Metropolitan Life will use the same methodology and assumptions as are set forth in the application for calculating its tax burden under the current tax law and regulations. Applicants also represent that even if the charge is increased to more than 1.25% without obtaining additional exemptive relief, the overall rate of the charge will continue to be subject to the above conditions.

Conclusion

Applicants submit that, for the reasons and upon the facts set forth above, the requested exemptions from Section 27(c)(2) of the 1940 Act and Rules 6e–2(c)(4)(v) and 6e–3(T)(c)(v) thereunder to permit the deduction of up to 1.25% of premium payments under the Policies, without treating such deduction as sales load, meet the standards in Section 6(c) of the 1940 Act. In this regard, Applicants assert that granting the relief requested in the application would be appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–21330 Filed 8–28–95; 8:45 am]

BILLING CODE 8010–01–M

[File No. 1–13074]

Issuer Delisting; Notice of Application to Withdraw from Listing and Registration; (Sterling Healthcare Group, Inc., Common Stock, $.0001 Par Value)

August 22, 1995.

Sterling Healthcare 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 American Stock Exchange, Inc. (''Amex'').

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

According to the Company, its Board of Directors (''Board'') approved resolutions on June 2, 1995 to withdraw the Company's Security from listing on the Amex and, instead, list such Security on the National Association of Securities Dealers Automated Quotations National Market System (''Nasdaq/NMS''). The decision of the Board followed a lengthy study of the matter and was based upon the belief that listing the Security on the Nasdaq/NMS will be more beneficial to the Company's shareholders than the present listing on the Amex because the Company believes an increased number of trading firms will begin to trade and market the Company's securities.

Any interested person may, on or before September 13, 1995 submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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. 95–21332 Filed 8–28–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36130; File No. SR–Amex–95–05]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 to the Proposed Rule Change by the American Stock Exchange, Inc. Relating to the Listing and Trading of Indexed Term Notes Linked to the Real Estate Index

August 22, 1995.

On February 16, 1995, the American Stock Exchange, Inc. (''Amex'' or ''Exchange'') submitted to the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to list and trade indexed term notes (''Notes''), the return on which is based in whole or in part on changes in value of the Real Estate Index (''Index''), a new index designed to reflect general movements in the underlying market for commercial real estate. On April 4, 1995, the Exchange filed Amendment No. 1 to the proposal.[3] Notice of the proposal and Amendment No. 1 appeared in the **Federal Register** on May 4, 1995.[4] No comment letters were received on the proposal. The Exchange filed Amendment No. 2 to the proposed rule change on August 10, 1995.[5] This order approves the Amex proposal, as amended.

Under Section 107 of the Amex Company Guide (''Guide''), the Exchange may approve for listing and trading securities that cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.[6] The Amex now proposes to list for trading, under Section 107A of the Guide, Notes whose value is based in whole or in part on changes in the value of the Index. The Index has been designed to fluctuate based on changes in the level of the underlying market for commercial real estate by combining the performance of two separate equity indexes—one comprised entirely of large actively traded real estate investment trusts (''REITS''), *i.e.*, the REIT50 Index, and the other a broad-based index of small capitalization stocks, *i.e.*, the Russell 2000 index. The Exchange believes that by subtracting a percentage of the returns associated with a broad-based small capitalization stock index (such as the Russell 2000 Index) from the returns generated by an index of REITs, an index can be generated that more

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1994).

[3] In Amendment No. 1, the Exchange: (1) clarified the name of the Real Estate Index; (2) specified that the Real Estate Index will be initialized at a value of 100; and (3) amended the formula for calculating the value of the Real Estate Index. *See* Letter from Claire McGrath, Managing Director and Special Counsel, Amex, to Michael Walinskas, Branch Chief, Office of Market Supervision (''OMS''), Division of Market Regulation (''Division''), Commission, dated April 4, 1995.

[4] *See* Securities Exchange Act Release No. 35651 (April 27, 1995), 60 FR 22084.

[5] In Amendment No. 2, the Exchange amended the proposal to provide that: (1) the value of the REIT50 Index (as defined herein) will only be calculated and disseminated once per day; (2) all components of the REIT50 Index are and will continue to be ''reported securities,'' as defined in Rule 11Aa3–1 of the Act, that are traded on the Amex, New York Stock Exchange (''NYSE''), or are National Market securities traded through Nasdaq; and (3) the volume maintenance criteria for the REIT50 Index will be changed to require an average monthly trading volume of 400,000 shares over the prior three months instead of the six month period originally proposed. *See* Letter from Claire McGrath, Managing Director and Special Counsel, Derivative Securities, Amex, to Michael Walinskas, Branch Chief, Office of Market Supervision (''OMS''), Division of Market Regulation (''Division''), Commission, dated August 10, 1995 (''Amendment No. 2'').

[6] *See* Securities Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8626 (March 8, 1990).

closely reflects the performance of the underlying real estate market.[7] The Exchange states that the Notes are intended to provide an exchange-listed alternative for investors who wish to gain exposure to general movements in the real estate sector or whose portfolios are heavily weighted in real estate and wish to hedge some of that exposure.

The Notes will be non-convertible debt securities of the issuer and will conform to the listing guidelines under Section 107A of the Guide.[8] The Notes will have a term of two to five years from the date of issue and may provide for periodic payments to holders. At maturity, holders of the Notes will receive not less than 90% of the original issue price of the Notes plus an amount in U.S. dollars equal to participation rate (*i.e.*, a specified percentage) multiplied by the increase, if any, in the level of the Index at the time of the offering and the average of the closing Index level on the first ten of the last twenty business days preceding maturity (''Closing Index Level'').[9]

The Notes may not be redeemed prior to maturity and holders of the Notes will have no claim to the securities underlying the Index. Thus, holders will be able to liquidate their investment prior to maturity only by selling the Notes in the secondary market. The Exchange anticipates that the trading value of the Notes in the secondary market will depend in large part on the value of the securities comprising the Index and such other factors as the level of interest rates, the volatility of the value of the Index, the time remaining to maturity, dividend rates, and the credit of the issuer.

The Notes will be subject to the equity floor trading and margin rules of the Exchange. In addition, members and member firms will have an obligation pursuant to Exchange Rule 411 to learn the essential facts relating to every customer prior to trading the Notes. The Exchange also will require, pursuant to Exchange Rule 411, that a member or member firm specifically approve a customer's account for trading the Notes prior to, or promptly after, the completion of the transaction. The Exchange will also distribute a circular to its membership prior to trading the Notes providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the Notes and highlighting the special risks and characteristics of the Notes.

The Index

The Index is calculated as a combination of the performance of two separate equity indexes: the REIT50 Index, which is a total return index comprised of 50 large, activity traded REITs;[10] and the Russell 2000 Index.[11] The Index will initially be set at a level of 100 as of the market close on the day prior to the start of trading of the Notes. At any point in time, the Index value is calculated by multiplying the initial Index level (*i.e.*, 100) by a factor determined as follows. First, the percentage change in the REIT50 Index from the market close of the day prior to the start of trading of the Notes is determined. Next, the percentage change of the Russell 2000 Index from the market close on the day prior to the start of trading of the Notes is determined. One half of the calculated percent change in the Russell 2000 Index is then subtracted from the calculated percent change in the REIT50 Index. This differential is added to the number one to yield the factor by which the initial Index level (*i.e.*, 100) is multiplied to determine the current Index level. The following formula summarizes this calculation:

$$I_t = 100 * \left(1 + \left[\frac{\left(RE50_t - RE50_{init}\right)}{RE50_{init}} - 50\% * \frac{\left(R2000_t - R2000_{init}\right)}{R2000_{init}}\right]\right)$$

Where:

RE50=REIT50 Index.

R2000=Russell 2000 Index.

Init=Indicates the level of the designated index as of the market close on the day prior to the start of trading of the Notes.

t=Indicates the current level of the designated index.

The Index will be calculated continuously based on the most recently reported values of the REIT50 Index and the Russell 2000 Index and will be disseminated every 15 seconds over the Consolidated Tape Association Network B.

Russell 2000 Index

The Russell 2000 Index is a well established, broad-based, benchmark index of the small-capitalization segment of the U.S. equity market.[12] Options on the Russell 2000 Index trade at the Chicago Board Options Exchange [13] and futures trade at the Chicago Mercantile Exchange. The Russell 2000 is capitalization-weighted, and values are disseminated every 15 seconds to market vendors through the Option Price Reporting Authority. The value of the Russell 2000 Index does not reflect reinvestment of dividends paid on component stocks on the index.

REIT50 Index

The REIT50 Index is a new capitalization-weighted index that conforms with Exchange Rule 901C and, as discussed below, is a total return index. The REIT50 Index is composed of the 50 largest publicly-traded equity REITs, as measured by market capitalization, traded on the Amex, NYSE, or as National Market securities traded through Nasdaq.[14] The REIT50 Index will be maintained so that at each quarterly review, as discussed below, each component of the Index will have had an average monthly trading volume of at least 400,000 shares over the prior three month period,[15] with share prices greater than or equal to $5 for the

[7] *See* Discussion of the Index, *infra*.

[8] Specifically, the Notes must have: (1) A minimum public distribution of one million trading units; (2) a minimum of 400 holders; (3) an aggregate market value of at least $4 million; and (4) a term of at least one year. Additionally, the issuer of the Notes must have assets of at least $100 million, stockholders' equity of at least $10 million, and pre-tax income of at least $750,000 in the last fiscal year or in two of the three prior fiscal years. As an alternative to these issuer-specific financial criteria, the issuer may have either: (1) assets in excess of $200 million and stockholders' equity in excess of $10 million; or (2) assets in excess of $100 million and stockholders' equity in excess of $20 million.

[9] If the Closing Index Level is lower than the level of the Index at the time of the offering, holders will receive at least 90% of the original issue price. The minimum level that holders will receive at maturity will be set at the time of the offering of the Notes.

[10] *See* Discussion of the REIT50 Index, *infra*.

[11] *See* Discussion of the Russell 2000 Index, *infra*.

[12] *See* Securities Exchange Act Release No. 31382 (October 30, 1992), 57 FR 52802 (November 5, 1992) (order approving the listing of options on the Russell 2000 Index) (''Exchange Act Release No. 31382'').

[13] *Id*.

[14] *See* Amendment No. 2, *supra* note 5.

[15] *Id*.

majority of business days during the preceding three calendar months. The REIT50 Index also does not and will not include health care REITs or REITs that invest primarily in real estate mortgages or debt securities. The REIT50 Index also will exclude real estate operating companies and partnerships.

As of January 31, 1995, the highest weighed component in the REIT50 Index accounted for 4.66% of the value of the index, and the top five components accounted for 21.00% of the value of the REIT50 Index. Also, during the period from August 1, 1994 through January 31, 1995, the average daily trading volume per component of the REIT50 Index ranged from a low of 19,567 shares per day to a high of 140,173 shares per day. Moreover, as of January 31, 1995, 98.87% of the REIT50 Index, by weight, and 98.00%, by number of components, were eligible for standardized options trading pursuant to Amex Rule 915.[16]

The Exchange will review the component securities on a quarterly basis to ensure that the REIT50 Index continues to represent only the largest and most actively traded REITs. After the close of trading on the last business day of December, March, June, and September, all eligible REITs will be ranked by descending market capitalization, and the 50 largest, subject to the maintenance criteria discussed above, will comprise the REIT50 Index until the next quarterly review. Only REITs that have been trading for at least three calendar months will be considered for inclusion in the REIT50 Index. Resulting composition changes will be made after the close of trading on the third Friday of January, April, July, and October. The divisor of the REIT50 Index will be adjusted as necessary to ensure that there is no discontinuity in the value of the REIT50 Index as a result of these replacements.

The number of component stocks in the REIT50 Index will remain fixed between quarterly reviews. In the event that one or more component securities must be removed due to merger, takeover, bankruptcy, or other circumstances, the REIT next on the list from the most recent quarterly review, subject to the maintenance criteria discussed above, will be selected to replace that security in the REIT50 Index. In such case, the divisor will be adjusted as necessary to ensure that there is no discontinuity in the value of the REIT50 Index.

The REIT50 Index is a total return index in that the regular cash dividends of its component securities are included in calculating the value of the REIT50 Index. Therefore, at the close of trading each day, the prices of component securities that will trade ''ex-dividend'' the next day will be adjusted (downward) by the value of the dividend to reflect the price impact on the stock as it trades without (or ''ex'') the dividend on the following day. The divisor is then adjusted to assure continuity of the Index value. The REIT50 Index value will be calculated continuously throughout the trading day but the value of the REIT50 Index will only be disseminated once per day after the close of trading on the Exchange. This daily closing value for the REIT50 Index will be disseminated over the Consolidated Tape Association's Network B under a separate ticker symbol.[17]

Commission 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) of the Act.[18] Specifically, the Commission believes that providing for exchange-trading of the Notes will offer a new and innovative means for investors of participating in the market for commercial real estate.[19] In particular, the Commission believes that the Notes will permit investors to gain equity exposure in the commercial real estate market, while at the same time, limiting the downside risk of their original investment. For the reasons discussed in the Indexed Term Note Approval Orders, the Commission finds that the listing and trading of the Notes is consistent with the Act.[20]

As with the other indexed term notes approved for listing by the Exchange, the Notes are not leveraged instruments. Their price, however, will still be derived and based upon the underlying linked securities, *i.e.*, the securities comprising the Russell 2000 and REIT50 Indexes. Accordingly, the level of risk involved in the purchase or sale of Index Notes is similar to the risk involved in the purchase or sale of traditional common stock. Nonetheless, the Commission has several specific concerns with this type of product because the final rate or return of the Notes is derivatively priced, based on the performance of the underlying indexes. The concerns include: (1) Investor protection concerns, (2) dependence on the credit of the issuer of the security, (3) systemic concerns regarding position exposure of issuers with partially hedged positions or dynamically hedged positions, and (4) the impact on the market for the securities represented in the underlying linked indexes.[21] The Commission believes the Amex has adequately addressed each of these issues such that the Commission's regulatory concerns are adequately minimized.[22] In particular, by imposing the listing standards, suitability, disclosure, and compliance requirements noted above, the Amex has adequately addressed the potential public customer concerns that could arise from the hybrid nature of the Notes.[23] Moreover, the Commission believes that the Exchange's existing surveillance procedures are adequate to detect and deter any attempts at manipulation of the Notes and the indexes underlying the Notes.

In addition, even though the Exchange has not proposed any options eligibility requirements for the components of the REIT50 Index, the Commission believes that the listing standards and issuance restrictions discussed above, particularly the

[16] Telephone conversation between Clifford Weber, Managing Director, New Products Development, Amex, and Brad Ritter, Senior Counsel, OMS, Division, Commission, on August 22, 1995.

[17] The Exchange believes that the continuous dissemination of the value of the REIT50 Index throughout the trading day will likely result in confusion between the REIT50 Index and the Morgan Stanley REIT Index that the Exchange will be disseminating every 15 seconds throughout the trading day. *See* Securities Exchange Act Release No. 36103 (August 14, 1995) (approval of the Amex's proposal to list options on the Morgan Stanley REIT Index). Because the values of both the Index and the Russell 2000 Index will be disseminated throughout the trading day, the value of the REIT50 Index at any particular time can easily be calculated by anyone who wants to know the value of the REIT50 Index more frequently than once per day. *See* Amendment No. 2, *supra* note 5.

[18] 15 U.S.C. § 78f(b)(2) (1988).

[19] The Commission notes that the Index Notes are very similar in structure to other indexed term notes recently approved by the Commission for listing on the Amex. *See* Securities Exchange Act Release Nos. 35886 (June 23, 1995), 60 FR 33884, (June 29, 1995) (approval for listing of indexed term notes linked to a portfolio of ''consolidation candidate'' securities), 34820 (October 11, 1994), 59 FR 52571 (October 18, 1994) (approval for listing of indexed term notes linked to a portfolio of ''basic'' industry securities), 34723 (September 27, 1994), 59 FR 50631 (October 4, 1994) (approval for listing of indexed term notes linked to a portfolio of banking industry securities), and 33495 (January 19, 1994), 59 FR 3883 (January 27, 1994) (approval for listing of Telecommunications Basket Stock Upside Note Securities) (collectively, Indexed Term Note Approval Orders'').

[20] *Id.*

[21] *Id.*

[22] *Id.*

[23] The Commission notes that the Exchange will also distribute a circular to its membership calling attention to the specific risks associated with the Notes.

objective standards for share prices and average monthly trading volumes[24] for the REITs represented in the REIT50 Index will ensure that the REIT50 Index will be composed predominantly of highly capitalized, liquid securities.[25] Moreover, because the value of the Index is based on a combination of the values of the REIT50 Index and the Russell 2000 Index, the lack of an options eligibility requirement for the components of the REIT50 Index is even less problematic. The Russell 2000 Index is a broad-based index composed of 2,000 equity securities that the Commission has previously found to be not readily susceptible to manipulation and suitable for standardized options trading.[26] In addition, as of January 31, 1995, greater than 98% of the weight of the REIT50 Index, and 49 of 50 components in the index were options eligible.

Furthermore, because the Notes are non-leveraged, intermediate-term instruments that are based on the difference between two indexes, the Commission believes that the lack of a component concentration maintenance standard for the REIT50 Index does not raise any material regulatory concerns. Specifically, the REIT50 Index will be maintained with the 50 largest exchange-traded REITs, by market capitalization. Moreover, as of January 31, 1995, the highest weighted component accounted for only 4.66% of the weight of the index and the five highest weighted components accounted for only 21.00% of the weight of the index. The Commission believes, therefore, that the potential that the Index could be manipulated by manipulating one or a few components of the REIT50 Index has been adequately minimized.

As a result, the Commission believes that any concerns regarding the potential for manipulation of the Index, the REIT50 Index, or the Russell 2000 Index, or any adverse market impact on the securities comprising the underlying indexes, have been adequately addressed by the Amex.

The Commission also believes that the decision of the Amex to disseminate the value of the REIT50 Index only once per day after the close of trading is consistent with the Act. The value disseminated will be the daily closing value of the REIT50 Index. The Amex will, however, calculate the value of the REIT50 Index continuously throughout the trading day so that the value of the Index that is disseminated will always be based on the current value of the REIT50 Index. Moreover, because the values for the Index and the Russell 2000 Index will be disseminated every 15 seconds throughout the trading day, investors and market participants could calculate the value of the REIT50 Index at any time based on the formula provided above. Additionally, the Commission believes that disseminating the value of the REIT50 Index only once per day after the close will minimize the potential for confusion that may exist between the REIT50 Index and the Morgan Stanley REIT Index, which is also calculated and disseminated by the Amex.

The Commission realizes that Index Notes will be dependent upon the individual credit of the issuer. To some extent this credit risk is minimized by the Exchange's listing standards in Section 107A of the Guide which provide that only issuers satisfying substantial asset and equity requirements may issue securities such as Index Notes.[27] In addition, the Exchange's hybrid listing standards further require that Index Notes have at least $4 million in market value.[28] In any event, financial information regarding the issuer, in addition to information on the underlying indexes and the issuers of the securities comprising the underlying indexes, will be publicly available.[29]

The Commission finds good cause for approving the proposed rule change and Amendment No. 2 to the proposal prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. First, Amendment No. 2 provides that the value of the REIT50 Index will only be disseminated by the Amex once per day after the close of trading on the Exchange. For the reasons discussed above, the Commission believes this amendment is consistent with the Act. Moreover, because the Notes will be priced based on the value of the Index, the value of which will be disseminated throughout the trading day, the Commission does not believe that this is a material change to the proposal requiring notice in the **Federal Register** prior to approval.

Second, Amendment No. 2 provides that all components of the REIT50 Index are and will continue to be reported securities, as defined in Rule 11Aa3–1 of the Act, that are traded on the Amex, NYSE, or are National Market securities traded through Nasdaq. This requirement serves to further minimize any concerns regarding potential manipulation of the REIT50 Index.

Third, Amendment No. 2 alters the maintenance criteria for the REIT50 Index concerning average monthly trading volume to make the requirement over a three month rather than a six month period. As discussed above, this requirement is still significantly higher than the Exchange's initial trading volume listing criteria for options on individual securities. Moreover, the original proposal, as it was published in the **Federal Register**, contemplated that the Exchange would be able to add REITs to the REIT50 Index that have been listed and trading for a minimum of three months. As a result, the Commission believes this amendment was necessary in order to eliminate the inconsistency that existed in the original proposal. Furthermore, the Commission notes that the original proposal appeared in the **Federal Register** for the full 21-day comment period and that no comments were received by the Commission regarding the proposal in general, or, the issue of including in the REIT50 Index REITs that have been trading for no less than three months, in particular.

Based on the above, the Commission believes that the proposed rule change is consistent with Section 6(b) (5) of the Act and finds good cause for approving Amendment No. 2 to the proposal on an accelerated basis.

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

[24] The Commission notes that the average monthly trading volume requirement of 400,000 shares per month over a three month period is significantly higher than the Amex's initial trading volume requirement for options on individual securities, which only requires volume of 2.4 million shares over a 12-month period. *See* Amex Rule 915.

[25] For index options and other derivative products where the value of the product is based on an index of securities, the Commission generally requires that a certain percentage of the index, both by weight and by number of components, be eligible for standardized options trading. This requirement serves to minimize the potential for any adverse impact on the markets for the securities underlying these indexes resulting from the trading of these products. *See, e.g.,* Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994). For the reasons discussed herein, however, the Commission believes that the Amex has structured the Notes, in general, and the REIT50 Index, in particular, so that the lack of such maintenance criteria does not create any significant manipulation or market impact concerns.

[26] *See* Exchange Act Release No. 31382, *supra* note 12.

[27] *See supra* note 8.

[28] *See* Amex Company Guide § 107A.

[29] The companies that comprise the Russell 2000 and REIT50 Indexes are reporting companies under the Act.

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, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR–Amex–95–05 and should be submitted by September 19, 1995.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,[30] that the proposed rule change (SR–Amex–95–05), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[31]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–21358 Filed 8–28–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36135; File No. SR–CBOE–95–44]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to the Implementation of Systems Changes That Automate Certain Trading Suspensions in Options

August 22, 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 August 16, 1995, the Chicago Board Options Exchange, Inc. (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II 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

Currently, CBOE Rule 6.3, ''Trading Halts,'' Interpretation and Policy .01, provides that a Post Director [1] or the OBO at a station may suspend trading (including a rotation) for a class or classes of option contracts traded at the station for not longer than five minutes whenever trading in the underlying exchange-listed security is halted or suspended in the primary market, but only if the trading halt or suspension is evidenced by an ''ST'' symbol (for an exchange-listed security) or an ''H'' symbol (for a security traded primarily in the over-the-counter market) that appears on the Class Display Screen for that underlying security, or the trading halt or suspension is verified by the senior person then in charge of the Exchange's control room. The CBOE proposes to amend Exchange Rule 6.3, Interpretation and Policy .01 to implement systems changes that will provide automatic, computerized procedures to suspend trading in specified options classes whenever there is a halt or suspension of trading in an exchange-listed underlying security in the primary market as evidenced by the dissemination by that market of an ''ST'' symbol. The automatic trading suspension will apply only to options on exchange-listed securities. For options on securities traded in the over-the-counter market, a Post Director or OBO will act, as currently provided for, to suspend options trading when trading in the underlying security has been halted or suspended.

The text of the proposal is available at the Office of the Secretary, CBOE and 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 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 purpose of the proposed rule change is to amend CBOE Rule 6.3, Interpretation and Policy .01 to reflect systems changes that will provide automatic procedures to suspend trading in specified classes of options when trading in the underlying exchange-traded security is halted or suspended in the primary market. Currently, under CBOE Rule 6.3, a Post Director or OBO acts to suspend trading in affected classes of options on the CBOE whenever trading in an underlying security is halted or suspended in the primary market. Under CBOE Rule 6.3, Interpretation and Policy .01, the suspension can remain in effect for up to five minutes; any suspension of trading longer than five minutes may only be declared by two Floor Officials pursuant to CBOE Rule 6.3(a).

According to the Exchange, the first indication that trading in an underlying exchange-listed security has been halted or suspended in the primary market is usually the appearance on the Class Display Screen for the underlying security of an ''ST'' symbol dissemination by the primary market.[2] Since it may take a Post Director or an OBO some period of time (which could be 30 seconds or more) to take note of such an indication and act to suspend trading in the affected options, an alert trader may observe the ST symbol, correctly surmise why trading has been suspended, and buy or sell options before trading in the options is suspended, thereby taking advantage of orders entered prior to the time of the suspension of trading of the underlying security.

The CBOE believes that the shorter the delay between the time trading in an underlying security is suspended in the primary market and the time the CBOE suspends trading in the related option, the less opportunity there is for this type of trading activity to take place. To this end, the CBOE has developed, and proposes to implement, an automated, computerized procedure that is capable of reading the market data feed from the primary exchange market [3] (currently

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[30] 15 U.S.C. § 78s(b)(2) (1988).

[31] 17 CFR 200.30–3(a)(12) (1994).

[1] A Post Director is an Exchange employee at a trading post whose function is to assist the Order Book Official (''OBO'') and the Designated Primary Market Maker at each station at the post.

[2] It has been the Exchange's experience that the New York Stock Exchange (''NYSE'') and the American Stock Exchange (''Amex''), which are the primary markets for most of the stocks underlying options traded on the CBOE, may be relied upon to disseminate an ''ST'' symbol immediately upon suspension of trading in any stock.

[3] The Consolidated Tape Association (''CTA''), which consists of the Amex, the Boston Stock Exchange, the CBOE, the Chicago Stock Exchange, the Cincinnati Stock Exchange, the National Association of Securities Dealers, the NYSE, the Philadelphia Stock Exchange, and the Pacific Stock Exchange, established the Consolidated Tape to disseminate last sale transaction information for trades executed on any of the member exchanges or through NASDAQ. The Securities Information Automation Corporation (''SIAC''), a subsidiary of the NYSE and the Amex, conducts the day-to-day operations of the Consolidated Tape. SIAC makes this information available to all subscribers to the Consolidated Tape; the information disseminated

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