

evidencing such borrowings may not be prepayable, or that it may be prepaid with payment of a premium that is not in excess of the stated interest rate on the borrowing to be prepaid, which premium in the case of a note having a maturity of more than one year may thereafter decline to the date of the note's final maturity.

Borrowings will be at the lender's prevailing rate offered to corporate borrowers of similar quality. The rates will not exceed the prime rate or: (1) LIBOR plus up to $\frac{3}{4}$ of 1%; (2) the lender's certificate of deposit rate plus up to 1%; or (3) a rate not to exceed the prime rate to be established by bids obtained from the lenders prior to a proposed borrowing. However, with respect to borrowings with a maturity in excess of one year, the rate will not exceed the yield for a comparable maturity Treasury note plus 1%. Compensation for the credit facilities may be provided by fees of up to $\frac{1}{2}$ of 1% per annum of the unused amount of the facility.

Savannah also may effect short-term borrowings hereunder in connection with the financing of certain pollution control facilities through the issuance by public entities of their revenue bond anticipation notes. Under an agreement with each public entity, the entity would effectively loan to Savannah the proceeds of the sale of such revenue bond anticipation notes, having a maturity of not more than one year after date of issue, and Savannah may issue its non-negotiable promissory note therefor. The note would provide for payments to be made at times and in amounts which shall correspond to the payments with respect to the principal of, premium, if any, and interest, which shall not exceed the prime rate, on such revenue bond anticipation notes, whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise. Savannah requests that the Commission reserve jurisdiction over short-term borrowings for this purpose, pending completion of the record.

Savannah also proposes to issue and sell commercial paper to or through dealers from time-to-time prior to January 1, 2003. The commercial paper will be in the form of promissory notes with varying maturities not to exceed nine months. The commercial paper notes will be issued in denominations of not less than \$30,000 and will not by their terms be prepayable prior to maturity.

Pursuant to prior Commission orders dated March 31, 1992, November 30, 1993, February 16, 1994 and August 2,

1995 (HCAR Nos. 25507, 25932, 25989, and 26348, respectively), Savannah may effect short-term borrowings through April 1, 1996 ("Prior Authority"). Savannah proposes that the authorization sought in this matter would supersede and replace, with respect to Savannah, the Prior Authority effective immediately upon the date of the Commission's order.

The proceeds from the proposed borrowings will be used by Savannah for working capital purposes, including the financing in part of its construction program. None of the proceeds from any borrowing or from the sale of any of the notes will be used by Savannah, directly or indirectly, for the acquisition of any interest in an "exempt wholesale generator" or a "foreign utility company," as those terms are defined in sections 32 and 33 of the Act, respectively.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36852; File No. SR-Amex-95-38]

**Self-Regulatory Organizations;
American Stock Exchange, Inc.; Order
Approving Proposed Rule Change
Relating to Transactions in Currency
Warrants by Registered Options
Traders**

February 15, 1996.

On September 29, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to provide that proprietary transactions executed on the Amex in currency warrants shall be governed by, and effected in accordance with, Amex Rule 958 (Options Transactions of Registered Traders).

Notice of the proposed rule change was published for comment and appeared in the Federal Register on December 7, 1995.³ No comments were received on the proposal. This order approves the proposal.

¹ 15 U.S.C. § 78s(b)(1) (1988 & Supp. V 1993).

² 17 CFR § 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 36535 (Nov. 30, 1995), 60 FR 62911.

I. Description of the Proposal

The Amex proposes to amend Commentary .12 to Rule 111 (Restrictions on Registered Traders), Commentary .14 to Rule 114 (Registered Equity Market Makers) and Commentary .10 to Rule 958 (Options Transactions of Registered Traders) to provide that proprietary transactions executed on the Amex in currency warrants shall be governed by, and effected in accordance with, Rule 958.

In 1992, the Exchange amended its rules to permit regular members to register as a Registered Trader under Rule 958⁴ to engage in supplemental market making activity in stock index warrants and certain other non-options derivative products. The Exchange enacted these changes to conform its rules to those of other markets, and to provide additional liquidity to the market for the Exchange's Portfolio Depository Receipts and LOR SuperUnits. Due to the limited purpose of the 1992 rule changes, the Exchange did not seek at that time to extend this treatment to the trading of listed currency warrants by Registered Traders.

At present, the only traders (other than the assigned specialist) permitted to trade currency warrants on the Amex are Registered Equity Market Makers ("REMMs") under the Exchange's equity trading rules, pursuant to the provisions of Rule 114 (which includes applicable provisions of Rule 111). Under the proposed rule changes, regular members wishing to engage in supplemental market making activity in currency warrants could register as a Registered Trader under Rule 958 and be assigned the particular currency warrant requested ("assigned security"). Once registered under Rule 958, a ROT may trade the assigned security of his own account pursuant to the provisions of that Rule.

In contrast to REMMs trading pursuant to Rules 111 and 114, Rule 958 imposes continuous affirmative market making obligations upon Registered Traders.⁵ In particular, Rule 958(b) requires that Registered Trader transactions constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair

⁴ See Securities Exchange Act Release No. 30768 (June 2, 1992). A Registered Trader under Rule 958 is also referred to as a Registered Options Trade ("ROT").

⁵ Moreover, as with options and stock index warrants, the Exchange believes it is inappropriate to apply the stabilization requirements applicable to REMMs to market maker transactions in currency warrants (see Amex Rule 950, which excludes the application of Rules 111 and 114 to transactions in options).

and orderly market and that no Registered Trader should enter into transactions or make bids or offers that are inconsistent with such a course of dealings.⁶ In recognition of this, such market makers are designated as specialists on the Exchange for all purposes under the Act (See Rule 958, Commentary .01), and are entitled to good faith market maker margin with respect to transactions effected on the Amex trading floor in these assigned securities.⁷ The Exchange anticipates that application of Rule 958 requirements to supplemental Exchange market making by its members in currency warrants will encourage additional competition, thereby enhancing liquidity in such securities, and also eliminate an anomalous regulatory disparity between currency and stock index warrant trading.

II. Discussion

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).⁸ In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) requirement that the rules of an exchange be designed to promote just and equitable principles of trade and not to permit unfair discrimination between customers, issuers, brokers, and dealers. Because the proposed rule change would impose specialist obligations on Registered Traders as specialists for the purpose of trading currency warrants, the Commission also believes that the proposal is consistent with Section 11(b) and Rule 11b-1 under the Act, which provide that the rules of a national securities exchange may permit members to be registered as specialists, subject to the requirement of maintaining fair and orderly markets in their specialty securities.

The Commission notes that the proposed rule change will conform the treatment of currency warrants to that of stock index warrants and other non-options derivative products. As a result, Registered Traders that trade currency warrants on the Amex under Rule 958 will assume continuous affirmative and negative market making obligations and

be treated as specialists under the Act, including for margin purposes. This allows the extension and application of good faith margin treatment for such transactions, thereby helping to attract more market makers and liquidity in currency warrants. Furthermore, the stabilization requirements applicable to REMMs will not apply to a Registered Trader's transactions in currency warrants. Because of the duty imposed on Registered Traders that all such transactions must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, the Commission believes it is appropriate not to apply these provisions to Registered Traders. In this respect, the Commission notes that Amex Rule 127, Minimum Fractional Changes, will continue to apply to transactions in currency warrants as will Rule 958(c)(i), which addresses bid-ask differentials.

In summary, the Commission believes that the market making obligations of an ROT together with the extension of good faith margin could help to increase the depth and liquidity of the Amex currency warrant market.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-Amex-95-38) is approved.

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. 34-36851; File No. SR-CHX-96-05]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Acting as Agent for Members and Member Organizations

February 15, 1996.

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 February 7, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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 Exchange proposes to amend Article XXI, Rule 13 of the CHX's rules relating to the CHX acting as agent for certain persons.

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

In Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 (January 17, 1996) (File No. SR-CHX-95-27), the Commission approved a proposed rule change by the Exchange relating to its decision to withdraw from the clearance and settlement and securities depository businesses conducted by its subsidiaries, among other things. In Securities Exchange Act Release No. 36723 (January 16, 1996), 61 FR 1803 (January 23, 1996) (File No. SR-CHX-95-29), the Commission approved a proposed rule change by the Exchange making certain changes to its rules that were necessitated by its withdrawal from those businesses. One change related to the adoption of a new Article XXI, Rule 13 that permits the Exchange to act as agent on behalf of specialists, market makers, and floor brokers.¹ However, it has become apparent that the Exchange needs the flexibility to be able to provide this service to qualified non-floor members that are members of a Qualified Clearing Agency (as that term is defined in the

⁶ See also Rule 958(c) which, among other things, imposes additional requirements when a ROT is in the trading crowd to make competitive bids and offers as reasonably necessary to contribute to the maintenance of a fair and orderly market.

⁷ Market maker margin for certain off-floor initiated transactions may also be available. See Commentary .01 to Rule 958.

⁸ 15 U.S.C. § 78f(b)(5) (1982).

⁹ 15 U.S.C. § 78s(b)(2) (1988).

¹⁰ 17 CFR § 200.30-3(a)(12) (1994).

¹ Specifically, Article XXI, Rule 13 authorizes the Exchange to enter into agreements with specialists, market makers, or floor brokers to perform various functions on behalf of and as agent for them. Such functions may include making deposits or withdrawals from a bank account, borrowing securities, providing and keeping reports and records, and performing special cashing functions, among other things.