

shares, or (B) the Exchange then has in place an effective surveillance agreement with the primary exchange in the home country where the security underlying the ADR is traded or (C) the Commission has otherwise authorized the listing. The Exchange believes that the slight decrease in the trading volume percentage (*i.e.*, from 20% to 15%) and the significant average daily trading volume requirement (70,000 shares) should be adequate to address any concerns regarding possible manipulation without being so high as to unduly interfere with the continued trading of option products that have become established on the Exchange.

This second revision merely establishes a maintenance criteria for the 50% Test that is consistent with the newly proposed listing criteria. Specifically, for purposes of applying the 30% maintenance standard, the Exchange will add to U.S. ADR market volume the volume in the ADR and other related ADRs and securities occurring in markets with which the CBOE has in place effective surveillance agreements.

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,<sup>4</sup> in particular, in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system by enabling the Exchange to list options on widely followed ADRs without compromising investor protection concerns.

*(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 publishes its reasons for so finding or

(ii) as to which the Exchange consent, 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-95-32 and should be submitted by August 29, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 95-19521 Filed 8-7-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36032; International Series Release No. 832; File No. SR-NYSE-95-23]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by New York Stock Exchange, Inc. Relating to the Listing of Investment Company Units**

July 28, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1) ("Act"), notice is hereby given that on June 7, 1995, the New York Stock Exchange, Inc. ("NYSE" or the "Exchange") filed with the Securities and Exchange 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 NYSE proposes to adopt ¶ 703.16 of its Listed Company Manual ("Manual"), consisting of listing standards for units of trading ("Units") that represent an interest in a registered investment company ("Investment Company") that could be organized as a unit investment trust ("UNIT"), an open-end management investment company, or a similar entity. The investment company would hold securities comprising, or otherwise based on or representing an investment in, an index or portfolio of securities. The investment company either could hold the securities directly or could hold another security representing the index or portfolio securities (such as in a UIT that holds shares of an open-end investment company). The Exchange also proposes to amend Exchange Rule 460 to permit specialists to whom Units have been allocated to purchase and redeem Units, or securities that can be subdivided or converted into Units, through a distributor, from the issuer of such securities.

The Exchange initially seeks to list up to nine series of Units, in the form of "CountryBaskets."<sup>1</sup> These CountryBaskets will be structured in one of two ways. First, in the "Fund-only structure," they could be structured as series of an open-end management investment company investing in a portfolio of securities ("Index Securities") included in the corresponding component of the FT-Actuaries World Index "FT-AWI".<sup>2</sup> Alternatively, in the "Fund/UIT structure," they could be structured as UITs that have as their assets shares of an open-end investment company holding the underlying Index Securities. If, in the future, the Exchange seeks to list Units with respect to other indices, it will make an appropriate filing with the Commission to provide the authorization to effect such listings.

<sup>1</sup> "CountryBasket," "CountryBaskets" and "CB" are trademarks of Deutsche Bank Securities Corporation ("DBSC").

<sup>2</sup> "FT-Actuaries World Indices," "FT-Actuaries World Index," and "FT-AWI" are trade and service marks of The Financial Times Limited, and are used under license by Goldman, Sachs & Co. and NatWest Securities Limited.

<sup>4</sup> 15 U.S.C. 78f(b)(5) (1988).

<sup>5</sup> 17 CFR 200.30-3(a)(12) (1994).

## 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

The Exchange proposes to list up to nine CountryBasket securities ("Securities"). The Securities will be issued either by an open-end management investment company or by UITs or similar entities that invest in individual series of an index fund.<sup>3</sup> Each series of such an investment company (each a "Fund") is designed to provide investment results that substantially correspond to the price and yield performance of a specific component of the FT-Actuaries World Index. The initial nine series of Funds will be based on the following FT-Actuaries World Indices: Australia; France; Germany; Hong Kong; Italy; Japan; South Africa; United Kingdom; and the United States.<sup>4</sup>

#### The FT-Actuaries World Indices

DBSC, the adviser to the Funds, has provided the Exchange with the following description of the FT-Actuaries World Indices.

#### Establishing an Index

The FT-AWI are jointly compiled by The Financial Times Limited, Goldman,

<sup>3</sup>The specific character or structure of the Securities will be determined based on, among other things, the types of exemptive relief the product sponsors receive from the Commission with respect to issues arising under the Investment Company Act of 1940. The manner in which the Securities will be listed and traded on the Exchange will be the same regardless of the structure chosen. For ease of reference throughout this filing the term "Fund" will refer either to each series of the open end management investment company that will be trading on the Exchange (in a fund-only structure) or to each series of the open end management investment company that will be underlying a UIT (in a dual Fund/UIT structure).

<sup>4</sup>The actual components, component capitalization, and component weightings for each series were submitted as part of a Form N-1A registration statement of The CountryBaskets Index Fund, Inc. under the Securities Act of 1933 and the Investment Company Act of 1940. Registration Nos. 33-85710; 811-8734.

Sachs & Co., and NatWest Securities Limited, in conjunction with the Institute of Actuaries (together, the "Consortium"). The aim of the Consortium is to create and maintain a series of high quality equity indices for use by the global investment community. Specifically, the Consortium seeks to establish and maintain the FT-AWI so that with respect to their corresponding markets, they are comprehensive, consistent, flexible, accurate, investible, and representative.

The World Index Policy Committee ("WIPC") makes all policy decisions concerning the FT-AWI, including: objectives; selection criteria; liquidity requirements; calculation methodologies; and the timing and disclosure of additions and deletions. The WIPC makes those decisions in a manner that is consistent with the stated aims and objectives of the Consortium. In general, the WIPC aims for a minimum of 70 percent coverage of the aggregate value of all domestic exchange-listed stocks in every country, region and sector in which it maintains an index.

The WIPC consists of: One representative of each Consortium member; one member nominated by each of the parties as representing an actual or prospective main user group of the World Indices; a Chairman and additional member who are members of the Institute of Actuaries or the Faculty of Actuaries.

A country must satisfy the following criteria for the WIPC to include it in the FT-Actuaries World Indices: (1) Direct equity investment by non-nationals must be permitted; (2) accurate and timely data must be available; (3) no significant exchange controls should exist that would prevent the timely repatriation of capital or dividends; (4) significant international investor interest in the local equity market must have been demonstrated; and (5) adequate liquidity must exist.

Securities in the FT-AWI are subject to the following "investibility screens": (1) Securities comprising the bottom five percent of any market's capitalization are excluded; (2) securities must be eligible to be owned by foreign investors; (3) 25 percent or more of the full capitalization of eligible securities must be publicly available for investment and not in the hands of a single party or parties "acting in concert"; and (4) securities that fail to trade for more than 15 business days within each of two consecutive quarters are excluded.

The WIPC seeks to select constituent stocks that capture 85 percent of the

equity that remains available in any market (known as the "investible universe") after applying the investibility screens. Securities are selected with regard to economic sector and market capitalization to make the FT-AWI component highly representative of the overall economic sector make-up and market capitalization distribution of the investible universe of a market.

#### Maintaining an Index

The WIPC may add securities to the FT-AWI for any of the following reasons: (1) The addition would make the economic sector make-up and market capitalization distribution of the FT-AWI component more representative of its investible universe; (2) a non-constituent security has gained in importance and replaces an existing constituent security under the rules of review established by the WIPC; (3) the FT-AWI component represents less than its targeted percentage of the capitalization of its investible universe (usually in cases where the investible universe has grown faster than the corresponding FT-AWI component); (4) a new, eligible security becomes available whose total capitalization is one percent or more of the current capitalization of the relevant FT-AWI component; (5) an existing constituent "spin off" a part of its business and issues new equity to the existing shareholders; or (6) changes in investibility factors lead to a stock becoming eligible for inclusion and that stock now qualifies on other grounds.

The WIPC may adjust the FT-AWI for any of the following reasons: (1) The component comprises too high a percentage of its representative universe; (2) a review by the WIPC shows that a constituent security has declined in importance and should be replaced by a non-constituent security; (3) the deletion of a security that has declined in importance would make the FT-AWI component more representative of the economic make-up of its investible universe; (4) circumstances regarding investibility and free float change, causing the constituent security to fail the FT-AWI screening criteria; (5) an existing constituent security is acquired by another entity; or (6) the stock has been suspended from trading for a period of more than ten working days. Generally, but not in all cases, changes resulting from review by the WIPC occur at the end of a calendar quarter. Changes resulting from merger or "spin-off" activity will be effectuated as soon as practicable.

### Calculation and Dissemination of an Index

The FT-AWI are calculated through widely accepted mathematical formulae, with the effect that the indices are weighted arithmetic averages of the price relatives of the constituents—as produced solely by changes in the marketplace—adjusted for intervening capital changes. The FT-AWI are base-weighted aggregates of the initial market capitalization, the price of each issue being weighted by the number of shares outstanding, modified to reflect only those shares outstanding that are eligible to be owned by foreign investors.

For each constituent security, the implied annual dividend is divided by 260 (an accepted approximation for the number of business days in a calendar year). This dividend is then reinvested daily according to standard actuarial calculations. Distributions affect adjustments to the base capital or the price per share in accordance with prescribed FT-AWI standards. The indices' values and related performance figures for various periods of time are calculated daily and are disseminated to the public.<sup>5</sup>

The FT-AWI are valued in the terms of local currency, U.S. dollars, and U.K. pounds sterling, thereby allowing the effect of currency value on the index value to be measured. Changes to the indices are announced as soon as possible, and on Mondays the Financial Times publishes a list of changes to each index implemented during the previous week, if any. The FT-AWI are calculated once a day on weekdays when one or more of the constituent markets are open; the indices are syndicated and published in the financial sections of several newspapers worldwide. FT-AWI data also may be purchased electronically.

### Distribution of the Securities

The Securities will be distributed in transactions with the Fund through "Creation Transactions." To effect a Creation Transaction in the Fund-only structure, a person would buy Fund shares from the Fund at their net asset value ("NAV") next computed. The sales will be in "Creation Unit" size aggregations in exchange for a deposit ("Deposit") of Index Securities (a "Fund Basket") and a specified amount of cash sufficient to equal the NAV of such shares.

Securities in Creation Unit size aggregations only may be redeemed, at

<sup>5</sup>The responsibility for collecting, calculating, and transmitting the index data is split between Goldman Sachs and NatWest Securities.

NAV, generally for an in-kind distribution of Index Securities comprising the Fund shares, plus a cash payment. A Creation Unit size of Fund shares will represent securities with approximately \$2 to \$5 million in market value. The Creation Unit would be disaggregated into the individual Securities that would trade on the Exchange. For the nine initial CountryBasket Securities, there would be the following number of Securities per Creation Unit:

Australia .....	75,000
France .....	100,000
Germany .....	100,000
Hong Kong .....	75,000
Italy .....	75,000
Japan .....	100,000
South Africa .....	75,000
United Kingdom .....	100,000
United States .....	100,000

To effect a Creation Transaction in the Fund/UIT structure, a person would buy a Fund Share (or fractional share) in exchange for the Deposit. Each UIT would invest solely in shares of a specified series of the Fund, and would offer one "redeemable unit of beneficial interest" (a "Redeemable Unit") in exchange for each Fund share or fractional share. The Redeemable Unit would be the functional equivalent of the Creation Unit in the Fund-only structure.

The owner of a Redeemable Unit could separate that unit into a specific number of identical fractional non-redeemable subunits that would constitute the Securities traded on the Exchange. As with the Fund-only structure, for example, in the case of the Germany CountryBasket Trust there would be 100,000 Securities per Redeemable Unit. These Securities could be recombined into Redeemable Units and then redeemed, at NAV, for the appropriate number of Fund shares. In turn, the Fund shares could be redeemed for the Index Securities and cash. The Securities would not be redeemable other than in Creation Unit aggregations.

Regardless of the structure used, there may be an initial distribution period of Fund shares lasting from one to a few weeks. During this period, the principal underwriter or distributor ("Distributor") directly or through soliciting dealers would accept subscriptions to purchase Fund shares. In the dual Fund/UIT structure, orders also would be accepted to exchange Fund shares for Redeemable Units and to separate such units into tradeable Securities. Therefore, the offering would be continuous.

### Exchange Trading of Units

The proposed listing criteria provide flexible standards for the listing of Units. Before commencing trading, the Exchange will require that there be at least 300,000 tradeable Units outstanding, representing, for the nine series encompassed by this filing, at least three or four Creation Units. The Exchange will consider the suspension of trading and the delisting of a series of Units if:

- After the first year of trading, there are fewer than 50 record or beneficial holders of the Units for 30 or more consecutive trading days;
- The value of the underlying index or portfolio of securities is no longer calculated or available; or
- There occurs another event that makes further dealings in the Units on the Exchange inadvisable.

Dealing in Units on the Exchange will be conducted pursuant to the Exchange's general agency-auction trading rules. The Exchange's general dealing and settlement rules would apply, including its rules on clearance and settlement of securities transactions (see NYSE Rules 45 through 296). Other Exchange equity rules and procedures, such as the Exchange's equity margin rules, would apply.<sup>6</sup> Unless the prospectus for a specific Security states otherwise, the Units trading on the Exchange will have one vote per share; however, as with other securities issued by registered investment companies, there will not be a "passthrough" of the voting rights on the actual index securities held by a fund or directly or indirectly by a trust.

With respect to specialist dealings, Exchange Rule 460 precludes certain business relationships between an issuer and the specialist in the issuer's securities. This could be interpreted to prevent a specialist from entering into Creation Transactions or redeeming Securities or Redeemable Units from the issuer. However, such market activities could enhance liquidity in the Units and facilitate the specialist's market-making responsibilities. In addition, since the specialist will be able to engage in Creation Transactions and redemptions only according to the same terms and conditions as every other investor (and only at NAV), the Exchange believes that there is no potential for abuse.

<sup>6</sup>With respect to margin, the Exchange will be requesting that the Commission's Division of Market Regulation grant "no action" relief with respect to section 11(d)(1) of the Act, as amended, and Rules 11d1-1 and 11d1-2 thereunder with respect to the extension of credit to customers on a security that is part of a new issue.

The Exchange is thus proposing amendments to Rule 460 to permit specialists to engage in these types of transactions if such transactions would facilitate the maintenance of a fair and orderly market in the Security. However, any Creation Transactions in which the specialist engages will have to be effected through the Distributor, and not directly with the issuer. This requirement will make clear that the specialist is purchasing Units in Creation Unit size only to facilitate normal specialist trading activity.

With respect to investor disclosure, the Exchange notes that, pursuant to the requirements of the Securities Act of 1933, as amended ("1933 Act"), all investors in CountryBaskets will receive a prospectus regarding the Securities. Because the Securities will be in continuous distribution, the prospectus delivery requirements of the 1933 Act will apply to all investors in CountryBaskets. However, it is possible that an exemption from the prospectus delivery requirement may be obtained at some point in the future, either with respect to these Securities or other Units listed on the Exchange. In the event of such an exemption, the Exchange will discuss with the Commission staff the appropriate level of disclosure that should be required with respect to the Units being listed, and will file any necessary rule change to provide for such disclosure.

Upon the initial listing of any class of Units, the Exchange will also issue a circular to its membership explaining the unique characteristics and risks of this type of security. That circular, among other things, will inform member organizations of their responsibilities under Exchange Rule 405 ("know your customer rule") with respect to transactions in the Securities. The circular also will inform member organizations of their responsibility to deliver a prospectus to investors.

With respect to trading halts, the trading of Units would be halted, along with the trading of all other listed stocks, in the event the "circuit breaker" thresholds of Exchange Rule 80B are reached. In addition, the Exchange will consider halting the trading in any series of Units if necessary to maintain a fair and orderly market in the Units. For example, the Exchange would consider halting the trading in a series of Units if trading has been halted or suspended in the primary market for stocks representing a significant percentage (such as 20 percent) of the value of the underlying stock index or portfolio.

Finally, while equity securities traded on the Exchange must be certificated,

the Exchange is proposing that Units trade either in certificated form or solely through the use of a global certificate. The use of the global certificate would have to be consistent with ¶ 501.02(B) of the Manual, which imposes conditions on the use of global certificates for bonds. Permitting the use of global certificates would be consistent with expediting the processing of transactions in Units and would minimize the costs of engaging in transactions in these securities.

The Exchange believes that its proposal is consistent with Section 6(b) of the Act. Specifically, the Exchange believes that its proposal is consistent with the objectives of Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the 1934 Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

#### **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 publishes its reasons for so finding or (ii) as to which the self-regulatory organization 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 20549. 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 File No. SR-NYSE-95-23 and should be submitted by August 29, 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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#### **DEPARTMENT OF THE TREASURY**

##### **Public Information Collection Requirements Submitted to OMB for Review**

August 1, 1995.

The Department of Treasury has submitted the following public information collection requirement(s) to OMB for review and clearance under the Paperwork Reduction Act of 1980, Public Law 96-511. Copies of the submission(s) may be obtained by calling the Treasury Bureau Clearance Officer listed. Comments regarding this information collection should be addressed to the OMB reviewer listed and to the Treasury Department Clearance Officer, Department of the Treasury, Room 2110, 1425 New York Avenue, NW., Washington, DC 20220.

##### **Bureau of Alcohol, Tobacco and Firearms (BATF)**

*OMB Number: 1512-0222.*

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