

publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CBOE-96-73 and should be submitted by March 18, 1997.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38311; International Series Release No. 1055; File No. SR-CBOE-96-77]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Policy of the CBOE Relating to Information Obtained Pursuant to the SEC's Memorandum of Understanding With the CONSOB

February 19, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on December

17, 1996, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change is described in Items I and II 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 and to grant accelerated approval of the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The CBOE is submitting this rule filing to adopt an official policy concerning the circumstances and conditions under which the Exchange, in order to carry out its market surveillance and enforcement functions for derivative products containing Italian component securities, may obtain access to information regarding activity on the Italian securities markets obtained by the SEC pursuant to the Commission's Memorandum of Understanding ("MOU") with the Commissione Nazionale per le Società e la Borsa ("CONSOB"). The text of the proposed rule change is available at the Office of the Secretary, the 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 CBOE does not have a surveillance sharing agreement with the Milan Exchange, which is an unincorporated association and is not able under Italian law to enter into such an arrangement. Therefore, the purpose of the proposed rule change is to enable the CBOE to carry out its market surveillance and enforcement functions for derivative products containing Italian component securities by seeking the necessary information about activity on the Italian securities markets from

the SEC per the latter's MOU with the CONSOB. The Exchange's proposed policy details the circumstances and conditions under which the Exchange may obtain access to such information from the SEC. By adopting this policy, therefore, the Exchange believes it will be in a position to list derivative products containing Italian component securities because it will be able to have access to information on the underlying securities which it may need for enforcement or market surveillance purposes.

The Exchange's proposed policy provides that the Exchange will advise the SEC of information it needs regarding activity on the Italian securities markets for market surveillance and enforcement purposes. The SEC, in turn, may request the CONSOB's assistance, pursuant to the MOU, in gaining access to such information. The Exchange will use such information it may receive from the SEC only for the purposes of conducting market surveillance and enforcement proceedings. The Exchange will limit distribution of such information to officers and directors of the Exchange and other employees directly responsible for conducting market surveillance and enforcement proceedings relating to the matter in connection with which the SEC provided the information to the CBOE. The Exchange also will undertake to maintain the confidentiality of the information and to take appropriate disciplinary action in the event it learns of a breach of such confidentiality, including referral to the SEC for any action the SEC deems necessary or appropriate.

By adopting a policy that provides access to information on the underlying securities for market surveillance and enforcement purposes, the Exchange will be able to list options and other derivative products containing Italian component securities, provided that all other applicable product listing standards are met.³ Therefore, the Exchange believes that the proposed rule change could potentially provide investors with the opportunity to invest in such products and hedge their exposure to the Italian securities market. The Exchange also believes that the proposed rule change, therefore, is consistent with and furthers the objectives of Section 6(b)(5) of the Act, in that it is designed to perfect the mechanisms of a free and open market

³ This filing only addresses trading requirements relating to necessary surveillance sharing procedures.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

and to protect investors and the public interest.⁴

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

CBOE does not believe that the proposed rule change will impose any 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. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Exchange has requested that the proposed rule change be given accelerated effectiveness pursuant to Section 19(b)(2) of the Act. The Commission finds that the proposed rule change is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a national securities exchange, in that the proposal is consistent with Section 6(b) of the Act, in general and, Section 6(b)(5),⁵ in particular, as it is designed to facilitate transactions in securities, to promote just and equitable principles of trade, and to protect investors and the public interest.

Specifically, the Commission believes that, since the CBOE does not and cannot have a surveillance sharing agreement with the Milan Exchange, the CBOE's adoption of the proposed policy will enable the Exchange to carry out its market surveillance and enforcement functions for derivative products containing Italian component securities by seeking the necessary information about activity on the Italian securities markets from the SEC per the latter's MOU with the CONSOB. The Commission believes that the Exchange's proposed policy adequately details the circumstances and conditions under which the Exchange may obtain access to such information from the SEC.

The Commission believes that, under the Exchange's proposed policy, the Exchange will advise the SEC of information it needs regarding activity on the Italian securities markets for market surveillance and enforcement purposes. The Commission, in turn, may request the CONSOB's assistance, pursuant to the MOU, in gaining access

to such information. The Commission notes that the Exchange will use such information it may receive from the SEC only for the purposes of conducting market surveillance and enforcement proceedings. The Commission also notes that the Exchange will limit distribution of such information to officers and directors of the Exchange and other employees directly responsible for conducting market surveillance and enforcement proceedings relating to the matter in connection with which the SEC provided the information to the CBOE. In view of the importance of maintaining the confidentiality of this information, the SEC believes that the officers and/or directors overseeing the exchange employees conducting the relevant market surveillance and enforcement proceedings would be responsible for ensuring the confidentiality of the information provided by the SEC pursuant to the MOU with the CONSOB and should take reasonable measures to ensure that the information does not become available to unauthorized persons. Thus, the Commission believes that the Exchange will undertake to maintain the confidentiality of such information and to take appropriate disciplinary action in the event it learns of a breach of such confidentiality, including referral to the SEC for any action the SEC deems necessary or appropriate.

The Commission believes that the CBOE, by adopting a policy that provides access to information on the underlying securities for market surveillance and enforcement purposes, will be in a position to list options and other derivative products containing Italian component securities, provided that all other applicable product listing standards are met. Therefore, the Exchange's proposed rule change could potentially provide investors with the opportunity to invest in such products and hedge their exposure to the Italian securities market. Accordingly, the Commission believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act, in that it is designed to perfect the mechanisms of a free and open market and to protect investors and the public interest.

The Commission notes that a substantially identical proposal was published by the American Stock Exchange ("AMEX") for the full 21 day comment period without any comments being received by the Commission. The Commission therefore believes that approving the CBOE policy on an accelerated basis will allow the Exchange to pursue trading in options

and other derivative products containing Italian component securities without further delay. Accordingly, the Commission finds that, consistent with Section 6(b)(5) of the Act, good cause exists to approve CBOE's proposed rule change on an accelerated basis prior to the thirtieth day after the date of publication thereof in the Federal Register.

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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. SR-CBOE-96-77 and should be submitted by March 18, 1997.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR-CBOE-96-77) is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority:⁷

Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 97-4605 Filed 2-24-97; 8:45 am]
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[Release No. 34-38302; File No. SR-GSCC-96-14]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Proposed Rule Change To Eliminate Grandfather Privileges

February 18, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

⁴ In approving the rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁵ 15 U.S.C. 78f(b) and 78f(b)(5).

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).