Originally, the $25.00 threshold was established because of the anticipation of transaction costs related to the exercise and settlement of yield-based Treasury options. Because yield-based treasury options are cash settled and the exercise fees for such options either do not exist, are waived, or are not expected to exceed the exercise proceeds, OCC believes that a lower ex-by-ex threshold can be applied and that its clearing members will not charge a fee for the cash settlement of a yield-based Treasury option where a customer will be left with a loss.

OCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing. The Commission finds good cause because accelerated approval will permit OCC to immediately implement the lower threshold amount for the ex-by-ex processing of customer-held yield-based Treasury options which will bring the treatment of such options in line with the procedures already in place for yield-based Treasury options held by non-customers and for index options.[7] Moreover, because no comment letters were received with regard to OCC's recent modification of its ex-by-ex processing procedures involving index options, which similarly adjusted the exercise threshold for customer-held index options, the Commission does not expect to receive any adverse comments on the present rule change.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington D.C. 20549. Copies of the submissions, 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 Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR–OCC–95–19 and should be submitted by April 10, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–OCC–95–19) be, and hereby is, approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–6642 Filed 3–19–96; 8:45 am]

BILLING CODE 8010–01–M

[7] For a complete description of the modification of OCC's threshold amount used in the ex-by-ex processing of index options, refer to Securities Exchange Act Release No. 35982 (July 18, 1995), 60 FR 38072 [SR–OCC–95–03] (order approving proposed rule change).

[Release No. 34–36960; File No. SR–OCC–95–20]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to the Issuance, Clearance, and Settlement of Buy-Write Options Unitary Derivatives

March 13, 1996

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on December 27, 1995, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–OCC–95–20) as described in Items I, II, and III below, which items have been prepared primarily by OCC. On February 5, 1996, OCC filed an amendment to the proposed rule change.[2] 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 amend certain OCC By-Laws and Rules and to add new sections to OCC By-Laws and rules and to add new sections to OCC's By-Laws and Rules to provide for the issuance, clearances, and settlement of a new equity derivatives product referred to as Buy-Write Options Unitary Derivatives (''BOUNDs'').

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] Letter from James C. Young, First Vice President and General Counsel, OCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (February 5, 1996).

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

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[3]

(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 certain OCC By-Laws and Rules and to add new sections to OCC's By-Laws and Rules to provide for the issuance, clearance and settlement of a new equity derivatives product referred to as BOUNDs. The Commission recently approved proposed rule changes filed by the American Stock Exchange (''Amex''), the Chicago Board Options Exchange (''CBOE''), and the Pacific Stock Exchange (''PSE'') (collectively referred to as the ''exchanges'') to list and trade BOUNDs.[4]

1. Organization of Proposed Rule Change

The proposed rule change consists of five sections: (i) a description of BOUNDs; (ii) amendments to existing By-Laws; (iii) a new Article XXIV of the By-Laws applicable only to BOUNDs; (iv) amendments to existing Rules; and (v) a new Chapter XXV of the Rules applicable only to BOUNDs.

2. Description of BOUNDs

The purchase of a BOUND is intended to be substantially equivalent to a ''buy-write'' transaction (*i.e.*, the simultaneous writing of a call option and purchase of the underlying stock). However, unlike an actual buy-write transaction, the purchase of a BOUND is effected in a single exchange transaction. As with all OCC issued options, BOUNDs will be created when an opening buy and an opening sell order are executed. The execution of

[3] The Commission has modified the text of the summaries submitted by OCC.

[4] For a complete description of the characteristics of BOUNDs, refer to Securities Exchange Act Release No. 36710 (January 11, 1996), 61 FR 1791 [File Nos. SR–AMEX–94–56, SR–CBOE–95–14, and SR–PSE–95–01] (order approving proposed rule change relating to BOUNDs).

every such order will increase the open interest in BOUNDs.[5] The exchanges have indicated that BOUNDs will be listed on the same securities on which Long-Term Equity Option Series (''LEAPS'')[6] are listed because the criteria used for stocks underlying BOUNDs will be the same criteria that is used for stocks underlying LEAPS. The exchanges expect that BOUNDs will be listed with a duration equal to that of LEAPS, which is currently thirty-nine months from the date of issuance.

A BOUND holder will be in essentially the same economic position as a covered writer of a European-style call option. BOUND holders will profit from the stock's movement up to the strike price and will receive payments equivalent to the cash dividends paid on the underlying stocks. Non-cash distributions may be reflected either through the delivery of the distributed property or by means of ''adjustments'' in the terms of the BOUNDs as described more fully below.

BOUNDs are ''European'' style options because the holder cannot exercise a BOUND prior to expiration. In contrast, LEAPS are ''American'' style options, which can be exercised at any time prior to expiration. At the expiration of a BOUND, either delivery of the underlying stock or payment of the strike price is always required, and notice of ''exercise'' is not required. Therefore, the concepts of ''exercise'' and ''assignment'' are not used in relation to BOUNDs.

Like put and call options, BOUNDs ordinarily will trade in standardized contract units of one hundred shares of underlying stock per BOUND contract. At expiration, if on the last day of trading the underlying stock closes at or below the strike price, BOUND holders will receive one hundred shares of the underlying stock for each BOUND contract held. If at expiration the underlying stock closes above the strike price, the BOUND holder will receive a payment equal to one hundred times the BOUND's strike price for each BOUND contract held. In either case, the BOUND holder ordinarily will be left in the same economic position as a covered call writer that holds the position until the expiration of the call option. At expiration, depending on the price of the underlying stock at that time, writers of BOUND contracts will be required to deliver either one hundred shares of the underlying stock for each BOUND contract or payment equal to one hundred times the BOUND's strike price for each BOUND contract.

It is anticipated that the sum of the market prices of a LEAP and a BOUND on the same underlying stock with the same expiration date and exercise price will closely approximate the market price of the underlying stock. If the combined price of the LEAP and BOUND diverge from that of the underlying stock, it is anticipated that arbitrage activity will bring the price relationships back into line.

3. Proposed Amendments to OCC By-Laws

The proposed rule change defines the term BOUND as a security issued by OCC pursuant to Article XXIV of the By-Laws and Chapter XXV of the Rules. The proposed rule change also amends OCC's By-Laws by modifying several defined terms to indicate how those terms apply to BOUNDs. For example, the definition of ''clearing fund'' is amended to provide that the clearing fund pool for BOUNDs will be the same fund pool used for stock options. The proposed amendment to the definition of a ''clearing member'' defines a ''stock clearing member'' as a clearing member approved to clear transactions in stock options and BOUNDs. Accordingly, stock clearing members will be qualified automatically to engage in transactions in BOUNDs without any additional qualification.

The proposed amendment to the definition of the term ''trade price'' in the By-Laws defines that term to mean the price agreed upon in a BOUND transaction. Technically there is no ''premium'' in a BOUND transaction because that term generally is used to denote the purchase price of an option. However, in order to accommodate transactions in BOUNDs, the proposed amendment to the term ''premium'' defines it broadly to permit the term to include the trade price with respect to BOUNDs.

The proposed amendments to Article VI of the By-Laws include minor additions to several sections in order to make the By-Laws pertaining to the clearance of exchange transactions applicable to contracts in BOUNDs. The proposed amendment to Article VI, Section 6 provides that BOUNDS are issued by OCC and that the rights and obligations attaching to purchasing clearing members and writing clearing members are contained in new Article XXIV. Interpretations and Policies (''Interpretation'') .01 to Article VI, Section 9 has been amended to make clear that the general rights and obligations of options writers and holders outlined by Section 9 apply only to stock option contracts and not to BOUNDs. Parallel provisions for BOUNDs are in Article XXIV.

Old subsection (c) of Article VI, Section 10 is being deleted because subsection (a) is being modified by adding the more generic term ''cleared securities'' in place of the term ''option contract.'' A new subsection (d) has been proposed for Article VI, Section 10 to set forth rules governing the opening by the exchanges of new series of BOUNDs. These procedures are parallel to rules governing opening of new series of options.

Section 11 of Article VI has been amended only in order to provide that OCC's Securities Committee shall have the authority to make adjustments in BOUNDs contracts through the same procedures as in the case of option adjustments. Although other provisions of Section 11 also are applicable to BOUNDs, the precise way in which those provisions are applied is set forth in Article XXIV.

Proposed amendments to Article VIII of the By-Laws include minor additions to several sections to include BOUNDs in the stock clearing fund. Certain other changes in the text of these sections are purely technical and not intended to affect the meaning. The added reference to ''IPs'' in Interpretation .02 following Section 5 corrects and apparent omission in an earlier filing.

4. Proposed Article XXIV of OCC By-Laws

The introduction to proposed Article XXIV makes it clear that the By-Laws in Articles I through XI are also applicable to BOUNDs except where expressly modified or made inapplicable by Article XXIV. The effect on other By-Laws of each By-Law Section in Article XXIV is stated in brackets at the end of each By-Law section in Article XXIV.

Proposed Article XXIV, Section 1, adds certain new definitions relevant to BOUNDs and redefines certain terms defined in Article I of the By-Laws to assign different meanings when those terms are used with respect to BOUNDs. With respect to BOUND contracts, the term ''ex dividend date'' has been defined to mean the ''ex'' date for the corresponding dividend on the underlying security. The proposed term ''dividend payable date'' has been defined to mean the date on which the dividend equivalent is required to be paid by the writer of a BOUND to OCC

[5] Open interest refers to the total number of contracts that have neither been closed out nor been allowed to expire.

[6] Generally, LEAPS are long-term equity option securities that expire up to 39 months from the date of issuance. For a complete description of LEAPS, refer to Securities Exchange Act Release No. 28890 (February 15, 1991), 56 FR 7439 [File No. SR–CBOE–90–32] (order approving proposed rule change regarding the listing of LEAPS).

and by OCC to the holder of a BOUND. Consequently, the right of a BOUND holder to receive and the obligation of a BOUND writer to pay or deliver a dividend equivalent will be fixed at the close of trading on the business day preceding the ex dividend date. The actual payment of the dividend equivalent may occur days or weeks later to coincide with the payable date for the corresponding dividend on the underlying stock. It is desirable to harmonize the payable dates for the BOUNDs and the underlying stock in order to make hedging and other strategies involving combined positions in BOUNDs and the underlying stock most efficient. As a result, it is possible that an obligation to pay or a right to receive a dividend equivalent that accrued prior to the expiration date of a BOUND will remain outstanding after the expiration date and even after expiration settlement has been completed. OCC simply will continue to carry the dividend equivalent right or obligation in a manner similar to a settlement obligation or an exercised option. It will be margined and marked to the market each day similar to other settlement obligations.

As defined in Article XXIV, the ‘‘expiration settlement date’’ of a BOUND contract is specified in Rule 2502 and currently is the third business day following the expiration date. The expiration settlement date for a particular BOUND contract will not depend on whether the contract is to be settled by cash or by the delivery of stock.

The term ‘‘closing price’’ has been defined to mean the closing price for the underlying security on the primary market on the business day prior to the expiration date of the BOUND contract. However, the exchange(s) on which a BOUND trades may provide that the closing price of a BOUND be based on an average of prices of the underlying security near the close on that day. The exchange(s) must specify that an average of prices will be used prior to the opening of trading in any BOUNDs series.

The proposed definition of ‘‘strike price’’ provides that any reference to ‘‘exercise price’’ in the By-Laws or Rules will refer to the ‘‘strike price’’ of a BOUND contract. As stated earlier, notice of exercise is not required at the expiration of a BOUND, and the concept of ‘‘exercise’’ has no relevance to BOUNDs.

Proposed Article XXIV, Section 2 sets forth the general rights and obligations of holders and writers of BOUND contracts. Proposed Article XXIV, Section 3 sets forth the agreements of a writing clearing member when effecting an opening writing transaction in a BOUND.

Section 4 of Article XXIV describes the application of the adjustment rules of Article VI, Section 11 to BOUNDs. BOUNDs ordinarily will be adjusted according to existing adjustment rules, and adjustments are expected to ordinarily conform to adjustments made with respect to LEAPs on the same underlying stock. Where an adjustment results in a change in the number of option and BOUND contracts outstanding, which usually occurs to reflect a stock split or stock dividend, that event also will not be reflected in a dividend equivalent. Similarly, where the unit of trading of a BOUND is adjusted to require delivery of additional shares of the underlying security or other property that was distributed with respect to each share of the underlying security, that distribution also will not be reflected in a dividend equivalent. However, when the strike price of a BOUND is reduced to reflect the value of a distribution, a dividend equivalent also will be paid. This will occur because, unlike in the case of adjusting an option, lowering the strike price of a BOUND will not give the holder the benefit of the distribution because the holder does not pay the strike price. (The strike price of a BOUND caps the value that the holder will receive upon expiration of the BOUND.) Therefore, it is appropriate to give the holder the benefit of certain extraordinary distributions through a dividend equivalent at the time the distribution is made and also to reduce the strike price so that the BOUND holder cannot again receive the benefit of the distribution when the BOUND expires.

In the case of a ‘‘cash-out’’ merger or similar transaction, a BOUND will be adjusted to require the writer to pay at expiration an amount per share equal to the lesser of the price paid for the underlying security in the merger or the strike price of the BOUND. Because there will no longer be an underlying security, the expiration date of the BOUND will be accelerated so that the cash will be paid to the BOUND holder at or about the same time that payment of the cash-out value is paid to holders of the underlying security. While the mechanics are somewhat different from the adjustment ordinarily made for the same event in the case of an option, the economic result is quite similar. Because the value of an option becomes fixed as the result of adjusting for a cash-out merger, in-the-money options are effectively terminated because they have no time value and holders have every incentive to exercise them immediately to receive the cash. The expiration date of the BOUND will be accelerated because BOUNDs are European style and cannot be exercised prior to expiration.

Proposed Article XXIV, Section 5 sets forth the steps OCC may take in the event the closing price for an underlying security is unavailable. In addition to any other actions OCC may be entitled to take under the By-Laws and Rules, OCC may suspend settlement obligations for the affected BOUNDs. OCC also will have the authority to fix the closing price for BOUNDs by means of a panel consisting of exchange representatives and OCC’s Chairman.

The provisions in Article VI, Section 19 relating to ‘‘shortages of underlying securities’’ are applicable to BOUNDs except that restrictions on exercises cannot be applied to BOUNDs because BOUNDs are not exercisable.

5. Proposed Amendments to Existing OCC Rules

Proposed amendments to existing rules include minor additions to several rules in order to indicate how those rules will apply to BOUNDs. Many changes are self-explanatory and are not described in this notice.

The proposed amendment to Rule 601 in Chapter VI, which governs margin, sets forth that BOUNDs will be margined in a clearing member’s accounts as part of the ‘‘stock option product group,’’ and BOUNDs will be included in the same ‘‘class group’’ with put and call options on the same underlying stock. Special provisions have been added to the definition of ‘‘premium margin’’ to provide an appropriate definition of the term when applied to an expired but unsettled BOUND contract. The added provisions reflect that the expired contract may call for either the delivery of stock or the payment of the strike price depending upon the closing price of the underlying stock when the BOUND expires.

The definition of ‘‘marking price’’ in Rule 601 is being changed to reflect that OCC will use the highest reported asked quotation in valuing an underlying security if no last sale price is available. This is appropriate because the product group minimum margin includes protection against the bid/offer spread; therefore, it is not necessary to use a different quotation for puts than for calls.

Rule 1001 in Chapter X provides that positions in BOUNDs will be included in the formula to determine a clearing member’s proportionate share of the contribution to the stock clearing fund. This is consistent with BOUNDs also being included with stock options for purposes of margin calculations and clearing member qualifications.

Rules 1104 and 1106 in Chapter XI regarding the liquidation of an account of a clearing member upon suspension of that clearing member have been amended to include reference to positions in BOUNDs. Rule 1106(b)(2) contains a reference to specific or escrow deposits with respect to BOUNDs. No provisions for such deposits have been included in the present filing; therefore, these references will have no application until such time as OCC provides for escrow deposits with respect to BOUNDs.

6. Proposed Chapter XXV of OCC Rules

The introduction to proposed Chapter XXV makes it clear that the rules in Chapters I through VII and IX through XII also are applicable to BOUNDs except where expressly modified or made inapplicable by Chapter XXV. The effect on other rules by each section in Chapter XXV is stated in brackets at the end of each section in Chapter XXV.

Proposed Rule 2501 of Chapter XXV sets forth the rights and obligations of holders and writers of BOUNDs with respect to the payment of dividend equivalents. Under the proposed rule, the holder of a BOUND is entitled to the dividend payments of a shareholder with a comparable position (*i.e.*, one hundred shares per contract). The writer is obligated to pay or deliver the dividend equivalent of either a cash dividend or a non-cash distribution to the holder of the BOUND. As noted earlier, certain distribution may result in an adjustment of the BOUND in lieu of a dividend equivalent while other distributions may give rise to only a dividend equivalent or both a dividend equivalent and an adjustment.

Proposed Rule 2501 specifies that on the dividend payable date OCC will notify each clearing member having a position in BOUNDs of the net sum or securities it is required to pay or deliver and the net sum or securities it is entitled to receive. Proposed Rule 2502 sets forth that the settlement date for a BOUND contract will be the third business day following the expiration date. Although BOUNDs that settle in cash (*i.e.*, when the underlying stock price closes above the strike price) could be settled earlier then BOUNDs that settle by delivery of the underlying stock (*i.e.*, when the underlying stock price closes at or below the strike price), it has been determined that the preferable product design is to have the same settlement period for both types of settlements. In the event the BOUND transaction cannot be settled through regular-way settlement (*i.e.*, on the third business day following the expiration date), the contract will be settled on a broker-to-broker basis as governed by Rules 902 through 910A in Chapter IX.

Proposed Rule 2503 sets forth the procedures for settlement of BOUNDs at expiration. These procedures are straightforward in that BOUNDs to be settled in cash will be settled through OCC's cash settlement system. BOUNDs that are to be settled by delivery of stock ordinarily will be settled in the same manner that exercised stock options are settled (*i.e.*, through stock clearing corporations).

OCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal should facilitate the prompt and accurate clearance and settlement of BOUNDs. OCC also believes the proposed rule change is consistent with the safeguarding of funds and securities in OCC's custody or control or for which OCC is responsible because it will apply to BOUNDs a system of safeguards which is substantially the same as which OCC currently applies to options.

(B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change will impact or impose a burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five 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 ninety 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 OCC 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, 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 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 Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR–OCC–95–20 and should be submitted by April 10, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarlane,

Deputy Secretary.

[FR Doc. 96–6643 Filed 3–19–96; 8:45 am]

BILLING CODE 8010–01–M

SMALL BUSINESS ADMINISTRATION

Data Collection Available for Public Comments and Recommendations

ACTION: Notice and request for comments.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, this notice announces the Small Business Administration's intentions to request approval on a new, and/or currently approved information collection.

DATES: Comments should be submitted by May 20, 1996.

FOR FURTHER INFORMATION CONTACT: Jacqueline White, Management Analyst, Small Business Administration, 409 3rd Street, S.W., Suite 5000, Washington, D.C. 20416. Phone Number: 202–205–6629. Copies of these collections can also be obtained.

SUPPLEMENTARY INFORMATION:

Title: The Impact of Structural Change in the Banking Industry on Small Business Lending.

Type of Request: New Collection.

Description of Respondents: Banks Involved in Mergers or Acquisitions.

Annual Responses: 350.

[7] 17 CFR 200.30–3(a)(12) (1995).