

qualify as eligible for equity options trading under Phlx Rule 1009.¹² Absent Commission approval, the Exchange will not increase to more than 15, nor decrease to fewer than 9, the number of stocks in the Index.

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)¹³ in that it is designed to prevent fraudulent and manipulative acts and practices, to help remove impediments to a free and open securities market and facilitate transactions in securities, while protecting investors and the public interest. Specifically, the Commission believes that adding to the XAU two relatively highly capitalized and actively traded precious metal mining stocks should result in the Index being more representative of the gold and silver mining industries.¹⁴ Moreover, the greater number of securities in the Index should reduce the potential for manipulation to the Index, which will serve to protect investors and the public interest.

With regard to the Exchange's proposed procedure for governing future replacements, additions or deletions of underlying stocks from the Index, the Commission finds that the procedure is appropriate and consistent with the Act. More specifically, the Phlx has undertaken to ensure that the XAU will satisfy the maintenance criteria set forth in Exchange Rule 1009A(c),¹⁵ governing certain narrow-based index options. As noted above, these criteria contain minimum numerical requirements for, among other things, trading volume and capitalization which will help to ensure that the components of the Index have sufficient depth and liquidity to accommodate options trading. Given that the Index is an industry index with

¹² The two new stocks proposed to be added herein both currently have overlying options being traded.

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ See note 8 *supra*.

¹⁵ The XAU contract, however, will not meet the requirement that the Index be A.M.-settled. See Amendment No. 1, *supra* note 3. The Commission continues to believe that basing the settlement of index products on opening, as opposed to closing, prices helps to alleviate stock market volatility on Expiration Fridays and the Commission encourages the Phlx to consider changing the XAU to an A.M.-settled index. Nevertheless, because options on the Index have been trading as P.M.-settled since inception of the Index, and because the Index is comprised of a small number of securities, the Commission is not at this time requiring the Phlx to make such a change.

relatively few components, the Commission believes that applying these maintenance criteria is an appropriate means of ensuring that the Index continues to reflect a bona fide narrow-based index. Additionally, the Commission concludes that the Phlx's proposal as a whole satisfies the Commission's request in the original Index Approval Order¹⁶ that the Exchange formulate a rule to govern replacements of stocks in the Index. Based on the above, the Commission believes this portion of the proposal will help to facilitate transactions in securities while protecting investors and the public interest.

The Commission finds good cause for approving Amendment No. 2 to the proposal prior to the thirtieth day after the date of publication of the notice of filing thereof in the Federal Register. Specifically, Amendment No. 2 merely removes one of the proposed Index stocks which, according to the Exchange, was not an accurate representative of the gold/silver mining industry. The amendment does not raise significant issues or otherwise materially impact the proposal. Indeed, the overall initial effect of the proposal is to increase the number of component stocks in the Index from 9 to 11, which, given the capitalization and trading history of the two additional components, strengthens the Index.

Based on the above, the Commission finds good cause for approving Amendment No. 2 to the proposed rule change on an accelerated basis and believes that the proposal, as amended, is consistent with Sections 6(b)(5) and 19(b)(2) of the Act.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 2. 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.,

¹⁶ See *supra* note 6.

Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to the File No. SR-Phlx-96-03 and should be submitted by July 17, 1996.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹⁷ that the proposed rule change (SR-Phlx-96-03), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF TRANSPORTATION

[Docket 37554]

Notice of Order Adjusting the Standard Foreign Fare Level Index

Section 41509(e) of Title 49 of the United States Code requires that the Department, as successor to the Civil Aeronautics Board, establish a Standard Foreign Fare Level (SFFL) by adjusting the SFFL base periodically by percentage changes in actual operating costs per available seat-mile (ASM). Order 80-2-69 established the first interim SFFL, and Order 96-3-61 established the currently effective two-month SFFL applicable through May 31, 1996.

In establishing the SFFL for the two-month period beginning June 1, 1996, we have projected non-fuel costs based on the year ended December 31, 1995 data, and have determined fuel prices on the basis of the latest available experienced monthly fuel cost levels as reported to the Department.

By Order 96-6-41 fares may be increased by the following adjustment factors over the October 1979 level:

Atlantic	1.4474
Latin America	1.5312
Pacific	1.5214

For Further Information Contact:
Keith A. Shangraw (202) 366-2439.

By the Department of Transportation.

Dated: June 20, 1996.

Patrick V. Murphy,
Deputy Assistant Secretary for Aviation and International Affairs.

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¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).