

Accordingly, the Commission has determined that, pursuant to 10 CFR 50.12(a), an exemption is authorized by law, will not endanger life or property or common defense and security, and is, otherwise, in the public interest. Therefore, the Commission hereby grants an exemption from the requirements of 10 CFR 50.60 such that in determining the setpoint for LTOP events, the appendix G curves for P/T limits are not exceeded by more than 10 percent in order to be in compliance with these regulations. This exemption is applicable only to LTOP conditions during normal operation.

Pursuant to 10 CFR 51.32, the Commission has determined that the granting of this exemption will not have a significant effect on the quality of the human environment (60 FR 7804).

This exemption is effective upon issuance.

Dated at Rockville, Maryland, this 13th day of February 1995.

For the Nuclear Regulatory Commission.

Steven A. Varga,

*Director, Division of Reactor Projects—I/II
Office of Nuclear Reaction Regulation.*

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-35369; File No. SR-CBOE-95-04]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Changes by the Chicago Board Options Exchange, Incorporated, Amending Its Rules Relating to Certain Procedures Regarding Trading Rotations and Opening Procedures

February 14, 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, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes 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 changes from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Changes

The Chicago Board Options Exchange, Incorporated ("CBOE" or the

"Exchange") proposes to amend its rules relating to certain procedures regarding trading rotations and opening procedures. These amendments would: (i) Amend Rule 6.2; (ii) amend Interpretations .02 and .03 to Rule 6.2; (iii) add an Interpretation to Rule 6.2; (iv) amend Rule 24.13; and (v) amend Interpretation .03 to Rule 24.13.

The text of the proposed rule changes is available at the Office of the Secretary, CBOE and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In its filing with the Commission, CBOE included statements concerning the purpose of and the basis for the proposed rule changes and discussed any comments it received on the proposed rule changes. 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 parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

The purpose of the proposed rule changes is first to grant two Floor Officials the authority to call for a trading rotation and to delay the commencement of an opening rotation if the Floor Officials believe this will aid in producing a fair and orderly market. The rule changes further allow the Order Book Official to deviate from the rotation order and manner which the Floor Procedures Committee may have established, as long as two Floor Officials first approve such a deviation. If the appropriate Floor Procedures Committee has not established the rotation order and manner for the options under its purview in a particular situation, then the Order Book Official may determine the order and manner of the rotation.

Trading Rotations

Specifically, the proposal would amend Rule 6.2 to grant two Floor Officials discretion to direct that one or more trading rotations be employed on any business day. Presently, pursuant to Rule 6.2, only the Floor Procedures Committee has this discretion. Consequently, if circumstances arose during the day that made an additional rotation appropriate, such as either a rotation following a trading halt or a closing rotation, then the Floor Procedures Committee would have to

assemble to make the decision to employ a rotation. CBOE believes it is impractical to assemble the entire Floor Procedures Committee for such an intra-day decision. Furthermore, under Rule 6.6(b)(iii), two Floor Officials already have the discretion to direct that one or more trading rotations be employed on any business day, but only when a fast market has been declared. CBOE believes that this discretion should not be limited only to fast market conditions. By amending Rule 6.2, two Floor Officials would have the discretion to direct that one or more trading rotations be employed, and this discretion would not be limited to a fast market situation.

The proposed rule would further amend Rule 6.2 to grant Order Book Officials more discretion regarding the rotation order and manner. This discretion may be exercised before the rotation begins as well as during a rotation. Presently Rule 6.2 provides that the Floor Procedures Committee shall specify both the particular option contracts to be included in each rotation and the sequence of such option contracts in that rotation. Under the proposed amendment to Rule 6.2, the "appropriate" Floor Procedures Committee, meaning the Floor Procedures Committee that makes policy regarding the particular class of options in question, would still have authority to set policy regarding the rotation order and manner. However, if the appropriate Floor Procedures Committee has not acted to establish any policy applicable to a particular situation, then the Order Book Official would be authorized to determine the appropriate order and manner for conducting the rotation. CBOE believes that the proposed amended Rule 6.2 would allow Order Book Officials to respond to particular circumstances the Floor Procedures Committee has not considered and to conduct the rotation as is appropriate under those circumstances.

In addition, pursuant to amended Rule 6.2, the Order Book Official, with the approval of two Floor Officials, would be permitted to deviate from a rotation policy or procedure previously established by the appropriate Floor Procedures Committee. In certain circumstances, it may be appropriate to deviate from the established procedure, but, as stated above, it would be impractical to assemble the Floor Procedures Committee for an intra-day decision allowing such a deviation. Instead of assembling the entire committee, two Floor Officials could act for the entire committee and approve or disapprove an Order Book Official's

proposed deviation from the previously established rotation policy or procedure. Presently, pursuant to Interpretation .01(b) to Rule 6.2, with the approval of two Floor Officials or the Floor Procedures Committee, the opening rotation may be conducted in a manner other than that set forth in Interpretation .01(b). Therefore, the proposed amendment would extend this existing policy to all rotations. The proposal would further amend Rule 6.2 so that the Order Book Official, rather than the committee, may prescribe that two or more trading rotations be employed simultaneously. CBOE believes that it would be impractical to assemble the Floor Procedures Committee for an intra-day decision regarding simultaneous trading rotations.

The proposal would further amend Interpretation .04 to Rule 6.2 to specify that the decision to conduct an abbreviated rotation is one of the deviations from rotation policy or procedure and one of the modifications of rotation order and manner that is permitted under the amended rule. This change provides only an example of a type of rotation modifications or deviations that may be employed.

The proposal would further amend Rule 6.2 to give two Floor Officials the discretion to delay commencement of the opening rotation in any class of options in the interests of a fair and orderly market. It is CBOE's practice to allow Floor Officials to delay an opening, but no rule explicitly states this practice. CBOE believes that the rules should grant Floor Officials the power to react to market conditions and circumstances by delaying an opening rotation when it is in the interests of a fair and orderly market to do so, for the same reasons that the rules need to grant Floor Officials authority to modify the rotation order or manner. As explained above, pursuant to Interpretation .01(b) to Rule 6.2, two Floor Officials now have the authority to conduct the rotation in a manner other than that set forth in the Rule, but the Rule does not expressly state that the Floor Officials also may delay the opening rotation.

Interpretation .02 to Rule 6.2 lists reasons why it is permissible to conduct a rotation after the end of normal trading hours. CBOE believes that the proposed amendment to Interpretation .02 would clarify both that the reasons listed are not the exclusive reasons why a trading rotation may be employed after the close and that two Floor Officials have the discretion to conduct a rotation after the close for a number of reasons. The proposed amendment also would permit the commencement of more than one trading rotation after 3:10 p.m.

(central time), but would make it clear that, in general, no more than one trading rotation will be commenced after 3:10 p.m. (central time). Again, CBOE believes that it is in the interests of a fair and orderly market to allow two Floor Officials to exercise their judgment in response to market conditions or circumstances and that not all of these conditions or circumstances can be enumerated in advance. Nonetheless, the proposal would amend Interpretation .02 to state the current practice of employing a trading rotation after the end of normal trading hours if it is in connection with a year-end rotation or due to the restart of a rotation which is already in progress. In these circumstances, CBOE believes it may be necessary to continue the rotation after the normal close of trading in order to complete the rotation.

Index Options Trading Rotations

Presently, Interpretation .03 to Rule 6.2 provides that "a closing rotation for an expiring series of index options shall not be employed." (Emphasis added). This limitation is not in Interpretation .02 to Rule 6.2 as it is presently written or in the proposed amendment to Interpretation .02. Although closing rotations are not ordinarily employed in expiring series of index options, CBOE believes it is inappropriate to absolutely prohibit closing rotations for such series. CBOE believes the use of the word "shall" could be interpreted to prohibit closing rotations for expiring series of index options in all circumstances. CBOE, therefore, proposes to amend the interpretation to state that a closing rotation for such expiring series is not ordinarily employed. CBOE believes the proposed amendment to Interpretation .03 is necessary to clarify that, unlike the case with equity options, closing rotations are not ordinarily conducted in expiring series of index options, but that such closing rotations are not absolutely prohibited.¹ In addition, Interpretation .03 to rule 6.2 would be amended to give two Floor Officials the ability to deviate from the procedures for closing rotations if they determine such

¹ CBOE believes that a system malfunction or a major announcement in the markets late in the trading days, among other things, may require a closing rotation for expiring series of index options in order to accommodate any order flow problems resulting from such occurrences. Telephone conversation between Edward Joyce, CBOE, Michael Meyer, Attorney, Schiff, Hardin, and Waite, Michael Walinskas, Branch Chief, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, and John Ayanian, Attorney, OMS, Division, Commission, on Monday, February 13, 1995.

deviation is in the interests of a fair and orderly market. Again, CBOE believes that it is in the interests of a fair and orderly market to allow two Floor Officials to exercise their judgment in response to market conditions or circumstances.

Consistent with the above changes to Rule 6.2 regarding the order and manner of the rotation, the proposal would amend Rule 24.13 to give the Order Book Official the same discretion to determine the appropriate order and manner for conducting the rotation for index options when the appropriate Floor Procedures Committees not acted to establish a policy applicable to a particular situation. Just as in amended Rule 6.2, the Floor Procedures Committee that make policy for index options would have the authority to set policy regarding the order and manner of the opening rotation. However, if a Floor Procedures Committee has not acted to establish a policy applicable to a particular situation, then the Order Book Official would be permitted to determine the appropriate order and manner for conducting the opening rotation.

Consistent with the underlying reasoning for amended Rule 6.2, Rule 24.13 would also be amended by deleting the two sentences that provide that the Order Book Official shall open the nearest expiration series first and thereafter shall open the remaining series in a manner he deems appropriate. CBOE believes that the word "shall" could be interpreted as requiring the Order Book Official to open with the nearest expiration series even if a different order would be appropriate under the circumstances.

Again, just as amended Rule 6.2 provides, the proposal would further amend Rule 24.13 so that Order Book Officials could deviate from the appropriate Floor Procedures Committee's established procedure regarding the order and manner of the opening rotation so long as two Floor Officials approved such deviation. CBOE believes that it would be impractical to assemble a Floor Procedures Committee for an intra-day decision allowing a deviation from establish opening rotation policy or procedure. CBOE proposes to allow two Floor Officials to act for the entire committee and approve or disapprove of such deviation.

Presently, under Interpretation .03 to Rule 24.13, two Floor Officials may delay the commencement of the opening rotation in an *index* option for one or more five (5) minute intervals under certain specified unusual market conditions. The proposal would amend

Interpretation .03 to Rule 24.13 to delete the requirement that any delays in the opening rotation must be in five (5) minute intervals and to give two Floor Officials greater discretion to delay the commencement of the opening rotation. Rather than limiting the circumstances under which two Floor Officials may delay the opening, amended

Interpretation .03 would permit Floor Officials to delay the opening rotation at their discretion in the interests of a fair and orderly market. The circumstances outlined in current Interpretation .03 to Rule 24.13, under which two Floor Officials may delay the opening, would remain as factors that Floor Officials may consider in deciding whether to delay the opening rotation. CBOE believes that these amendments to Interpretation .03 are consistent with the amendment proposed for Rule 6.2, which grants two Floor Officials the authority to delay the opening rotation in any class of options in the interests of a fair and orderly market. Current Interpretation .01 to Rule 24.13 provides that the procedures for modification of a rotation and other aspects of the rotation set forth in Rule 6.2 are applicable to index options. CBOE believes that the authority regarding delays in opening contained in Rule 6.2 should therefore apply to index options, so that Floor Officials' discretion to delay the opening is not more restricted in the case of index options.

The present requirement that the delay in the opening rotation for index options may only be in five (5) minute intervals would be deleted because CBOE believes the interests of a fair and orderly market are better served if the Floor Officials may end the delay and commence the opening when it is appropriate to do so, without having to wait until the prescribed five minutes has lapsed. In addition, CBOE believes that for lengthy delays, it is impractical to require two Floor Officials to remain at the index options post for the sole purpose of declaring successive five minute delays.

Conclusion

The proposed rule changes are intended to give Order Book Officials, with the approval of two Floor Officials, the discretion to conduct a trading rotation during the day and to structure the order and manner of the rotation as they consider appropriate under the circumstances. The rule changes would further allow any two Floor Officials to delay the opening rotation if it is in the interests of a fair and orderly market to do so. CBOE believes that the proposed rule changes are consistent with and further the objectives of section 6(b)(5)

of the Act, in that the rule changes are designed to perfect the mechanism of free and open market and to protect investors and the public interest by enabling Floor Officials and Order Book Officials to evaluate and consider market conditions and circumstances in determining the appropriate order and manner of the rotation and whether to delay the opening rotation.

B. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule changes will impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others

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

III. Date of Effectiveness of the Proposed Rule Changes 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 publishes its reasons for so funding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve such proposed rule changes, or
- (B) institute proceedings to determine whether the proposed rule changes 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 changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 20549. Copies of such filing will also be available for

inspection and copying at the principal office of CBOE. All submissions should refer to the file number SR-CBOE-95-04 and should be submitted by March 14, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35364; File No. SR-NASD-95-8]

Self-Regulatory Organizations; Notice of Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to a Six Month Extension of the SOES Minimum Exposure Limit Rule and the SOES Automated Quotation Update Feature

February 13, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 10, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. The Commission in 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 NASD proposed to extend, until October 2, 1995, the effectiveness of certain rules governing the operation of The Nasdaq Stock Market, Inc.'s ("Nasdaq") Small Order Execution System ("SOES"). Specifically, these SOES rules, which were previously approved by the Commission on a pilot basis on December 23, 1993² and recently extended through March 27, 1995,³ provide for: (1) a reduction in the minimum exposure limit for unpreferred SOES orders from five times the maximum order size to two times the maximum order size, and for the elimination of exposure limits for preferred orders ("SOES Minimum

² 17 CFR 200.30-3(a)(12)(1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² See Securities Exchange Act Release No. 33377 (Dec. 23, 1993), 58 FR 69419 (Dec. 30, 1993) ("Interim SOES Rules Approval Order").

³ See Securities Exchange Act Release No. 35275 (Jan. 25, 1995), 60 FR 6327 (Feb. 1, 1995) ("Interim SOES Rules Extension Order").