

[Release No. 34-38216; File No. SR-Amex-97-03]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by American Stock Exchange, Inc. Relating to the Waiver of Transaction Charges for FLEX Equity Options**

January 29, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 22, 1997, the American Stock Exchange, Inc. ("Amex" 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 Amex. 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 Amex proposes to extend its waiver of transaction charges for FLEX Equity Options traded on the Exchange until further notice. The text of the proposed rule change is available at the Office of the Secretary, Amex 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 Amex 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 Amex 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 the Statutory Basis for, the Proposed Rule Change**

**1. Purpose**

In conjunction with the commencement of trading FLEX Equity Options, the Exchange waived transaction charges for the first ninety days of trading. The ninety day period is due to expire on January 24, 1997 and the Exchange has determined to extend the waiver. The Exchange continues to believe that waiving transaction charges

is a meaningful factor in encouraging trading in FLEX Equity Options.

The Exchange intends to establish a transaction charge for FLEX Equity Options in the near future. However, until it is ready to do so it proposes to extend the waiver of transaction charges until further notice.<sup>2</sup> The waiver of the imposition and collection of transaction charges for FLEX Equity Option orders executed on the Exchange will be for all account types, e.g., the accounts of floor traders, specialists and customer and firm proprietary off-floor orders.

**2. Statutory Basis**

The proposed rule change is consistent with Section 6(b)<sup>3</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>4</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of change, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

**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**

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**

The foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange and therefore, has become effective pursuant to Section 19(b)(3)A) of the Act<sup>5</sup> and subparagraph (e) of the Rule 19b-4<sup>6</sup> thereunder. At any time within 60 days of the filing of such a proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors,

<sup>2</sup>The Commission notes that any imposition of transaction charges for Flex Equity Options would have to be submitted to the Commission pursuant to Section 19(b) of the Act.

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 19b-4(e).

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 Amex. All submissions should refer to File No. SR-Amex-97-03 and should be submitted by February 26, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-38215; File No. SR-GSCC-96-13]

**Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to the Eligibility of Treasury Inflation Indexed Securities for Netting Services**

January 29, 1997.

On November 21, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-96-13) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the Federal Register on December 20, 1996.<sup>2</sup> No comment letters were received. For the reasons discussed

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 38048 (December 13, 1996) 61 FR 67371.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

below, the Commission is approving the proposed rule change.

### I. Description

The proposed rule change amends GSCC's rules to make the U.S. Department of the Treasury's Treasury Inflation Indexed Security ("TIIS") eligible for clearance and settlement at GSCC.<sup>3</sup> The first auction of TIIS by the Department of the Treasury will occur on January 29, 1997, and such securities will be issued on February 6, 1997. TIIS is a book-entry security that is designed to protect investors from inflation by adjusting semiannually the principal amount of the investors' holdings while maintaining a fixed interest rate. The amount of the principal adjustment is computed by multiplying the stated value at issuance (*i.e.*, par amount) by an index ratio. The applicable index will be the U.S. City Average All Items Consumer Price Index for All Urban Consumers ("CPI") published by the Bureau of Labor Statistics of the U.S. Department of Labor. TIIS will be redeemed at maturity at the greater of its inflation adjusted principal or its par amount.

Although the interest rate is fixed, the coupon payments will be variable because the interest is paid on a varying amount of principal. Because this will be the first security with variable interest payments eligible for netting at GSCC, GSCC has enhanced its automated systems.<sup>4</sup> Since December 16, 1996, GSCC has been conducting tests with GSCC members in order to ensure that participants are able to properly provide and receive data regarding transactions in these new securities.

GSCC also worked with the Public Securities Association to determine a uniformly acceptable method for the industry to reflect the inflation index in the calculation of final money on TIIS transactions. Consistent with these discussions, participants will submit transactions using their contract price. GSCC will compare and will report

<sup>3</sup>The Department of the Treasury has adopted amendments to its Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356) to accommodate the issuance of TIIS. Department of the Treasury Circular, Public Debt Service No. 1-93 (December 30, 1996) 62 FR 846 (January 6, 1997).

<sup>4</sup>The following enhancements have been made to GSCC's automated system. GSCC has created a database of historical CPI indexes in order to determine accrued interest, which will be used in valuing positions for settlement purposes and for forward margin and clearing fund calculations. GSCC has modified the security database to permit it to designate TIIS as a variable rate security. GSCC has modified participant input and output formats to take into account different and additional data elements.

transactions based on its Final Settlement Money formula. Final Settlement Money will equal the original par value multiplied by the CPI index ratio multiplied by the contract price plus the inflation adjusted accrued interest. Inflation adjusted accrued interest will equal the original par value multiplied by the CPI index ratio multiplied by the interest rate multiplied by the term.

### II. Discussion

Section 17A(b)(3)(F)<sup>5</sup> of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes GSCC's rule change meets these goals by establishing a clearance and settlement system for TIIS whereby GSCC can provide the benefits of centralized automated settlement to a broader segment of government securities transactions. In addition, the inclusion of TIIS trades in GSCC's netting system provides several benefits to participants such as guaranteed settlement, automated coupon tracking, and automated output. By automating and enhancing the settlement process, GSCC's proposal is consistent with the prompt and accurate clearance and settlement of securities.

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-GSCC-96-13) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Margaret H. McFarland,  
Deputy Secretary.

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## SOCIAL SECURITY ADMINISTRATION

### Finding Regarding Foreign Social Insurance or Pension System—Former Yugoslav Republic of Macedonia

**AGENCY:** Social Security Administration.

**ACTION:** Notice of finding regarding foreign social insurance or pension

system—former Yugoslav Republic of Macedonia.

**FINDING:** Section 202(t)(1) of the Social Security Act (42 U.S.C. 402(t)(1)) prohibits payment of monthly benefits to any individual who is not a United States citizen or national for any month after he or she has been outside the United States for 6 consecutive months, and prior to the first month thereafter for all of which, the individual has been in the United States. This prohibition does not apply to such an individual where one of the exceptions described in sections 202(t)(2) through 202(t)(5) of the Social Security Act (42 U.S.C. 402(t)(2)-(5)) affects his or her case.

Section 202(t)(2) of the Social Security Act provides that, subject to certain residency requirements of section 202(t)(11), the prohibition against payment shall not apply to any individual who is a citizen of a country which the Commissioner of Social Security finds has in effect a social insurance or pension system which is of general application in such country and which:

(a) Pays periodic benefits, or the actuarial equivalent thereof, on account of old age, retirement, or death; and

(b) Permits individuals who are United States citizens but not citizens of that country and who qualify for such benefits to receive those benefits, or the actuarial equivalent thereof, while outside the foreign country regardless of the duration of the absence.

The Commissioner of Social Security has delegated the authority to make such a finding to the Associate Commissioner for International Policy. Under that authority, the Associate Commissioner for International Policy has approved a finding that the Former Yugoslav Republic of Macedonia, as of February 1, 1994, has a social insurance system of general application which:

(a) Pays periodic benefits, or the actuarial equivalent thereof, on account of old age, retirement, or death; and

(b) Permits United States citizens who are not citizens of the Former Yugoslav Republic of Macedonia and who qualify for the relevant benefits to receive those benefits, or their actuarial equivalent, while outside of the Former Yugoslav Republic of Macedonia, regardless of the duration of the absence of these individuals from the Former Yugoslav Republic of Macedonia.

Accordingly, it is hereby determined and found that the Former Yugoslav Republic of Macedonia has in effect, as of February 1, 1994, a social insurance system which meets the requirements of section 202(t)(2) of the Social Security Act (42 U.S.C. 402(t)(2)).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 17 CFR 200.30-3(a)(12).