

reinstatement of the dress code. The PHLX notes that this waiver provision is similar to a provision enacted recently into PHLX Regulation 2, "Food, Liquids, and Beverages," regarding the ability of the floor committee chairperson to waive the general prohibition against food and beverages on the Exchange's trading floors.³

Accordingly, the PHLX believes that the proposal is consistent with Section 6(b) of the Act, in general, and, in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade by maintaining a decorous atmosphere on the Exchange's trading floor.

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

The PHLX 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 either solicited or received.

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

Because the foregoing rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) was provided to the Commission for its review at least five days prior to the filing date; and (4) does not become operative for 30 days after May 1, 1995, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder. In particular, the Commission believes that the proposal does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. 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, 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. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by May 31, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35677; International Series Release No. 808; File No. SR-Phlx-95-21]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to the Trading of Customized Foreign Currency Options on the Spanish Peseta

May 4, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on April 5, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 Phlx. 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 Phlx, pursuant to Rule 19b-4 of the Act, proposes to trade customized foreign currency options ("FCOs") on

the Spanish peseta. The text of the proposed rule change is available at the Office of the Secretary, the Phlx, 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 Phlx included statements concerning the purpose of and basis for the 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 Phlx 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 the Statutory Basis for, the Proposed Rule Change

Currently the Phlx offers listed FCOs on the British pound, French franc, Swiss franc, Japanese yen, Canadian dollar, Australian dollar, German mark and European Currency Unit. Since November 1994, the Exchange has offered the ability to trade "customized" FCOs on all of these currencies.¹ The Exchange now proposes to add the Spanish peseta to the list of approved currencies on which customized FCO's may be listed and traded pursuant to Exchange Rule 1069. Thus, there would be no continuously quoted series of Spanish peseta contracts. Rule 1069(a)(1) provides that customized FCOs may be traded on any approved underlying foreign currency pursuant to Exchange Rule 1009, so the Exchange proposes to amend Rule 1009 to add the Spanish peseta to the list of approved underlying foreign currencies.

The Exchange represents that the Spanish peseta accounts for a significant portion of the inter-bank foreign exchange market turnover. According to the Bank for International Settlements ("BIS"), the Spanish peseta represents the twelfth most active inter-bank currency traded against the U.S. dollar, accounting for 1.7% or more of inter-

¹ More specifically, customized FCOs provide investors with the ability, within specified limits, to trade FCOs with customized strike prices, cross-rate FCOs on any two approved currencies, and FCOs where the U.S. dollar is the underlying currency. In addition, FCO participants may express quotes for customized FCOs as a percentage of the underlying currency, in addition to quoting in terms of the base currency per unit of the underlying currency. See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720 (November 8, 1995) ("Exchange Act Release No. 34925).

³ See Securities Exchange Act Release No. 34249 (June 23, 1994), 59 FR 33565 (June 29, 1994) (order approving File No. SR-PHLX-94-13).

⁴ 17 CFR 200.30-3(a)(12) (1994).

bank trading.² Moreover, over 91% of the activity in the Spanish peseta is against either the U.S. dollar (64%) or the German mark (27%).³ The Spanish peseta is not pegged to a rate of exchange *vis a vis* the U.S. dollar. Further, the United States has substantial trade relations with Spain.

The Exchange represents that the initial and maintenance customer margin levels for the Spanish peseta will initially be set at 4%, which would cover 96.54% of all seven day price movements over the last two years.⁴ Pursuant to Rule 1069(a)(1)(B), users would be able to trade customized FCO's between the Spanish peseta and any other approved foreign currency. Currency pairs between the Spanish peseta and the Australian dollar and between the Spanish peseta and the Canadian dollar have exhibited a correlation of less than .25 over the preceding two year period and will be placed in Tier II under Exchange Rule 722, thereby requiring 6% margin.⁵ All other currency pairs involving the peseta would be placed in Tier I (4% margin required) because their correlations have exceeded .25.⁶

The contract size for the Spanish peseta would be 5,000,000 pesetas.⁷ The premiums will be quoted in thousandths of a cent per unit for U.S. dollar/Spanish peseta contracts and the minimum premium would be \$0. (0000) 01 per unit which equals \$5.00. Exchange Rule 1069(j)(1)(A) will be added to provide that, because the Exchange does to have continuously quoted FCOs on the Spanish peseta, there will be no quote spread parameters applicable to customized FCOs on the Spanish peseta.⁸

Consistent with the Phlx's other approved foreign currencies, Exchange

Rule 1033 will be amended to specify the bid and offer rules for customized FCOs based on the Spanish peseta. Similarly, Rule 1034 will be amended to provide that the Exchange will determine the minimum fractional change applicable to Spanish peseta customized FCOs.⁹

The Exchange believes that the foregoing rule change proposal is consistent with Section 6 of the Act, in general, and with Section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information, and facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, as well as to protect investors and the public interest by offering investors the ability to trade options on a major international currency in an auction market environment with all of the attendant protections as an alternative to trading it in the over-the-counter market.

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

The Phlx 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 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 self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

⁹ Specifically, the Exchange is proposing a minimum fractional change of \$0. (0000) 01 for Spanish peseta customized FCO's. Telephone conversation between Michele Weisbaum, Associate General Counsel, Phlx, and Brad Ritter, Senior Counsel, Office of Market Supervision, Division of Market Regulation, Commission, on May 4, 1995. The Commission notes that the Exchange may be required to submit a rule filing pursuant to Section 19(b) of the Act prior to altering this minimum fractional change level.

(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 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 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 Phlx. All submissions should refer to File No. SR-Phlx-95-21 and should be submitted by May 31, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35672; File No. SR-NYSE-95-16]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc., Relating to the Options Market Maker Exemption From the NASD Short Sale Bid Test for Certain Merger and Acquisition Securities

May 4, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 21, 1995, the New York Stock Exchange, Inc. ("NYSE" 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 NYSE. The Commission is publishing this notice to

¹⁰ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² See BIS Central Bank Survey of Foreign Exchange Market Activity in April 1992 (March 1993).

³ *Id.*

⁴ The Commission notes that the margin level review currently applicable to customized FCOs on the Exchange's existing approved foreign currencies will also apply to customized FCOs involving the Spanish peseta. See Exchange Act Release No. 34925, *Supra* note 1.

⁵ *Id.*

⁶ *Id.*

⁷ Based on an exchange rate of 126.6 Spanish pesetas/U.S. dollars on April 5, 1995, as published in the Wall Street Journal, this would correspond to an opening position for a Spanish peseta customized FCO transaction (*i.e.*, 200 contracts) valued at approximately \$7,900,000.

⁸ Pursuant to Exchange Rule 1069(j)(1), quote spread parameters for customized strike FCOs on approved foreign currencies are twice those provided in Rule 1014(c). Because the Phlx does not list regular FCOs on the Spanish peseta (and will not be able to list regular FCOs on the peseta pursuant to this proposal), no quote spread parameters for the peseta are specified in Rule 1014(c).