

For the Nuclear Regulatory Commission.
Eric S. Beckjord,
Director, Office of Nuclear Regulatory Research.
 [FR Doc. 93-18708 Filed 8-4-93; 8:45 am]
 BILLING CODE 7590-01-M

[Docket No. 50-213]

Connecticut Yankee Atomic Power Co.; Issuance of Amendment to Facility Operating License

The U.S. Nuclear Regulatory Commission (Commission) has issued Amendment No. 161 to Facility Operating License No. DPR-61 issued to Connecticut Yankee Atomic Power Company (the licensee), which revised the Technical Specifications for operation of the Haddam Neck Plant located in Middlesex County, Connecticut. The amendment is effective as of the date of issuance.

The amendment modified the Technical Specifications to upgrade the feedwater control system from an analog to a digital system.

The application for the amendment complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations. The Commission has made appropriate findings as required by the Act and the Commission's rules and regulations in 10 CFR chapter I, which are set forth in the license amendment.

Notice of Consideration of Issuance of Amendment and Opportunity for Hearing in connection with this action was published in the *Federal Register* on March 8, 1993, (58 FR 12976). No request for a hearing or petition for leave to intervene was filed following this notice.

The Commission has prepared an Environmental Assessment related to the action and has determined not to prepare an environmental impact statement. Based upon the environmental assessment, the Commission has concluded that the issuance of this amendment will not have a significant effect on the quality of the human environment (58 FR 31760).

For further details with respect to the action see (1) the application for amendment dated January 29, 1993, and supplemented April 30, 1993, (2) Amendment No. 161 to License No. DPR-61, (3) the Commission's related Safety Evaluation, and (4) the Commission's Environmental Assessment dated May 27, 1993. All of these items are available for public inspection at the Commission's Public

Document Room, the Gelman Building, 2120 L Street NW., Washington, DC 20555 and at the local public document room located at the Russell Library, 123 Broad Street, Middletown, Connecticut 06457.

Dated at Rockville, Maryland this 14th day of July 1993.

For the Nuclear Regulatory Commission.
James W. Andersen,
Acting Project Manager, Project Directorate I-4, Division of Reactor Projects—I/II, Office of Nuclear Reactor Regulation.
 [FR Doc. 93-18713 Filed 8-4-93; 8:45 am]
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RAILROAD RETIREMENT BOARD

Repayment of Loans From the Railroad Unemployment Insurance Account to the Railroad Retirement Account

AGENCY: Railroad Retirement Board.
ACTION: Notice.

SUMMARY: Under section 10(d) of the Railroad Unemployment Insurance Act (45 U.S.C. 360(d)) the Railroad Retirement Board is required to order repayment of outstanding loans from the Railroad Retirement Account to the Railroad Unemployment Insurance Account when it has determined that the balance in the Railroad Unemployment Insurance Account is sufficient to repay the outstanding balance of the loans due the Railroad Retirement Account. Section 10(d) further requires the Board, having made such a determination, to direct the Secretary of the Treasury to make the necessary transfers to repay the loan. The Board hereby gives notice of its action under section 10(d) of the Railroad Unemployment Insurance Act to repay the outstanding balance of the loan due the Railroad Retirement Account.

FOR FURTHER INFORMATION CONTACT: Peter A. Larson, Chief Financial Officer, Railroad Retirement Board, 844 N. Rush Street, Chicago, Illinois 60611 [312] 751-4590.

SUPPLEMENTARY INFORMATION: On June 28, 1993, the Railroad Retirement Board determined that the balance to the credit of the Railroad Unemployment Insurance Account was sufficient to fully repay the outstanding balance of the loan due the Railroad Retirement Act. Accordingly, the Board directed the Secretary of the Treasury to transfer \$180,241,803.96 from the unemployment account to the retirement account and this transfer was made on June 29, 1993. The transfer to the retirement account has completely

liquidated the debt due from the unemployment account to the retirement account attributable to loans made prior to October 1, 1985.

By Authority of the Board.
 Dated: July 28, 1993.

Beatrice Ezerski,
Secretary of the Board.
 [FR Doc. 93-18610 Filed 8-4-93; 8:45 am]
 BILLING CODE 7905-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-32694; File No. SR-CBOE-93-16]

July 29, 1993.

Self-Regulatory Organizations; Order Approving and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 to Proposed Rule Changes by the Chicago Board Options Exchange, Inc. Relating to the Listing and Trading of Flexible Exchange Options ("FLEX Options") Based on the Russell 2000 Index

I. Introduction

On March 9, 1993, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to section 19(b) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposal to list and trade large-size, customized index options, referred to as Flexible Exchange Options ("FLEX Options") based on the Russell 2000 Index ("Russell 2000" or "Index").³

Notice of the proposed rule change was published for comment and appeared in the *Federal Register* on April 29, 1993.⁴ No comments were received on the proposal.⁵ The CBOE amended the proposal on June 29, 1993.⁶ This order approves the proposal as amended.

¹ 15 U.S.C. 78s(b)(1) (1982).

² 17 CFR 240.19b-4 (1993).

³ The Russell 2000 is a capitalization-weighted index developed by Frank Russell and composed of the bottom 2000 of the 3000 largest U.S. equity securities in terms of domestic market capitalization. The index is designed to track the performance of the domestic small to midsize market. Unlike the S&P Indexes, the Russell 2000 is adjusted for cross-ownership.

⁴ See Securities Exchange Act Release No. 32199 (April 23, 1993), 58 FR 26014.

⁵ See note 15, *infra*.

⁶ On June 29, 1993, the CBOE filed Amendment No. 1 reducing the position and exercise limits applicable to the proposed Russell 2000 FLEX Options from 400,000 to 200,000 contracts. See letter from William J. Barclay, Vice President, Strategic Planning and International Development,

II. Description of the Proposal

The CBOE in this proposal is seeking to expand the FLEX Options program to include FLEX Options on the Russell 2000.⁷ The purpose of the CBOE's FLEX Option program is to provide a framework for the Exchange to list and trade index options that give investors the ability, within specified limits, to designate certain of the terms of the options. Consistent with the original FLEX Options Approval Order, the present proposal to trade FLEX Options based on the Russell 2000 will similarly permit market participants to designate certain terms of the options contract, such as the strike prices, exercise types, expiration date, and form of settlement.⁸ Currently, the CBOE lists and trades FLEX Options based on the OEX and SPX Indexes, which consist of 100 and 500 high-capitalization stocks, respectively. The component stocks of the Russell 2000 however consist of 2,000 small-capitalization companies.⁹ The Exchange believes that there is a growing market for customized FLEX Options based on a small-capitalization stock index such as the Russell 2000.

Presently, CBOE Rule 24A.7 provides that FLEX Options are subject to maximum position and exercise limits of 200,000 contracts on the same side of the market on a given index, without aggregation for other contracts on the same index with one exception. This exception requires that at the close of business two days prior to the last day of trading of the calendar quarter, members must aggregate positions in

P.M.-settled¹⁰ FLEX Options and comparable quarterly expiration index options ("QIXs") with such positions not exceeding the QIX limits specified in Rule 24.4. The applicable hedge exemptions under Rule 24.4 may however be applied to aggregate positions.¹¹

The CBOE proposes the FLEX Options on the Russell 2000 be subject to position limits of 200,000 contracts on the same side of the market, which is identical to existing limits for OEX and SPX FLEX Options.¹² In addition, the special aggregation provision in Rule 24A.7 for P.M.-settled FLEX Options and QIX options is intended by the CBOE to apply to FLEX Options on the Russell 2000 and QIX options on the Russell 2000 with the same last trading day prior to expiration ("comparable QIX options").¹³ Accordingly, position limits for P.M.-settled FLEX Options and comparable QIX options would be subject to a maximum limit of 50,000 contracts on the same side of the market (without a telescoping requirement for the series with the nearest expiration date) which is consistent with the position limits for Russell 2000 QIX options and existing CBOE Rule 24.4.¹⁴

III. Discussion

The Commission believes 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, the requirements of section 6(b)(5) and 11A.¹⁵ In particular, the Commission believes that the proposed rule change is designed to provide investors with a tailored or customized product for a broad-based index consisting of small-

capitalization stocks that may be more suitable to their investment needs than the other outstanding FLEX index options. Moreover, consistent with section 11A, the proposal should encourage fair competition among brokers and dealers and exchange markets, by allowing the CBOE to compete with the growing OTC market in customized index options.

In addition, the Commission believes that the CBOE proposal will help to promote the maintenance of a fair and orderly market, consistent with section 6(b)(5) and 11A, because the purpose of the proposal is to extend the benefits of a listed, exchange market in Russell 2000 options that have certain terms varied by the particular investor. The attributes of the Exchange's options market versus an over-the-counter ("OTC") market include, but are not limited to, a centralized market center, an auction market with posted transparent market quotations and transaction reporting, standardized contract specifications, parameters and procedures for clearance and settlement, and the guarantee of OCC for all contracts traded on the Exchange.¹⁶

In general, transactions in FLEX Options based on the Russell 2000 will be subject to many of the same rules that apply in index options traded on the CBOE. In order to provide investors with the flexibility to designate certain terms of the options and accommodate the special trading of FLEX Options, however, several new rules will apply solely to FLEX Options.¹⁷

Due to the customized nature of these options, Russell 2000 FLEX Options, unlike regular Russell 2000 options and Russell 2000 QIXs, will not have trading

CBOE, to Richard Zack, Branch Chief, Division of Market Regulation, SEC, dated June 29, 1993.

⁷ The Commission approved the CBOE's FLEX Options framework on February 24, 1993 permitting the Exchange to list and trade FLEX Options based on the Standard & Poor's ("S&P") 100 ("OEX") and 500 ("SPEX") Indexes. See Securities Exchange Act Release No. 31920 (February 24, 1993), 58 FR 12280 ("FLEX Options Approval Order").

⁸ The Commission in its original FLEX Options approval designated FLEX Options as standardized options for purposes of the options disclosure framework established under Rule 9b-1 of the Act. See Securities Exchange Act Release No. 31919 (February 23, 1993), 58 FR 12056 ("9b-1 Order"). As described in note 25 *infra*, and for the same reasons stated in the 9b-1 Order, Russell 2000 Flex Options are deemed "standardized options" for purposes of the Rule 9b-1 options disclosure framework.

⁹ The Commission approved the listing and trading of options based on the Russell 2000 on the CBOE on October 30, 1992. See Securities Exchange Act Release No. 31362 (October 30, 1992), 57 FR 52802. In approving Russell 2000 options the Commission believed that the index would provide investors with an important trading and hedging mechanism that accurately reflected the overall movement of stocks in the small- to middle-capitalization range of U.S. equity securities. In addition, the Commission determined that the Russell 2000 was a broad-based index not readily susceptible to manipulation.

¹⁰ The settlement value of a P.M.-settled stock index options contract is based on the closing prices of the component securities.

¹¹ Under the proposal, the CBOE's position limits would be established as a three-year pilot, during or following which adjustments may be required. See letter from William J. Barclay, Vice President, Strategic Planning and International Development, CBOE, to Jeffrey Burns, Attorney, Branch of Options Regulation, SEC, dated July 28, 1993. In addition, the CBOE has stated that it will monitor the effect of the position limits at the end of the first year of trading and provide the Commission with a report concerning the adequacy of the limits and its effects on the underlying cash market. See, *infra*, discussion section on one-year monitoring report.

¹² See, *supra* note 6.

¹³ The Commission today is concurrently approving the CBOE's proposal to list the trade QIX options based on the Russell 2000. See Securities Exchange Act Release No. 32693 (July 29, 1993).

¹⁴ The hedge exemption provision found in Policy .01 to Rule 24.4 would continue to be applicable to P.M.-settled FLEX Options and comparable QIX options on the Russell 2000.

¹⁵ 15 U.S.C. 78f(b)(5) and 78k-1 (1982). The discussion in the FLEX Options Approval Order, *supra* note 7, is incorporated herein.

¹⁶ The Commission received a comment letter from the New York Stock Exchange, Inc. ("NYSE") on February 26, 1993 which articulated concerns about potential adverse effects FLEX Options could have on securities markets trading securities that are components of stock index options. See letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Jonathan Katz, Secretary, SEC, dated February 26, 1993. Approximately 25 percent of the Russell 2000 is comprised of securities listed on the NYSE.

As discussed in the FLEX Options Approval Order and in the following text, while the Commission shares these concerns, the Commission is satisfied that the CBOE has established appropriate measures to address and monitor potential adverse effects. Moreover, there have been no indications of adverse market consequences through July 19, 1993, in the 46,715 FLEX Options contracts that have expired since trading in FLEX Options on the S&P 100 and 500 commenced. As discussed below, although the Commission shares many of the NYSE's concerns regarding market impact, we believe that structures are in place to monitor the FLEX market and that the CBOE and NYSE will consider appropriate changes if necessary.

¹⁷ See FLEX Options Approval Order *supra* note 7.

rotations at either the opening or closing of trading. In addition, the individually-tailored auction process outlined in the FLEX Options Approval Order,¹⁸ sets forth in detail the procedure of customized negotiation for those investors seeking particular flexibility in options terms. Accordingly, the CBOE FLEX Options framework for trading stock index options, such as the Russell 2000, varies from the traditional exchange procedure for trading non-FLEX stock index options, due to the special FLEX procedures allowing for limited individual negotiation of certain of the terms of the contract between the parties.

The Commission believes that the FLEX auction process appears reasonably designed to provide the benefits of a competitive Exchange auction environment for Russell 2000 options while allowing market participants the flexibility to negotiate certain terms. Accordingly, the CBOE has established procedures for quotes upon requests which must then be firm for a designated period and which will be disseminated through the Options Price Reporting Authority ("OPRA").

The Commission further notes that FLEX Options based on the Russell 2000 can be constructed with expiration exercise settlement based on the closing values of the component securities which can result in adverse effects for the markets in those securities.¹⁹ Although the Commission continues to believe that basing the settlement of index products on opening as opposed to closing prices on Expiration Fridays helps alleviate stock market volatility,²⁰ these concerns are reduced in the case of FLEX Options based on the Russell 2000, since expiration of these stock index options will not correspond to the normal expiration of stock index options, stock index futures, and options on stock index futures. In particular, Russell 2000 FLEX Options will never expire on an "Expiration Friday" or any other "Expiration Fridays" in March, June, September, and December, thereby diminishing the impact that these FLEX Options could have on the underlying cash market.

Also, as noted above, the proposal would limit the effect on securities markets by addressing the relationship between FLEX and QIX Options. As proposed by the CBOE, amended Rule 24A.7 requires P.M.-settled Russell 2000 FLEX Options to be aggregated with QIX

options based on the Russell 2000 and having the same last trading day prior to expiration. Consistent with these requirements, Russell 2000 FLEX Options would be aggregated with comparable QIX options two days prior to expiration subject to the Russell 2000 QIX position limits of 50,000 contracts on the same side of the market.²¹ The Commission believes that these rules should help prevent an investor from using Russell 2000 FLEX Options for the purpose of avoiding the position limits applicable to comparable QIXs.

The CBOE pursuant to the existing FLEX Options position limit framework has proposed to establish position limits of 200,000 contracts on the same side of the market for the Russell 2000 FLEX Options. The commission finds that these proposed position limits are consistent with the FLEX Options position limit framework as set forth in the FLEX Options Approval Order.²²

Nevertheless, because the position limits for Russell 2000 FLEX Options are much higher than those currently existing for outstanding exchange-traded Russell 2000 options and open interest in one or more FLEX series could grow to significant exposure levels, the Commission cannot rule out the potential for adverse effects on the securities markets for the component securities underlying the Russell 2000 FLEX Option. The CBOE has taken several steps to address this concern, including establishing the FLEX position limits framework as a three-year pilot program and undertaking to monitor open interest, position limit compliance and potential adverse market effects carefully and to report to the Commission after one year's experience trading Russell 2000 FLEX Options.²³ The reporting of the CBOE's experience in connection with the trading of Russell 2000 FLEX Options will be consistent with the original FLEX Options Approval Order, and include, among other things:

- The type of strategies used by Russell 2000 FLEX Options market participants and whether Russell 2000 FLEX Options are being used, in lieu of existing standardized stock index options on the Russell 2000.

- The type of market participants using Russell 2000 FLEX Options.

- The terms which are predominantly being "flexed" by market participants, i.e., strike prices, settlement value (A.M. v. P.M.), term of duration, *European v. American style*.

- The size of the Russell 2000 FLEX position on average, the size of the largest

Russell 2000 FLEX positions on any given day and the size of the largest Russell 2000 FLEX position held by any single customer/member.

- The relationship between strike prices and current index value.

- Whether there is significant interest in long-term expirations greater than nine months.

- Any effect Russell 2000 FLEX positions have had on the underlying cash market, including an analysis of Russell 2000 FLEX positions and their market impact on days NYSE's Rule 80A is invoked.

In addition, the Commission expects and the CBOE has agreed to monitor the actual effect of Russell 2000 FLEX Options once trading commences and take prompt action (including timely communication with marketplace self-regulatory organizations responsible for oversight of trading in component stocks) should any unanticipated adverse market effects develop.

Lastly, based on representations from the CBOE, the Commission believes that the CBOE and OPRA will have adequate systems processing capacity to accommodate the additional options listed in connection with Russell 2000 FLEX Options. Specifically, the Exchange represents that "CBOE and OPRA have the necessary systems capacity to support the new series which could result from introduction of Russell FLEX * * * options."²⁴

The Commission finds good cause for approving proposed Amendment No. 1 prior to the thirtieth day after the date of publication of notice thereof in the *Federal Register* because such amendment will help to benefit the Russell 2000 FLEX Options market and market participants employing these options while at the same time reducing the possible exposure to the market from these larger positions.²⁵ In addition, the higher limits were published for comment and no comments were received rendering acceleration of the amendment reasonable. The Commission accordingly believes that granting accelerated approval of the amendment to reduce position limits is appropriate and consistent with Section 6 of the Act.

²⁴ See Letter from Charles J. Henry, President and Chief Operating Officer, CBOE, to Jeffrey Burns, Attorney, Branch of Options Regulation, Division of Market Regulation, SEC, dated June 28, 1993, incorporating a memorandum from Joseph P. Corrigan, Executive Director, OPRA, to Bill Barclay, CBOE, dated June 28, 1993.

²⁵ In the original Russell 2000 FLEX Option rule filing, the CBOE proposed position and exercise limits of 400,000 contracts. The Commission believes that a position limit requirement of 200,000 contracts on the same side of the market for FLEX Options on the Russell 2000 is consistent with the FLEX Options Approval Order.

¹⁸ *Id.*

¹⁹ See Securities Exchange Act Release No. 30944 (July 21, 1992), 57 FR 33376 ("A.M.-settled SPX Approval Order").

²⁰ *Id.*

²¹ See, *supra* note 13.

²² See FLEX Options Approval Order *supra* note 7.

²³ *Id.*

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 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 office of the CBOE. All submissions should refer to File NO. SR-CBOE-93-16 and should be submitted by August 26, 1993.

V. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and sections 6 and 11A of the Act, in particular. In addition, the Commission also finds pursuant to Rule 9b-1 under the Act, that FLEX Options based on the Russell 2000 are standardized options for purposes of the options disclosure framework established under Rule 9b-1 of the Act.²⁶

It is Therefore Ordered, pursuant to section 19(b)(2) of the Act,²⁷ that the proposed rule change (SR-CBOE-93-

16), including Amendment No. 1 on an accelerated basis, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁸

[FR Doc. 93-18656 Filed 8-4-93; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-32693; File No. SR-CBOE-93-15]

Self-Regulatory Organizations; Chicago Board Options Exchange Inc.; Order Approving Proposed Rule Change Relating to the Listing and Trading of Quarterly Index Expiration Options Based on the Russell 2000 Stock Index

July 29, 1993.

On March 9, 1993, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to provide for the listing and trading of options on the Russell 2000 Stock Index ("Russell 2000" or "Index") that will expire on the first business day of the month following the end of each calendar quarter ("Quarterly Index Expirations" or "QIXs").³ Currently, Russell 2000 options traded on the Exchange expire on the Saturday immediately following the third Friday of the expiration month.⁴ The CBOE intends to trade Russell 2000 QIXs in addition to the existing Russell 2000 options expiring at the middle of the month.

Notice of the proposed rule change appeared in the *Federal Register* on April 29, 1993.⁵ No comments were

received on the proposed rule change. This order approves the proposal.

The Exchange proposes to include the Russell 2000 in CBOE Rule 24.9 in order to provide for the listing of up to eight near-term quarterly expirations for trading on Russell 2000 options. The CBOE would be permitted at any one time to have up to eight Russell 2000 option open for trading with expiration dates on the first business day of the month following the end of a calendar quarter.⁶ Accordingly, Russell 2000 QIXs will have expirations approximately two weeks apart from existing Russell 2000 option expirations in the quarterly month expiration.

The proposed QIX options will trade simultaneously with, not independent of, currently listed and traded Russell 2000 options. The proposed QIX options will be subject to the same rules that presently govern the trading of existing Russell 2000 options contracts, including sales practice rules, margin requirements, and floor trading procedures. Contract terms for the QIX options will be similar to the corresponding Russell 2000 options that presently trade on the Exchange with one exception. For example, Russell 2000 QIXs will have European-style exercise,⁷ with the daily exercise settlement value based on the index value derived from the closing prices of component stocks.⁸ In addition, the multiplier for Russell 2000 QIXs may be set at 500 rather than the customary 100.⁹

²⁶ Presently, regular (non-FLEX and non-QIX) options traded at the CBOE expire on the Saturday following the third Friday of the expiration month. The CBOE trades index options with expirations of up to one year in length that expire at three month intervals. The Exchange allows for up to six expiration months with none farther out than twelve months. In addition, the CBOE also trades long-term index options that may expire three years from listing named "LEAPS." The CBOE is not now proposing to list or trade QIX options with more than twelve months to expiration. Any such proposal would be filed with the Commission for review under section 19(b) of the Act.

²⁷ A European-style option is one that may be exercised only during a specified period prior to the expiration of the option.

²⁸ Regular options on the Russell 2000 are settled based on the opening prices of the component securities.

²⁹ The Exchange believes that increased contract size may be justified due to the larger portfolios now being managed by institutional investors. The CBOE's rules provide that position limits will be accordingly adjusted if the multiplier is 500 rather than 100. Initially, the Exchange intends to use only the 100 multiplier. The CBOE has stated that the Commission will be notified, and appropriate procedures or rule amendments filed and approved prior to trading options based on a 500 multiplier. Accordingly, the Commission must specifically approve the use of a multiplier other than 100. See letter from Joanne Moffic-Silver, Associate General Counsel & Chief Enforcement Attorney, CBOE, to

Continued

²⁶ As part of the original approval process of the FLEX Options framework, the Commission delegated to the Director of the Division of Market Regulation the authority to authorize the issuance of orders designating securities as standardized options pursuant to Rule 9b-1(a)(4) under the Act. See Securities Exchange Act Release No. 31911 (February 23, 1993), 58 FR 11792. On May 4, 1993, Chairman Breeden pursuant to Public Law 87-592, 76 Stat. 394 (15 U.S.C. 78d-1, 78d-2), and Article 30-3 of the Commission's Statement of Organization; Conduct and Ethics; and Information and Requests (17 CFR 200.30-3), designated that persons serving in the position of Deputy Director, Associate Director, and Assistant Director, in the Division of Market Regulation, be authorized to issue orders designating securities as "standardized options" pursuant to Rule 9b-1(a)(4). Accordingly, this subdelegation provides the necessary authority for Russell 2000 FLEX Options to be designated as "standardized options" by the Division of Market Regulation. See Designation of Personnel to Perform Delegated Functions in the Division of Market Regulation, dated May 4, 1993.

²⁷ 15 U.S.C. 78s(b)(2) (1982).

²⁸ 17 CFR 200.30-3(a)(12) (1993).

²⁹ 15 U.S.C. 78s(b)(1) (1992).

³⁰ 17 CFR 240.19b-4 (1993).

³¹ The Russell 2000 is a broad-based, capitalization-weighted index of domestic equity securities traded on the New York Stock Exchange, Inc. ("NYSE"), American Stock Exchange, Inc. ("Amex"), and the National Association of Securities Dealers ("NASD") Automated Quotation System ("NASDAQ"). The Index was developed by Frank Russell and is composed of the bottom 2,000 of the 3,000 largest U.S. equity securities in terms of domestic market capitalization, and is designed to track the performance of the domestic small to mid-sized capitalization market.

³² The Commission today is concurrently approving the CBOE's proposal to list and trade Flexible Exchange Options ("FLEX Options") based on the Russell 2000. See Securities Exchange Act Release No. 32694 (July 29, 1993) ("Russell 2000 FLEX Options Approval Order") FLEX Options allow market participants the ability to name certain terms of the option contract including the expiration date and valuation method at settlement.

³³ See Securities Exchange Act Release No. 32198 (April 23, 1993), 58 FR 26013.

With regard to position and exercise limits,¹⁰ the CBOE is proposing to amend Rule 24.4 to provide that Russell 2000 QIXs will be subject to the 50,000 contract limit currently specified for Russell 2000 index options, but without the 30,000 contract limit or "telescoping requirement" for the series with the nearest expiration date applicable for regular Russell 2000 options. For the purpose of this test, regular Russell 2000 options would be aggregated with the Russell 2000 QIXs, however, in the case of regular Russell 2000 options, the 30,000 contract telescoping requirement continues to apply. In addition, the number of contracts in any QIX position having a multiplier of 500¹¹ must be treated as equal to five times the actual number of contracts in the position for the purposes of position and exercise limits.

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, the requirements of section 6(b)(5).¹² In particular, the Commission believes that the proposed rule change is designed to provide investors with a tailored quarterly portfolio hedge that may be more suitable to their investment needs. Specifically, by providing investors with the ability to use Russell 2000 QIX options that settle based on the value of component stocks on the last business day of the calendar quarter, the CBOE proposal will allow investors increased flexibility to tailor their portfolio positions to satisfy their investment objectives. For instance, according to the CBOE, the performance of portfolio managers and institutional investors is judged on a quarterly basis.¹³ Therefore in the past, these investors have been forced to pursue "quarterly hedges" in the over-the-counter ("OTC") market employing forwards, options, and/or swaps. Accordingly, the Commission

believes the CBOE proposal is a reasonable response by the Exchange to meet the demands of sophisticated portfolio managers and other institutional investors who are increasingly using the OTC market in order to satisfy their hedging needs, and will thereby promote competition among these markets.

In addition, the Commission believes that the CBOE proposal will help promote the maintenance of a fair and orderly market because the purpose of the proposal is to extend the benefits of a listed, exchange market in Russell 2000 options to quarterly calendar expirations. The attributes of the Exchange's Russell 2000 options market versus an OTC market include, but are not limited to, a centralized market center, an auction market with posted market quotations and transaction reporting, standardized contract specifications, parameters and procedures for clearance and settlement, and the guarantee of the Options Clearing Corporation ("OCC") for all contracts traded on the Exchange.¹⁴

The Commission also notes that the Exchange's existing rules applicable to stock index options, including among others, strike price interval, bid/ask differential, price continuity, and sales practice rules and position and exercise limits will apply to QIX options. In particular, Russell 2000 QIXs will be subject to a 50,000 contract limit under Rule 24.4(d) without a telescoping provision, and will be aggregated with regular Russell 2000 contracts.¹⁵ Accordingly, all non-FLEX Russell 2000 options contract positions are limited in total to a 50,000 position limit.¹⁶

The Commission notes that Russell 2000 QIXs will be treated like regular

Russell 2000 options except for expiration settlement which will be based on the closing values of the component securities.¹⁷ Although the Commission continues to believe that basing the settlement of index products on opening, as opposed to closing prices on Expiration Fridays helps alleviate stock market volatility,¹⁸ these concerns are reduced in the case of Russell 2000 QIXs, since expiration of these stock index options will not correspond with the normal expiration of stock index options, stock index futures, and options on stock index futures. In particular, Russell 2000 QIXs will never expire on an "Expiration Friday" or any other "Expiration Fridays" in March, June, September, and December, thereby diminishing the impact that Russell 2000 QIXs could have on the market. Accordingly, the Commission believes that Russell 2000 QIXs options will not compromise the protection of investors or have an adverse market effect.¹⁹ Of course, the Commission expects the CBOE to monitor the actual effect of Russell 2000 QIXs once trading commences and take prompt action (including timely communication with marketplace self-regulatory organizations responsible for oversight of trading in component stocks) should any unanticipated adverse market effects develop.

Lastly, based on representations from the CBOE, the Commission believes that the CBOE and the Options Price Reporting Authority ("OPRA") will have adequate systems processing capacity to accommodate the additional options listed in connection with QIX options. Specifically, the Exchange represents that "CBOE and OPRA have the necessary systems capacity to support the new series which could result from introduction of Russell * * * QIX options."²⁰

¹⁷ The Commission in October 1992 approved the CBOE's proposal to trade regular Russell 2000 options with expiration settlement based on the opening prices of the component securities. See Securities Exchange Act Release No. 31382 (October 30, 1992), 57 FR 52802.

¹⁸ See Securities Exchange Act Release No. 30944 (July 21, 1992), 57 FR 33376.

¹⁹ As described in note 4, *supra*, concurrent with approval of Russell 2000 QIXs, the Commission is approving a CBOE proposal to trade FLEX Options on the Russell 2000 Index. As described in more detail in the Russell 2000 FLEX Options Approval Order, positions in FLEX Options and comparable QIX options must be aggregated at the close of business two days prior to the last trading day of the calendar quarter subject to the lower Russell 2000 QIX position limits. The potential market impact of this should minimize the larger position limits applicable to FLEX Options.

²⁰ See Letter from Charles J. Hurry, President and Chief Operating Officer, CBOE, to Jeffrey Burns, Attorney, Branch of Options Regulation, Division of Market Regulation, SEC, dated June 28, 1993.

Sharon Lawson, Assistant Director, Division of Market Regulation, SEC, dated July 22, 1993.

¹⁰ Position limits are the maximum number of option contracts permitted on the same side of the market with respect to a single underlying interest that may be held or written by a single investor or group of investors acting in concert. Exercise limits are the maximum number of option contracts on the same underlying interest that a single investor or group of investors acting in concert may exercise during any five consecutive business days.

¹¹ See note 9, *supra*, discussing Commission approval prior to implementation of a multiplier higher than 100.

¹² 15 U.S.C. 78(b)(5) (19082).

¹³ In addition, many investment strategies employed by these portfolio managers converge at the calendar quarter. Hence, traditional exchange-type expirations provide a less than perfect hedge for many institutions.

¹⁴ See Securities Exchange Act Release No. 31898 (February 22, 1993), 58 FR 11878.

¹⁵ Regular Russell 2000 options will continue to be subject to limits of 50,000 contracts with a telescoping requirement in the near term series. In the aggregate, all Russell 2000 contracts, excluding FLEX Options, are limited to the position limits of 50,000 contracts established for this particular contract.

¹⁶ See note 19, *infra*, discussing aggregation requirements for FLEX Options and QIXs on the Russell 2000 expiring on the same trading day. Russell 2000 QIXs will also be entitled to the hedge exemption from position limits under Interpretation .01 of CBOE Rule 24.4. This hedge exemption allows public customers to apply for a "hedge exemption" from established position limits for broad-based index options if those customers hold preapproved portfolios of long positions in common stocks. In addition, this hedge exemption is also available to public customers with accounts having short stock positions who seek to offset economic risk by buying calls or selling puts on a broad-based stock index. The maximum size of an exempted position, however, cannot exceed the unhedged value of the qualified stock portfolio, and no exempted positions can exceed 75,000 contracts, regardless of the size of the stock portfolio.

It is therefore ordered, Pursuant to section 19(b)(2) of the Act,²¹ that the proposed rule change (SR-CBOE-93-15) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 93-18657 Filed 8-4-93; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-32696; File No. SR-NYSE-93-31]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Changes by the New York Stock Exchange, Inc.; Relating to Global Telecommunications Market Index Target-Term Securities

July 29, 1993.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on July 19, 1993, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NYSE. 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 Exchange proposes to list for trading Market Index Target-Term Securities ("MITTS"),¹ the return of which is based upon a global portfolio of securities of telecommunications companies ("Global Telecommunications Portfolio"). Initially, the Global Telecommunications Portfolio will contain the securities of 22 telecommunications companies, representing 14 countries from around the world (Attached in Appendix A is a list of the portfolio securities, the issuing companies, and the countries in which they are organized).

The text of the proposed rule change is available at the Office of the Secretary, NYSE, 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 NYSE 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 NYSE 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

Pursuant to the listing criteria set forth in Section 703.19 of the NYSE's Listed Company Manual, the Exchange intends to list and trade MITTS. MITTS are securities that entitle the holder to receive at maturity from the issuer a minimum portion of the principal amount plus an amount based upon the change in the market value of a stock index or portfolio. The Exchange is submitting the proposed rule change specifically to enable the NYSE to list for trading MITTS on the Global Telecommunications Portfolio ("Global Telecommunications MITTS") issued by Merrill Lynch & Co., Inc. ("Merrill Lynch").

Global Telecommunications MITTS will allow investors to combine protection of a portion of the principal amount of the MITTS with additional payments based upon the performance of a portfolio of securities representing the global telecommunications industry. The first issue of Global Telecommunications MITTS will provide 90 percent principal protection.

(a) *The Security.* Global Telecommunications MITTS will be denominated in U.S. dollars and will entitle the owner at maturity² to receive an amount based upon the percentage change in the value of the Global Telecommunications Portfolio from the Date of Issuance to the "final calculation period," subject to a minimum repayment amount. The "final calculation period" is a specified number of days prior to the maturity date.³ The average value of the Global

Telecommunications Portfolio during the final calculation period will be used in calculating the amount holder will receive upon maturity.⁴

If the market value of the Portfolio has declined, the holder will receive not less than a specified percentage of the principal amount of the security. For example, if the market value of the portfolio used to calculate the amount payable at maturity has declined more than ten percent, the holders of the first issue of Global Telecommunications MITTS will receive 90 percent of the principal amount of the securities. The payment in addition to the minimum principal amount at maturity is based on changes in the value of the portfolio, but does not reflect the payment of dividends on the securities that comprise the portfolio.

Like other MITTS listed on the NYSE, Global Telecommunications MITTS may not be redeemed prior to maturity and are not callable by the issuer. Holders of MITTS will be able to cash-out of their investment by selling the security on the Exchange. The Exchange anticipates that the trading value of the security in this secondary trading market will depend in large part on the value of the Global Securities Telecommunications Portfolio and also on such other factors as the level of interest rates, the volatility of the value of the Global Telecommunications Portfolio, the time remaining to maturity, dividend rates, and the credit worthiness of the issuer.

The Exchange will only list for trading Global Telecommunications MITTS issues that have at least one million outstanding securities, at least 400 shareholders, a minimum life of one year, at least a \$4 million market value, and that otherwise comply with the NYSE's initial listing criteria. In addition, the Exchange will monitor each issue to verify that it complies with the exchange's continued listing criteria.⁵

Merrill Lynch will deposit registered global securities representing Global Telecommunications MITTS with its depository, The Depository Trust Company ("DTC"), so as to permit book-entry settlement of transactions by participants in DTC.

security. Within this time period, Merrill Lynch will use for calculation purposes, the first 30 business days that occur without a market disruption event.

⁴ The closing value for the Global Telecommunications Portfolio will be determined by an affiliate of Merrill Lynch, and will equal the sum of the products of the average market price and the applicable multiplier for each portfolio security over the final calculation period.

⁵ See NYSE Listed Company Manual Section 703.19.

incorporating a memorandum from Joseph P. Corrigan, Executive Director, OPRA, to Bill Barclay, CBOE, dated June 28, 1993.

²¹ 15 U.S.C. 78s(b)(2) (1982).

²² 17 CFR 200.30-3(a)(12) (1993).

¹ Market Index Target-Term Security or MITTS is a registered service mark of Merrill Lynch & Co., Inc.

² The maturity date for Global Telecommunications MITTS is five years from issuance.

³ In particular, the final calculation period for Global Telecommunications MITTS will consist of the 60 business days prior to maturity of the

(b) *The Portfolio.* The Global Telecommunications Portfolio consists of securities of 22 telecommunications companies that have significantly different levels of market capitalization (from a high of \$82 billion to a low of \$1.8 billion). The securities include the Exchange-listed common stock of seven U.S. telecommunications companies, the common stock of three foreign issuers (which stock is listed or trading on, or traded over the facilities of, U.S. securities markets), and the American and/or global depository receipts of 12 additional foreign issuers.

At the outset, each of the securities in the Global Telecommunications Portfolio shall have equal representation. That is, each security included in the portfolio shall be assigned a multiplier on the date of issuance such that the security represents an equal percentage of the value of the entire portfolio on the date of issuance. The multiplier indicates the number of shares (or fraction of one share) of a security included in the calculation of the portfolio. Thus, each of the 22 companies shall represent 4.545 percent of the total portfolio at the time of issuance. If a security is subject to a stock split, stock dividend or similar adjustment, the multiplier assigned to the security will be adjusted accordingly.

If a security is no longer outstanding prior to the maturity of the Global Telecommunications MITS, whether for reason of a merger, acquisition or similar type of corporate control transaction, Merrill Lynch shall assign to that security a value equal to the security's final value for the purpose of calculating portfolio values. For example, if a company included in the portfolio is acquired by another company, Merrill Lynch shall thereafter assign a value to the shares of the acquired company's securities equal to the value per share at which the acquisition takes place. In the case of a security that no longer exists due to bankruptcy, Merrill Lynch will assign a value of zero for the purposes of calculating portfolio values.

A Merrill Lynch affiliate will at a minimum calculate the value of the Global Telecommunications Portfolio on a daily basis and make those values available to investors. For any security that is not listed on a U.S. securities exchange, the calculation would not include quotations made by or through Merrill Lynch or its affiliates.⁶

The Issuer. The Exchange has determined that the issuer of the Global Telecommunications MITS, Merrill Lynch, meets the listing criteria set forth in section 703.19 of the Exchange's Listed Company Manual. It is a member of the Exchange in good standing with sufficient assets to justify the issuance of MITS offerings of the size contemplated by the proposed rule change.

(2) Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of Act, in general, and furthers the objectives of section 6(b)(5), in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principle of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The NYSE believes that the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others

The NYSE has not solicited, and does not intend to solicit, comments on the proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

Within 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 self-regulatory organization consents, the Commission will:

- (a) By order approved such proposed rule change, or
- (b) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, 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 office of the NYSE. All submissions should refer to the file number in the caption above and should be submitted by August 26, 1993.

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

Margaret H. McFarland,
Deputy Secretary.

Appendix A

⁶ As of July 6, 1993, Telecommunicoes Brasileiras S.A. and Telefonica de Argentina were the only two securities not listed on a U.S. securities exchange of quoted through the National Association of Securities Dealers, Inc. ("NASD") Automated Quotation ("NASDAQ") system. Telecommunicoes

Brasileiras S.A. is an American Depository Receipt ("ADR") traded over-the-counter ("OTC") through the NASD's bulletin board, while Telefonica de Argentina is traded both OTC and on the London Stock Exchange ("LSE"). Accordingly, Merrill Lynch, for purposes of calculating the Global

Telecommunications Portfolio, would disregard quotations for these securities made by or through Merrill Lynch or any of its affiliates.

⁷ 17 CFR 200.30-3(a)(12)(1992).

GLOBAL TELECOMMUNICATION PORTFOLIO

Issuer	Type of security	Country
Alcatel Alsthom Compagnie Generale d'Electricite	ADR*	France.
American Telephone & Telegraph Company	Common Stock	United States.
Bell Atlantic Corporation	Common Stock	United States.
BellSouth Corporation	Common Stock	United States.
British Telecommunications plc	ADR	United Kingdom.
Compania de Telefonos de Chile, S.A.	ADR	Chile.
GTE Corporation	Common Stock	United States.
Hong Kong Telecommunications, Ltd.	ADR	Hong Kong.
L.M. Ericsson Telephone Company	ADR	Sweden.
Newbridge Network Corporation	Common Stock	Canada.
NYNEX Corporation	Common Stock	United States.
Pacific Telesis Group	Common Stock	United States.
Philippine Long Distance Telephone Company	Common Stock	Philippines.
Rogers Cantel Mobile Communications	Common Stock	Canada.
Southwestern Bell Corporation	Common Stock	United States.
Tadiran Ltd.	Common Stock	Israel.
Telecom Corporation of New Zealand Limited	ADR	New Zealand.
Telecomunicacoes Brasileiras S.A.	ADR	Brazil.
Telefonica de Argentina	GDR**	Argentina.
Telefonica de Espana	ADR	Spain.
Telefonos de Mexico, S.A. de C.V.	ADR	Mexico.
Vodafone Group plc	ADR	United Kingdom.

[FR Doc. 93-18655 Filed 8-4-93; 8:45 am]

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[Release No. 34-32695; File No. SR-PHLX-91-21]

Self-Regulatory Organizations; Philadelphia Stock Exchange Inc.; Order Approving Proposed Rule Change Relating to the Responsibilities for the Executions of Missed Orders

July 29, 1993.

On May 6, 1991, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to consolidate and modify the Exchange's procedures for the notification of and responsibility for missed orders on the Exchange's equity and foreign currency options floors.

The proposed rule change was published for comment in Securities Exchange Act Release No. 29247 (May 29, 1991), 56 FR 26177. No comments were received on the proposed rule change.

The Exchange proposes to adopt Options Floor Procedure Advice ("OFPA") D-1, which pertains to procedures for the notification of and responsibility for missed orders on the Exchange's equity options and foreign

currency options trading floors.³ A

On May 28, 1991, the PHLX submitted an amendment to its filing that provided for the deletion of existing OFPAs A-6 (Missed Orders on the Book), B-10 (Responsibility for Mismatched or "Out" Trades) and C-6 (Responsibility for Missed Orders) since proposed OFPA D-1 would unify and codify these existing Advice. The Exchange also proposed to amend corresponding PHLX Rule 1037, regarding floor reports of Exchange options transactions by specialists. Specifically, Rule 1037, as amended, will require members or member organizations to give notice to specialists of instances where the specialist has failed to send a transaction report with respect to an options order which the specialist executed or should have executed by 9:30 A.M. on the business day following the day a transaction report was due. If timely notice is given, the specialist shall be responsible for any loss sustained until such time as the specialist answers the request. Previously, notice was required to be given by 12:00 noon on the following business day. See letter from William W. Uchimoto, General Counsel, PHLX, to Thomas Gira, Branch Chief, Division of Market Regulation, dated May 17, 1991. The PHLX submitted a conforming amendment to Rule 1037 on December 10, 1992. This amendment conforms the language of Rule 1037 to the language of proposed OFPA D-1 concerning instances where two floor officials can require that a specialist be held responsible for a missed order despite the fact that the specialist was notified of the missed order after 9:30. See letter from Gerald D. O'Connell, Vice President, Market Surveillance, PHLX, to Thomas Gira, Branch Chief, Division of Market Regulation, SEC, dated December 10, 1992.

The Exchange further amended its proposal by deciding not to delete OFPA B-10 upon the adoption of OFPA D-1. In this amendment, the PHLX also added the definition of a "floor agent" as the "person or unit in possession of the order at the time the order [became] due an execution" and specified how transaction reports for missed orders should be made. See letter from Gerald D. O'Connell, Vice President, Market Surveillance, PHLX, to Thomas Gira, Branch Chief, Division of Market Regulation, SEC, dated April 21, 1992 ("O'Connell Letter"). Finally, on February 25, 1993, the PHLX in a clarifying amendment corrected language to reflect the amount of contracts due a missed order and the appropriate reporting

missed order, as defined in part (c) of OFPA D-1, is one that "becomes due an execution" but was not duly executed. OFPA D-1 would require notification of missed orders to the responsible floor agent by 9:30 a.m. on the business day following the day the order was missed in order for the responsible floor agent to be held responsible for satisfying the missed order or for any associated monetary losses.⁵

If timely notification is given, the floor agent will be held responsible for the remedies in part (b) of the proposed Advance. In particular, if the missed order is discovered during the trading day, the missed order will be entitled to an immediate execution at either the order's limit price or at the available market price, whichever is better. The missed order shall be afforded such execution up to the amount of contracts which traded-through the order or for a minimum of ten contracts with respect to a quote-through. If notification is provided to the specialist at any time between the previous session's close

designations to be used. See letter from Gerald D. O'Connell, Vice President, Market Surveillance, PHLX, to Jeffrey Burns, Branch Chief, Division of Market Regulation, SEC, dated February 25, 1993.

Because these amendments are technical in nature they have not been separately noticed for comment.

⁴ Responsible floor agent is that person or unit in possession of the order at the time the order becomes due an execution.

⁵ In certain limited circumstances, OFPA D-1 also provides that the responsible floor agent is liable for a missed order even if timely notification is not made. Specifically, a floor agent may still be held responsible for a missed order if two floor officials determine that it is in the interest of maintaining just and equitable principles of trade to do so.

¹ 15 U.S.C. 78s(b)(1) (1962).

² 17 CFR 240.19b-4 (1993).

and 9:30 a.m. on the following business day, the missed order will be entitled to an immediate execution at its limit price or at previous day's closing quote, whichever is better, and shall be afforded such execution, up to the amount of contracts which traded-through the order or for a minimum of ten contracts with respect to a quote-through.⁶ Pursuant to OFPA D-1, transactions effected under the remedial provisions of Section (b) must be promptly reported for tape dissemination on an out-of-sequence basis of the missed order is discovered on the trading day in question or on a "as of" basis if discovered on a subsequent trading day.⁷

The proposed rule change is a consolidation of existing OFPAs regarding missed orders. Existing OFPAs A-8 and C-6 correctly set forth the responsibilities of floor brokers and specialists for missed orders. The Exchange is proposing to delete OFPAs A-8 and C-6 and replace with OFPA D-1 in order to unify these floor rules regarding missed orders into one Floor Advice for floor brokers and specialists.⁸

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, the requirements of Section 6 and the rules and regulations thereunder.⁹ The Commission believes that the Floor Advice proposed by the PHILX will protect the public interest and remove impediments to and perfect the mechanism of a free and open market by unifying the rules for floor brokers and specialists relating to the responsibilities for missed orders. In addition, the Commission does not believe that shortening the time deadline for the notification of missed orders from 12 noon to 9:30 a.m. will jeopardize the protection of investors. Given the technological advancements in market information systems, that allow brokers and investors to have greater and more timely access to

market information, the Commission believes it is not unreasonable for the Exchange to insist that a floor agent must be notified of his errors in handing an order by the opening of trading on the day following the day in which the error was made in order for the floor agent to be held responsible for the missed order.

In addition, the Commission believes that guaranteeing the execution of a missed order at the limit price or better is a reasonable and appropriate remedy for the floor agent to incur as a result of the missed order. In particular, the remedy imposes a "cost" on the floor agent if the market moves in a direction favorable to the customer, irrespective of the limit price of the missed order. The Commission believes this is reasonable because it promotes just and equitable principles of trade on the Exchange floor and ensures investors are not disadvantaged, and may possibly receive a benefit, from an error of the floor agent in handling the order. The Commission also notes that, despite late notification of an error, the OFPA provides that a missed order can still be executed at the correct price if two floor officials find that it is in the interest of maintaining just and equitable principles of trade to do so.

It is therefore ordered, Pursuant to section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-PHLX-91-21) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority,¹¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 93-18654 Filed 8-4-93; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 35-25861]

Filings Under the Public Utility Holding Company Act of 1935 ("Act")

July 30, 1993.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

¹⁰ 15 U.S.C. 78s(b)(2) (1982).

¹¹ 17 CFR 200.30-3(a)(12) (1993).

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by August 23, 1993 to the Secretary, Securities and Exchange Commission, Washington, DC 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

American Electric Power Company, Inc., et al. (70-7886)

American Electric Power Company, Inc. ("AEP"), a registered holding company, and its nonutility subsidiary company, AEP Investments, Inc. ("AEP Investments"), have filed a post-effective amendment under sections 9(a), 10 and 12(b) of the Act to their application-declaration previously filed under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and Rule 45 thereunder.

By orders dated December 11, 1991 and November 2, 1992 (HCA Nos. 25424 and 25667), AEP Investments, whose primary purpose is investing and participating in the development of demand-side management projects, was authorized to purchase up to \$11.5 million of the securities of InterSource Technologies, Inc. ("InterSource"), which is developing electronic light bulb technology ("E-Lamp Technology") and new lighting products that AEP believes may result in significant reductions in lighting loads. AEP Investments presently holds 800,000 shares of InterSource Common Stock (approximately 9.9% of its issued and outstanding shares) and as of August 31, 1993 will hold 90,000 shares of its Preferred Stock, \$100 par value. As of August 31, 1993 the entire \$11.5 million funding of InterSource by AEP Investments will have been expended on its research and development efforts.

AEP Investments now proposes to provide InterSource with interim bridge financing in the form of a short-term secured loan evidenced by a Loan and Security Agreement. The loan will mature on December 31, 1993 and bear interest at a rate of 8% per annum in an amount of up to \$1 million ("AEP Loan"). The interest on the AEP Loan will be payable upon the earlier of the

⁶ See letter from Gerald D. O'Connell, Vice President, Market Surveillance, Phlx, to Jeffrey Burns, Attorney, Division of Market Regulation, Branch of Options Regulation, SEC, dated February 25, 1993.

⁷ *Id.*

⁸ OFPA B-10 will be retained by the Exchange for the purpose of governing the responsibility of registered options traders ("ROTs") for mismatched or "out" trades. The Exchange decided to retain this OFPA because the responsibility of ROTs for mismatched or "out" trades is significantly different than a floor agent's obligation in the context of a missed order.

⁹ 15 U.S.C. 78f (1982).