(2) improvements in all published guides are encouraged at any time. Written comments may be submitted to the Regulatory Publications Branch, Division of Freedom of Information and Publications Services, Office of Administration and Resources Management, U.S. Nuclear Regulatory Commission, Washington, DC 20555.

Regulatory guides are available for inspection at the Commission's Public Document Room, 2120 L Street NW., Washington, DC. Copies of issued guides may be purchased from the Government Printing Office at the current GPO price.

Information on current GPO prices may be obtained by contacting the Superintendent of Documents, U.S. Government Printing Office, Post Office Box 37082, Washington, DC 20013–7082, telephone (202) 275–2060 or (202) 275–2171. Issued guides may also be purchased from the National Technical Information Service on a standing order basis. Details on this service may be obtained by writing NTIS, 5285 Port Royal Road, Springfield, VA 22161.

(5 U.S.C. 552(a))

Dated at Rockville, Maryland this 31st day of October 1988.

For the Nuclear Regulatory Commission.

Eric S. Beckjord,

Director, Office of Nuclear Regulatory Research.

[FR Doc. 88–25900 Filed 11–8–88; 8:45 am]

BILLING CODE 7590–01–M

RAILROAD RETIREMENT BOARD

Agency Forms Submitted for OMB Review

AGENCY: Railroad Retirement Board.

ACTION: In accordance with the Paperwork Reduction Act of 1980 (44 U.S.C. Chapter 35), the Board has submitted the following proposal(s) for the collection of information to the Office of Management and Budget for review and approval.

Summary of Proposal(s)

(1) *Collection title:* Placement Service.

(2) *Form(s) submitted:* ES–1a, ES–2, ES–20a, ES–20b, ES–20c, ES–21, ES–21c, ES–22 and UI–35.

(3) *OMB Number:* 3220–0057.

(4) *Expiration date of current OMB clearance:* 12–31–88.

(5) *Type of request:* Extension of the expiration date of a currently approved collection without any change in the substance or in the method of collection.

(6) *Frequency of response:* On occasion.

(7) *Respondents:* Individuals or households.

(8) *Total annual responses:* 70,100.

(9) *Estimated annual number of respondents:* 62,200.

(10) *Average time per response:* 4.088 minutes.

(11) *Total annual reporting hours:* 4,776.

(12) *Collection description:* Under the RUIA, the Board provides job placement assistance for unemployed railroad workers. The collection obtains information from job applicants, unemployment claims agents, railroad and non-railroad employers, and State Employment Service Offices for use in placement, for providing referrals for job openings and reports of referral results and for verifying and monitoring claimant eligibility.

ADDITIONAL INFORMATION OR COMMENTS: Copies of the proposed forms and supporting documents can be obtained from Pauline Lohens, the agency clearance officer (312–751–4692). Comments regarding the information collection should be addressed to Pauline Lohens, Railroad Retirement Board, 844 Rush Street, Chicago, Illinois 60611 and the OMB reviewer, Justin Kopca (202–395–7316), Office of Management and Budget, Room 3002, New Executive Office Building, Washington, DC 20503.

Pauline Lohens,

Director of Information Resources Management.

[FR Doc. 88–25860 Filed 11–8–88; 8:45 am]

BILLING CODE 7905–01–M

SECURITIES AND EXCHANGE COMMISSION

Forms Under Review by Office of Management and Budget

Agency Clearance Officer: Kenneth A. Fogash, (202) 272–2142.

Upon Written Request, Copy Available From: Securities and Exchange Commission, Office of Consumer Affairs, 450 Fifth Street, NW., Washington, DC 20549.

Revision

Form N–1A

File No. 270–21

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission has submitted for OMB approval proposed amendments to Form N–1A under the Investment Company Act of 1940 and the Securities Act of 1933. Form N–1A is the registration statement for use by open-end management investment companies, except small business investment companies and insurance company separate accounts. There are approximately 2,470 registrants using Form N–1A, with an estimated compliance time of 1,055 hours per registrant. The additional time necessary for each registrant to comply with the Form's requirements, if the proposed amendments are adopted, would be negligible.

The estimated average burden hours are made solely for the purposes of the Paperwork Reduction Act, and are not derived from a comprehensive or even a representative survey or study of the costs of SEC rules and forms.

Direct general comments to Gary Waxman at the address below. Direct any comments concerning the accuracy of the estimated average burden hours for compliance with SEC rules and forms to Kenneth A. Fogash, Deputy Executive Director, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–6004, and Gary Waxman, Clearance Officer, Office of Management and Budget, Room 3228, New Executive Office Building, Washington, DC 20503.

Jonathan G. Katz,

Secretary.

November 2, 1988.

[FR Doc. 88–25866 Filed 11–8–88; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–26243; File No. SR-Amex-88–10, Amendment No. 2]

Self-Regulatory Organizations; Proposed Rule Change by American Stock Exchange, Inc. Relating to Equity Index Participations.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on October 27, 1988, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange 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 is amending its proposed rules relating to Equity Index Participations ("EIPs") to permit holders to receive physical delivery of shares of the component stocks of the S&P 500 Index or Amex Major Market Index upon exercise of a specified minimum of EIPs. The cash settlement alternative would continue to be permitted, as originally proposed.

The Exchange is further amending its filing to modify proposed Rule 900F regarding the applicability of certain options rules to EIPs trading; to amend proposed EIPs margin requirements under Rule 462(d); and to make other conforming and technical changes to the rules as originally proposed.

The proposed amendments are as follows ([brackets] indicate deletions; italics indicates new language):

Section 14. Equity Index Participations

Rule 900F. (a) Applicability. The Rules in this Section are applicable only to Equity Index Participations. Except to the extent that specific rules in this Section govern, or unless the context otherwise requires, the provisions of the Constitution and all other rules and policies of the Board of Governors shall be applicable to the trading on the Exchange of such securities. In addition, the following Options Rules shall be specifically applicable to such trading: 900(b), *902,* 907, 908, 909, 920, 921, 922, 923, 924, 925, 926, 930, 932, 950(b), 950(c), *953,* 954, 955, 956, 957, 958, 960, 961, 962, 963, 964, 965, 966, 967, 970, 971, 972, [981], 918C. Pursuant to the provisions of Article 1, Section 3(i) of the Constitution, Equity Index Participations are included within the definition of "security" or "securities" as which terms are used in the Constitution and Rules of the Exchange.

Compliance with Rules 904, 905, 906, shall be determined as set forth in Rules [905F, 906F, and 907F] *907F, 908F, and 909F.*

(b) *Definitions.* The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified.

(1) *Equity Index Participation*—The term Equity Index Participation means a security based on the [spot] *current* value of an index of stocks, of indeterminate duration, and paying [its purchasers] *holders an amount equal to* a proportionate share of *the* dividends declared on the component stocks of the stock index underlying the Equity Index Partipation.

(2) Delivery-time—The term "delivery time" means the point in time each quarter of the year when a holder of one or more delivery units of a class of Equity Index Participations, upon exercise of the delivery privilege, may obtain physical delivery of the shares of the component stocks in the stock index underlying such class of Equity Index Participations. The delivery time for such quarter will be determined and made public by the Exchange before the beginning of the quarter.

[(2)] *(3) Cash-out time*—The term "cash-out time" means the point in time each quarter of the year when a holder of an Equity Index Participation *of a particular class, upon exercise of the cash-out privlege,* may obtain the [closing] *liquidating* index value *of such class of Equity Index Participations* [upon exercise of the cash-out privilege]. The cash-out time for each *quarter will coincide with "delivery time" and* will be determined and made public by the Exchange before the beginning of the quarter.

[(3)] *(4) Reporting authority*—The term "reporting authority" in respect of a particular [index] *class of Equity index participations* means either the Exchange or the institution or reporting service designated by the Exchange as the official source for calculating and reporting the current index value or the [closing] *liquidating* index value *of the underlying index* [and]; the proportionate share of dividend[s] *equivalents* payable to Equity Index Participation holders[.]*; and the component index stocks, the number of shares of each component stock to be delivered to holders upon exercise of the delivery privilege, and the amount of cash, if any, required to be paid to such holders.*

(5) Physical delivery facilitator—The term "physical delivery facilitator" means a member or member organization designated by the Exchange to make physical delivery at delivery time of the component stocks of the underlying index to Equity Index Participation holders who exercise the delivery privilege, in the event that the number of delivery units for which holders have requested physical delivery exceeds the number of delivery units offered for physical delivery by persons holding short positions.

(6) "Delivery unit"—The term "delivery unit" means the minimum number, as specified by the Exchange, of Equity Index Participations of a particular class, that must be held in an individual account by a holder at the time of exercise of the delivery privilege, or that n st be maintained as a short position in an equivalent account by a person who notifies the Options Clearing Corporation of a desire to make physical delivery of securiites to a holder, if assigned an exercise.

Designation of an Index

Rule 901F. *The Exchange may designate one or more stock indexes as underlying indexes for Equity Index Participations traded on the Exchange. The Equity Index Participations based on each particular stock index shall be designated as a separate class and shall be identified by a unique symbol.* The stocks that are [the basis for the calculation of] *included in* an index on which [the] Equity Index Participation*s* [is] *are* based shall be selected by the Exchange, *or by such other person as shall have a proprietary interest in and authorized use of such index,* and may be revised from time to time [in the Exchange's discretion] as *may be deemed* necessary or appropriate to maintain the quality and character of the index.

Index Calculation and Reporting

Rule 902F. (a) The current index value in respect of an index on which [an] *a class of* Equity Index participation*s* is based shall be derived from the reported prices of the underlying securities that are the basis of the index, as reported by the primary market for such underlying securities.

[Rule 903F. (a)] *(b)* The Exchange shall cause to be *calculated and* reported at specified intervals the current index value of [an] *the* index underlying [an] *each class of* Equity Index Participation*s* during each day the Exchange is open for trading, and shall [cause to be disseminated] *make available* the [closing] *liquidating* index value of such underlying index promptly after such calculation is [available] *made* at the quarterly *delivery or* cash-out time.

(c) The Exchange shall maintain, in files available to the public, information identifying the stocks included in each index underlying [an] *a class of* Equity Index Participation*s* and the method used to determine the current index value *and liquidating index value.*

Liquidating Index Value

[Rule 902F (b)] *Rule 903F* The [closing] *liquidating* index value in respect of a particular *class of* Equity Index Participation*s* [index] shall be derived from the [reported] *opening* prices *reported by the primary market for* [of] the component stocks of the stock index [at a time or times specified by the Exchange] *on the first trading day following the date each quarter as of which* [for determining payment to which an] Equity Index Participation*s* holders [is] *are* entitled [upon] *to* exercise of the *delivery privilege or the* cash-out privilege. *For any component* *stock that does not open for trading on such day, the closing price on the last preceding day on which such stock traded on the primary market will be used for purposes of determining the liquidating index value.*

Cash-Out Privilege

904F. The holder of an Equity Index Participation *who has not exercised the delivery privilege with respect to such Participation* shall have the right to obtain on each cash-out time, *upon exercise* in accordance with the Rules of The Options Clearing Corporation, the [closing] *liquidating* index value of [the specific] *such* Equity Index Participation. [The deadline for exercising the cash-out privilege will be determined and made public by the Exchange before the beginning of the quarter.]

Delivery Privilege

Rule 905F. The Holder of one or more delivery units that has not exercised the cash-out privilege with respect to such units shall have the right to obtain on each delivery time, upon exercise of one or more full delivery units in accordance with the Rules of the Options Clearing Corporation, the physical delivery of the proportionate number of shares of each stock comprising the underlying index, subject to the following conditions:

(a) The number of shares of each stock to be delivered shall be calculated separately for each delivery unit exercised.

(b) If the number of shares of a particular stock would amount to less than ten full shares, the cash value of such shares shall be paid to the exercising holder rather than physical delivery of shares.

(c) The number of shares of each stock to be delivered shall be rounded down to the nearest whole share and no partial shares will be delivered; the cash value of partial shares shall be paid to the exercising holder.

(d) If any component stock does not open for trading on the primary market for such stock on the trading day for which opening prices are used to calculate the liquidating index value, the cash value of the proportionate number of shares of such stock which would otherwise be deliverable shall be paid to the exercising holder rather than physical delivery of shares.

(e) In all cases where the cash value of shares is to be paid to the exercising holder in lieu of physical delivery of shares, as above provided, such cash value shall be established by using the same prices for such shares as are used in calculating the liquidating index value for the particular class of Equity Index Participations.

(f) The holder of a delivery unit who exercises the delivery privilege with respect thereto shall pay a delivery fee, in an amount to be established by the Exchange from time-to-time and announced prior to the beginning of the quarter to which it is applicable, which fee shall be paid to the party making physical delivery of the shares in respect to such delivery unit.

Payment or Delivery Upon Exercise

906F. (a) Except as provided in paragraph (b) of this Rule, a person maintaining a short position in a class of Equity Index Participations and who is assigned a notice of exercise with respect thereto pursuant to Rule 910F, shall be obligated, in accordance with the Rules of the Options Clearing Corporation, to pay to the Options Clearing Corporation the liquidating index value of the Equity Index Participation or Participations so assigned.

(b) A person maintaining a short position in a class of Equity Index Participations equal to or in excess of the delivery unit for such class may notify the Options Clearing Corporation, in accordance with these Rules and the Rules of the Options Clearing Corporation, prior to any delivery time, of such person's desire to make physical delivery of shares of the stocks comprising the index underlying such class of Equity Index Participations if assigned a notice of exercise. In the event such person is assigned a notice of exercise for a delivery unit, he shall be obligated to make physical delivery of the shares of the stocks comprising the underlying index and to pay the cash amounts calculated in accordance with Rule 905F to the Options Clearing Corporation. Assignments of notices of exercise providing for physical delivery of shares of underlying stocks shall be made only on the basis of whole delivery units. Any portion of a person's short position in a class of Equity Index Participations not terminated by an assignment of notice of exercise of a delivery unit shall be subject to assignment of an exercise notice requiring the payment of cash as provided in paragraph (a) of this Rule.

Position Limits

Rule [905F.] *907F.* In determining compliance with Rule 904, Equity Index Participations shall be subject to a position limit of 15 million Equity Index Participations with respect to [any particular underlying index] *each separate class.*

Exercise Limits

Rule [906F.] *908F.* In determining compliance with Rule 905, exercise limits applicable to Equity Index Participations shall be equivalent to the position limit of set forth in Rule [905F] *907F.*

Reporting of Equity Index Participation Positions

Rule [907F.] *909F.* In determining compliance with Rule 906, each member and member organization shall file with the Exchange a report with respect to each account in which the member or member organization has an interest, each account of a partner, officer, director or employee of the member organization, and each customer account, which has established an aggregate position of 200,000 Equity Index Participations (whether long or short) [covering the same underlying index] *of any particular class.*

Exercise of Delivery or Cash-Out Privilege

Rule [908F.] *910F.* (a) Notice of exercise of the Equity Index Participation *delivery or* cash-out privilege must be provided by a holder of an Equity Index Participation on or before a time specified and made public by the Exchange and which is in accordance with the Rules of The Options Clearing Corporation. Specific exercise cut-off times will also be delineated for Exchange member organizations. *The deadline for exercising the delivery or cashout privilege in respect of a class of Equity Index Participations shall be announced by the Exchange prior to the beginning of the quarter to which it is applicable.* An exercise notice may be tendered to the Options Clearing Corporation only by the clearing member in whose account with The Options Clearing Corporation the Equity Index Participation is carried. Members and member organizations shall establish fixed procedures not inconsistent with the rules and policies of the Exchange and The Options Clearing Corporation, as to the latest hour at which they will accept exercise notices from their customers.

(b) A person maintaining a short position of one or more delivery units of a class of Equity Index Participations and that desires to make physical delivery of securities if assigned an exercise notice, must provide notice on or before a time specified by the Exchange prior to each exercise time in accordance with the Rules of the Options Clearing Corporation.

[(b)] (*c*) The term "exercise instruction," with respect to a customer, means the notice given to a member organization to exercise an Equity Index Participation. All such exercise instructions must be time stamped at the time they are prepared by the receiving member organization.

Notwithstanding the foregoing, member organizations may receive exercise instructions after the exercise cut-off time but prior to the *delivery or* cash-out time (i) in order to remedy mistakes made in good faith, (ii) to take appropriate action as the result of a failure to reconcile unmatched Exchange Equity Index Participation transactions, or (iii) where exception circumstances relating to a customer's ability to communicate exercise instructions to the member organization (or the member organization's ability to receive exercise instructions) prior to such time warrant such action.

Allocation of Equity Index Participation Exercise Notices

Rule [909F.] *911F.* (a) Each member organization shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in Equity Index Participations in such member organization's customers' accounts. *Notices to exercise the delivery privilege shall be allocated, prior to allocation of notices to exercise the cash-out privilege, to persons that have provided notice of a desire to make physical delivery of shares of the stocks comprising the underlying index, if assigned. All* such allocations shall be made on a "first-in, first-out" or automated random selection basis that has been approved by the Exchange or on a manual random selection basis that has been specified by the Exchange. Each member organization shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' accounts, explaining its manner of operation and the consequences of that system. Unless otherwise specified by the member organization, the allocation procedures established by a member organization for stock options will be deemed to apply to the allocation of exercise notices for Equity Index Participations.

(b) Each member organization shall report its proposed method of allocation to the Exchange and obtain the Exchange's prior approval thereof, and no member organization shall change its method of allocation unless the change has been reported to and approved by the Exchange.

(c) Each member organization shall preserve for a three-year period sufficient workpapers and other documentary materials relating to the allocation of exercise assignment notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

Physical Delivery Facilitators

Rule 912F. (a) In the event that the number of delivery units of a particular class of Equity Index Participations for which exercising holders have requested physical delivery exceeds the number of delivery units of such class made available by persons with short positions, a physical delivery facilitator designated by the Exchange, upon notification by the Options Clearing Corporation, shall make delivery, in accordance with rules and procedures of the The Options Clearing Corporation, to holders of Equity Index Participations exercising the delivery privilege of the number of shares of each component stock that is required to be delivered at delivery time, as provided in Rule 905F.

(b) The Exchange may designate one or more member organizations, from among those making application for the privilege, to perform the functions of physical delivery facilitator, as provided in paragraph (a) of this Rule, for each class of Equity Index Participations traded on the Exchange. The specialist unit for a class of Equity Index Participations may be designated as physical delivery facilitator for such class.

Bids and Offers

Rule [910F.] *913F.* All bids and offers made on the trading floor for Equity Index Participations shall be deemed to be for one unit of trading unless a specified greater number is expressed in the bid or offer. A bid or offer for more than a unit of trading of Equity Index Participations shall be deemed to be for the amount thereof or a smaller number of units of trading. The unit of trading in Equity Index Participations shall be 100 Equity Index Participations unless otherwise designated by the Exchange.

Commentary .01 Transactions in Equity Index Participations may be effected until 4:15 each business day.

Limitation of Exchange Liability

Rule [911F.] *014F.* Neither the Exchange, the Reporting Authority nor any Agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current index value or the [closing] *liquidating* index value, [and] tracking dividend payout dates, [or] computing proportionate dividend *equivalent* payouts, *reporting the component stocks of an underlying stock index, or calculating the number of shares of component stocks to be delivered or the amount of cash to be paid to holders in connection with an exercise of the delivery privilege,* resulting from an act, condition or cause beyond the reasonable control of the Exchange or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission or delay in the reports of transactions in one or more underlying securities; or any error, omission or delay in the reports of the current index value, or the [closing] *liquidating* index value by the Exchange or the Reporting Authority.

S&P 500 Index. Rule [912F] *915F.* Standard & Poor's Corporation ("S&P") has licensed the Exchange to use the S&P 500 Index for purposes of trading in Equity Index Participations. S&P has indicated that, while S&P shall obtain information for inclusion in or for use in the calculation of the S&P 500 Index from sources which S&P considers reliable, S&P does not guarantee the accuracy and/or the completeness of the S&P 500 Index or any data included therein. S&P and the Exchange make no warranty, express or implied, as to results to be obtained by any person or entity from the use of the S&P 500 Index or any data included therein in connection with the rights licensed or for any other use. S&P and the Exchange make no express or implied warranties, and disclaim all warranties of merchantability or fitness for a particular purpose with respect to the S&P 500 Index or any data included therein.

Reserved Authority. Rule [913F] *916F.* The Exchange may, upon notice of at least one year, require the holders of and obligors on outstanding Equity Index Participations [based on a] *of any* particular [index] *class* to settle their contracts at the [closing] *liquidating* index value determined [by] *as of* a designated *delivery or* cash out time under the following circumstances:

(i) In the event of insubstantial trading activity in Equity Index Participations *of such class* or other exceptional circumstances as determined by the Exchange, in its discretion, or

(ii) In the event that any agreement pursuant to which the Exchange is licensed to use a particular index for trading Equity Index Participations is terminated, and no other market exists for Equity Index Participations based on such index.

* * *

Margin Accounts. Rule 462 (a) though (d)7—No change.

462(d)8. Equity Index Participations. The margin which must be maintained in margin accounts of customers, whether members, partners of members, member firms, member corporations or stockholders therein or non-members shall be as follows:

1. 25% of the market value of all "long" Equity Index Participation positions in the account plus;

2. 30% of the market value, in cash, of each "short" Equity Index Participation position in the account;

3. No margin need be required in respect of an Equity Index Participation carried "short" in a customer's account when the customer has *executed and* delivered to the member organization carrying the account [a letter of guarantee] *an escrow receipt* meeting the requirements of Rule [610] *1909* of the Options Clearing Corporation. [certifying that the guarantor holds for the customer as security for the letter 1) cash, 2) cash equivalents, 3) one or more qualified securities, or 4) a combination thereof, that such deposit has a market value, computed as of the close of each business day in which the "short" position is carried in the customer account, of not less than 130% of the aggregate current market value of the Equity Index Participations, and that the guarantor will promptly pay the member organization the exercise settlement amount in the event the account is assigned an exercise notice. A qualified security has the meaning specified in Rule 462 Commentary .04.]

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

The Amex has proposed specific rules applicable to two Equity Index Participation ("EIP") securities based on the Major Market Index ("XMI") and the S&P 500 Index. (See Securities Exchange Act Release No. 25664, May 5, 1988; Securities Exchange Act Release No. 25942, July 25, 1988).

The Exchange is amending its proposal to permit EIP holders to receive actual physical delivery of shares of the component stocks of the underlying index upon exercise of a specified minimum number of EIPs. Physical delivery would be permitted once each quarter on the day coinciding with "triple-witching" options expiration date on the third Friday of March, June, September, and December ("Exercise Friday"). The cash-out alternative also would be permitted on such dates, as originally proposed.

The Exchange believes a physical delivery feature will provide certain large EIP holders and sellers with greater market and investment flexibility, particularly in conjunction with other hedging vehicles, and the Exchange's discussions with industry participants indicate that a physical delivery feature would be attractive to such investors. Institutional investors are acquiring "market baskets" of securities replicating indexes and physical delivery of EIPs could serve as a convenient means of acquiring such baskets. Similarly, certain institutional investors may find it attractive to make physical delivery to holders. While the Exchange believes that a physical delivery feature adds to the attractiveness and flexibility of EIPs, the Exchange does not anticipate that the number of exercises for physical delivery will be so great as to have a significant impact on market prices for individual stocks.

The Exchange is further amending its filing to modify proposed Rule 900F regarding the applicability of certain options rules to EIPs trading; to make technical modifications to certain EIPs rules as originally proposed; and to amend proposed Rule 462(d) relating to EIPs margin requirements.

"Delivery privilege" and exercise notices. The "delivery privilege" will be permitted for EIP holders that submit notice of exercise of the minimum number of EIPs—the "delivery unit"—specified by the Exchange for exercise of the delivery privilege. The Exchange anticipates that it will require holders to submit notice for physical delivery in minimum delivery units of 50,000 EIPs per unit for the S&P 500 Index, and 25,000 EIPs per unit for the XMI, or in multiple delivery units. The Exchange believes that permitting exercises for physical delivery in quantities below these levels would be impractical because of the minute number of shares of individual stocks that would be deliverable. Sellers that desire to make physical delivery if assigned must give timely notice in advance of each exercise date, and must maintain a short EIP position of one or more delivery units in order to be eligible for assignment of an exercise calling for physical delivery. All exercise notices by EIP holders, and notices by persons with short positions desiring to make physical delivery if assigned, must be delivered to the Options Clearing Corporation ("OCC") no later than the time specified in OCC Rules.

Assignment of exercise notices. Exercise notices requesting physical delivery of one or more delivery units will be assigned first, on a random basis, to those short positions having given notice of desire to make physical delivery. If the number of delivery units for which holders have tendered exercise notices is less than the number of delivery units offered by persons having short positions, the unassigned short positions will be included in the pool for random assignment of exercises of the cash-out privilege. All cash-out exercise notices will be randomly assigned to remaining short positions, after assignment of all physical delivery exercise notices.

Liquidating index value. EIPs exercised for cash will be settled on the basis of the liquidating index value which will be calculated after the close on Exercise Friday. Such value will be based on the primary market opening prices for component index securities on Exercise Friday. The price of any stock that fails to open for trading on Exercise Friday will be based on the closing price on the last preceding day on which it traded on the primary market for such stock. Any person holding a short position in a class of EIPs and assigned an exercise notice will be required to pay the liquidating index value for such class of EIPs.

Determination of physical delivery composition. The Exchange will announce the stocks, and numbers of shares of each required to be delivered in satisfaction of a physical delivery exercise after the close of the market on the Exchange business day preceding Exercise Friday. The number of shares of each stock to be delivered will be rounded down to the nearest whole share with partial shares being settled for cash. S&P 500 component stocks requiring delivery of fewer than 10 shares will also be settled for cash. In addition, any stock, including those which would require delivery of less than 10 shares, failing to open on Exercise Friday will be settled for cash. The prices of all such shares to be settled for cash will be determined in the same manner as the prices used for determining the liquidating index value of EIPs that are exercised for cash.

The exercising holder will also pay a fee, established by the Exchange, for physical delivery of each delivery unit, to be paid over to the person making physical delivery of such unit.

If the number of delivery units for which holders have requested physical delivery exceeds the number of units made available for delivery by persons with short positions, an Exchange designated "physical delivery facilitator" will assume responsibility for delivering the physical shares with respect to such excess number of units. The facilitator, who may either deliver shares out of inventory, buy shares at the opening on Exercise Friday or borrow shares (possibility against hedged positions in other markets), will be compensated for such deliveries out of the proceeds received from shorts who have been assigned exercise notices. Such compensation will be based on the same share prices that are used for calculating the liquidating index value for cash settled exercises. The Exchange contemplates that initially it will designate only a single facilitator for each class of EIPs and that in each case the facilitator may be the specialist unit for such class of EIPs. After gaining experience with physical delivery, the Exchange may determine it to be appropriate to designate multiple facilitators for each class of EIPs.

Other changes. The Exchange also is amending its filing to clarify some of the technical aspects to EIPs trading. Specifically, (1) proposed Rule 900F has been amended to add Amex Options Rules 902 (Rights and Obligations of Holders and Writers) and 953 (Acceptance of Bid or Offer) incorporating certain rules of the OCC into rules applicable to EIPs trading; (2) Rule 981 (Allocation of Exercise Notices) has been deleted because the allocation of EIPs exercise notices are specifically discussed in proposed Rule 911F; (3) proposed Rule 903F has been amended to describe the manner of calculating the "liquidating index value"; and (4) proposed Rule 462 dealing with margin requirements for short positions in EIPs has been amended to require the delivery of an executed escrow receipt that will meet the requirements of OCC Rule 1909.

In addition, the filing is being amended to clarify that bids and offers for EIPs will be quoted in decimals rather than in fractions. The Exchange believes use of decimals will allow the differential between the bid and offer to be narrower, thus fostering tighter and better markets.

(2) Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objective(s) of section 6(b)(5) in particular in that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to facilitate transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and to protect investors and the public interest.

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

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

The Exchange has discussed the proposed amendments with the OCC.

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

With 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Annex consents, the Commission will:

(A) By order approve 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 Secertary, Securities and Exchange Commission, 540 Fifth Street, NW., Washington, DC 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, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal officer of the Amex. All submissions should refer to the file number in the caption above and should be submitted by November 30, 1988.

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

Jonathan G. Katz,

Secretary.

Dated: November 2, 1988.

[FR Doc. 88-25865 Filed 11-8-88; 8:45 am]

BILLING CODE 8010-01-M

Release No. 34-26240; File No. SR-NASD-88-12

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change Relating to the Adoption of Rules Designed To Implement the Provisions of the Government Securities Act of 1986

The National Association of Securities Dealers, Inc. ("NASD") submitted on April 5, 1988, and amended on September 26 and October 18, 1988, a proposed rule change pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder. Pursuant to the provisions of the Act, as amended by the Government Securities Act of 1986 ("GSA"), the amended proposal adopts new rules that permit the NASD to enforce compliance by its members and persons associated with those members, with the provisions of the Act in connection with transactions by members in government securities.[1] The

[1] Prior to the enactment of the GSA, section 15A(f) of the Act prohibited the NASD from adopting and enforcing compliance with its own rules in connection with transactions by members in government securities. The GSA, however, amended section 15A(f) of the Act to empower the NASD to adopt and implement rules to govern transactions in government securities, provided those rules are designed to enforce compliance with the provisions of the Act and the rules and regulations thereunder, or to further other NASD oversight objectives such

Continued

amended proposal also revises the NASD's By-Laws to prescribe standards for the admission of government securities brokers and dealers as members of the NASD, and to provide for the registration with the NASD of principals and representatives who: (1) Engage in government securities business on behalf of government securities brokers or dealers, and (2) have not previously been registered with the NASD as principals or representatives.[2]

The new government securities rules require members, with respect to transactions in government securities, to: (1) Maintain adequate books and records; (2) establish and enforce procedures to ensure proper supervision of persons associated with members; (3) reduce or refrain from expanding their operations if their liquid capital falls below prescribed levels, or "for any other financial or operational reason"; (4) obtain the written approval of the NASD prior to operating in a manner that either changes their exemptive status from an introducing firm to a firm that carries customer accounts under Commission rule 15c3-3, or disqualifies them from exemption under that rule; and (5) file all advertising concerning government securities with the NASD, subject to review according to standards specified in the rules. To ensure the enforcement of the Act and rules thereunder with respect to transactions in government securities, the rules further set forth procedures pursuant to which customers of members or the NASD itself may file complaints against members with the NASD's District Business Conduct Committee. The rules further require members to report to the NASD regarding any matter that is the sujbect of an NASD investigation or hearing, and to permit the NASD to inspect the members' books and records in connection with an investigation, a determination as to the filing of a complaint, or a hearing on a complaint. Finally, the rules prescribe sanctions for violation of the Act and rules thereunder in connection with transactions in government securities.

Notice of the propsed rule change together with the terms of substance of the proposed rule change was given by the issuance of a Commission release (Securities Exchange Act Release No. 25871, June 30, 1988) and by publication in the **Federal Register** (53 FR 25558, July 7, 1988). No letters of comment were received. On September 26 and October 18, 1988, respectively, the NASD filed amendments to its proposal. The Commission did not solicit comment on those amendments because they either conformed the language of the government securities rules and NASD By-Laws to the original intent of the NASD drafting committee or incorporated into the government securities rules new provisions that had been approved by the Commission pursuant to section 19(b)(2) of the Act and added to the NASD's Rules of Fair Practice since the drafting of the government securities rules.[3]

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations therunder applicable to the NASD and, in particular, the requirements of sections 15, 15A, 15C and the rules and regulations thereunder.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the above-mentioned proposed rule change be, and hereby is, approved.

as the inspection of members' books and records and the prohibition of fraudulent, misleading, deceptive, or false advertising (*see* section 15A(f)(2) of the Act). (In the areas of financial responsibility, protection of investors' securities and balances, recordkeeping, and reporting and audit of government securities brokers and dealers, the GSA empowers the Department of the Treasury to adopt rules and regulations; these rules and regulations are to be enforced by the NASD and by the Commission. Sections 15(c)(1) and 19(g)(1)(B) of the Act.)

[2] The GSA imposes, for the first time, the requirements of Commission registration upon brokers and dealers, other than financial institutions, that engage exclusively in transactions in government securities ("sole government securities brokers and dealers") (*see* section 15C(a)(2)(A) of the Act). Accordingly, as "registered broker[s] or dealer[s]" under the Act, these sole government securities brokers and dealers may effect transactions in over-the-counter securities only if they are members of the NASD (section 15(b)(8) of the Act).

[3] The amendments clarify that: (1) The NASD's authority to adopt the government securities rules derives from section 15A(f)(2) of the Act (Government Securities Rules, section 1); (2) the registration requirements applicable to government securities principals and representatives apply only to those principals and representatives not previously registered as such with the NASD (NASD By-Laws, Schedule C, Article X, sections 1(a) and (b) and 2(a) and (b); and (3) the "early warning rule" requires a member to restrict its business when the member's liquid capital falls below certain levels *after deduction of ownership equity, together with maturities of subordinated debt scheduled during the following six months* (Government Securities Rules, sections 6(b)(1)(C) and 6(c)(1)(C)). Finally, the amendments provide that there is no ceiling on the amount of a fine the NASD may impose on a member or person associated with a member for violation of the Act and rules thereunder in connection with a transaction in government securities (Government Securities Rules, section 12(2)).

For the Commission, by the Division of Market Regulation pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Jonathan G. Katz,

Secretary.

Dated: November 2, 1988.

[FR Doc. 88-25864 Filed 11-8-88; 8:45 am]

BILING CODE 8010-01-M

[Rel. No. IC-16623; 811-2311]

California Fund for Investment in U.S. Government Securities, Inc.; Notice of Application

November 2, 1988.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for an order under the Investment Company Act of 1940 ("1940 Act").

Applicant: California Fund for Investment in U.S. Government Securities, Inc.

Relevant 1940 Act Section: Order requested under section 8(f) of the 1940 Act.

Summary of Application: Applicant seeks an order under section 8(f) of the 1940 Act declaring that it has ceased to be an investment company.

Filing Date: The application was filed on February 23, 1988 and amended on September 20, 1988.

Hearing or Notification of Hearing: If no hearing is ordered, the application will be granted. Any interested person may request a hearing on this application, or ask to be notified if a hearing is ordered. Any requests must be received by the SEC by 5:30 p.m., on November 28, 1988. Request a hearing in writing, giving the nature of your interest, the reason for the request, and the issues you contest. Serve Applicant with the request, either personally or by mail, and also send it to the Secretary of the SEC, along with proof of service by affidavit or, for lawyers, by certificate. Request notification of the date of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 5th Street, NW., Washington, DC 20549. Applicant, 2499 West Shaw Avenue, Fresno, CA 93711.

FOR FURTHER INFORMATION CONTACT: Jeremy N. Rubenstein, Staff Attorney, at (202) 272-2847, or H.R. Hallock, Jr., Special Counsel, at (202) 272-3030 (Division of Investment Management, Office of Investment Company Regulation).