

regime. However, because Costa Rica has not fully addressed all the acts, policies and practices found actionable pursuant to section 301(b)(1), the USTR has determined that the appropriate action at this time is to direct USTR officials to implement a process aimed at addressing the remaining burden or restriction on U.S. commerce while monitoring, under section 306, Costa Rica's commitments made on January 6. Depending on these efforts, the USTR may seek recommendations with respect to any alternatives pursuant to section 301(b)(2).

Irving A. Williamson,

Chairman, Section 301 Committee.

[FR Doc. 96-857 Filed 1-22-96; 8:45 am]

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Notice of Meeting of the Advisory Committee on Trade Policy and Negotiations

AGENCY: Office of the United States Trade Representatives.

ACTION: Notice that the February 13, 1996, meeting of the Advisory Committee on Trade Policy and Negotiation will be held from 10:00 a.m. to 2:00 p.m. The meeting will be closed to the public from 10:00 a.m. to 1:30 p.m. The meeting will be open to the public from 1:30 p.m. to 2:00 p.m.

SUMMARY: The Advisory Committee on Trade Policy and Negotiation will hold a meeting on February 13, 1996 from 10:00 a.m. to 2:00 p.m. The meeting will be closed to the public from 10:00 a.m. to 1:30 p.m. The meeting will include a review and discussion of current issues which influence U.S. trade policy. Pursuant to Section 2155(f)(2) of Title 19 of the United States Code, I have determined that this portion of the meeting will be concerned with matters the disclosure of which would seriously compromise the development by the United States Government of trade policy, priorities, negotiating objectives or bargaining positions with respect to the operation of any trade agreement and other matters arising in connection with the development, implementation and administration of the trade policy of the United States. The meeting will be open to the public and press from 1:30 p.m. to 2:00 p.m. when trade policy issues will be discussed. Attendance during this part of the meeting is for observation only. Individuals who are not members of the committee will not be invited to comment.

DATES: The meeting is scheduled for February 13, 1996, unless otherwise notified.

ADDRESSES: The meeting will be held at the Sheraton Carlton Hotel, located at 923 16th Street, Washington, D.C., unless otherwise notified.

FOR FURTHER INFORMATION CONTACT: Michaelle Burstin, Director of Public Liaison, Office of the United States Trade Representative, (202) 395-6120. Michael Kantor,

United States Trade Representative.

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SECURITIES AND EXCHANGE COMMISSION

Request for Public Comment

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Filings and Information Services, Washington, D.C. 20549.

Revision

Regulation S-X

SEC File No. 270-3

OMB Control No. 3235-0009

Regulation S-K

SEC File No. 270-2

OMB Control No. 3235-0071

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (Commission or SEC) is publishing for public comment proposed amendments to Rule 4-08 of Regulation S-X (17 C.F.R. 210.4-08) and proposed Item 305 of Regulation S-K (17 C.F.R. 229.305) to clarify certain disclosure requirements related to derivative and other financial and commodity instruments, to include additional instruments within existing disclosure requirements, and to provide alternative quantitative disclosures regarding the market risk inherent in those instruments. See Release Nos. 33-7250; 34-36643; IC-21625 (December 28, 1995).

Amendments to Rule 4-08 of Regulation S-X would clarify the current requirements under generally accepted accounting principles ("GAAP") for registrants' disclosures of accounting policies related to derivative and other financial and commodity instruments, and include additional instruments within the existing accounting policy disclosures. This is considered necessary due to the general and uninformative disclosures currently being received by the Commission about such policies. Likely respondents are those registrants filing financial statements under the Securities Act of 1933, the Securities Exchange Act of

1934, the Public Utility Holding Company Act of 1935, and the Investment Company Act of 1940. Reporting should occur annually, with material modifications to the annual information disclosed in quarterly reports. It is estimated that the proposed amendments, if adopted, may result in an aggregate additional reporting burden of 11,000 hours.

Proposed Item 305 of Regulation S-K would require, to the extent material, quantitative and qualitative disclosures about market risks associated with derivative and other financial and commodity instruments. These disclosures are considered necessary to provide transparency into registrants' use of derivative and other financial and commodity instruments and the market risks inherent in those instruments, in order to reduce the number of instances where losses from such transactions "surprise" the securities markets. Likely respondents are those registrants filing documents under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935, for whom the proposed disclosures would be material to an understanding of their businesses taken as a whole. Reporting should occur annually, with material modifications to the annual information disclosed in quarterly reports. It is estimated that the proposed amendments, if adopted, may result in an aggregate additional reporting burden of 200,000 hours.

The estimated burden hours would remain unchanged for compliance with regulation S-X [OMB Number 3235-0009] and Regulation S-K [OMB Number 3235-0071]. Instead, the estimated burden hours for Commission forms that require the filing of financial statements prepared in accordance with regulation S-X and the information required by the standard disclosure items in Regulation S-K, would be amended to note any increase in such burdens. These forms would include Form 10-K [OMB Number 3235-0063] and Form S-1 [OMB Number 3235-0065].

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection

techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Dated: January 5, 1996.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-837 Filed 1-23-96; 8:45 am]

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[Release No. 34-36710; File Nos. SR-Amex-94-56, SR-CBOE-95-14, and SR-PSE-95-01]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Chicago Board Options Exchange, Inc.; and Pacific Stock Exchange, Inc.; Order Approving Proposed Rule Changes and Notice of Filing and Order Granting Accelerated Approval of Amendments Thereto Relating to Buy-Write Option Unitary Derivatives ("BOUNDS")

January 11, 1996.

Pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² the American Stock Exchange, Inc. ("Amex"), Pacific Stock Exchange, Inc. ("PSE"), and Chicago Board Options Exchange, Inc. ("CBOE") (collectively, the "Exchanges") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), proposed rule changes ("proposals") to permit trading in Buy-Write Options Unitary Derivatives ("BOUNDS").³

Notice of the proposed rule changes and Amex Amendment No. 1 were published for comment and appeared in the Federal Register.⁴ Two comment

letters were received in response to the Amex proposal,⁵ and one letter was submitted in response to the CBOE and PSE proposals.⁶ The Amex responded to both comment letters.⁷

The Amex subsequently submitted Amendments No. 2 and 3 to the proposal on December 19, 1996 ("Amex Amendment No. 2") and January 11, 1995 ("Amex Amendment No. 3").⁸ The CBOE subsequently submitted Amendment No. 1 ("CBOE Amendment No. 1") to the proposal on January 4, 1996.⁹ The PSE subsequently submitted Amendments No. 1, 2, and 3 to the proposal on June 27, 1995 ("PSE Amendment No. 1"), January 2, 1996 ("PSE Amendment No. 2"), and January 4, 1996, respectively ("PSE Amendment No. 3") (collectively, with all of the Exchanges' amendments, the "Amendments").¹⁰

Amex and PSE Amendments No. 2 and CBOE Amendment No. 1 primarily relate to the elimination of certain spread margin treatment provisions and the conforming of the Exchanges' rules to those of the Options Clearing Corporation ("OCC") in order to avoid potential conflict. In addition, Amex Amendment No. 2 and CBOE Amendment No. 1 also clarify that their respective "ten-up rules" (Amex Rule 958A and CBOE Rule 8.51) will not be applicable to the trading of BOUNDS. Amex and PSE Amendments No. 3 and CBOE Amendment No. 1 eliminate the use of escrow receipts and letters of guarantee as adequate margin cover for short BOUNDS positions. Finally, PSE Amendment No. 1 establishes that BOUNDS are designated as Tier I securities for purposes of PSE Rule 3.

1995) (CBOE); and 35436 (March 2, 1995), 60 FR 12998 (March 9, 1995) (PSE).

⁵ See Letters to Jonathan G. Katz, Secretary, SEC, from James E. Buck, Senior Vice President and Secretary, NYSE, dated February 27, 1995; and Carl F. Koenemann, Executive Vice President and Chief Financial Officer, Motorola, Inc., dated March 1, 1995.

⁶ See Letter from James E. Buck, Senior Vice President and Secretary, NYSE, dated March 15, 1995 to Jonathan G. Katz, Secretary, SEC. This letter incorporates the same comments raised by the NYSE in response to the Amex proposal.

⁷ See Letter from William Floyd-Jones, Jr., Assistant General Counsel, Amex, to Stephen Youhn, Esq., Derivative Products Regulation, SEC, dated March 21, 1995.

⁸ See Letters from William Floyd-Jones, Jr., Assistant General Counsel, Amex, to Michael Walinskas, Derivative Products Regulation, SEC dated December 15, 1995 and to Stephen Youhn, SEC, dated January 11, 1996, respectively.

⁹ See Letter from Janet Angstadt, Schiff Hardin & Waite, to Michael Walinskas, SEC, dated January 4, 1996.

¹⁰ See Letters from Michael Pierson, Senior Attorney, PSE, to Stephen M. Youhn, SEC, dated June 20, 1995, December 29, 1995, and January 3, 1996, respectively.

This order approves the proposals, as amended.

I. Description of the Proposal

The Exchanges, for some time, have sought a replacement for the expired Americus Trust PRIMES and SCOREs ("PRIMEs and SCOREs").¹¹ During this process, the Exchanges began to list and trade a standardized option product called LEAPs. Like SCOREs, LEAPs enable investors to receive the benefits of a stock's price appreciation above a fixed dollar amount over a long period of time. Currently, however, there is no generally available replacement for the PRIMEs component.

The Exchanges, accordingly, propose to list BOUNDS as a replacement for PRIMEs. BOUNDS will offer essentially the same economic characteristics as covered calls with the added benefits that BOUNDS can be traded in a single transaction and are not subject to early exercise. BOUND holders will profit from appreciation in the underlying stock's price up to the strike price until expiration and will receive payments equivalent to any cash dividends declared on the underlying stock. As with PRIMEs, the strike price will serve as a "cap" to effectively limit the amount of upside appreciation an investor may receive.

OCC will be the issuer of all BOUNDS traded on the Exchanges, which are proposed to be treated as standardized options pursuant to Rule 9b-1 of the Act ("Rule 9b-1").¹² As with all OCC issued options, BOUNDS will be created when an opening buy or an opening sell order are executed and the execution of such orders will increase the open interest in BOUNDS. On the dividend payable date for the underlying stock, OCC will debit all accounts with short positions in BOUNDS and credit all accounts with long positions in BOUNDS with an amount equal to the cash dividend on the underlying stock.¹³ Except as described herein, BOUNDS will be subject to the rules governing standardized options.

The Exchanges anticipate listing BOUNDS on those underlying securities that have listed LEAPs. The criteria for stocks underlying BOUNDS will be same

¹¹ PRIMEs and SCOREs were unit investment trusts that allowed investors to separate their common stock securities holdings into distinct trading components representing discrete interests in the income and capital appreciation potential of the securities deposited in the trust. See Securities Exchange Act Release No. 21863 (March 18, 1985), 50 FR 11972 (March 26, 1985) ("PRIMEs Adopting Release").

¹² 17 CFR 240.9b-1 (1994).

¹³ See Amex and PSE Amendments No. 2 and CBOE Amendment No. 1.

¹ 15 U.S.C. § 78s(b)(1) (1988 & Supp. V 1993).

² 17 CFR 240.19b-4 (1994).

³ The Amex, CBOE, and PSE rule filings were submitted on December 12, 1994, February 1, 1995, and February 6, 1995, respectively. On December 23, 1994, the Amex submitted Amendment No. 1 ("Amex Amendment No. 1") to its filing to provide that BOUNDS will be listed with a maximum expiration date corresponding to the longest prescribed long-term equity options ("LEAPs") then available for trading, which is currently 39 months. See Letter from William Floyd-Jones, Jr., Assistant General Counsel, Amex, to Michael Walinskas, Derivative Products Regulation, SEC, dated Dec. 23, 1994. The Amex originally proposed listing BOUNDS with 60 month expirations and extending the maximum duration of LEAPs from 39 months to 60 months.

⁴ See Securities Exchange Act Release Nos. 35327 (Feb. 3, 1995), 60 FR 7805 (Feb. 9, 1995) (Amex); 35430 (March 2, 1995), 60 FR 12991 (March 9,