

- Willingness to facilitate early openings in order to compete effectively with other exchanges; and
- Willingness to voluntarily provide Execution Guarantees beyond the minimum required under Rule 2039A.<sup>4</sup>

## 2. Statutory Basis

The Exchange believes that the basis under the Act for the proposed policy is Section 6(b)(5) in that the policy enables the Exchange to monitor the tendencies toward concentration in the specialist community and to intervene to prevent undue concentration. As such, it is designed to protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by this title matters not related to the purpose of this title or the administration of the Exchange.

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

The Exchange does not believe that the proposed rule change will impose any 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:

- By order approve the proposed rule change, or
- 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

<sup>4</sup> See BSE Rule 2039A. The Rule states that the BSE Execution Guarantee shall be available to each member firm in all issues traded through the Intermarket Trading System (ITS) registered to a member specialist of the Exchange. The Rule imposes an obligation upon specialists to guarantee executions on all agency orders from 100 up to and including 1,299 shares.

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 BSE. All submissions should refer to File No. SR-BSE-95-12 and should be submitted by August 15, 1995.

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

**Margaret H. McFarland,**  
Deputy Secretary.

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BILLING CODE 8010-01-M

[Release No. 34-35989; File No. SR-CBOE-95-37]

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

July 18, 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 July 14, 1995, the Chicago Board Options Exchange, Inc. ("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 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 CBOE proposes to list and trade options on the CBOE Technology Index ("Tech Index" or "Index"). 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 permit the Exchange to list and trade cash-settled, European-style<sup>1</sup> stock index options on the Tech Index. The Exchange represents that the Tech Index meets the generic criteria for listing options on narrow-based indexes set forth in Exchange Rule 24.2 and the Commission's order approving that Rule.<sup>2</sup> Accordingly, the CBOE is submitting this proposed rule change pursuant to, and in accordance with, the procedures set forth in CBOE Rule 24.2. In accordance with Rule 24.2, the CBOE proposes to list and trade options on the Tech Index beginning 30 days from July 14, 1995, the filing date of this proposed rule change.

The Tech Index consists of the stocks of 30 issuers involved in various high technology industries, including: computer services, telecommunications equipment, server software and hardware, design software, PC software and hardware, networking, peripherals, and semiconductors.<sup>3</sup> The Exchange represents that no proxy for the performance of the high technology sector is currently available in the U.S. derivative markets. The Exchange believes, therefore, that options on the Index will provide investors with a low-

<sup>1</sup> European-style options may only be exercised during a specified period prior to expiration of the options.

<sup>2</sup> See Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994) ("Generic Index Approval Order").

<sup>3</sup> The components of the Index are: Apple Computer, Inc.; Adobe Systems Inc.; ADC Telecommunications Inc.; Adaptec Inc.; Advanced Micro Devices Inc.; Bay Networks Inc.; Computer Associates International; 3Com Corp; Compaq Computer Corp; Cirrus Logic Inc.; Cabletron Systems Inc.; Computer Sciences Corp.; Cisco Systems Inc.; Digital Equipment Corp.; DSC Communications Corp.; Hewlett Packard Co.; IBM; Intel Corp.; Motorola Inc.; Microsoft Corp.; Micron Technology Inc.; Novell Inc.; Oracle Corporation; Picturitel Corp.; Parametric Technology Corp.; Seagate Technology Inc.; Silicon Graphics Inc.; Synopsys Inc.; Tellabs Inc.; and Xilinx Inc.

cost means of participating in the performance of the high technology sector or hedging against the risks of investing in high tech industries.

#### *Stocks Comprising the Index*

All of the stocks in the Index are securities of U.S. issuers and currently trade on the New York Stock Exchange ("NYSE") or as National market securities traded through Nasdaq. Additionally, all of the stocks are "reported securities" as defined in Rule 11Aa3-1 under the Exchange Act.

The Exchange represents that all of the stocks in the Index meet the CBOE's listing criteria for equity options as set forth in CBOE Rule 5.3. Accordingly, 100% of the stocks in the index—both by number and by weight—are eligible for standardized options trading pursuant to CBOE rules. In fact, all of the stocks are currently the subject of listed options trading in the U.S.

In accordance with CBOE Rule 24.2, the Exchange further represents that each of the stocks in the index has a market capitalization well in excess of \$75 million. Specifically, the stocks comprising the Index ranged in capitalization from \$736 million to \$55.4 billion as of June 27, 1995. The total capitalization as of that date was \$370.4 billion, and the mean and median capitalizations were \$12.3 billion and \$5.0 billion, respectively.

In addition, each of the component stocks in the index has had monthly trading volumes in excess of one million shares over the six month period ending on May 31, 1995. The average monthly trading volumes per Index component over this six month period ranged from a low of 4.5 million shares to a high of 265.4 million shares. As of June 27, 1995, the largest stock in the Index, by weight, accounted for 5.97% of the Index, while the smallest represented 0.35% of the Index. Also on that date, the top 5 stocks in the Index accounted for 26.14% of the weight of the Index.

Accordingly, the Exchange represents that the Index satisfies the CBOE's generic listing standards for options on narrow-based stock indexes.

#### *Calculation*

The Index is price-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 200.00. Specifically, the Index value is calculated by adding the prices of the component stocks and then dividing this sum by the Index divisor. The Index divisor is adjusted to reflect non-market related changes in the prices of the component securities as well as changes in the composition of

the Index. Changes which may result in divisor changes include, but are not limited to, stock splits and dividends, spin-offs, certain rights issuances and mergers and acquisitions.

The value of the Index will be calculated on a real-time basis using last-sale prices by the CBOE or its designee, and will be disseminated every 15 seconds by the CBOE. If a component stock is not currently being traded, the most recent price at which the stock traded will be used in the Index calculation. The value of the Index at the close on June 27, 1995 was 289.07.

#### *Maintenance*

The Index will be maintained by the CBOE. The Index is reviewed on approximately a monthly basis by the CBOE staff. The CBOE may change the composition of the Index at any time to reflect changes affecting the components of the Index or the technology industry generally. If it becomes necessary to remove a stock from the Index (for example, because of a takeover or merger), the CBOE will only add a stock having characteristics that will permit the Index to remain within the maintenance criteria specified in CBOE's Rules and the Generic Index Approval Order.<sup>4</sup> The CBOE will take into account the capitalization, liquidity, volatility, and name recognition of any proposed replacement stock.

Absent prior Commission approval, the CBOE will not increase to more than 40, or decrease to fewer than 20, the number of stocks in the Index. Additionally, the CBOE will not make any change in the composition of the Index that would cause fewer than 90% of the stocks by weight, or fewer than 80% of the total number of stocks in the index, to qualify as stocks eligible for equity options trading under CBOE Rule 5.3.

<sup>4</sup> These maintenance criteria provide, among other things, that each component security must have (1) a market capitalization of at least \$75 million, except that securities accounting for no more than 10% of the weight of the Index may have market capitalizations of at least \$50 million, and (2) trading volume of at least 500,000 shares in each of the last six months, except that securities accounting for no more than 10% of the weight of the Index may have trading volumes of at least 400,000 shares in each of the last six months. Additionally, no single security may account for over 25% of the weight of the Index and no five securities may account for over 50% of the weight of the Index. Furthermore, each component security must be a reported security as defined in Rule 11Aa3-1 of the Act. Finally, at least 90% of the weight of the Index and 80% of the number of components in the Index must be eligible for standardized options trading pursuant to CBOE Rule 5.3. See CBOE Rule 24.2 and Generic Index Approval Order, *supra* note 2.

If the Index fails at any time to satisfy the maintenance criteria discussed above, the Exchange will immediately notify the Commission of that fact and will not open for trading any additional series of options on the Index unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of options on the Tech Index has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

#### *Index Option Trading*

The Exchange proposes to base trading in options on the Tech Index on the full value of that Index. The Exchange may also list full-value long-term index option series ("Index LEAPS") on the Tech Index having expirations of up to 60 months from the date of issuance, as provided in CBOE Rule 24.9. The Exchange also may provide for the listing of reduced-value Index 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 Index LEAPS will, after such initial computation, be rounded to the nearest one-hundredth.

#### *Exercise and Settlement*

Tech 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 Tech Index options. The Index options will expire on the Saturday following the third Friday of the expiration month. Thus, the last day for trading in a 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 Tech Index options. Index option contracts based on the Tech Index will be subject to the position limit requirements of Rule 24.4A, which presently would result in position limits for full-value Tech Index options of 10,500 contracts. Positions in Index options and full and reduced-value Index LEAPS will be aggregated for position and exercise limit purposes. Ten reduced-value options will equal one full-value contract for such purposes.

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

CBOE also represents that the Options Price Reporting Authority ("OPRA") has the capacity to support such new series.<sup>5</sup>

The CBOE believes 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) of the Act, in particular, in that it will permit trading in options based on the Tech 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 does not believe that the proposed rule change will impose any 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 proposed rule change complies with the standards set forth in CBOE Rule 24.2 and the Generic Index Approval Order,<sup>6</sup> it has become effective pursuant to section 19(b)(3)(A) of the Act. Pursuant to CBOE Rule 24.2 and the Generic Index Approval Order, the Exchange may not list Tech Index options for trading until 30 days after July 14, 1995, the date the proposed rule change was filed with the Commission.

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.,

<sup>5</sup> See Letter from Joe Corrigan, Executive Director, OPRA, to Eileen Smith, Director, Product Development, Research Department, CBOE, dated June 29, 1995.

<sup>6</sup> See *supra* note 2.

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-95-37 and should be submitted by August 15, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35984; File No. SR-MSTC-95-07]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by Midwest Securities Trust Company Relating to Access to the Legal Expert System**

July 18, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on May 8, 1995, the Midwest Securities Trust Company ("MSTC") 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 primarily by MSTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organizations Statement of the Terms of Substance of the Proposed Rule Change**

MSTC proposes to make its inquiry-only Legal Expert System<sup>2</sup> available to

<sup>7</sup> 17 CFR 200.30-3(a)(12) (1994).

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

<sup>2</sup> For a complete description of the Legal Expert System, refer to Securities Exchange Act Release Nos. 33756 (March 11, 1994), 59 FR 13350 [File No. SR-MSTC-94-02] (order approving a rule change regarding the Legal Expert System's fees and a clarification disclaiming any liability on MSTC's part for any misinformation contained in the Legal Expert System); 35098 (December 13, 1994), 59 FR

transfer agents that are not participants of MSTC pursuant to individually negotiated contracts with MSTC.

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

In its filing with the Commission, MSTC 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. MSTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>3</sup>

*(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 provide transfer agents that are not MSTC participants with access to MSTC's inquiry-only Legal Expert System ("LES"). LES is a menu-driven computer program that allows a user to inquire about the documentation necessary for effecting a legal transfer of securities. The information found in LES is based on standard industry criteria as well as on individual state regulations for effecting legal transfers.

LES provides the user with a main registration menu and a submenu for specific transfer situations. The self-help narratives guide the user through the system by providing information and examples for each certificate registration classification. The user is prompted to answer basic questions about the certificate registration and transfer situation to determine the legal delivery requirements and documentation needed for the specific state involved.

LES will be available to nonparticipant transfer agents pursuant to individually negotiated contracts between MSTC and individual transfer agents. Among other things, the contracts will contain provisions that at a minimum waive MSTC's liability to the same extent as provided in MSTC's rules. The contracts also will require that transfer agents post a deposit with MSTC to protect MSTC against any unpaid fees. The fees that MSTC will charge the transfer agents (*i.e.*, the

65551 [SR-MSTC-94-17] (order modifying the pricing structure of the Legal Expert System); and 35447 (March 6, 1995) 60 FR 15177 [SR-MSTC-95-03] (order waiving the fees associated with the Legal Expert System until March 1, 1995).

<sup>3</sup> The Commission had modified the text of the summaries prepared by MSTC.