Reference Room, 450 Fifth Street, NW., Washington, DC 20549.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–9986 Filed 4–21–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–35617; File No. SR–CBOE–95–02]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to the Listing of Long-Term Index Options Series (''LEAPS'') With a Duration of up to Sixty Months Until Expiration

April 17, 1995.

On January 19, 1995, the Chicago Board Options Exchange, Inc. (''CBOE'' or ''Exchange''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] filed with the Securities and Exchange Commission (''Commission'') a proposed rule change to permit the listing of long-term index options series (''LEAPS'') with a duration of up to sixty months (five years) until expiration. Notice of the proposal appeared in the **Federal Register** on February 1, 1995.[3] No comment letters were received on the proposed rule change. This order approves the CBOE proposal.

The purpose of the proposed rule change is to permit the Exchange to list index LEAPS with a duration of up to sixty months (five years).[4] Presently, the Exchange has authority pursuant to CBOE Rule 24.9(b) to list index LEAPS that expire from twelve to thirty-six months from the time they are listed. The Exchange represents that there has been increasing member firm and customer interest in longer term instruments. The Exchange, therefore, is proposing to amend Exchange Rule 24.9 to permit the listing of index options with up to sixty months until expiration. In addition, the Exchange proposes to amend Rule 24.9 to allow for up to ten expiration months for index LEAPS, as opposed to the six months currently allowed. The proposal does not change any other rule regarding the listing and trading of index LEAPS.[5]

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).[6] Specifically, the Commission believes the proposal is designed to provide investors with additional means of hedging equity portfolios from long-term market risk with an exchange-traded security (*i.e.*, a standardized option), thereby facilitating transactions in options and contributing to the protection of investors and the maintenance of fair and orderly markets.[7]

Currently, institutional customers use index options to hedge the risks associated with holding diversified equity portfolios. The Commission continues to believe, as originally stated in its approval of the listing of index LEAPS by the Exchange, that allowing investors to lock in their hedges with longer-term index LEAPS will permit institutions to protect better their portfolios from adverse market moves.[8] Further, the Commission believes that index LEAPS with up to five years until expiration will allow this protection at a known and limited cost.[9] Moreover, the proposal will provide institutions with an additional securities product with which to hedge their portfolios as an alternative to hedging with futures positions or off-exchange customized index options.[10] Accordingly, the Commission believes that the proposed rule change will better serve the long-term hedging needs of institutional investors.[11]

Finally, although as with index LEAPS presently trading on the Exchange, specific strike price interval, bid/ask differential, and price continuity rules will not apply until the proposed longer-term index LEAPS have less than 12 months until expiration,[12] the Commission notes that CBOE's general rule obligating market makers to maintain fair and orderly markets will continue to apply to the proposed longer-term index LEAPS.[13] The Commission believes that the requirements of CBOE Rule 8.7(a) are broad enough, even in the absence of strike price interval, bid/ask differential, and continuity requirements, to provide the Exchange with the authority to make a finding of inadequate market maker performance should market makers enter into transactions or make bids or offers (or fail to do so) in the proposed longer-term index LEAPS that are inconsistent with the maintenance of a fair and orderly market.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[14] that the proposed rule change (File No. SR–CBOE–95–02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[15]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–9978 Filed 4–21–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–35614; File No. SR–CHX–95–05]

Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Order Granting Approval to Proposed Rule Change Relating to the Authority of the Committee on Floor Procedure

April 17, 1995.

On February 10, 1995, the Chicago Stock Exchange, Incorporated (''CHX'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''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 amend CHX Rule 3 of Article XII to provide the Committee on Floor Procedure with the same authority over persons associated with a member as it currently has over members. On March 1, 1995, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change.[3]

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[11] 17 CFR 200.30–3(a)(16)(1994).

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1994).

[3] See Securities Exchange Act Release No. 35278 (January 25, 1995), 60 FR 6324.

[4] The proposal would permit five-year LEAPS on both broad-based and narrow-based indexes on which LEAPS have been approved for trading on the CBOE.

[5] See CBOE Rule 24.9(b).

[6] 15 U.S.C. 78f(b)(5) (1988 & Supp. V 1993).

[7] The Commission also finds that extending the maximum term for Index LEAPS from three to five years does not alter the Commission's designation of index LEAPS as standardized options pursuant to Rule 9b–1(a)(4) of the Act.

[8] See Securities Exchange Act Release No. 24853 (August 27, 1987), 52 FR 33486 (September 3, 1987).

[9] *Id.*

[10] *Id.*

[11] The Commission's findings are predicated on the somewhat limited length of five-year index LEAPS. Any subsequent proposal to list index LEAPS with expirations beyond five years could alter the nature of the product and would raise new regulatory concerns, including, among other things, the appropriate margin treatment, disclosure, and trading rules for the product.

[12] See CBOE Rule 24.9(b)(1).

[13] See CBOE Rule 8.7(a).

[14] 15 U.S.C. 78s(b)(2) (1988).

[15] 17 CFR 200.30–3(a)(12) (1994).

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1994).

[3] See letter from David Rusoff, Foley & Lardner, to Jennifer Choi, SEC, dated February 27, 1995. The original filing incorrectly referenced Rule 3 of Article IV of the Exchange Rules as the rule to be