

require that the basket represents no less than 50% of the capitalization of a broad-based market index, and no less than 95% of the capitalization of a narrow-based index. The minimum charge for a non-high-cap index basket is proposed to be 7½%, and the Regulatory Circular will recognize that broker-dealers may utilize theoretical options pricing models and vendors of such information as approved from time to time by the Commission. If amended Rule 15c3-1 as finally adopted by the Commission differs from CBOE's Regulatory Circular, CBOE promptly will file an amendment to its Regulatory Circular to bring it into conformity with the Commission's Rule.

CBOE believes that the proposed Regulatory Circular, as proposed to be amended, is consistent with and furthers the objective of Section 6(b)(5) of the Securities Exchange Act of 1934 in that, by establishing a uniform haircut treatment applicable to all market maker positions, it will contribute to the protection of investors and the public interest.

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

CBOE does not believe that the proposed amendment to the rule change will impose any 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 the proposed amendment to the 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 self-regulatory organization 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 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 File No. SR-CBOE-94-53 and should be submitted by November 29, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-27991 Filed 11-13-95; 8:45 am]

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[Release No. 34-36460; File No. SR-Phlx-95-61]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to a Reduction of the Value of the Phlx National Over-the-Counter Index

November 6, 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 September 22, 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 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 Phlx, pursuant to Rule 19b-4 of the Act, proposes to reduce the value of

its National Over-the-Counter Index ("Index") option ("XOC") to one-half of its present value by doubling the divisor used in calculating the Index. The Index is a capitalization-weighted market index composed of the 100 largest capitalized stocks trading over-the-counter. The other contract specifications for the XOC remain unchanged.

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 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 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 Statutory Basis for, the Proposed Rule Change

The Phlx began trading the XOC in 1985.³ The Index was created with a value of 150 on its base date of September 28, 1984, which rose to 548 in June 1994, and to 700 in June 1995. On September 14, 1995, the Index value was 868. Thus, the value has increased significantly, especially during the last year. Consequently, the premium for XOC options has also risen.

As a result, the Phlx proposes to conduct a "two-for-one split" of the Index, such that the value will be reduced by one-half. The number of XOC contracts will be doubled, such that for each XOC contract currently held, the holder will receive two contracts at the reduced value, with a strike price of one-half the original strike price. For instance, the holder of an XOC 800 call will receive two XOC 400 calls. In addition to the strike price being reduced by one-half, the position and exercise limits applicable to the XOC will be doubled, from 17,000 contracts to 34,000 contracts until the last expiration then trading.⁴ Currently, the last expiration month trading in

³ See Securities Exchange Act Release Nos. 21576 (January 18, 1985), 50 FR 3445 (January 24, 1985); and 22044 (May 17, 1985), 50 FR 21532 (May 24, 1985) (File No. SR-Phlx-84-28).

⁴ Separately, the Exchange is proposing to increase the XOC position and exercise limits to 25,000 contracts. See SR-Phlx-95-38.

¹ 17 CFR 200.30-3(a)(12) (1994).

² 15 U.S.C. § 78s(b)(1) (1988).

³ 17 CFR 240.19b-4 (1994).

March 1996.⁵ This procedure is similar to that employed with equity options where the underlying security is subject to a two-for-one stock split, as well as the recent split of the Phlx's Semiconductor Index.⁶ The trading symbol will remain as XOC (plus any necessary wrap symbols).

In conjunction with the split, the Exchange will list strike prices surrounding the new, lower Index value, pursuant to Phlx Rule 1101A. The Phlx will announce the effective date by way of an Exchange memorandum to the membership, which will also serve as notice of the strike price and position limit changes.

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 \$1,200 per contract. With the Index split, the same option series (once adjusted), with all else remaining equal, could trade at approximately \$600 per contract. Thus, certain investors and traders may currently be impeded from trading at such levels. A reduced value should, therefore, encourage additional investor interest.

The Phlx believes that XOC options provide an important opportunity for investors to hedge and speculate upon the market risk associated with the underlying over-the-counter 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. This should attract additional investors, and, in turn, create a more active and liquid trading environment.

For these reasons, the Phlx believes that the proposed rule change is consistent with Section 6(b) of the Act in general, and with Section 6(b)(5) in particular,⁷ in that it is designed to promote just and equitable principles of trade, as well as to protect investors and the public interest. The Exchange believes that reducing the value of the Index does not raise manipulation concerns and will not cause adverse market impact, because the Exchange will continue to employ its surveillance procedures and has proposed an orderly procedure to achieve the Index split, including adequate prior notice to market participants.

⁵ The Exchange notes that following September expiration, June 1996 options are listed.

⁶ See Securities Exchange Act Release No. 35999 (July 20, 1995), 60 FR 38387 (July 26, 1995) (File No. SR-Phlx-95-41).

⁷ 15 U.S.C. § 78f(b)(5) (1988).

(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

The Phlx received one comment letter opposing the proposed rule change from a financial planner at Smith Barney Shearson.⁸ According to the commenter, one of the primary inducements to trading the XOC Index is its volatility. If the Index is split in half, however, the commenter believes that investors will be unnecessarily forced to trade twice as many contracts in order to maintain their current degree of leverage. The commenter also opposes the proposed rule change because he believes that splitting the Index will reduce its value to an inappropriately low level. The commenter also suggests alternative split levels (e.g., a 4 for 3 split, or a 3 for 2 split) as a less problematic approach. In this manner, according to the commenter, the Index will retain a greater percentage of its current value. Finally, the commenter suggests that the Exchange postpone the splitting of the Index to provide investors with a reasonable amount of time to adjust their positions as a result of 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 Phlx 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.,

⁸ See Letter from Barry J. Weisberg, Vice President, Smith Barney Shearson, to Andy Kolinsky, Vice President, Phlx, dated August 1, 1995.

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 Phlx. All submissions should refer to File No. SR-Phlx-95-61 and should be submitted by December 5, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-27993 Filed 11-13-95; 8:45 am]

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[Release No. 34-36461; File No. SR-Phlx-95-38]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to an Increase in Position and Exercise Limits on the Phlx National Over-the-Counter Index

November 6, 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 September 25, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities 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 Phlx, pursuant to Rule 19b-4 of the Act, proposes to increase the

⁹ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. § 78s (b)(1) (1988).

² 17 CFR 240.19b-4 (1994).