

the Exchange's listing standards for standardized options trading; and (2) no individual security held by one or more of the mutual funds represented in the Index and no individual country represented by those holdings will dominate the Index.<sup>49</sup> Third, because the securities issued by each of the closed-end funds comprising the Index must be "reported securities" as defined in Rule 11Aa3-1 of the Act, the securities issued by these closed-end funds generally will be actively-traded, highly-capitalized securities. Fourth, the 10,500 contract position and exercise limits applicable to Index options and Index LEAPS will serve to minimize potential manipulation and market impact concerns.

Lastly, the Commission believes that settling expiring Asian Markets Index options, including full-value and reduced-value Index LEAPS, based on the opening prices of the closed-end fund securities comprising the Index is consistent with the Act. As noted in other contexts, valuing options for exercise settlement on expiration based on opening prices rather than closing prices may help reduce adverse effects on markets for the closed-end fund securities underlying options on the Index.<sup>50</sup>

The Commission finds good cause for approving Amendment No. 2 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 2 provides objective maintenance criteria which, for the reasons stated above, should minimize the potential for manipulation of the Index and the closed-end mutual fund securities comprising the Index. Further, as discussed above, the Commission believes that these maintenance criteria significantly strengthen the customer protection and surveillance aspects of the proposal, as originally proposed.<sup>51</sup> Moreover, the Commission believes that reducing the number of component funds in the Index by one is not a material change that raises regulatory concerns not already addressed by the proposal. Accordingly, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 2 to the proposed rule change on an accelerated basis.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and

arguments concerning Amendment No. 2. 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. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the File Number SR-CBOE-94-20 and should be submitted by March 1, 1995.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>52</sup> that the proposed rule change (SR-CBOE-94-20), as amended, is approved.<sup>53</sup>

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>54</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 95-3035 Filed 2-7-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35307; File No. SR-CBOE-95-03]

#### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Restrictions on the Exercise on Index Options

January 31, 1995.

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 January 18, 1995, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange

<sup>49</sup> 15 U.S.C 78s(b)(2) (1988).

<sup>53</sup> The Commission notes that prior to listing Index options or Index LEAPS, the CBOE will be required to review the then most recent semiannual reports filed with the Commission by each of the closed-end funds represented in the Index to ensure that the closed-end fund securities comprising the Index, as well as the holdings of each of the closed-end funds represented in the Index, satisfy, at the time of listing, the listing criteria discussed above.

<sup>54</sup> 17 CFR 200.30-3(a)(12) (1994).

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 its Rule 4.16 to limit the time period during which restrictions on the exercise of index options may be in effect, making Rule 4.16 consistent with CBOE Regulatory Circular RG91-11, dated January 14, 1991. Rule 4.16 would be amended to substitute the words "business day" for the words "trading day," thereby making Rule 4.16 consistent with CBOE's stated policy as set forth in Regulatory Circular RG91-11. The text of the proposed rule change is available at 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 CBOE included statements concerning the purpose of and basis for 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 Section (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 revise Rule 4.16 to make it consistent with CBOE's stated policy regarding when restrictions on the exercise of index options may be in effect, as set forth in Regulatory Circular RG91-11. The Exchange represents that it promulgated the policies regarding exercise restrictions in Regulatory Circular RG91-11 to implement a coordinated approach to which all of the options exchanges had agreed. Regulatory Circular RG91-11 provides, in part, that, except during "the last business day prior to expiration, the (American Stock Exchange, CBOE, New York Stock Exchange, Pacific Stock Exchange, and the Philadelphia Stock Exchange) intend to prohibit exercises of cash settled index options during any time when trading in such options are

<sup>49</sup> See *supra* Section III.A.

<sup>50</sup> See Securities Exchange Act Release No. 30944 (July 21, 1992), 57 FR 33376 (July 28, 1992).

<sup>51</sup> See *supra* Section III.A.

delayed, halted or suspended.” (Emphasis in original). The Exchange represents that by purporting to restrict exercises of these index options except on the last business day prior to expiration, RG91-11 conflicts with Rule 4.16, which provides that exercise restrictions on index options are only allowed until “the opening of business on the last trading day before the expiration date.” (Emphasis added).

The Exchange believes that this terminology creates a problem in the case of A.M.-settled index options. The “last business day prior to expiration” is, for both A.M.-settled and P.M.-settled index options, the Friday before expiration. For P.M.-settled options, that Friday is also the “last trading day before the expiration date.” Pursuant to CBOE Rule 24.9(a)(4), however, the “last trading day” before the expiration date of A.M.-settled index options is “the business day preceding the last day of trading in the underlying securities prior to expiration”—i.e., Thursday before expiration. (Emphasis added). The present form of Rule 4.16 therefore would prohibit restrictions on the exercise of A.M.-settled index options on expiration Thursday, as well as expiration Friday, even when trading in such options “had been delayed, halted or suspended.” This, the Exchange believes, is contrary to the policy articulated in Regulatory Circular RG-11, which would only prohibit restrictions on exercise of any index option on expiration Friday.

To eliminate this inconsistency, and to implement the policy of Regulatory Circular RG91-11 that index option exercise restrictions may be in effect until the opening of business on expiration Friday (i.e., the “last business day” before expiration), the proposed rule change would amend Rule 4.16 to substitute the words “business day” for the words “trading day.”

The CBOE represents that the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5)<sup>1</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade.

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

The Exchange does not believe that the proposed rule change will impose and burden on competition.

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

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e)(1) of Rule 19b-4 thereunder. 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 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-95-03 and should be submitted by March 1, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>2</sup>

[FR Doc. 95-3034 Filed 2-7-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35303; International Series Release No. 778; File No. SR-CBOE-94-19]

**Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 to the Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to the Listing of Options and Long-Term Options on the CBOE Emerging Markets Index and Long-Term Options on a Reduced-Value CBOE Emerging Markets Index**

January 31, 1995.

**I. Introduction**

On June 30, 1994, the Chicago Board Options Exchange, Inc. (“CBOE” or “Exchange”) submitted to the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to provide for the listing and trading of index options on the CBOE Emerging Markets Index (“Emerging Markets Index” or “Index”). The Exchange filed Amendment No. 1 to the proposed rule change on August 18, 1994.<sup>3</sup> Notice of the proposal, as amended, appeared in the **Federal Register** on August 26, 1994.<sup>4</sup> The Exchange subsequently filed Amendment No. 2 to the proposed rule change on January 26, 1995.<sup>5</sup> No comment letters were received on the proposed rule change. This order approves the Exchange's proposal, as amended.

**II. Description of Proposal**

*A. General*

The CBOE proposes to list for trading options on the Emerging Markets Index, a new securities index developed by the

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

<sup>2</sup> 17 CFR 24.19b-4 (1992).

<sup>3</sup> In Amendment No. 1, the Exchange proposed to treat the Asian Markets Index as a narrow-based index for purposes of margin, position limits, and exercise limits. Pursuant to CBOE Rule 24.4A, the position limits for the Index will initially be set at 10,500 contracts. See Letter from Eileen Smith, Director, Product Development, Research Department, CBOE, to Brad Ritter, Senior Counsel, Office of Market Supervision (“OMS”), Division of Market Regulation (“Division”), Commission, dated August 18, 1994.

<sup>4</sup> See Securities Exchange Act Release No. 34552 (August 19, 1994), 59 FR 44203 (August 26, 1994).

<sup>5</sup> In Amendment No. 2, the Exchange proposed: (1) to reduce the number of components in the Index from 25 to 23; and (2) several amendments, as discussed more fully herein, regarding the maintenance criteria for the Index. See Letter from Joseph Levin, Vice President, Research Department, CBOE, to Brad Ritter, Senior Counsel, OMS, Division, Commission, dated January 26, 1995 (“Amendment No. 2”).

<sup>1</sup> 15 U.S.C. 78f(b)(5) (1988).

<sup>2</sup> 17 CFR 200.30-3(a)(12) (1994).