial computation, be rounded to the nearest one-hundredth.

**Exercise and Settlement.** CBOE PC Index options will have European-style exercise and will be "A.M.-settled index options" within the meaning of the Rules in Chapter XXIV, including Rule 24.9, which is being amended to refer specifically to CBOE PC Index options. The proposed options will expire on the Saturday following the third Friday of the expiration month and 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 will be applicable to CBOE PC Index options. Index option contracts based on the CBOE PC Index will currently be subject to a position limit of 9,000 contracts on the same side of the market.<sup>6</sup> Ten reduced-value options will equal one full-value contract for such purposes.

CBOE represents that it has the necessary systems capacity to support new series that would result from the introduction of options on the Index

<sup>5</sup> Options eligibility requirements include, among other criteria, public float, minimum holder, trading volume, and share price requirements. See CBOE Rules 5.3 and 5.4.

<sup>6</sup> CBOE recently increased its position limit tiers applicable to narrow-based index options from 5,000, 7,500, and 10,500 contracts on the same side of the market to 6,000, 9,000, and 12,000 contracts, respectively.

and has also been informed that OPRA has the capacity to support such new series.<sup>7</sup>

**Surveillance.** The surveillance procedures currently used to monitor the trading of options on other Exchange-listed indexes will be used to monitor the trading of options on the CBOE PC Index. The Exchange has access to trading activity in the underlying securities, all of which trade on either the NYSE or Nasdaq, via the Intermarket Surveillance Group ("ISG") Agreement.

## II. Findings and Conclusions

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).<sup>8</sup> Specifically, the Commission finds that the trading of CBOE PC Index options, including full-value and reduced-value long-term Index options, will serve to promote the public interest and help to remove impediments to a free and open securities market by providing investors with an additional means to hedge exposure to market risk associated with stocks in the personal computer industry.<sup>9</sup>

The trading of options on the Index and on a reduced-value Index, however, raises several issues relating to index design, customer protection, surveillance, and market impact. The Commission believes, for the reasons discussed below, that the CBOE has addressed these issues adequately.

**A. Index Design and Structure.** The Commission believes it is appropriate for the Exchange to designate the Index as a narrow-based index for purposes of index options trading. The Index is comprised of 8 stocks intended to track the personal computer manufacturing sector of the stock market. The Commission also finds that the reduced-

value Index is a narrow-based index because it is composed of the same component securities as the Index, and merely dividing the Index value by ten will not alter its basic character. Accordingly, the Commission believes that it is appropriate for the CBOE to apply its rules governing narrow-based index options to trading in the Index options and long-term full-value and reduced-value Index options.

The Commission also believes that the large capitalizations, liquid markets, and relative weightings of the Index's component stocks significantly minimize the potential for manipulation of the Index. First, the stocks that comprise the Index are actively traded, with a mean and median average monthly trading volume for the period between August 1995 and February 1996 of 2.09 million and 2.45 million shares, respectively. Second, the market capitalizations of the stocks in the Index are very large, ranging from a high of \$65.26 billion to a low of \$363 million as of February 2, 1996, with the mean and median being \$16.9 billion and \$3.3 billion, respectively. Third, because the index is equal dollar-weighted, as described above, no one particular stock or group of stocks dominates the Index. Specifically, as of February 6th, each stock accounted for 12.5% of the Index's total value and the percentage weighting of the five highest weighted stocks in the Index accounted for 62.5% of the Index's value.

Fourth, the proposed maintenance criteria will serve to ensure that: (1) the Index remains composed of liquid highly capitalized securities; and (2) the Index is not dominated by one or several securities that do not satisfy the Exchange's options listing criteria. Specifically in considering changes to the composition of the Index, CBOE will submit a rule change pursuant to Section 19(b) of the Act prior to the opening of any new series of Index options if at any time any of the components are not options eligible.<sup>10</sup> Finally, the Commission believes that the existing mechanisms to monitor trading activity in the component stocks of the Index, or options on those stocks, will help deter as well as detect any illegal activity.

**B. Customer Protection.** The Commission believes that a regulatory system designed to protect public customers must be in place before the trading of sophisticated financial instruments, such as Index options (including full-value and reduced-value long-term Index options), can commence on a national securities

<sup>7</sup> See Letter from Joe Corrigan, OPRA, to Eileen Smith, CBOE, dated February 21, 1996.

<sup>8</sup> 15 U.S.C. § 78f(b)(5) (1988).

<sup>9</sup> Pursuant to Section 6(b)(5) of the Act, the Commission must predicate approval of any new option proposal upon a finding that the introduction of such new derivative instrument is in the public interest. Such a finding would be difficult for a derivative instrument that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns. In this regard, the trading of listed options on the Index will provide investors with a hedging vehicle that should reflect the overall movement of the stocks representing companies in the networking sector in the U.S. stock markets.

<sup>10</sup> See supra note 5.

exchange. The Commission notes that the trading of standardized exchange-traded options occurs in an environment that is designed to ensure, among other things, that: (1) the special risks of options are disclosed to public customers; (2) only investors capable of evaluating and bearing the risks of options trading are engaged in such trading; and (3) special compliance procedures are applicable to options accounts. Accordingly, because the Index options and Index long-term full-value and reduced-value options will be subject to the same regulatory regime as the other standardized index options currently traded on CBOE, the Commission believes that adequate safeguards are in place to ensure the protection of investors in Index options and full-value or reduced-value Index long-term options.

**C. Surveillance.** The Commission believes that a surveillance sharing agreement between an exchange proposing to list a stock index derivative product and the exchange(s) trading the stocks underlying the derivative product is an important measure for surveillance of the derivative and underlying securities markets. Such agreements ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the stock index product less readily susceptible to manipulation.<sup>11</sup> In this regard, the Commission notes that the CBOE, NYSE, and NASD are all members of the ISG. The Commission believes that this arrangement ensures the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Index options and full-value and reduced-value long-term Index options less readily susceptible to manipulations.<sup>12</sup>

**D. Market Impact.** The Commission believes that the listing and trading of Index options, including full-value and reduced-value Index LEAPS on the CBOE, will not adversely affect the underlying securities markets. First, because of the equal-weighting method that will be used, no one security or group of securities represented in the Index will dominate the weight of the Index immediately following a quarterly rebalancing. Second, the Index maintenance criteria ensure that the Index will be comprised solely of

securities that satisfy the Exchange's listing standards for standardized options trading, and that one or a few stocks do not dominate the Index. Third, the currently applicable 9,000 contract position and exercise limits will serve to minimize potential manipulation and market impact concerns. Fourth, the risk to investors of contra-party non-performance will be minimized because the Index options and Index long-term options will be issued and guaranteed by the Options Clearing Corporation just like any other standardized option traded in the United States.

Lastly, the Commission believes that settling expiring Index options (including full-value and reduced-value long-term Index options) based on the opening prices of component securities is reasonable and consistent with the Act. As has been noted previously, valuing index options for exercise settlement on expiration based on opening rather than closing prices of Index component securities may help to reduce adverse effects on markets for such securities.<sup>13</sup>

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (SR-CBOE-96-11) is approved.

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

Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 96-12594 Filed 5-17-96; 8:45 am]  
BILLING CODE 8010-01-M

[Release No. 34-37208; File No. SR-DTC-95-27]

### Self-Regulatory Organizations; The Depository Trust Company; Order Approving a Proposed Rule Change Implementing the Initial Public Offering Tracking System

May 13, 1996.

On January 2, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-95-27) under Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> seeking to implement the Initial Public Offering ("IPO") Tracking System. On January 31, 1996, DTC amended the proposed rule

change.<sup>2</sup> Notice of the proposal was published in the Federal Register on March 6, 1996.<sup>3</sup> On March 7, 1996, DTC filed a second amendment to the proposed rule change.<sup>4</sup> The Commission received one comment letter in response to the filing.<sup>5</sup> For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

DTC is implementing its IPO Tracking System to allow lead managers (also referred to as managing underwriters) and syndicate members<sup>6</sup> of equity underwritings to monitor "flipping"<sup>7</sup> of new issues. Currently, many IPOs are distributed entirely in physical, certificated form outside the depositories so that tracking may be accomplished by using certificate numbers to monitor the movements of the securities. DTC's IPO Tracking System provides a means for lead managers to track IPOs in a book-entry environment and thus eliminates the need to distribute newly underwritten equity securities through the use of physical certificates.

Currently, securities to be listed on an exchange or quoted through the Nasdaq Stock Market ("Nasdaq") must be made depository eligible.<sup>8</sup> Furthermore, the

<sup>2</sup> Memo from Richard B. Nesson, Executive Vice President and General Counsel, DTC, to Christine Sibille, Commission (January 31, 1996).

<sup>3</sup> Securities Exchange Act Release No. 36897 (February 27, 1996), 61 FR 8992.

<sup>4</sup> Letter from Richard B. Nesson, Executive Vice President and General Counsel, DTC, to Christine Sibille, Senior Counsel, Division of Market Regulation, Commission (March 4, 1996). The amendment provides that DTC will provide thirty days notice prior to implementing the IPO Tracking System. Because the amendment did not change the substance of the filing, the Commission did not republish the proposed rule change for comment.

<sup>5</sup> Letter from Carl H. Hewitt, Managing Director and General Counsel, Spear, Leeds & Kellogg, to Commission (May 3, 1996).

<sup>6</sup> Syndicate members are a group of broker-dealers that agree to purchase a new issue of securities from an issuer under an underwriting agreement. The selling group is a group of broker-dealers that market the new issue to the public. Selling group broker-dealers may purchase from a syndicate member or may be a syndicate member.

<sup>7</sup> Flipping occurs when a syndicate's lead manager is supporting the IPO with a stabilization bid (*i.e.*, the lead manager is purchasing shares in the secondary market in order to keep the price of the issue from dropping below its initial offering price), and securities of the IPO that had been distributed to investors are sold by those investors in the secondary market and are purchased by a syndicate member. The lead manager may wish to identify flipped transactions so that underwriting concessions (*i.e.*, the discount from the offering price received by syndicate members) can be recovered from the appropriate syndicate members.

<sup>8</sup> Under the rules of most national securities exchanges and the National Association of Securities Dealers ("NASD"), in order to be listed for trading on a national securities exchange or to

Continued

<sup>11</sup> See Securities Exchange Act Release No. 31243 (September 28, 1992), 57 FR 45849.

<sup>12</sup> See, *e.g.*, Securities Exchange Act Release No. 31243 (September 28, 1992), 57 FR 45849 (order approving the listing of index options and index LEAPS on the CBOE Biotech Index).

<sup>13</sup> See Securities Exchange Act Release No. 30944 (July 21, 1992), 57 FR 33376 (July 28, 1992).

<sup>14</sup> 15 U.S.C. § 78s(b)(2) (1988).

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

<sup>15</sup> U.S.C. 78(b)(1) (1988).