

regarding certain ITS transactions. The Exchange temporarily amended these fees in 1992 for a one-year period and extended these fees in 1993 for a six-month period, pending the outcome of the Market 2000 Study.⁴ The affected fees are comprised of the value charges instituted on all nonspecialist outbound ITS trades, which replaces the ITS User Fee of \$.003 per share on all outbound trades incurred by non-specialist firms.

2. Statutory Basis

The statutory basis for this proposal is Section 6(b)(4) of the Securities Exchange Act of 1934.

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

The fee change will impose no 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 fee change.⁵

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

The foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e) of Rule 19b-4 thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 at 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 Exchange. All submissions should refer to File No. SR-BSE-95-1 and should be submitted by April 5, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35463; International Series Release No. 790; File No. SR-CBOE-95-12]

Self-Regulatory Organizations; Notice of Filing of Amendment No. 1 to Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Margin Levels for Currency Warrants Based on the Value of the U.S. Dollar in Relation to the Mexican Peso

March 9, 1995.

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 March 6, 1995, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") Amendment No. 1 to the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the original proposal with the Commission on January 27, 1995. Notice of the proposed rule change appeared in the **Federal Register** on February 8, 1995.³ The Commission is publishing this notice to solicit comments on Amendment No. 1 to 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 margin levels for warrants traded on the Exchange that are based upon the value of the U.S. dollar in relation to the Mexican peso ("Mexican Peso Warrants"). The text of Amendment No. 1 to the proposed rule change is available at the Office of the Secretary, CBOE, 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 Exchange included statements concerning the purpose of and basis for Amendment No. 1 to the proposed rule change and discussed any comments it received on the amendment. 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

In the Exchange's proposal to list and trade Mexican Peso Warrants, the CBOE represented that "Exchange will require that customer positions in Mexican Peso Warrants be subject to the margin requirements applicable to foreign currency options."⁴ The Exchange is now amending that proposal to specify objective margin levels that will be applicable to Mexican Peso Warrants trading on the Exchange.

The Exchange represents that it has calculated frequency distributions reflecting U.S. dollar/Mexican peso returns for all one, seven, and 21 day periods for the period from January 2, 1992, through January 25, 1995 ("three year period"), and for the period from January 3, 1994, through January 25, 1995 ("one year period"). The Exchange further represents that these distributions demonstrate that 97.5% of all seven day returns for the three year period would have been covered by 4.5% of the underlying peso value and that 95% of all seven day returns for the one year period would have been covered by approximately 10% of the underlying peso value. Based upon these results, the Exchange is proposing

⁴ The six-month extension expired in May 1994. BSE did not seek another extension until this filing.

⁵ At the time of the original filing in 1992, the Exchange solicited comments from the Fee Committee of the Board of Governors, comprised of representatives of dealer-specialist, retail, and institutional firms, the Executive Committee, which serves as the Board of Governors of the Clearing Corporation, and the Board of Governors of the Exchange. See Securities Exchange Act Release No. 31515 (Nov. 24, 1992), 57 FR 56937 (notice of immediate effectiveness of File No. SR-BSE-92-9).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1991).

³ See Securities Exchange Act Release No. 35324 (February 2, 1995), 60 FR 7599 (February 8, 1995).

⁴ *Id.*

to set the margin "add-on" percentage for Mexican Peso Warrants at 12% for both initial and maintenance margin, with a minimum add-on for out-of-the-money warrants of 8%. If, as a result of the Exchange's routine monitoring of margin adequacy, the CBOE determines that a different percentage would be appropriate, the Exchange will file a proposal with the Commission pursuant to section 19(b) of the Act to modify the margin add-on percentages applicable to Mexican Peso Warrants.

The Exchange believes that Amendment No. 1 to the proposed rule change is consistent with section 6 of the Act, in general, and furthers the objectives of section 6(b)(5) of the Act,⁵ in particular, in that the proposal will promote just and equitable principles of trade and will contribute to the protection of investors and the public interest.

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

The Exchange does not believe that Amendment No. 1 to 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

Written comments on Amendment No. 1 to the proposed rule change were neither solicited nor received.

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 Exchange consents, the Commission will:

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

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to the proposed rule change. 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, as amended, that are filed with the Commission, and all written communications relating to the proposed rule change, as amended, 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. 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-95-12 and should be submitted by April 5, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-35464; International Series Release No. 791; File No. SR-Phlx-95-03]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Customized Foreign Currency Options Transaction Size

March 9, 1995.

On January 17, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with 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 reduce the minimum transaction size for customized foreign currency options ("Customized FCOs") from 300 to 200 contracts. Notice of the proposed rule change appeared in the **Federal Register** on January 30, 1995.³ No comment letters were received on the proposed rule change. This order approves the Exchange's proposal.

On November 1, 1994, the Commission approved the Exchange's proposal to trade Customized FCOs.⁴ Presently, Phlx Rule 1069(a)(6) imposes a 300 contract minimum for opening Customized FCO transactions. The

Exchange represents that a number of midsized corporations and institutions have told the Exchange that the current minimum contract value is too large for their purposes. The Exchange, therefore, proposed to reduce the minimum opening transaction size for Customized FCO transactions to 200 contracts.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 in that the proposal is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, and to protect investors and the public interest. Specifically, the Commission believes that the proposed rule change is designed to make the Customized FCO market accessible to smaller corporate FCO users while maintaining the focus of this market towards institutional investors. As a result, the Commission believes that the proposal may serve to add liquidity to this market which would benefit all users of Customized FCO's.

Moreover, even with lowering the minimum opening transaction size to 200 contracts, the average value of an opening Customized FCO transaction will be approximately \$10 million.⁷ The Commission believes that this level is sufficient to ensure that Customized FCO market continues to be used almost exclusively by institutional investors. The Commission also notes that this dollar value is equivalent to the minimum opening transaction size that the Commission required in approving proposals by the American Stock Exchange,⁸ the Chicago Board Options Exchange,⁹ and the Pacific Stock Exchange¹⁰ for trading flexible exchange options ("FLEX Options"). As a result, the Commission believes that this proposal does not raise any regulatory concerns that were not adequately addressed by the Exchange when the

⁵ The Exchange represents that the average value of a 300 contract Customized FCO transaction, at prevailing exchange rates, is approximately \$15 million. Reducing the minimum opening transaction size to 200 contracts would still result in an average minimum transaction value of approximately \$10 million.

⁶ 15 U.S.C. 78(b)(5) (1988).

⁷ See *supra* note 5.

⁸ See Securities Exchange Act Release No. 32781 (August 20, 1993), 58 FR 45360 (August 27, 1993).

⁹ See Securities Exchange Act Release Nos. 32694 (July 29, 1993), 58 FR 41814 (August 5, 1993), and 31920 (February 24, 1993), 58 FR 12280 (March 3, 1993).

¹⁰ See Securities Exchange Act Release No. 34364 (July 13, 1994), 59 FR 36813 (July 19, 1994).

⁵ 15 U.S.C. 78f(b)(5) (1988).

⁶ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1992).

³ See Securities Exchange Act Release No. 35261 (January 23, 1995), 60 FR 5745 (January 30, 1995).

⁴ See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720 (November 8, 1994) ("Exchange Act Release No. 34925").