

entry system of the Federal Reserve, the Depository Trust Company, or another book entry system approved by the Independent Trustees (each, an "approved book entry system") and, in connection with the transfer, each Fund's subcustodian account with PNC Bank's Trust Department will be designated through an approved book entry system as the recipient of the securities and the PNC Companies' internal records and written confirmation will indicate that the collateral is being held on behalf of and in the relevant Fund's name for the benefit of the applicable Series. Each Fund thereby will acquire a security interest in the collateral for the benefit of the applicable Series. Any repurchase agreements entered into by a Fund will satisfy the requirements of proposed rule 5b-3 under the Act, if and when the rule is adopted and becomes effective.

9. Before any transaction may be conducted pursuant to the requested exemption, the relevant Advisor must obtain the information as it deems necessary to determine that the price test below has been satisfied. Before any repurchase agreement is entered into pursuant to the requested exemption, the relevant Advisor must obtain and document competitive quotations from at least two other dealers with respect to repurchase agreements comparable to the type of repurchase agreement involved (including size, which would equal the Maximum Purchase Amount for the particular Series in question, maturity, and collateral), except that if quotations are unavailable from two dealers only one other competitive quotation is required. In addition, the repurchase transactions for which quotations are sought must be conventional overnight repurchase agreements in which the funds would be transferred by the relevant Fund on behalf of the participating Series as of the same day that the transaction is entered into, and then returned by the counterparty on the following business day. Before entering into a transaction pursuant to the requested exemption, a determination will be required in each instance, based upon the information available to the relevant Advisor, that the income to be earned from the repurchase agreement to be entered into with any PNC Company is at least equal to that available from the repurchase agreements with respect to which quotes were obtained.

10. No less frequently than quarterly, the Board of each Fund, including a majority of the Independent Trustees, on behalf of each Series of that Fund, will review the Base Amounts that have

been established for the Series during the preceding quarter to determine whether the Base Amounts appropriately reflected the amounts of the Series' net assets that would have remained uninvested at the Fund's custodian in order to meet potential redemptions from the sweep program if the Base Amounts were not available. To assist the Board in this review, the Advisors will provide the Board with all relevant information. The Board, including a majority of the Independent Trustees, will take such steps as it deems necessary to assure that the Base Amounts for each Series appropriately reflect the amounts of the Series' net assets that would remain uninvested at the Fund's custodian in order to meet potential redemptions from the sweep program if the Base Amounts are not available.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43456; File No. SR-CBOE-00-14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to an Increase in the Position Limits for Nasdaq 100 Stock Index Options

October 17, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 10, 2000, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 CBOE proposes to amend Exchange Rule 24.4—*Position Limits for Broad Based Index Options*, to increase

the standard position and exercise limits for the NASDAQ 100 Index ("NDX") option class, expand the index hedge exemption, and eliminate the near term position limit restriction. The text of the proposed rule change is available at the CBOE and at the Commission's Public Reference Room.

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 CBOE 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 CBOE 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The CBOE proposes to amend Exchange Rule 24.4 by increasing the broad based index option position limit for the NDX, eliminating the restriction on near term NDX option positions, and increasing the NDX index hedge exemption. Specifically, the Exchange proposes to increase the overall position limit from 25,000 contracts to 75,000 contracts—a tripling of the current limit.³ The Exchange also proposes to eliminate the 15,000 contract near term limit. Lastly, the Exchange proposes to raise the index hedge exemption from 75,000 option contracts, which is in addition to the standard limit, to 150,000 option contracts.⁴

The CBOE believes that an increase in position and exercise limits for NDX options is appropriate for several reasons. The current limit of 25,000 contracts, with no more than 15,000 contracts in the near term series, has been in place since the inception of trading in the NDX option class on February 7, 1994. The CBOE notes that the Commission recently approved rule filings increasing position and exercise limits for standardized equity option

³ Exercise limits will continue to correspond to position limits, so that investors may exercise the number of contracts set forth as the position limit, during any five consecutive business day period.

⁴ The Exchange recently listed and traded options based on a value of $\frac{1}{4}$ the current value of the Nasdaq 100 Index and made related changes to position and exercise limits for that option class. See Securities Exchange Act Release No. 43000 (June 30, 2000), 65 FR 42409 (July 10, 2000).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

contracts.⁵ The Commission also approved the elimination of position and exercise limits for certain broad-based index option contracts for a 2-year pilot program.⁶ The highest equity option position limit tier is now 75,000 contracts. As a comparison, market capitalization for IBM, which has a base position limit of 75,000 contracts, is approximately \$191 billion, while the market capitalization for NDX with a 25,000/15,000 position limit is over \$4.2 trillion. Additionally, the average daily volume and open interest in NDX has increased by approximately 150% since October 1999 (see Exhibit B). Based on these statistics and the recent position limit relief granted for standardized equity options, the CBOE believes it is reasonable to allow for changes to the position and exercise limits for NDX index options.

With respect to the near term limitation, the Exchange believes that the rationale for imposing such a limitation is not applicable to the NDX. Historically, a front month limitation was established for American style broad-based index options as a measure to lessen market volatility experienced at the close of trading on expiration when stock/index programs were unwound.⁷ However, these conditions are not relevant for the NDX. NDX is a European style contract with a settlement value based on a volume weighting of opening stock prices as reported within the first five (5) minutes of trading. Additionally, it should be noted that the CBOE's surveillance procedures during the week of expiration include communication with NASD Regulation to determine whether there are any concerns regarding potential manipulation in the securities, which comprise the NASDAQ 100. Staff believes that the front month limit for NDX options is not necessary, and that

it only provides a further restriction to the investing public, and, therefore, should be eliminated. Eliminating the front month position and exercise limits for NDX index options may bring additional depth and liquidity, in terms of both volume and open interest, to the NDX without significantly increasing concern regarding intermarket manipulations or disruptions of the index options or the underlying component securities.

2. Statutory Basis

The CBOE believes the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5)⁸ of the Act in that it is designed to remove impediments to a free and open market and to protect investors and the public interest.

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

The CBOE does not believe that the proposed rule change will impose any burden on competition.

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

No written comments were solicited or received with respect to the proposed rule change.

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 and 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 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, including whether the proposed rule is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. 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 Room. 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-00-14 and should be submitted by November 14, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43452; File No. SR-CBOE-00-40]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to SPX Combination Orders

October 17, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ is hereby given that on August 17, 2000, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. 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 CBOE proposes to adopt CBOE Rule 24.20, "SPX Combination Orders," to allow S&P 500 Index option ("SPX") traders to print and execute orders for SPX options and orders for hedging transactions in SPX combination orders ("combos")² outside of the prevailing

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² A combination order is an order involving a number of call option contracts and the same number of put option contracts in the same underlying security. See CBOE Rule 6.53(e).

⁵ See Securities Exchange Act Release No. 40875 (December 31, 1998), 64 FR 1842 (January 12, 1999) (File Nos. SR-CBOE-98-25; Amex-98-22; PCX-98-33; and Phlx-98-36) (increasing position limits for standardized equity options to 13,500, 22,500, 31,500, 60,000, and 75,000).

⁶ See Securities Exchange Act Release No. 40969 (January 22, 1999), 64 FR 4911 (February 1, 1999) (File No. SR-CBOE-98-23); Securities Exchange Act Release No. 41011 (February 1, 1999), 64 FR 6405 (February 9, 1999) (File No. SR-Amex-98-38).

⁷ According to CBOE, OEX is the only American style broad-based index option traded on the Exchange. The Exchange stated that a front month limitation was established for the OEX index option when the Exchange initially sought to increase the position limits for the option. Other broad-based index options traded on the Exchange are European style options, and therefore can only be exercised on the expiration date. Telephone conversation between Pat Cerny, Director, Department of Market Regulation, CBOE, and Joseph Corcoran, Attorney, Division of Market Regulation, Commission, on October 12, 2000.

⁸ 15 U.S.C. 78f(b)(5).