

represents a material change in the supply or demand for that security. For example, if the market in XYZ security is 20 bid to 20¼ offered, 1,000 shares bid and 1,000 shares offered, and the specialist receives an order to sell 10,000 shares at 20¼, the specialist would be expected to change the size of the offer to 11,000 shares as soon as he or she becomes aware of the order. If the quotation already reflects significant supply (demand), and the specialist receives an order that is relatively *de minimis* in relation to such supply (demand), the specialist may take a reasonable period of time, which should not generally exceed two minutes, before updating the quotation, so as to avoid constant revisions of quotations that do not reflect material changes in supply and demand. For example, if the market in XYZ security is 20 bid to 20¼ offered, 5,000 shares bid and 50,000 shares offered, and the specialist receives an order to sell 200 shares at 20¼, the specialist would be permitted to wait a reasonable period of time before changing the size of the offer to 50,200 shares.

Under exceptional circumstances, the specialist would not necessarily display the full quotation size. For example, as noted in Information Memo 94-32, when a member proposes to effect a block transaction at a significant premium or discount from the prevailing market and the specialist is aware of interest on the contra side, it may be more appropriate for the specialist and Floor Official(s) to gap the quotation in a security for a brief period, generally not exceeding five minutes, with a view toward contacting and/or attracting contra market interest. In such case, the bid or asked price should touch the prior sale price and reflect size of 100 shares by 100 shares. The same principles would also apply to a situation where there is a sudden influx of market orders on one side of the market which would be likely to result in a significant price change.

2. Statutory Basis

The basis under the Act for the proposed rule change is the requirement under Section 6(b)(5) that an Exchange have rules that are designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. The policy with respect to displaying full size of orders received by specialists enhances the purposes of the Act by assuring that accurate and complete information with respect to the current market on the

Exchange for any stock is available to market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such other 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 will also be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-95-17 and should be submitted by June 2, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-11774 Filed 5-11-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35680; File Nos. SR-Phlx-95-08, SR-Amex-95-12, SR-PSE-95-07, SR-CBOE-95-19, SR-NYSE-95-12]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Changes by the Philadelphia Stock Exchange, Inc., the American Stock Exchange, the Pacific Stock Exchange, Incorporated, the Chicago Board Options Exchange, Incorporated, and the New York Stock Exchange, to Adopt a 2½ Point Strike Price Pilot Program

May 5, 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 February 6, March 8, March 15, and March 22, 1995, respectively, the Philadelphia Stock Exchange, Inc. ("Phlx"), the American Stock Exchange ("Amex"), the Pacific Stock Exchange, Incorporated ("PSE"), the Chicago Board Options Exchange, Incorporated ("CBOE"), and the New York Stock Exchange ("NYSE") (collectively the "Exchanges") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes as described in Items I, II, and III below, which Items have been prepared by the Exchanges. Additionally, the Committee on Options Proposals ("COOP") filed a letter with the Commission endorsing the Exchanges' proposed rule changes.³ The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

The Exchanges propose to establish a pilot program, whereby the Exchanges may select a certain number of their listed options for inclusion in a twelve month pilot program for the listing of strike prices at 2½ point intervals.⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Michael Schwartz, Chairman, COOP, to Jonathan G. Katz, Secretary, Commission, dated April 5, 1995.

⁴ The Exchanges amended the original proposals to extend the pilot program, from six to twelve months. See Letters from Michael Pierson, Senior Attorney, PSE, dated March 24, 1995 ("PSE Amendment No. 1"), and Timothy Thompson,

Specifically, the CBOE proposes to adopt new Interpretation and Policy .07 to CBOE Rule 5.5, "Option Contracts Open for Trading." Similarly, the Phlx proposes to amend Phlx Rule 1012, "Series of Options Open for Trading," by adopting a new Commentary .05.⁵ The PSE proposes to amend PSE Rule 6.4, "Series of Options Open for Trading," by adopting a new Commentary .03. The NYSE proposes to amend NYSE Rule 703, "Series of Options for Trading," by amending Supplementary Material .30(d)(ii) and adopting a new Supplementary Material 0.30(f).⁶ The Amex proposes to list 2½ point strike prices pursuant to the pilot program in accordance with Amex Rule 903(a)(ii), "Series of Options Open for Trading." Equity options with strike prices between \$25 and \$50 would be eligible for the pilot program. The text of the proposed rule changes for each exchange is available at the Office of the Secretary, the Exchanges, and at the Commission.

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, the Exchanges included statements concerning the purpose of and basis for the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. The Exchanges have prepared

Attorney, CBOE, dated March 27, 1995 ("CBOE Amendment No. 1"), to John Ayanian, Attorney, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulations"), Commission, and Letters from Gerald O'Connell, First Vice President, Phlx, dated March 29, 1995 ("Phlx Amendment No. 2"), Clarie McGrath, Special Counsel, Amex, dated April 3, 1995 ("Amex Amendment No. 1"), and Daniel Parker Odell, Assistant Secretary, NYSE, dated March 29, 1995 ("NYSE Amendment No. 1"), to Michael Welinskas, Branch Chief, OMS, Market Regulation, Commission.

⁵The Phlx also proposes to codify the existing procedure for determining strike price intervals by stating that such intervals generally shall be \$2.50 or greater where the strike price is \$25 or less, \$5.00 or greater where the strike price is greater than \$25 but less than \$200, and \$10 or greater where the strike price is \$200 or more. See File No. SR-Phlx-95-08.

The Phlx submitted Amendment No. 1 on March 10, 1995 to add the phrase "or greater" to the last clause of the text of the above rule change to be consistent with CBOE Rule 5.5, Interpretation .01, in that strike price intervals may be \$10 "or greater" where the strike price is \$200 or more. See Letter from Gerald O'Connell, First Vice President, Phlx, to Michael Walinskas, Branch Chief, OMS, Market Regulation, Commission, dated March 10, 1995. ("Phlx Amendment No. 1").

⁶The NYSE submitted Amendment No. 1 on April 3, 1995 to amend, among other things, the text of proposed Supplementary Material .30(f) and .30(f)(i) to NYSE Rule 703 to list 2½ strike prices for 14 options, instead of 11 options as originally stated. See NYSE Amendment No. 1, *supra* note 3.

summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

The Exchanges have, as a result of a cooperative effort, submitted a joint proposal regarding the listing of 2½ point strike prices for selected equity options on a pilot basis. The pilot program would operate for a twelve-month period following implementation by the Exchanges. Currently, the Exchanges list strike prices for equity options at 5 point intervals, where the underlying stock is trading between \$25 and \$200.⁷

The Exchanges propose to list select options trading at a strike price greater than \$25 but less than \$50⁸ (*i.e.*, 27½, 32½, 37½, 42½ and 47½⁹ at 2½ point intervals. Pursuant to the pilot program, the Exchanges would be permitted to use such 2½ point strike price intervals for a joint total of up to 100 option issues. Each of the exchanges may select 10 options plus a percentage of the remaining 50 options equal to that exchange's pro rata share of the total number of equity options listed by the Exchanges.¹⁰

In addition, certain other conditions would apply to the pilot program. Listing 2½ point strike prices in selected options generally would be required for all expiration months on all participating exchanges, but not for long-term options (LEAPS).¹¹ If an

⁷See Securities Exchange Act Release No. 21985 (April 25, 1985), 50 FR 18595 (Approving File Nos. SR-Phlx-85-9 and SR-PSE-85-9, amending both exchanges' policies regarding strike price intervals to conform to those of the other options exchanges); see also Securities Exchange Act Release No. 21929 (April 10, 1985), 50 FR 15258 (April 17, 1985) (File Nos. SR-CBOE-85-1 and SR-Amex-85-6).

⁸Proposed NYSE Rule 703, Supplementary Material .30(f) states that select options may be listed at 2½ point strike price intervals "if the strike price for that series is greater than \$25.00, but is less than or equal to \$50.00." While the NYSE has proposed slightly different language to make the proposed rule consistent with other NYSE rules, the proposal allows for the listing of 2½ point strike prices at 27½, 32½, 37½, 42½ and 47½ in accordance with the terms of the pilot program. Telephone conversation between Gary Katz, Managing Director, Options and Index Products, NYSE, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on May 2, 1995.

⁹The applicable strike price codes will be Y 27½; Z 32½; U 37½; V 42½; and W 47½.

¹⁰The actual allotment of option issues for each exchange is as follows: CBOE (28), Amex (22), Phlx (18), PSE (18), and NYSE (14).

¹¹The NYSE states that it does not propose to require the listing of 2½ point strikes for all expiration months in selected option classes. Telephone conversation between Gary Katz, Managing Director, Options and Index Products,

exchange chooses a multiply-traded option for its allotment, any other exchange trading that option would also be allowed to list 2½ point strike prices without having such listing count toward the other exchange's allotted amount. The Exchanges have agreed that in the event more than one exchange simultaneously selects the same multiply-traded option, the Options Clearing Corporation ("OCC") would determine which exchange would be deemed to have selected the option. Such option would not count toward the other exchange's allotment.

In implementing the proposal, the Exchanges note that the pilot program effectively adds five additional strike prices to each of the applicable clauses of equity options, thereby creating a significant number of new strikes, including both puts and calls for all four listed expiration months.¹² The Exchanges believe that limiting the pilot program to 100 selected equity options is a reasonable alternative to adding 2½ point strike price intervals for all equity options trading at a strike price greater than \$25 but less than \$50. Further, the Exchanges believe that the allocated number of options limits the number of new strike prices while providing important investment opportunities for selected options.¹³

Further, the Exchanges believe that the addition of 2½ point strike price intervals will stimulate customer interest by creating greater trading opportunity and flexibility. The Exchanges believe that 2½ point strikes will provide customers the ability to more closely tailor investment strategies to the precise movement of the underlying security. The Exchanges also

NYSE, and John Ayanian, Attorney, OMS, Market Regulation, Commission, on May 4, 1995.

¹²The maximum number of allotted new strikes created as a result of this pilot program for each exchange is as follows: CBOE (1,120); Amex (880); Phlx (720); PSE (720); and NYSE (560). These figures do not include the new strikes created from multiply-traded options simultaneously selected by more than one exchange in accordance with the terms of the pilot program.

¹³The Amex notes in its proposal that certain low volatility stocks of highly capitalized companies usually trade in fairly narrow price ranges. Amex further notes that options on such stocks generally have limited trading activity since in-the-money options sell for little more than intrinsic value and out-of-the-money options yield little premium income to attract uncovered or covered writers. (See File No. SR-Amex-95-12).

The NYSE notes in its proposal that it anticipates selecting its allotment from among those options that overlie less volatile stocks. The NYSE believes that the market for options that overlie low volatility stocks will benefit from the pilot program because options series with strike prices that are closer to the price of the underlying stock will be available. Consequently, expanded options strategies will be available to investors. (See File No. SR-NYSE-95-12).

believe that an increase in customer interest will, in turn, enhance the depth and liquidity of the markets in the affected equity options.

The Exchanges believe that the proposed rule changes are consistent with Section 6 of the Act, in general, and further the objectives of Section 6(b)(5), in particular, in that they are designed to promote just and equitable principles of trade as well as to protect investors and the public interest.

(B) Self-Regulatory Organizations' Statement on Burden on Competition

The Exchanges do not believe that the proposed rule changes will impose any burden on competition.

(C) Self-Regulatory Organizations' Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others

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

III. Date of Effectiveness of the Proposed Rule Changes 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 changes, or

(B) Institute proceedings to determine whether the proposed rule changes 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, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchanges. All submissions should refer to File Nos. SR-Phlx-95-08, SR-Amex-95-12, SR-PSE-95-07, SR-CBOE-95-19, and SR-NYSE-95-12 and should be submitted by June 2, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,
Deputy Secretary.

[Investment Company Act Rel. No. 21045; 811-8170]

America's Utility Tax-Free Income Fund, Inc.; Notice of Application

May 5, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of Application for Deregistration Under the Investment Company Act of 1940 (the "Act").

APPLICANT: America's Utility Tax-Free Income Fund, Inc.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant seeks an order declaring that it has ceased to be an investment company.

FILING DATES: The application was filed on February 21, 1995 and amended on April 27, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on May 31, 1995, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 901 East Byrd Street, Richmond, Virginia 23219.

FOR FURTHER INFORMATION CONTACT: Marc Duffy, Senior Attorney, at (202) 942-0565, or C. David Messman, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

¹⁴ 17 CFR 200.30-3(a)(12).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is an open-end diversified management investment company organized under the laws of the State of Maryland. On November 29, 1993, applicant registered under section 8(b) of the Act and filed a registration statement under the Securities Act of 1933 (the "1933 Act"). The 1933 Act registration statement was never declared effective, and was withdrawn on October 6, 1994.

2. Applicant has never made, nor does it intend to make, a public offering of its securities. Applicant, however, sold 250,000 shares of its common stock for \$5 million to Dominion Resources, Inc. ("DRI") on January 26, 1994, and an additional 15,883 shares of common stock to DRI for \$316,670 on February 1, 1994. DRI is the sole shareholder of applicant.

3. At the time of filing this application, the assets of applicant consisted of portfolio securities of the types that applicant is permitted to invest in pursuant to its investment objective and fundamental investment policies. On March 31, 1995, the assets had a value of \$5,211,589. After receiving the order sought by this application, DRI intends to effect a merger of applicant with and into DRI or one of its consolidated subsidiaries. As a result, DRI would continue to own the assets of applicant without DRI having to recognize at this time a loss on its investment in applicant's common stock.

4. Applicant believes that after receiving the order sought by this application it could rely on the exception from the definition of "investment company" in section 3(c)(1) of the Act because applicant has never made a public offering of its securities and has never had more than one securityholder.¹

5. At the time of filing this application, applicant had no debts or other liabilities outstanding, nor was applicant a party to any litigation or administrative proceeding.

6. Applicant is not now engaged, nor does it intend to engage, in any business activities other than those necessary for the winding-up of its affairs by means

¹ Section 3(c)(1) excludes from the definition of "investment company" any issuer whose outstanding securities are beneficially owned by not more than 100 persons and which is not making, and does not propose to make, a public offering of its securities.