

6. The expenses borne by applicant pursuant to the reorganization totalled \$46,775. These expenses included the cost of printing and mailing proxies and proxy statements, a portion of the cost of the tax opinion, with the remainder paid by OGEGF, as well as legal, accounting, and transfer agency expenses. Applicant's share of the expenses was paid from its cash reserve.

7. As of the date of the filing of the application, applicant has no assets, and no outstanding debts or liabilities. Applicant has no shareholders and is not a party to any litigation or administrative proceeding. Applicant is not presently engaged in, nor does it propose to engage in, any business activities other than those necessary for the winding-up of its affairs.

8. Applicant filed a termination of trust with Massachusetts authorities on June 26, 1995.

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

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-17252 Filed 7-5-96; 8:45 am]

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[Release No. 34-37388; File No. SR-CBOE-96-31]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Operation and Enforcement of the Firm Quote Rule in the OEX Trading Crowd**

June 28, 1996.

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 May 15, 1996, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. 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 issue two regulatory circulars pertaining to the administration and enforcement of the firm quote rule in the trading crowd where options on the Standard and Poor's 100 Index ("OEX options") are traded. The text of the regulatory

circulars and the proposed rule change are 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**

The purpose of the proposed rule change is, first, to consolidate and clarify in a single regulatory circular (referred to as "Regulatory Circular 96-xx") the Exchange's policies concerning the administration and enforcement of the firm quote rule (CBOE Rule 8.51) in the OEX trading crowd, and, second, to set forth in a separate regulatory circular (referred to as "Regulatory Circular 96-yy") the specific fines that may be imposed under the Exchange's summary fine procedure for violations of the requirements of the firm quote program in the OEX crowd, as contemplated in CBOE Rule 17.50(g)(6).

Proposed Regulatory Circular 96-xx consolidates without substantial change various requirements applicable to market makers and floor brokers in the OEX trading crowd under CBOE Rule 8.51 (the firm quote rule). These requirements have previously been set forth in a number of different regulatory circulars, two of which (RG 90-09 and RG 96-25) are currently effective. The proposed regulatory circular would take the place of both of these circulars in order to provide in one place a clear and comprehensive statement of how firm quote requirements apply in the OEX crowd.

In addition to restating what is set forth in existing circulars, the proposed circular would amend those circulars to clarify certain aspects of the obligations of market makers and floor brokers under the firm quote rule, and how those obligations are enforced. Specifically, with respect to market

makers, proposed Regulatory Circular 96-xx sets forth a mechanism for the enforcement of Rule 8.51 in the OEX trading crowd by providing that if the OEX trading crowd fails to honor a

posted quotation in accordance with the firm quote rule, two Floor Officials may designate one or more market makers in the crowd to take the contra side of the order that is entitled to execution. The proposed circular makes it clear that any failure to comply with the Floor Officials' designation is a violation of Rule 8.51, which may subject the violator to summary fine under Rule 17.50 as well as to formal disciplinary proceedings.<sup>1</sup> The circular points out that the fine permitted to be imposed by Floor Officials for such violations can be as high as \$5,000, which is the maximum fine authorized under the summary fine rule. It is the Exchange's expectation that the *in terrorem* effect of a substantial fine will cause market makers to comply with Floor Officials' designations, and the fines themselves will rarely if ever have to be imposed.

Proposed Regulatory Circular 96-xx also clarifies the meaning of the due diligence obligation imposed on floor brokers under Rule 6.73(a), as that obligation applies in the OEX trading crowd in light of the operation of the firm quote rule. The circular describes two alternative ways in which public customer orders eligible for execution under the firm quote rule may be represented: The floor broker may either ask for a market and then immediately fill the order for up to the ten contract limit entitled to execution under the firm quote rule at the better of the posted market or the market given in response to his request, or the floor broker may bid or offer on behalf of his customer at a price between the posted bid and offer in an attempt to obtain an execution at a better price than the posted market. Under the second alternative, the floor broker must then immediately fill the public customer order for up to ten contracts at his announced bid or offer if the crowd is willing to trade at that price, or if not, he must immediately fill the order at the originally posted market.

In all other respects, proposed Regulatory Circular 96-xx is substantially the same as the existing circulars that it will replace.

Proposed Regulatory Circular 96-yy is being issued pursuant to CBOE's summary fine rule (Rule 17.50), which authorizes the summary imposition of fines for certain specified "minor rule violations" in lieu of formal disciplinary proceedings. Paragraph (g)(6) of Rule 17.50 covers the imposition of summary

<sup>1</sup> Violations of Rule 8.51 are deemed to be violations of Rule 6.20(b) pursuant to paragraph (vii) of Interpretation and Policy .04 under Rule 6.20. Rule 6.20(b) requires that fines imposed thereunder must be agreed upon by at least two Floor Officials.

finer for violation of trading conduct and decorum policies established under CBOE Rule 6.20, and states that the specific dollar amount that may be imposed as fines thereunder will be distributed to the membership periodically. The Exchange has previously issued Regulatory Circular 95-37, which sets forth fines for most of the trading conduct and decorum policies established under Rule 6.20, but does not include fines for violation of the firm quote requirements of Rule 8.51, which are deemed to be violations of Rule 6.20(b).<sup>2</sup> Proposed Regulatory Circular 96-yy cures this omission for violations of the firm quote rule in the OEX crowd by setting forth the specific dollar amounts that may be imposed as summary fines for such violations. As noted above, the fines that may be imposed for refusal to take the other side of an OEX trade entitled to execution under the firm quote rule when directed to do so by Floor Officials range from \$1,000 to \$5,000, which places them at the high end of the scale under Rule 17.50. This is intended to remove any economic incentive for a market maker to refuse to obey the directions of Floor Officials to comply with firm quote requirements.

The Exchange believes that by clarifying the obligations of market makers and floor brokers in the OEX crowd under the firm quote rule and by specifying the fines that may be imposed for failure to honor these obligations, the proposed regulatory circulars will serve to promote just and equitable principles of trade and to protect investors and the public interest, in furtherance of the objectives of section 6(b)(5) of the Act.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing rule change constitutes a stated policy with respect to the meaning, administration, or enforcement of an existing rule, it has

become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### 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 Section, 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 the CBOE. All submissions should refer to the File No. SR-CBOE-96-31 and should be submitted by July 29, 1996.

For Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>  
Jonathan G. Katz,

Secretary.

[FR Doc. 96-17251 Filed 7-5-96; 8:45 am]

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[Release No. 34-37374; File No. SR-NASD-95-61]

#### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Regulation of Cash and Non-Cash Compensation in Connection With the Sale of Investment Company Securities and Variable Contracts**

June 26, 1996.

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 December 22,

1995,<sup>1</sup> the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. 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 NASD proposes to amend NASD Rules 2820 and 2830 (formerly Article III, Sections 29 and 26 of the Rules of Fair Practice) to revise existing rules applicable to the sale of investment company securities and establish new rules applicable to the sale of variable contracts.<sup>2</sup> Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

#### Rules of the Association

##### Conduct Rules

\* \* \* \* \*

##### Variable Contracts of an Insurance Company

###### Rule 2820.

\* \* \* \* \*

##### Definitions

(b)  
\* \* \*

*(3) The terms "affiliated member", "cash compensation", "non-cash compensation" and "offeror" as used in paragraph (h) shall have the following meanings:*

*"Affiliated Member" shall mean a member which, directly or indirectly, controls, is controlled by, or is under common control with a non-member company.*

*"Cash compensation" shall mean any discount, concession, fee, service fee, commission, loan or override received in connection with the sale and distribution of variable contracts. "Non-cash compensation" shall mean any form of compensation received in*

<sup>1</sup> On June 14, 1996, the NASD filed Amendment No. 1 with the Commission. Amendment No. 1 addresses the relationship of the proposed rule change to industry initiatives concerning compensation practices, expands the scope of the proposed rule change to govern all sales targets, whether or not previously specified and replaces the term "variable contract securities" with the term "variable contract." See Letter from John M. Ramsay, Deputy General Counsel, NASD to Katherine A. England, Assistant Director, Division of Market Regulation, SEC (June 14, 1996).

<sup>2</sup> NASD Manual, Rules of the Association, Conduct Rules (CCH), Rules 2820, 2830.

<sup>2</sup> See *supra* note 1.

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