

[Release No. 34-37541; File No. SR-MBSCC-96-04]

**Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing of a Proposed Rule Change To Establish Term Limits for the Chairman of the Board of Directors**

August 8, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on June 24, 1996, MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MBSCC-96-04), as described in Items I, II, and III below, which items have been prepared primarily by MBSCC. 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 proposed rule change will amend MBSCC's by-laws to limit the term of office of the Chairman of the Board to not more than four consecutive one year terms.

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

In its filing with the Commission, MBSCC 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. MBSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

**(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

MBSCC believes that the proposed term limit will be in the interest of its participants and is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will further the opportunity for a diversity of individuals to serve as MBSCC's Chairman of the Board and thereby participate in the management of MBSCC.

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

MBSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

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

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

Within thirty-five 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 ninety 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 MBSCC 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 Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of MBSCC. All submissions should refer to the file number SR-MBSCC-96-04 and should be submitted by September 4, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-20717 Filed 8-13-96; 8:45 am]

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[Release No. 34-37536; File No. SR-Phlx-96-17]

**Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Reducing the Value of the Super Cap Index**

August 7, 1996.

On May 24, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to reduce the value of its Super Cap Index ("Index") option ("HFX") to one-third its present value by tripling the divisor used in calculating the Index. The Index is comprised of the top five options-eligible common stocks of U.S. companies traded on the New York Stock Exchange, as measured by capitalization. The other contract specifications for the HFX will remain unchanged.

Notice of the proposal was published for comment and appeared in the Federal Register on June 25, 1996.<sup>3</sup> No comment letters were received on the proposal. This order approves the Phlx's proposal.

**I. Description of the Proposal**

The Exchange began trading the HFX in November, 1995.<sup>4</sup> The Index was created with a value of 350 on its base date of May 31, 1995 which rose to 430 on April 12, 1996. Thus, the value of the Index has increased 23% in less than one year. Consequently, the premium for HFX options has also risen.

As a result, the Exchange proposes to conduct a "three-for-one split" of the Index, such that the value would be reduced to one-third of its present value. In order to account for the split, the number of HFX contracts will be tripled, such that for each HFX contract currently held, the holder would receive three contracts at the reduced value,

<sup>3</sup> 17 CFR 200.30-3(a)(12) (1995).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 37319 (June 18, 1996), 61 FR 32881 (June 25, 1996).

<sup>4</sup> See Securities Exchange Act Release No. 36369 (October 13, 1995), 60 FR 54274 (October 20, 1995).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>2</sup> The Commission has modified the text of the summaries prepared by MBSCC.

with a strike price one-third of the original strike price. For instance, the holder of a HFX 420 call will receive three HFX 140 calls. In addition to the strike price being reduced to one-third, the position and exercise limits applicable to the HFX will be tripled, from 5500 contracts<sup>5</sup> to 16,500 contracts, for a six month period after the split is effectuated. After the initial six month period, the position and exercise limits will be reduced to the original 5,500 contract limit. This procedure is similar to the one employed respecting equity options where the underlying security is subject to a two-for-one stock split, as well as previous reductions in the value of other Phlx indexes.<sup>6</sup> The trading symbol will remain HFX.

In conjunction with the split, the Exchange will list strike prices surrounding the new, lower index value, pursuant to Phlx Rule 1101A.<sup>7</sup> The Exchange will announce the effective date by way of Exchange memoranda to the membership, also serving as notice of the strike price and position limit changes.<sup>8</sup>

The Phlx states that the purpose of the proposal is to attract additional liquidity to the product in those series that public customers are most interested in trading. For example, a near-term, at-the-money call option series currently trades at approximately \$1,150 per contract. The Exchange believes that certain investors and traders currently may be impeded from trading at such levels. With the Index split, that same option series (once adjusted), with all else remaining equal, could trade at approximately \$387 per contract. The Phlx believes that a reduced premium value should encourage additional investor interest.

The Exchange believes that Super Cap Index Options provide an important opportunity for investors to hedge and speculate upon the market risk associated with the underlying stocks. By reducing the value of the Index, such investors will be able to utilize this trading vehicle, while extending a smaller outlay of capital. The Exchange believes that this, in turn, should attract

additional investors and create a more active and liquid trading environment.

## II. Discussion

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) of the Act.<sup>9</sup> Specifically, the Commission believes that reducing the value of the Index will serve to promote the public interest and help remove impediments to a free and open securities market, by providing a broader range of investors with a means of hedging exposure to market risk associated with securities representing the most highly capitalized companies. Further, the Commission notes that reducing the value of HFX options should help attract additional investors, thus creating a more active and liquid trading market. The Commission notes that the Phlx will be providing market participants with adequate prior notice of the Index level change in order to avoid investor confusion.<sup>10</sup>

The Commission also believes that the Phlx's position and exercise limits and strike price adjustments are appropriate and consistent with the Act. In this regard, the Commission notes that the position and exercise limits and strike price adjustments are similar to the approach used to adjust outstanding options on stocks that have undergone a two-for-one stock split as well as reductions in value of other indexes.<sup>11</sup>

The Commission believes that tripling the Index's divisor will not have an adverse market impact or make trading HFX options susceptible to manipulation. After the split, the Index will continue to be comprised of the same stocks with the same weightings and will be calculated in the same manner (except for the change in divisor). Finally, the Phlx's surveillance procedures will also remain the same.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the

proposed rule change (SR-Phlx-96-17) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-20718 Filed 8-13-96; 8:45 am]

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## TENNESSEE VALLEY AUTHORITY

### Environmental Impact Statement: Proposed Exercise of Option Purchase Agreement With LSP Energy Limited Partnership for Supply of Electric Energy

AGENCY: Tennessee Valley Authority.

ACTION: Notice of Intent.

**SUMMARY:** The Tennessee Valley Authority (TVA) will prepare an environmental impact statement (EIS) for the proposed exercise of an electric energy option purchase agreement (OPA) with LSP Energy Limited Partnership. Under the terms of the OPA, TVA may elect to purchase firm electric energy provided as 750 megawatt (MW) of base load electric capacity. This energy would be provided from a 750 MW (approximate capacity) natural gas-fired combustion turbine combined cycle power plant that LSP Energy Limited Partnership has proposed to construct and operate in the City of Batesville, Mississippi. Batesville is in Panola County and is about 140 miles north of Jackson, Mississippi and 50 miles south of Memphis, Tennessee. The EIS will evaluate the potential environmental impacts of the proposed power plant. TVA wants to use the EIS process to obtain the public's comments on this proposal.

**DATES:** Comments on the scope of the EIS must be postmarked no later than September 13, 1996. TVA will conduct a public meeting on the scope of the EIS. The location and time of this meeting is announced below.

**ADDRESSES:** Written comments should be sent to Greg Askew, PE, Senior Specialist, National Environmental Policy Act, Tennessee Valley Authority, mail stop WT 8C, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1499. Comments may also be e-mailed to gaskew@tva.gov.

**FOR FURTHER INFORMATION CONTACT:** Ron Westmoreland, Environmental Research Center, Tennessee Valley Authority, mail stop CEB 4C, Muscle

<sup>5</sup> See Phlx Rule 1001A(c).

<sup>6</sup> See Securities Exchange Act Release Nos. 36577 (December 12, 1995), 60 FR 65705 (December 20, 1995) (reducing the value of the Phlx National Over-the-Counter Index); and 35999 (July 20, 1995), 60 FR 38387 (July 26, 1995) (reducing the value of the Phlx Semiconductor Index).

<sup>7</sup> Specifically, because the Index value would be less than 500, the applicable strike price interval would be \$5 in the first four months and \$25 in the fifth month and the long-term options. See Rule 1101A(a).

<sup>8</sup> See note 10, *infra*.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> The Phlx will be issuing two circulars to its membership prior to the effective date of this change. The first circular will advise the members generally of the reduction in value of the HFX and the temporary increase in position and exercise limits. The second circular, which will be issued within one week of the effective date of the change, will also list specific strike prices for the adjusted HFX options. Telephone Conversation between Terry McClosky, Vice President, Regulatory Services, Phlx, and James T. McHale, Attorney, Office of Market Supervision, Division of Market Regulation, on August 7, 1996.

<sup>11</sup> See note 6, *supra*.

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).