

Conditions for Relief

NML agrees that if the requested exemption are granted, NML will maintain a list of its officers, directors and employees who participate directly in the management or administration of any variable annuity separate account of NML and any registered investment company underlying NML's variable annuity separate accounts. NML also will maintain a list of its agents who, as registered representatives of NMIS, offer and sell variable annuity contracts. These lists will be maintained at NML's home office and will be available to the staff of the Commission. The individuals named on the lists will continue to be subject to the automatic disqualification provisions of Section 9(a).

Applicant submits, for the reasons stated herein, that the requested exemptions from Section 9(a) of the 1940 Act meet the standards set out in Section 6(c) of the 1940 Act. Applicant asserts that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the policies 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. 96-5841 Filed 3-11-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36920; International Series Release No. 945; File No. SR-CBOE-96-09]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to the Listing and Trading of Options on the Mexican Indice de Precios y Cotizaciones

March 5, 1996.

Pursuant to Section 19(b)(1) of the Securities and Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on February 27, 1996, 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 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 CBOE proposes to provide for the listing and trading on the Exchange of options on the Indice de Precios y Cotizaciones ("IPC" or "Index"), a cash-settled, broad-based index designed to represent the overall Mexican equity market. The IPC was created, and is maintained, by the Mexican Stock Exchange ("Bolsa") and is widely recognized as the benchmark index for Mexico.

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

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

In its filing with the Commission, the CBOE 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 CBOE 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

1. Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled, European-style stock index options on the IPC, a broad-based, capitalization-weighted index comprised of 35 of the largest and most active stocks listed on the Bolsa. The Exchange believes that options on the Index will provide investors with a low-cost means of participating in the performance of the Mexican economy and hedging against the risk of investing in that economy.

Index Design

The Index was designed by and is maintained by the Bolsa. These stocks were selected for inclusion in the IPC based upon a combination of criteria relating to their trading volume and market capitalization. The Bolsa reviews a component's compliance with these criteria every two months. There are three criteria which could keep a potential replacement component stock from being added to the Index. First, suspended issues or those which have a material possibility of being suspended will not be included in the Index.

Second, in the case of companies with multiple classes of stock, no additional class of the same company will be included in the Index if the total of the various classes is greater than 15% of the weight of the Index. For example, Telefonos de Mexico Class L ("TELMEX L") represents approximately 21% of the Index, therefore TELMEX Class A shares are not eligible for inclusion in the Index. Third, if a company is a subsidiary of another company that is in the Index and it represents more than 75% of the assets of the holding company it will not be included.

The IPC is composed of stocks from eighteen (18) industry groups including: Telecommunications, Diversified Holding Companies, Banks, Broadcasting, Building Materials, Mining, and Financial Services. The median capitalization of the firms in the Index on February 2, 1996, was 6.581 billion Pesos (\$889.38 million at the exchange rate of 7.4 pesos per dollar prevailing on February 2, 1996). The average market capitalization of these firms was \$1.553 billion on the same date and using the same rate of exchange. The individual market capitalization of these firms ranged from \$11.956 billion to \$36.29 million on February 2, 1996. The largest stock accounted for 21.99% of the Index, while the smallest accounted for 0.07%. The top five stocks in the Index by weight accounted for 49.71% of the Index.

Calculation

The Index is capitalization weighted and its value is determined by multiplying the price of each stock times the number of shares outstanding, adding those sums and then dividing by a divisor which gave the Index a value of 0.78 on its base date of October 30, 1978. The Index had a closing value of 2862.59 on February 28, 1996. This divisor is adjusted for pertinent changes as described below in the section titled "Maintenance."

Maintenance

The Index will be maintained by the Bolsa. To maintain continuity of the Index, the divisor of the Index will be adjusted to reflect certain events relating to the component stocks. These events include, but are not limited to, ordinary cash dividends, changes in the number of shares outstanding, spin-offs, certain rights issuances, and mergers and acquisitions. When components are substituted, the Bolsa makes every effort to notify the public in advance of the upcoming changes. If it becomes necessary to replace a component between reviews, the Bolsa maintains a

list of stocks for substitution. The Bolsa will publicly communicate these changes (e.g., news release) with as much notice as possible. The main selection criteria utilized by the Bolsa are trading volume and market capitalization. Although the IPC is presently comprised of 35 stocks, there have been as many as 50 components and the Bolsa is not precluded from increasing (or decreasing) this number.

Index Option Trading

The Exchange proposes to base trading in options on the Index on one-tenth of the value of the Index as expressed in U.S. dollars; these are known as full-value options. The Exchange also may provide for the listing of full-value long-term index option series ("LEAPS[®]") and reduced-value LEAPS on the Index. For reduced-value LEAPS, the underlying value would be computed at one-tenth of the value of the full-value options. The current and closing index value of any such reduced-value LEAP will, after such initial computation, be rounded to the nearest one-hundredth. The Exchange will list expiration months for IPC Index options and Index LEAPS in accordance with CBOE Rule 24.9.

The trading hours on the Mexican Stock Exchange are the same as those on the New York Stock Exchange—8:30 a.m. to 3:00 p.m. Chicago time. The trading hours for options on the Index will be from 8:30 a.m. to 3:15 p.m. Chicago time.¹ The Bolsa calculates the value of the IPC based upon the prices of the component securities as traded or quoted on the Bolsa and disseminates this value to vendors of financial information. CBOE or its designee will disseminate the reduced IPC value (i.e., 1/10th of IPC value) through the Options Price Reporting Authority ("OPRA") every 15 seconds throughout the trading day.

Exercise and Settlement

The proposed options on the index will be p.m.-settled and expire on the Saturday following the third Friday of the expiration month. Thus, trading in the expiring contract month will normally cease on Friday at 3:15 p.m. (Chicago time) unless a holiday occurs. The exercise settlement value of Index options at expiration will be based upon the closing prices of component stocks on the regular Friday trading sessions in Mexico, ordinarily at 3:00 p.m. Mexico time. If a stock does not trade during

¹ IPC Index options will continue to trade for 15 minutes after the Bolsa closes. This is consistent with trading times for other index options and also gives market participants the opportunity to adjust their positions after the Bolsa closes.

this period or if it fails to open for trading, the last available price of the stock will be used in the calculation of the Index. When expirations are moved in accordance with Exchange holidays, such as when the CBOE is closed on the Friday before expiration, the last trading day for expiring options will be Thursday and the exercise settlement value of Index options will be Thursday and the exercise settlement value of Index options at expiration will be determined at the close of the regular Thursday trading sessions in Mexico even if the Mexican markets are open on Friday. If the Mexican markets will be closed on the Friday before expiration but the CBOE will not, the last trading day for expiring options will be Thursday.

Surveillance Agreements

The Exchange expects to apply its existing index option surveillance procedures to Index options. In addition, the Exchange is aware of a Memorandum of Understanding ("MOU") between the Commission and the Comisión Nacional Bancaria y de Valores. This MOU will enable the Commission to obtain information concerning the trading of the component stocks of the IPC. The Exchange also will make every effort to enter into an effective surveillance agreement with the Bolsa.

Position Limits

The Exchange is proposing to establish position limits for the Index options equal to 50,000 contracts on the same side of the market, with no more than 30,000 contracts in the series with the nearest expiration date. These limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices. Ten reduced-value options will equal one full-value contract for such purposes. Furthermore, the hedge exemption rule applicable to broad-based index options, commentary .01 to CBOE Rule 24.4, will apply to Mexico 30 Index options.²

Exchange Rules Applicable

Except as modified herein, the Rules in Chapter XXIV will be applicable to IPC options. CBOE has the necessary systems capacity to support new series that would result from the introduction of IPC options. CBOE has also been informed that the Options Price Reporting Authority ("OPRA") has the capacity to support such new series.³

² Telephone conversation between Eileen Smith, CBOE, and Steven Youhn, SEC, on February 28, 1996.

³ See Letter from Joe Corrigan, OPRA, to Eileen Smith, CBOE, dated February 21, 1996.

2. Statutory Basis

CBOE believes the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it will permit trading in options based on the IPC 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 believes the proposed rule change will impose no 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:

(A) by order approve the 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 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 CBOE. All submissions should refer to File No. SR-CBOE-96-09 and should be submitted by April 2, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

[FR Doc. 96-5785 Filed 3-11-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36933; File No. SR-GSCC-96-01]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to the Enhancement of Risk Management Processes

March 6, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 5, 1996, Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-96-01) as described in Items I, II, and III below, which items have been prepared primarily by GSCC. 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 purpose of the proposed rule change is to modify GSCC's risk management processes.

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

As a part of GSCC's continuous process of reviewing its risk management mechanism, GSCC is seeking approval to make various enhancements and revisions to that mechanism. The impetus for certain of the enhancements and revisions arose out of the design of the risk management process for GSCC's newly implemented netting service for repurchase agreements ("repos") and as the result of recommendations made by Commission staff during their inspection of GSCC last year. Each of the proposed changes to GSCC's risk management process is described in detail below.

(1) Change in the Clearing Fund Formula: Funds Adjustment Component

A netting member's clearing fund requirement is based on a formula designed to take into account the two basic risks posed to GSCC by netting members. These risks are: (1) that a member might not pay a funds-only settlement amount due to GSCC and (2) that a member might not deliver or take delivery of securities that comprise a net settlement position. There are three components to the clearing fund deposit requirement: (1) the funds adjustment component, (2) the receive/delivery settlement component, and (3) the repo volatility component. The sum of the three components is a member's total clearing fund deposit requirement.

The first component of the clearing fund is the funds adjustment component, which addresses the potential risk that a member might not pay a funds-only settlement amount due to GSCC. Historically, this component has represented about ten percent of the total clearing fund requirement. The funds adjustment component is 125% of the average of a member's ten largest funds-only settlement amounts measured on an absolute basis during the most recent seventy-five business days.

Because GSCC did not have an historical data base, the use of the additional twenty-five percent cushion was introduced at the start of the netting system in 1989 as a conservative measure designed to ensure that GSCC's original margin process was a prudent one. GSCC now believes that this cushion is no longer necessary because the funds adjustment component recently was made more conservative with revisions to take into account the ten largest funds amounts over the most

recent seventy-five business days.³ However, under the proposed rule change GSCC will retain the right to reinstitute at its discretion all or a part of this cushion for a temporary period. For example, GSCC might reinstitute this cushion under volatile market conditions.

Moreover, GSCC believes that the use of an average of the ten largest amounts leads to an overly conservative measure of funds settlement exposure. Thus, GSCC proposes to revise the funds adjustment component to require 100% of the average of the twenty largest funds-only settlement amounts during the most recent seventy-five business days.⁴

(2) Change in the Clearing Fund Formula: Receive/Deliver Settlement Component

The second component of the clearing fund requirement is the receive/deliver settlement component, which is based on the size and nature of a member's net settlement positions. The margin collected on net settlement positions is determined by applying margin factors that are designed to estimate daily security price movements. The factors are expressed as percentages and are determined by historical daily price volatility.⁵ The product of a security's settlement value and its corresponding margin factors is used as proxy for the estimated amount of loss to which GSCC is potentially exposed from price changes.

There are four potential receive/deliver contribution amounts computed each day for GSCC netting members other than Category 2 dealer or Category 2 future commission merchant members.⁶ The four amounts are compared daily and the largest amount is included in a member's clearing fund

³ Prior to the implementation of GSCC's netting service for repos, GSCC's rules required computation of the average of a member's absolute funds amounts over the prior twenty business days. Securities Exchange Act Release No. 36491 (November 17, 1995), 60 FR 61577 (order approving proposed rule change).

⁴ This change will be made to both paragraphs (b) and (d) of Rule 4, Section 2 of GSCC's rules. Paragraph (b) applies to bank netting members, Category 1 dealer netting members, Category 1 futures commission merchant netting members, Category 2 inter-dealer broker netting members, government securities issuer netting members, insurance company netting members, and registered investment company netting members. Paragraph (d) applies to Category 2 dealer netting members and Category 2 futures commission merchant netting members.

⁵ See Section 4 below for a discussion of GSCC's margin factors.

⁶ GSCC's method of calculating the receive/deliver settlement component for Category 2 dealer and Category 2 futures commission merchant members is set forth below.

⁴ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² The Commission has modified the text of the summaries prepared by GSCC.