an incentive for NYSE Options firms to continue their business at CBOE, while encouraging them to become regular members of the Exchange. The Commission believes that by waiving these fees, CBOE demonstrates its continued support for the NYSE Options firms who will transfer their activities to the Exchange.

CBOE is amending its rules regarding the trading of index options and FLEX options and providing for the listing and trading of the NYA Options. The Commission believes these changes will facilitate the transfer, and continued trading of, NYA Options at CBOE as they were traded on NYSE. CBOE proposes to provide for trading in QIX options, LEAPs and reduced-value Leaps and A.M.-settled FLEX Options on the Index pursuant to the same rules and procedures that currently govern trading on CBOE in these types of options. The Commission believes that the various types of options proposed by CBOE will enhance and encourage trading of NYA Options. In this regard, the Commission believes the rules and procedures currently governing trading on CBOE in these options will appropriately apply to NYA Options.

CBOE proposes to amend the table of position limits set forth in Rule 24.4 to add references to classes of index options that were previously omitted from the table when it was last revised. Further, CBOE proposes to clarify the language of Rule 24A.4(b) regarding specification of exercise settlement values for FLEX Index Options. The Commission believes these changes are reasonable as they merely clarify existing practice and will not result in substantive changes for CBOE members.

CBOE is constructing a new trading facility dedicated solely to NYSE Options which will be configured and equipped in the same manner as its existing trading floor. The surveillance and regulatory responsibilities resulting from the transfer of the NYSE Options business to CBOE are not expected to add significantly to CBOE's existing regulatory workload, and CBOE believes it has adequate resources to assume these added responsibilities. CBOE intends to add one additional output line to the Options Price Reporting Authority (''OPRA'') processor for purposes of transmitting market information pertaining to NYSE Options. This will not increase the total input to OPRA because two lines from NYSE to the OPRA processor will be terminated at the time of the transfer to CBOE. Based on CBOE's representations, the Commission believes that CBOE had adequate facilities and resources to provide for the trading, surveillance and data dissemination required to accommodate their acquisition of NYSE's options business.

The Commission appreciates the concerns and interests expressed by the commenters. The Commission has closely examined the critical views of the proposal expressed in the Erlich letter, particularly that the transfer is discriminatory, monopolistic, and constitutes an improper sale of options from one exchange to another. While the Transfer Agreement does provide different treatment among certain NYSE members, the Commission believes that this appropriately reflects the enhanced value that certain NYSE members (*i.e.,* options specialists) provide to the CBOE. Despite such distinctions, the Transfer Agreement, as a whole, significantly benefits a broad cross-section of NYSE options traders. The Commission also does not believe that the Transfer Agreement is monopolistic, noting that four vibrant options exchanges will remain after the transfer has been completed.[14] Finally, the Commission disagrees with Mr. Erlich's assertion that the Transfer Agreement constitutes an illegal sale of a ''franchise'' in NYSE Options. Rather, the Commission believes that the Transfer Agreement provides an appropriate vehicle for the CBOE to purchase, through an organized transaction, a trained pool of talent with experience in the trading characteristics of NYSE Options. The Commission notes that any other options exchange may, at any time, trade all or some NYSE Options. The Commission believes that CBOE is providing a viable choice for those NYSE Option traders who desire to continue conducting an options business. Given NYSE's expressed intention to terminate options trading on its Exchange, the Commission believes that the transfer of the options business to CBOE will provide NYSE Options firms with benefits otherwise potentially unavailable if the NYSE firms were to negotiate individually with the CBOE.[15]

Should the NYSE decide to re-enter the options business within a year of the Effective Date, it has agreed to pay CBOE $500,000. The Commission believes this agreement is reasonable and does not constitute a ''noncompetition'' agreement between CBOE and NYSE, but instead serves to compensate CBOE for a portion of the costs associated with acquiring the NYSE's Options business and essentially refund the fee earned by the NYSE for brokering the transfer of its options business to the CBOE. Moreover, the payment amount is so small that it would not effectively serve as any deterrent to the NYSE's re-entry into trading NYSE Options.

[14] Of the approximately 2,800 equity options currently traded, more than 660 are dually or multiply listed. Moreover, the Act does not require that an options exchange continue its operations. The NYSE has made a business decision to exit the options business, and the Act does not provide a basis to negate the decision of a marginal exchange (in the options business) to discontinue its operations.

[15] The Commission also notes that any NYSE Options firm always had the ability to become a member of any other options exchange and conduct an options business on that exchange.

V. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the CBOE, and in particular Section 6(b)(5).

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[16] that the proposed rule change (File No. SR–CBOE–97–14) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[17]

Margaret H. McFarland,

Deputy Secretary.

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[16] 15 U.S.C. 78s(b)(2).

[17] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38540; International Series Release No. 1076; File No. SR–ISCC–97–1]

Self-Regulatory Organizations; International Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Regarding the London Stock Exchange Link

April 22, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 21, 1997, the International Securities Clearing Corporation (''ISCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which items have been prepared primarily by ISCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested

[1] 15 U.S.C. 78s(b)(91).

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 proposed rule change eliminates ISCC's link with the London Stock Exchange (''LSE'').

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

In its filing with the Commission, ISCC 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. ISCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[2]

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 permit ISCC to eliminate its link with the LSE. In 1986, ISCC and the LSE entered into an Interim Linkage Agreement and an Interim Safe Custody Agreement pursuant to which ISCC could obtain on behalf of ISCC members comparison, settlement, and custody services in the United Kingdom from the LSE. At the same time, ISCC filed an application to become registered as a clearing agency. While the application was undergoing the review process, ISCC by letter dated August 22, 1986,[3] sought advice from the Commission staff that the Division of Market Regulation (''Division'') would not recommend enforcement action against ISCC if it operated the link with the LSE. On September 10, 1986, the Division issued a no-action letter to ISCC.[4]

Subsequently, ISCC and the LSE renegotiated the linkage agreement and by letter dated December 23, 1988,[5] ISCC once again sought no-action relief with respect to its link with LSE. The Division issued a new no-action letter on March 12, 1990.[6]

ISCC's London link was originally implemented by ISCC to allow U.S. broker-dealers to compare and to settle transactions in U.K. equity securities with LSE members and other ISCC members. U.S. firms participating in ISCC's London link were given access to the LSE's TALISMAN (LSE's computerized settlement system) as well as the LSE's Checking (comparison) and Institutional Net Settlement (redelivery) systems.

The LSE is currently phasing out its TALISMAN system in order to convert to the CREST system. This phase out will be complete on April 22, 1997. Accordingly, the services to which ISCC's London link provides access will no longer exist. Thus, ISCC has filed requesting Commission approval of the elimination of the London link.

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

ISCC does not believe that the proposed rule change will have an impact on 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

No written comments relating to the proposed rule change have been solicited or received. ISCC will notify the Commission of any written comments received by ISCC.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions.[7] By discontinuing a service that does not provide a useful function, ISCC will eliminate an unnecessary drain on its resources. Such resources may be used towards other services that provide a more substantial benefit to the clearance and settlement process. Thus, the Commission believes that ISCC's proposal is consistent with Section 17A(b)(3)(F) of the Act.

ISCC requests the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing because LSE will terminate TALISMAN as of April 22, 1997, and ISCC's continuance of the link will serve no useful function or provide a benefit to its members.

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 provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at ISCC. All submissions should refer to the File No. SR–ISCC–97–1 and should be submitted by May 21, 1997.

V. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular 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–ISCC–97–1) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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[2] The Commission has modified the text of the summaries.

[3] Letter from Karen Saperstein, Associate General Counsel, ISCC, to Jonathan Kallman, Assistant Director, Commission (August 22, 1986).

[4] Letter from Jonathan Kallman, Assistant Director, Commission, to Karen Saperstein, Associate General Counsel, ISCC (September 10, 1986).

[5] Letter from Karen Saperstein, Associate General Counsel, ISCC, to Jonathan Kallman, Assistant Director, Commission (December 23, 1988).

[6] Letter from Jonathan Kallman, Assistant Secretary, Commission, to Karen Saperstein, Associate General Counsel (March 12, 1990).

[7] 15 U.S.C. 78q–1(b)(3)(F).