

submissions should refer to SR-NASD-94-54 and should be submitted by November 15, 1996.

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

Margaret M. McFarland,
Deputy Secretary.

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Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Stock Exchange, Inc., Relating to Index Options on the Dow Jones & Co. Taiwan Index

October 18, 1996.

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 October 17, 1996, the Pacific Stock Exchange, Inc. ("PSE" 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 self-regulatory organization. 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 PSE, pursuant to Rule 19b-4 of the Act, proposes to list for trading index options on the Dow Jones & Co. Taiwan Index ("Index").

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 self-regulatory organization 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 self-regulatory organization 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 Exchange is proposing to list and trade cash-settled, European-style stock index options on the Dow Jones & Co. Taiwan Index. The Index is comprised of 113 representative stocks traded on the Taiwan Stock Exchange ("TSE").³ The Exchange represents that the Index is representative of the Taiwan stock market as a whole, and therefore, is deemed to be a broad-based index.

Index Design

The Index was designed by, and is maintained by, Dow Jones & Co. The 113 stocks comprising the Index were selected for their market weight, trading liquidity, and representation of the business industries reflected on the TSE. The Exchange believes that these stocks reflect the industrial composition of the broader Taiwanese equity market.

The Index is weighted by the market capitalization of the component stocks. As of August 30, 1996, the market capitalization of the Index was US\$181 billion (at the exchange rate of NT \$27.5 per dollar). The average market capitalization of these stocks was \$1.6 billion on the same date (at the same rate of exchange). The individual market capitalization of these stocks ranged from \$150 million (Hong Ho Precision Textile Co.) to \$18.6 billion (Cathay Life Insurance) on the same date. The largest stock accounted for 10.26% of the Index, while the smallest accounted for .08%. The top five stocks in the Index, by weight, accounted for approximately 31% of the Index. The average daily trading volume of the component securities for the period April 1 through August 30, 1996, ranged from a low of 457,091 shares (Hsing Ta Cement Co.) to a high of 49,879,418 shares (China Steel), with an average daily trading volume for all components of the Index of approximately 7,698,763 shares.

Calculation and Maintenance of Index

The value of the Index is determined by multiplying the price of each stock by its number of shares outstanding, adding those sums, and then dividing by a divisor which gives the Index a value of 100 on its base date of December 31, 1991. The Index had a closing value of 160.33 on August 30, 1996. The Index will be maintained by Dow Jones & Co. and, in order to maintain continuity of the Index, the divisor of the Index will be adjusted to

reflect certain events relating to the component stocks. These events include, but are not limited to, changes in the number of shares outstanding, spin-offs, certain rights issuances, and mergers and acquisitions.

The composition of the Index will be reviewed periodically and Dow Jones & Co. may make component changes at any time to ensure that the Index continues to represent the overall character of the Taiwanese equity market. When considering replacement stocks, Dow Jones & Co. will choose from among the most heavily capitalized and actively traded stocks on the TSE. In addition, Dow Jones & Co. will consider other factors including industry grouping, level of foreign accessibility (i.e., whether foreigners may purchase the stock), name recognition, and volatility.

Index Option Trading

The Exchange proposes to base trading in options on the Index on the full value of the Index as expressed in U.S. dollars. The Exchange also may provide for the listing of long-term index option series ("LEAPS") on the Index. The Exchange will list expiration months for Index options and Index LEAPS in accordance with PSE Rule 7.8.

The trading hours for options on the Index will be from 6:30 a.m. Pacific time to 1:15 p.m. Pacific time. Dow Jones Telerate ("Telerate") will calculate the value of the Index every fifteen seconds throughout the trading day and disseminate the Index value through the Options Price Reporting Authority ("OPRA").

The Exchange is proposing to establish position limits for Index options equal to 50,000 contracts on the same side of the market, with no more than 30,000 contracts in the series with the nearest expiration date. These limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices. Furthermore, the hedge exemption rule applicable to broad-based index options, Commentary .02 to PSE Rule 7.6, will apply to Index options.

The PSE also represents that it has the necessary systems capacity to support new series that would result from the introduction of the Index options.

Exercise and Settlement

The proposed options on the Index will expire on the Saturday following the third Friday of the expiration month, and trading in the expiring contract month on the PSE will normally cease on Friday at 1:15 p.m. Pacific time unless a holiday occurs.

⁹ 17 CFR 200.30-3(a)(12) (1989).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4.

³ A list of index components is available at the Commission and at the PSE.

The exercise settlement value of Index options at expiration will be determined from closing prices established at the close of the regular Friday trading sessions in Taiwan. If a stock does not trade during this interval or if it fails to open for trading, the last available price of the stock will be used in the calculation of the Index. When expirations are removed in accordance with Exchange holidays, such as when the PSE is closed on the Friday before expiration, the last trading day for expiring options will be Thursday and the exercise settlement value of Index options at expiration will be determined at the close of the regular Thursday trading sessions in Taiwan even if the Taiwanese markets are open on Friday. If the Taiwanese markets are closed on the Friday before expiration but the PSE is open for trading, the last trading day for expiring options will similarly be Thursday, with the exercise settlement value being determined from Thursday closing prices on the TSE.

Surveillance

The Exchange will apply its existing index option surveillance procedures to Index options. In addition, the Exchange has entered into a surveillance sharing agreement with the TSE, which will enable the Exchange to obtain information concerning the trading of the component stocks of the Index.

2. Statutory basis. The PSE believes that the proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to facilitate transactions in securities as well as to protect investors and the public interest.

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

The self-regulatory organization does not believe that the proposed rule change will impose any inappropriate 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 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 approve the 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the PSE. All submissions should refer to File No. SR-PSE-96-40 and should be submitted by November 15, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

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SOCIAL SECURITY ADMINISTRATION

Office of the Commissioner

1997 Cost-of-Living Increase and Other Determinations

AGENCY: Office of the Commissioner, Social Security Administration.

ACTION: Notice.

SUMMARY: The Commissioner has determined—

(1) A 2.9 percent cost-of-living increase in Social Security benefits under title II of the Social Security Act (the Act), effective for December 1996;

(2) An increase in the Federal Supplemental Security Income (SSI) monthly benefit amounts under title

XVI of the Act for 1997 to \$484 for an eligible individual, \$726 for an eligible individual with an eligible spouse, and \$242 for an essential person;

(3) The national average wage index for 1995 to be \$24,705.66;

(4) The Old-Age, Survivors, and Disability Insurance (OASDI) contribution and benefit base to be \$65,400 for remuneration paid in 1997 and self-employment income earned in taxable years beginning in 1997;

(5) For beneficiaries under age 65, the monthly exempt amount under the Social Security retirement earnings test for taxable years ending in calendar year 1997 to be \$720;

(6) The dollar amounts ("bend points") use in the benefit formula for workers who become eligible for benefits in 1997 and in the formula for computing maximum family benefits;

(7) The amount of earnings a person must have to be credited with a quarter of coverage in 1997 to be \$670;

(8) The "old-law" contribution and benefit base to be \$48,600 for 1997;

(9) The monthly amount of substantial gainful activity applicable to statutorily blind individuals in 1997 to be \$1,000;

(10) The domestic worker coverage threshold to be \$1,000 for 1997; and

(1) The OASDI fund ratio to be 139.9 percent for 1996.

FOR FURTHER INFORMATION CONTACT:

Jeffrey L. Kunkel, Office of the Actuary, Social Security Administration, 6401 Security Boulevard, Baltimore, MD 21235, (410) 965-3013. A summary of the information in this announcement is available in a recorded message by telephoning (410) 965-3053. This telephone message will be updated to reflect changes to the cost-of-living benefit increase and other determinations. Information relating to this announcement is also available on the Social Security Administration's World Wide Web server—<http://www.ssa.gov/OACT/COLA/FR.sum.html>.

SUPPLEMENTARY INFORMATION: The Commissioner is required by the Act to publish within 45 days after the close of the third calendar quarter of 1996 the benefit increase percentage and the revised table of "special minimum" benefits (section 215(i)(2)(D)). Also, the Commissioner is required to publish on or before November 1 the national average wage index for 1995 (section 215(a)(1)(D)), the OASDI fund ratio for 1996 (section 215(i)(2)(C)(ii)), the OASDI contribution and benefit base for 1997 (section 230(a)), the amount of earnings required to be credited with a quarter of coverage in 1997 (section 213(d)(2)), the monthly exempt amounts

⁴ 417 CFR 200.30-3(a)(12).