

Applicant initially registered under the name Strong B Fund, Inc. and changed its name to Strong Insured Municipal Bond Fund, Inc. on November 4, 1991.

2. At a meeting held on April 24, 1996, the board of directors of applicant unanimously approved the Agreement and Plan of Reorganization ("Reorganization Agreement") whereby applicant would exchange its assets for shares of Strong Municipal Bond Fund, Inc. ("Bond Fund"). The Reorganization Agreement provided: (i) for the transfer of all of applicant's assets to the Bond Fund less a reserve for liabilities in exchange for shares of Bond fund ("Bond Fund Shares") equal in value to applicant's net assets; (ii) the pro rata distribution of the Bond Fund Shares to applicant's shareholders in liquidation of applicant; (iii) the cancellation of applicant's shares; and (iv) deregistration of applicant as an investment company under the Act.

3. At the April 24 meeting, applicant's directors, (i) in reliance on rule 17a-8 under the Act,<sup>1</sup> found that participation in the reorganization was in the best interest of applicant and its shareholders and that the interests of applicant's shareholders would not be diluted as a result of the reorganization, (ii) authorized the preparation and filing of proxy solicitations, and (iii) called a shareholders meeting. In making its determination that the reorganization was in the best interest of applicant's shareholders, the board noted that the relatively small size of applicant had prevented it from realizing significant economies of scale or reducing its expense ratio, and had been a factor in causing its performance to lag its competitors in recent periods. The board also considered that, because of heightened competition in the insurance industry, most municipal securities are now insurable. As a result, the board recognized that applicant, which sought to keep its assets in insured municipal securities, was no longer unique and therefore was less attractive to investors. The board determined that the reorganization offered the greatest likelihood of addressing the asset size and growth problem while reorganizing applicant into an investment company with an identical investment objective and similar investment policies and restrictions. The board further noted

<sup>1</sup> Section 17(a) of the Act generally prohibits sales or purchases of securities between registered investment companies and any affiliated person of that company. Rule 17a-8 provides an exemption from section 17(a) for certain reorganizations among registered investment companies that may be affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers.

that the reorganization would result in continuity of investment services (advisory, transfer agent and distributor services) and no sales or other charges would be imposed on any shares of the Bond Fund acquired by shareholders in the reorganization.

4. On May 24, 1996, the Reorganization Agreement was entered into by applicant, the Bond Fund, and with respect to certain matters, Strong Capital Management, Inc., the investment adviser of both applicant and the Bond Fund. Proxy materials relating to the merger (which were contained in the Bond Fund's registration statement on Form N-14) were filed with the SEC on May 24, 1996, and mailed to applicant's shareholders on July 3, 1996. The Reorganization Agreement was approved by applicant's shareholders on August 27, 1996.

5. As of August 30, 1996, the date of the transfer of assets, there was an aggregate of 2,885,713.293 shares of outstanding common stock of applicant having an aggregate net asset value of \$29,090,061.39 and a per share value of \$10.08. In accordance with the Reorganization Agreement, applicant transferred its assets to the Bond Fund in exchange for 3,235,825.05 shares of the Bond Fund. Such shares were equal in value to applicant's net asset value. Such Bond Fund Shares received by applicant were then distributed pro rata to applicant's shareholders in complete liquidation of applicant. No brokerage commissions were paid in the exchange.

6. The total expenses incurred in connection with the Reorganization, consisting of legal, accounting, proxy solicitation, liquidation, and other related administrative fees and expenses, were approximately \$92,903. The applicant and Bond Fund each paid for their own expenses in connection with entering into and carrying out the transactions contemplated by the Reorganization Agreement. The adviser waived all of applicant's unamortized organizational expenses of \$3,600.

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

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 97-5838 Filed 3-7-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38353; File No. SR-CBOE-96-59]

**Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1 and 2 to Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to the Listing and Trading of Options on the Morgan Stanley Multinational Company Index**

February 28, 1997.

I. Introduction

On October 1, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade cash-settled, European-style stock index options on the Morgan Stanley Multinational Company Index ("Index"),<sup>3</sup> a broad-based, capitalization-weighted index comprised of 50 large domestic companies, as more fully described below.

The proposed rule change appeared in the Federal Register on October 15, 1996.<sup>4</sup> No comments were received on the proposed rule change. The Exchange subsequently filed Amendment Nos. 1 and 2 to the proposed rule change on December 23, 1996 and on February 5, 1997, respectively.<sup>5</sup> This order approves the CBOE's proposal, as amended, and solicits comments on Amendment Nos. 1 and 2.

II. Description

The Exchange is proposing to list and trade cash-settled, European-style stock index options on the Morgan Stanley Multinational Company Index, a broad-based, capitalization-weighted index composed of 50 high-capitalization

<sup>1</sup> 15 U.S.C. § 78s(b)(1)(1988).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The CBOE has clarified that the name of the Index will be the Morgan Stanley Multinational Company Index. See letter from Scott Lyden, Research & Product Development, CBOE, to Stephen M. Youhn, Division of Market Regulation ("Division"), Commission, dated February 5, 1997 ("Amendment No. 2").

<sup>4</sup> See Securities Exchange Act Release No. 37790 (October 4, 1996), 61 FR 53774 (October 15, 1996).

<sup>5</sup> See letter from William M. Speth, Senior Research Analyst, Product Development, Research Department, CBOE, to Stephen M. Youhn, Division, Commission, dated December 23, 1996 ("Amendment No. 1"). In Amendment No. 1, the CBOE emended its rule filing regarding, among other things, its maintenance procedures. See *infra* notes 8 and 9, and accompanying text.

domestic stocks.<sup>6</sup> According to the Exchange, the 50 companies that comprise the Index are multinational in nature as they each derive a substantial portion of their earnings from foreign income and have cash flows denominated in multiple currencies. Each of the component securities are traded on the American Stock Exchange, Inc. ("Amex"), the New York Stock Exchange, Inc. ("NYSE"), or through the facilities of the National Association of Securities Dealers ("NASD") Automated Quotation system ("Nasdaq") and are reported national market system securities ("Nasdaq/NMS").

#### A. Index Design

The Morgan Stanley Multinational Company Index has been designed to measure the performance of certain high capitalization stocks. The Morgan Stanley Multinational Company Index is a capitalization-weighted index with each stock affecting the Index in proportion to its market capitalization. Each stock in the Index is eligible for options trading.

On July 17, 1996, the 50 stocks ranged in capitalization from \$138.2 billion (General Electric Co.) to \$4.7 billion (Becton Dickinson Inc.). The median capitalization of the firms in the Index was \$29.33 billion, while the average capitalization of the Index components was \$37.1 billion. The largest stock accounted for 7.33% of the total weighting of the Index, while the smallest accounted for 0.25%. The five highest weighted stocks accounted for 28.8%. The average daily trading volume for Index components during the six-month period ending July 16, 1996 was 1.93 million shares.

#### B. Calculation

The methodology used to calculate the value of the Index is similar to the methodology used to calculate the value of other well-known broad-based indices. The level of the Index reflects the total market value of the component stocks relative to a particular base period. The Morgan Stanley Multinational Company Index base date is December 31, 1991, when the Index value was set to 200. The Index had a closing value of 405.60 on January 6, 1997. The daily calculation of the Morgan Stanley Multinational Company Index is computed by dividing the total market value of the companies in the Index by the Index divisor. The divisor keeps the Index comparable over time and is adjusted periodically to maintain the Index. The values of the Index will

<sup>6</sup> A list of Index components is available at the Commission and at the CBOE.

be calculated by the CBOE and disseminated at 15-second intervals during regular CBOE trading hours to market information vendors via the Options Price Reporting Authority ("OPRA").

#### C. Maintenance

Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends (other than ordinary cash dividends), and stock price adjustments due to company restructurings or spinoffs. Routine corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the Index and will be handled by CBOE. Non-routine corporate actions, such as share issuances, change the market value of the Index and require an Index divisor adjustment as well. The CBOE will refer all such non-routine matters and other material changes to the Index to Morgan Stanley.<sup>7</sup> Over time the number of component securities in the Index may change. In the event of a stock replacement, the divisor will be adjusted to provide continuity in values of the Index. In addition, whenever a component change is made to the Index, every effort will be made to substitute a component that maintains the character of the Index.<sup>8</sup> Lastly, the CBOE will notify the Commission if: (i) less than 75% of the weight of the Index is comprised of stocks that are eligible for options trading; or (ii) the number of securities in the Index is decreased to less than 35.<sup>9</sup>

<sup>7</sup> Since Morgan Stanley may be consulted regarding the maintenance of the Index, a "chinese wall" has been erected around the personnel at Morgan Stanley who have access to information concerning changes and adjustments to the Index. Details of Morgan Stanley's chinese wall procedures, which are closely modeled on existing procedures for other Morgan Stanley indexes underlying standardized options, have been submitted to the Commission under separate cover.

<sup>8</sup> See Amendment No. 1. The Commission expects CBOE to maintain the character of the Index as represented in its proposal, *i.e.*, as an index comprised of very highly capitalized U.S. stocks that are multinational in nature, as defined above. Failure to maintain the Index in this manner would raise issues as to whether additional approval pursuant to Section 19(b) of the Act would be necessary in order for CBOE to continue trading the product. See also note 9, *infra*.

<sup>9</sup> *Id.* The Commission notes that its and the CBOE's regulatory responses for failure to meet the above maintenance criteria could include, but are not limited to, the removal of the securities from the Index, prohibiting opening transactions, or discontinuing the listing of new series of Index options. In addition, if the composition of the Index's underlying securities was to substantially change, the Commission's decision regarding the

#### D. Index Option Trading

In addition to regular Index options, the Exchange may provide for the listing of long-term index option series ("LEAPS") and reduced-value LEAPS on the Index (all such LEAPS series are hereinafter referred to as "LEAPS"). For reduced-value LEAPS, the underlying value would be computed at one-tenth of the Index level. The current and closing Index value of any such reduced-value LEAP will, after such initial computation, be rounded to the nearest one-hundredth.

Strike prices will be set to bracket the Index in 2½ point increments for strikes below 200 and 5 point increments above 200. The minimum tick size for series trading below \$3 will be 1/16th and for series trading above \$3 the minimum tick will be 1/8th. The trading hours for options on the Index will be from 8:30 a.m. to 3:15 p.m. (Chicago time).

#### E. Exercise and Settlement

The proposed options on the Index will expire on the Saturday following the third Friday of the expiration month. Trading in the expiring contract month will normally cease at 3:15 p.m. (Chicago time) on the business day preceding the last day of trading in the component securities of the Index (ordinarily the Thursday before expiration Saturday, unless there is an intervening holiday). The exercise settlement value of the Index at option expiration will be calculated by the Exchange based on the opening prices of the component securities on the business day prior to expiration. If a stock fails to open for trading, the last available price on the stock will be used in the calculation of the Index, as is done for other currently listed indexes.<sup>10</sup> When the last trading day is moved because of Exchange holidays (such as when the CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Wednesday and the exercise settlement

appropriateness of the Index's current maintenance standards would be reevaluated, and whether additional approval under Section 19(b) is necessary to continue to trade the product. See also note 8, *supra*.

<sup>10</sup> The Commission notes that pursuant to Article XVII, Section 4 of the Options Clearing Corporation's ("OCC") by-laws, the OCC is empowered to fix an exercise settlement amount in the event it determines a current index value is unreported or otherwise unavailable. Further, the OCC has the authority to fix an exercise settlement amount whenever the primary market for the securities representing a substantial part of the value of the underlying index is not open for trading at the time when the current index value (*i.e.*, the value used for exercise settlement purposes) ordinarily would be determined. See Securities Exchange Act Release No. 37315 (June 17, 1996), 61 FR 42671 (OCC-95-19).

value of Index options at expiration will be determined at the opening of regular Thursday trading.

#### F. Surveillance

The Exchange will use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in Index options and Index LEAPS on the Morgan Stanley Multinational Company Index. For surveillance purposes, the Exchange will have complete access to information regarding trading activity in the underlying securities.

#### G. Position Limits

The Exchange proposes to establish position limits for options on the Morgan Stanley Multinational Company Index at 50,000 contracts on either side of the market, and no more than 30,000 of such contracts may be in the series in the nearest expiration month. These limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices.

#### H. Other Exchange Rules and Matters

As modified herein, the Exchange Rules in Chapter XXIV will be applicable to Morgan Stanley Multinational Company Index options. In addition, broad-based margin rules will apply to the Index.

The CBOE is also proposing to amend Exchange Rule 24.14 in order to include specific reference to Morgan Stanley as entitled to the benefit of the disclaimer of liability in respect of the Index.

The CBOE believes that it has the necessary systems capacity to support new series that would result from the introduction of Morgan Stanley Multinational Company Index options. The CBOE has also been informed that OPRA has the capacity to support the new series.

### III. Findings and Conclusions

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, and, in particular, with the requirements of Section 6(b).<sup>11</sup> Specifically, the Commission finds that the trading of options on the Morgan Stanley Multinational Company Index, includes LEAPS, will serve to promote the public interest as well as to help remove impediments to a free and open securities market. Further, the trading of options on the Index will allow investors holding positions in some or all of the securities underlying the Index

to hedge the risks associated with their portfolios. Accordingly, the Commission believes that the Index options will provide investors with an important trading and hedging mechanism. By broadening the hedging and investment opportunities of investors, the Commission believes that the trading of Index options will serve to protect investors, promote the public interest, and contribute to the maintenance of a fair market.<sup>12</sup>

Nevertheless, the trading of options on the Index raises several issues related to the design and structure of the Index, customer protection, surveillance, and market impact. The Commission believes, however, for the reasons discussed below, that the CBOE has adequately addressed these rules.

#### A. Index Design and Structure

The Commission believes that it is appropriate for the Exchange to designate the Morgan Stanley Multinational Company Index as a broad-based index for purposes of index option trading. Specifically, the Commission believes that the Index is broad-based because, among other reasons, it contains 50 actively-traded stocks representing 27 industry groups, and thus reflects a substantial segment of the U.S. equities market. Accordingly, the Commission believes that it is appropriate for the Exchange to apply its rules governing broad-based index options to trading in the Index options.

The Commission also finds that the large capitalizations, liquid markets, and relative weightings of the Index's component stocks significantly minimize the potential for manipulation of the Index as well as provide a sufficient basis for the Index's maintenance standards.<sup>13</sup> First, the Index represents and consists of the common stock values of 50 actively-traded domestic companies. Second, as of July 17, 1996, no one stock comprised more than 7.33% of the Index's value, and the five highest weighted stocks accounted for only 28.8% of the Index's value. Third, the stocks that comprise the index are actively-traded, with an

<sup>12</sup> Pursuant to Section 6(b)(5) of the Act, the Commission must predicate approval of any new securities product upon a finding that the introduction of such product is in the public interest. Such finding would be difficult with respect to a product that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns.

<sup>13</sup> The Commission notes, however, that if the composition of the Index's underlying securities was to substantially change, its decision regarding the appropriateness of the Index's current maintenance standards would be reevaluated.

average daily trading volume for Index components during the six-month period ending July 16, 1996 of 1.93 million shares. Fourth, as of July 17, 1996, the market capitalizations of the stocks in the Index were substantial, ranging from high of \$138.2 billion (General Electric Co.) to a low of \$4.7 billion (Becton Dickinson Inc.). The median capitalization of the firms in the Index was \$29.33 billion, while the average capitalization of the Index components was \$37.1 billion. Fifth, the Index is comprised of stocks representing a diverse group of 27 industries, including pharmaceuticals (15.57%), crude/petroleum (9.26%), and beverages (9.00%). Sixth, all of the component securities currently are eligible for options trading and the maintenance standards require that at least 75% of the index components remains options eligible.<sup>14</sup> Finally, the Commission believes that, as discussed below, existing mechanisms to monitor trading activity in those securities will help to deter as well as to detect illegal trading activity involving Index options.

#### B. Customer Protection

The Commission believes that a regulatory system designed to protect public customers must be in place before the trading of sophisticated financial instruments, such as options on the Morgan Stanley Multinational Company Index (including full-value and reduced value LEAPS), can commence on a national securities exchange. The Commission notes that the trading of standardized, exchange-traded options occurs in an environment that is designed to ensure, among other things, that: (1) the special risks of options are disclosed to public customers; (2) only investors capable of evaluating and bearing the risks of options trading are engaged in such trading; and (3) special compliance procedures are applicable to options accounts. Accordingly, because the Index options will be subject to the same regulatory regime as the other standardized options currently traded on the CBOE, the Commission believes that adequate safeguards are in place to ensure the protection of investors in

<sup>14</sup> The Exchange's options listing standards, which are uniform among the options exchange, provide that a security underlying an option must, among other things, meet the following requirements: (1) the public float must be at least 7 million shares; (2) there must be a minimum of 2,000 stockholders; (3) trading volume must have been at least 2.4 million shares over the preceding twelve months; and (4) the market price per share must have been at least \$7.50 for a majority of business days during the preceding three calendar months. See Interpretation .01 to Exchange Rule 5.3. See also note 8, *supra*.

<sup>11</sup> 15 U.S.C. § 78f(b) (1988).

options on the Morgan Stanley Multinational Company Index.

### C. Surveillance

The Commission believes that a surveillance-sharing agreement between an exchange proposing to list a stock index derivative and the exchange(s) trading the stocks underlying the derivative product is an important measure for the surveillance of the derivatives and underlying securities markets. Such agreements ensure the availability of information necessary to detect and to deter potential manipulations and other trading abuses, thereby making the stock index product less readily susceptible to manipulation.<sup>15</sup> In this regard, the markets upon which all of the Index component stocks trade are members of the Intermarket Surveillance Group ("ISG").<sup>16</sup> Similarly, the options on the individual component securities trade on markets which are ISG members. In addition, the Exchange will apply the same surveillance procedures as those used for existing broad-based index option trading on the CBOE.

The Commission notes that certain concerns are raised when a broker-dealer, such as Morgan Stanley, is involved in the development and maintenance of a stock index that underlies an exchange-traded derivative product. For several reasons, however, the Commission believes that the CBOE has adequately addressed this concern with respect to options on the Morgan Stanley Multinational Company Index.

First, the value of the Index, including the final settlement values, are to be calculated and disseminated independent of Morgan Stanley by the CBOE. Accordingly, neither Morgan Stanley nor any of its affiliates or other persons (except CBOE) will be in receipt of the values prior to their public dissemination. Second, the Commission believes that the procedures Morgan Stanley has established to detect and to prevent material non-public information

<sup>15</sup> See, e.g., Securities Exchange Act Release No. 31243 (September 28, 1992), 57 FR 45849 (October 5, 1992) (CBOE-91-51) (order approving the listing of options on the CBOE Biotech Index).

<sup>16</sup> The ISG was formed on July 14, 1983 to, among other things, coordinate more effectively surveillance and investigative information sharing arrangements in the stock and options markets. See Intermarket Surveillance Group Agreement, dated July 14, 1983, amended January 29, 1990. The members of the ISG are the following: the American Stock Exchange, Inc.; the Boston Stock Exchange, Inc.; the CBOE; the Chicago Stock Exchange, Inc.; the National Association of Securities Dealers, Inc.; the New York Stock Exchange, Inc.; the Securities Stock Exchange Inc.; and the Philadelphia Stock Exchange, Inc. The major stock index futures exchanges (including the Chicago Mercantile Exchange and the Chicago Board of Trade) joined the ISG as affiliate members in 1990.

concerning the Index from being improperly used by members of Morgan Stanley's Equity Research Department, as well as other persons within Morgan Stanley, adequately serve to minimize the susceptibility to manipulation of the index as well as the securities underlying the Index. Finally, the Exchange's existing surveillance procedures for stock index options will apply to the options on the Index and should provide the CBOE with adequate information to detect and to deter trading abuses that may occur. In summary, the Commission believes that the procedures outlined above will ensure that Morgan Stanley will not be able to take advantage of any informational advantages concerning modifications to the composition of the Index due to its role in the maintenance of the Index.

### D. Market Impact

The Commission believes that the listing and trading of options on the Morgan Stanley Multinational Company Index, including LEAPS, will not adversely impact the underlying securities, markets.<sup>17</sup> First, as described above, the Index is broad-based and comprised of 50 stocks with no one stock dominating the Index. Second, as noted above, the stocks contained in the Index have relatively large capitalizations and are relatively actively-traded. Third, the 50,000 contract position and exercise limits, with no more than 30,000 contracts in the nearest expiration month, will serve to minimize potential manipulation and market impact concerns. Fourth, the risk to investors of contra-party non-performance will be minimized because the Index options and LEAPS will be issued and guaranteed by the Options Clearing Corporation ("OCC"), similar to all other standardized option traded in the United States. Fifth, existing CBOE stock index options rules and surveillance procedures will apply to options on the Morgan Stanley Multinational Company Index.

Lastly, the Commission believes that settling expiring Morgan Stanley Multinational Company Index options, including LEAPS, based on the opening prices of component securities is reasonable and consistent with the Act. As noted in other contexts, valuing options for exercise settlement on expiration based on opening prices rather than on closing prices may help reduce adverse effects on markets for

<sup>17</sup> In addition, the CBOE has represented that it and OPRA have the necessary systems capacity to support those new series of index options that would result from the introduction of Index options and LEAPS.

stocks underlying options on the Index.<sup>18</sup>

The Commission finds good cause to approve Amendment Nos. 1 and 2 to the proposed rule filing prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. Amendment No. 1 to the CBOE's proposal describes details of certain Index maintenance procedures. In this regard, the Commission believes that the Exchange's review of the Index's component securities will help to ensure that the Index maintains its intended market character as well as remains an appropriate trading vehicle for public customers. In addition, Amendment No. 2, which changes the name of the Index to the Morgan Stanley Multinational Company Index, raises no substantive issues and will help to avoid investor confusion regarding the components of the Index. The Commission also notes that no comments were received on the original CBOE proposal, which was subject to the full 21-day notice and comment period. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment Nos. 1 and 2 to the proposed rule change on an accelerated basis.

Interested persons are invited to submit written data, views, and arguments concerning Amendment Nos. 1 and 2 to the rule proposal. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-96-59 and should be submitted by March 31, 1997.

<sup>18</sup> See, e.g., Securities Exchange Act Release No. 30944 (July 21, 1992), 57 FR 33376 (July 28, 1992) (CBOE-92-09) (order approving position limits for European-style Standard & Poor's 500 Stock Index options settled based on the opening prices of component securities).

#### IV. Conclusion

For the foregoing reasons, the Commission finds that the CBOE's proposal to list and trade options on the Morgan Stanley Multinational Company Index is consistent with the requirements of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>19</sup> that the proposed rule change (SR-CBOE-96-59), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>20</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 97-5746 Filed 3-7-97; 8:45 am]

BILLING CODE 8010-01-M

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## DEPARTMENT OF TRANSPORTATION

### Office of the Secretary

[Docket OST-96-1334]

#### Application of Arriva Air International, Inc. for Certificate Authority

**AGENCY:** Department of Transportation.

**ACTION:** Notice of order to show cause (Order 97-3-4).

**SUMMARY:** The Department of Transportation is directing all interested persons to show cause why it should not issue an order finding Arriva Air International, Inc., fit, willing, and able, and awarding it a certificate of public convenience and necessity to engage in interstate charter air transportation of property and mail.

**DATES:** Persons wishing to file objections should do so no later than March 19, 1997.

**ADDRESSES:** Objections and answers to objections should be filed in Docket OST-96-1334 and addressed to the Department of Transportation Dockets (SVC-120.30, Room PL-401), U.S. Department of Transportation, 400 Seventh Street, SW., Washington, DC 20590, and should be served upon the parties listed in Attachment A to the order.

**FOR FURTHER INFORMATION CONTACT:** Ms. Delores King, Air Carrier Fitness Division (X-56, Room 6401), U.S. Department of Transportation, 400 Seventh Street, SW., Washington, DC 20590, (202) 366-2343.

Dated: March 4, 1997.

Patrick V. Murphy,

*Deputy Assistant Secretary for Aviation and International Affairs.*

[FR Doc. 97-5849 Filed 3-7-97; 8:45 am]

BILLING CODE 4910-62-P

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#### Privacy Act of 1974: Deletion of Systems of Records Notices

**AGENCY:** Office of the Secretary, Department of Transportation.

**ACTION:** Notice to delete Privacy Act systems of records.

**SUMMARY:** The Department of Transportation is deleting the following systems from its inventory of Privacy Act systems of records notices.

**EFFECTIVE DATE:** March 10, 1997.

**FOR FURTHER INFORMATION CONTACT:** Crystal M. Bush, Privacy Coordinator, U.S. Department of Transportation, Washington, DC 20590. Telephone: (202) 366-9713.

**SUPPLEMENTARY INFORMATION:** In accordance with the Privacy Act of 1974, the Department of Transportation conducted a review of several of its Privacy Act systems of records and determined the following records are covered by DOT/ALL 8, Employee Transportation Facilitation.

System No.	System name
DOT/OST 024 ..	Parking Permit Application Files and Vanpool Application Files.
DOT/OST 025 ..	Parking Permit Management System.

Dated: February 25, 1997.

Crystal M. Bush,

*Privacy Act Coordinator.*

[FR Doc. 97-5766 Filed 3-7-97; 8:45 am]

BILLING CODE 4910-62-P

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#### Surface Transportation Board

[STB Finance Docket No. 33361]

#### Wheeling & Lake Erie Railway Company; Trackage Rights Exemption; Consolidated Rail Corporation

Consolidated Rail Corporation (Conrail) has agreed to grant non-exclusive overhead trackage rights to the Wheeling & Lake Erie Railway Company (W&LE) in Canton, OH, between Conrail's Canton Yard and the connection with W&LE's Aultman Line at McKinley, as follows: (1) over Conrail's Track 96 between the connection with W&LE's East End Yard

and the connection with Conrail's Fort Wayne Line at milepost 97.8±; (2) over Conrail's Fort Wayne Line between milepost 97.8± and milepost 96.8± at CP Fairhope; and (3) over Conrail's Reed Runner Track (including the crossover connection to the Fort Wayne Line and the portion of the northwest quadrant interchange track at McKinley owned by Conrail) between milepost 96.8± at CP Fairhope and milepost 102.1± at McKinley, together with necessary head and tail room, a total distance of approximately 6.8 miles.

The transaction is scheduled to be consummated on March 3, 1997.

The trackage rights will provide W&LE with an alternate route to its Aultman Line at McKinley, and will allow retirement of three deteriorated crossing diamonds at the McKinley interlocking.

As a condition to this exemption, any employees affected by the trackage rights will be protected by the conditions imposed in *Norfolk and Western Ry. Co.—Trackage Rights—BN*, 354 I.C.C. 605 (1978), as modified in *Mendocino Coast Ry., Inc.—Lease and Operate*, 360 I.C.C. 653 (1980).

This notice is filed under 49 CFR 1180.2(d)(7). If it contains false or misleading information, the exemption is void *ab initio*. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 33361, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Branch, 1201 Constitution Avenue, N.W., Washington, DC 20423.<sup>1</sup> In addition, a copy of each pleading must be served on Thomas J. Litwiler, Esq., Oppenheimer Wolff & Donnelly, Two Prudential Plaza, 45th Floor, 180 North Stetson Avenue, Chicago, IL 60601.

Decided: February 28, 1997.

By the Board, David M. Konschnik,  
Director, Office of Proceedings.

Vernon A. Williams,

*Secretary.*

[FR Doc. 97-5864 Filed 3-7-97; 8:45 am]

BILLING CODE 4915-00-P

<sup>1</sup> Due to the Board's scheduled relocation on March 16, 1997, any filings made after March 16, 1997, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001.

<sup>19</sup> 15 U.S.C. § 78s(b)(2) (1988).

<sup>20</sup> 17 CFR 200.30-3(a)(12).