

5. Trend asserts that its investment advisory services are and will be developed and managed by Trend's chief investment officer, operations manager, or assistant portfolio manager (the "Investment Management Team").<sup>2</sup> Kommerstad is not, nor will be become, a member of the investment management team. He does not and will not serve in a policy-making role. He does not and will not participate in the management of Trend relating to providing investment advice to registered investment companies.<sup>3</sup> Kommerstad is not, and will not become, a member of Trend's board of directors and is not, and will not become, an officer of Trend.

6. Kommerstad is affiliated with Trend solely due to his status as an employee. He presently owns less than 5% of the outstanding voting securities of Trend. Kommerstad will not be permitted to own 5% or more of the outstanding voting securities, or otherwise become affiliated with Trend for any reason other than employment, absent any future relief that may specifically cover affiliations other than employment.

7. Trend believes, for the reasons stated above, that the section 9(a) prohibitions regarding the Injunction would be unduly or disproportionately severe and Kommerstad's conduct was not such as to make it against the public interest or protection of investors for the SEC to grant the requested relief.

#### Applicant's Condition

Applicant agrees that any order granted by the SEC pursuant to the application will be subject to the following conditions:

Neither Trend, nor any affiliated person of Trend relying upon the relief granted pursuant to the application, will employ Kommerstad in any capacity related directly to the provision of investment advice to, or acting as depositor of, any registered investment company, or to acting as principal underwriter for any registered open-end company, registered unit investment trust, or registered face amount certificate company.

<sup>2</sup> Currently, Thomas G. Fox serves as chief investment officer, Darrel R. Lynn serves as operations manager, and Wayne R. Eskew serves as assistant portfolio manager.

<sup>3</sup> If, in the future, Kommerstad's marketing and sales efforts for Trend bring him into contact with a prospective client that is a registered investment company, Kommerstad immediately will refrain from developing the registered investment company as a client and will refer the prospective client to Trend. Kommerstad will not be compensated, directly or indirectly, for such referrals.

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

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-16453 Filed 6-26-96; 8:45 am]

BILLING CODE 8010-01-M

#### [Investment Company Act Release No. 22036; 811-6689]

#### Van Eck Trust; Notice of Application

June 21, 1996.

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

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

**APPLICANT:** Van Eck Trust.

**RELEVANT ACT SECTION:** Section 8(f).

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

**FILING DATE:** The application was filed on May 14, 1996, and amended on June 14, 1996.

**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 July 16, 1996, and should be accompanied by proof of service on the 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 may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 99 Park Avenue, New York, New York 10016.

**FOR FURTHER INFORMATION CONTACT:** Diane L. Titus, Paralegal Specialist, at (202) 942-0584, or Alison E. Baur, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**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, non-diversified management investment company organized as a Massachusetts business trust. Applicant is a "feeder"

fund in a "master/feeder fund" complex and is composed of two series: Short-term World Income Fund—Class A and Class B.

2. On June 1, 1992, applicant registered under the Act and filed a registration statement on Form N-1A. No registration was filed under the Securities Act of 1933 ("Securities Act") because applicant's beneficial interests were issued solely in private placement transactions that did not involve any public offering within the meaning of section 4(2) of the Securities Act. All of applicant's investors were "accredited investors" within the meaning of Regulation D under the Securities Act. Applicant's beneficial interests were never offered to the public.

3. Applicant's board of trustees determined that it was in the best interest of shareholders to liquidate its Class A and Class B shares, after being informed by Van Eck Associates Corporation, applicant's adviser ("Adviser") that it no longer planned to reimburse applicant's expenses. On November 23, 1993, the board approved a plan of liquidation.

4. Proxy materials were filed with the SEC and mailed to shareholders for a shareholders meeting held on December 27, 1993. Applicant's shareholders approved the liquidation plan at the meeting.

5. On December 30, 1993, applicant redeemed the units held in Short-term World Income Fund Class A and Class B and satisfied its known obligations. On December 31, 1993, the liquidation value was distributed in cash to the Class A and B shareholders. The liquidation value was determined in the same manner as the Fund's net asset value.

6. All expenses incurred in connection with the liquidation were absorbed by the Adviser. No brokerage commissions were paid in connection with the liquidation.

7. Applicant has no security holders, liabilities or assets. Applicant is not a party to any litigation or administrative proceeding. Applicant is not now engaged, nor does it propose to engage, in any business activities other than those necessary for the winding up of its affairs.

8. Applicant will file a Certificate of Dissolution and other appropriate documentation in Massachusetts, as required by Massachusetts law.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-16454 Filed 6-26-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37336; File No. SR-Amex-95-57]

**Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 2 and 3 to the Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Listing of Flexible Exchange Options on Specified Equity Securities**

June 19, 1996.

**I. Introduction**

On December 26, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed a proposed rule change with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> to provide for the listing and trading of Flexible Exchange Options ("FLEX Options") on specified equity securities ("FLEX Equity Options"). The Amex submitted to the Commission Amendment No. 1 to its proposal on March 18, 1996.<sup>3</sup>

Notice of proposal, as amended, was published for comment and appeared in the Federal Register on April 8, 1996.<sup>4</sup> The Amex submitted to the Commission Amendment No. 2 to its proposal on April 15, 1996.<sup>5</sup> The Amex submitted to

the Commission Amendment No. 3 to the Commission on June 19, 1996.<sup>6</sup> No comment letters were received on the proposed rule change. This order approves the Exchange's proposal, as amended.

**II. Background**

The purpose of the Exchange's proposal is to provide a framework for the Exchange to list and trade equity options that give investors the ability, within specified limits, to designate certain of the terms of the options. In recent years, an over-the-counter ("OTC") market in customized equity options has developed which permits participants to designate the basic terms of the options, including size, term to expiration, exercise style, exercise price, and exercise settlement value, in order to meet their individual investment needs. Participants in this OTC market are typically institutional investors, who buy and sell options in large-size transactions through a relatively small number of securities dealers. To compete with this growing OTC market in customized equity options, the Exchange propose to expand its FLEX Options rules<sup>7</sup> to permit the introduction of trading in FLEX Options on specified equity securities that satisfy the Exchange's listing standards for equity options. The Exchange's proposal will allow FLEX Equity Option market participants to designate the following contract terms: (1) Exercise price; (2) exercise style (i.e., American,<sup>8</sup> European,<sup>9</sup> or capped<sup>10</sup>); (3) expiration date;<sup>11</sup> and (4) option type (put, call, or spread).

Currently, the Amex can list and trade FLEX Options on several broad-based market indexes composed of equity

securities ("FLEX Index Options").<sup>12</sup> The Exchange believes that FLEX Equity Options will further broaden the base of institutional investors that use FLEX Options to manage their trading and investment risk.

For the most part, the Exchange represents that its current rules governing FLEX Index Options will apply to FLEX Equity Options. Certain changes to the Exchange's existing FLEX Options rules, however, are proposed to address the special characteristics of FLEX Equity Options. Specifically, the Exchange proposes to add several new definitions to accommodate the introduction of trading in FLEX Equity Options,<sup>13</sup> and to revise certain other rules governing FLEX Options and their trading, as described below.

As with FLEX Index Options, The Options Clearing Corporation ("OCC") will be the issuer and guarantor of all FLEX Equity Options. Similarly, as with FLEX Index Options, the Commission has designated FLEX Equity Options as standardized options for purposes of the options disclosure framework established under Rule 9b-1 of the Act.<sup>14</sup>

**III. Description of the Proposal**

The Exchange proposes to revise its rules concerning the terms of FLEX Options to make specific reference to FLEX Equity Options.<sup>15</sup> In particular, FLEX Option transactions will be limited to transactions in options on underlying securities that have been approved by the Exchange in accordance with Rule 915.<sup>16</sup> Additionally, FLEX Equity Options will have (1) a maximum term of three years, (2) a minimum size of 250 contracts for an opening transaction in a new series, and (3) a minimum size of 100 contracts for

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1 to its proposed rule change, the Amex proposes: (1) Position and exercise limits for FLEX Equity Options that are three times the limits for Non-FLEX Equity Options; (2) crossing procedures and a guaranteed minimum right of participation for a Submitting Member seeking to cross a public customer FLEX Equity Option order; and (3) settlement of FLEX Index Options in designated foreign currencies, in addition to U.S. dollars as currently provided. See Letter from Claire McGrath, Special Counsel, Derivatives Securities, to Michael Walinskas, Special Counsel, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulation"), Commission, dated March 14, 1996. ("Amendment No. 1").

<sup>4</sup> See Securities Exchange Act Release No. 37053 (March 29, 1996), 61 FR 15537.

<sup>5</sup> In Amendment No. 2, the Exchange proposes to: (1) Include a reference to the specific indexes approved for FLEX Options trading in Rules 903G(a)(2)(i) and 906G(a); (2) revise Amendment No. 1 regarding the proposed guaranteed minimum right of participation for a Submitting Member seeking to cross a public customer FLEX Equity Option order, such that the Submitting Member will be permitted to execute the contra side of the trade that is the subject of the Request for Quotes, to the extent of at least 25% of the trade under specific circumstances; and (3) include subparagraph (c) to Rule 909G so that FLEX Equity Options specialists shall comply with Rules 171 and 950(h) regarding equity option specialist's financial requirements. See Letter from Claire McGrath, Special Counsel, Derivatives Securities, Amex, to Michael Walinskas, Special Counsel, OMS, Market Regulation,

Commission, dated April 15, 1996 ("Amendment No. 2").

<sup>6</sup> In Amendment No. 3, the Amex proposes to amend Rule 903G(a)(3) to make it clear that bids and offers responsive to FLEX Requests for Quotes must be stated in terms of the designated currency in the Request for Quotes. See Letter from Claire McGrath, Special Counsel, Amex, to John Ayanian, Attorney, OMS, Market Regulation, Commission, dated June 19, 1996 ("Amendment No. 3").

<sup>7</sup> See Amex Rules 900G through 909G.

<sup>8</sup> An American-style equity option is one that may be exercised at any time on or before the expiration date.

<sup>9</sup> A European-style equity option is one that may be exercised only during a limited period of time prior to expiration of the option.

<sup>10</sup> A capped-style equity option is one that is exercised automatically prior to expiration when the cap price is less than or equal to the closing price of the underlying security for calls or when the cap price is greater than or equal to the closing price of the underlying security for puts.

<sup>11</sup> The proposal, however, requires that the expiration date of a FLEX Equity Option may not fall on a day that is on, or within two business days of the expiration date of a Non-FLEX Equity Option.

<sup>12</sup> See Securities Exchange Act Release Nos. 32781 (August 20, 1993), 58 FR 45360 (August 27, 1993) (order approving the trading of FLEX Index Options on the Major Market, Institutional, and S&P MidCap Indexes), and 33262 (December 1, 1993), 58 FR 64622 (December 8, 1993) (order approving the trading of FLEX Index Options on the Japan Index).

<sup>13</sup> In addition to the term FLEX Equity Options, the proposal also defines the terms "FLEX Index Options," "Non-FLEX Options," and "Non-FLEX Equity Option." See Amex Rule 900G.

<sup>14</sup> See Securities Exchange Act Release No. 31910 (February 23, 1993), 58 FR 12056 (March 2, 1993) ("9b-1 Order"). As described in Section V *infra*, and for the same reasons stated in the 9b-1 Order, FLEX Equity Options are deemed "standardized options" for purposes of the Rule 9b-1 options disclosure framework.

<sup>15</sup> See Amex Rule 903G.

<sup>16</sup> Amex Rule 915 contains initial listing standards for a security to be eligible for options trading. The Exchange proposes to be able to trade FLEX Options on any options-eligible security regardless of whether standardized Non-FLEX options overlie that security, and regardless of whether such Non-FLEX options trade on the Exchange.

an opening or closing transaction in a series in which there is already open interest (or any lesser amount in a closing transaction that represents the remaining underlying size). The minimum value size for FLEX Quotes<sup>17</sup> in response to a Request for Quotes<sup>18</sup> in FLEX Equity Options is the lesser of 100 contracts or the remaining underlying size in a closing transaction.

The Exchange also proposes to allow exercise prices and premiums for FLEX Equity Options to be stated in dollar amounts or percentages, with premiums rounded to the nearest minimum tick and exercise prices rounded to the nearest one-eighth. The exercise of FLEX Equity Options will be by physical delivery of the underlying security, and the exercise-by-exception procedures of OCC will apply.<sup>19</sup>

The trading procedures applicable to FLEX Equity Options will be subject to many of the same rules that apply to equity options traded on the Exchange, and are similar to those that apply to FLEX Index Options. In particular, FLEX registered specialists are obligated to respond to a Request for Quotes in respect of FLEX Equity Options as they are with FLEX Index Options. Financial requirements for FLEX Equity Option registered specialists, however, differ from those imposed upon FLEX Index Option registered specialists. FLEX Index Option registered specialists are required to maintain at least \$1 million net liquidating equity and/or \$1 million net capital, as applicable.<sup>20</sup> FLEX Equity Option registered specialists must maintain a cash or liquid asset position in the amount of \$600,000 or in an amount sufficient to assume a position of sixty option contracts of each class of FLEX Equity options in which such specialist is registered, whichever amount is greater.<sup>21</sup>

The Exchange represents that the rules governing priority of bids and offers for FLEX Equity Options are also similar to those that apply to FLEX Index Options, except that in the case of FLEX Equity Options, a guaranteed minimum right of participation is provided to an Exchange member that initiates a Request for Quotes and

indicates an intention to cross or act as principal on the trade.<sup>22</sup> The proposed rule change would provide that a member who submits a Request for Quotes in respect of a FLEX Equity Option and indicates an intention to cross or act as principal on the trade, and who matches or improves the BBO during the BBO Improvement Interval, has a priority right to execute the contra side of the trade for at least twenty-five percent (25%) of the trade.<sup>23</sup>

The Exchange is proposing position limits and exercise limits for FLEX Equity Options that are larger than the limits applicable to Non-FLEX Equity Options for the same reasons that the position and exercise limits for FLEX Index Options are larger than those applicable to Non-FLEX Index Options. The limits have been set at three times the limit applicable to Non-FLEX Equity Options. Position and exercise limits for FLEX Equity Options are set forth below as compared to existing limits for Non-FLEX Equity Options on the same underlying security.<sup>24</sup>

Non-FLEX equity position limit	FLEX equity position limit
4,500 contracts .....	13,500 contracts.
7,500 contracts .....	22,500 contracts.
10,500 contracts .....	31,500 contracts.
20,000 contracts .....	60,000 contracts.
25,000 contracts .....	75,000 contracts.

The applicable position and exercise limit tiers for Non-FLEX Equity Options are based on the number of outstanding shares and trading volume of the underlying security.<sup>25</sup> This proposal does not alter the applicable tier criteria set forth in the Equity Option Position Limit Approval Orders.

As is currently the case for FLEX Index Options, it is proposed that there will be no aggregation of positions or exercises in FLEX Equity Options with positions or exercises in Non-FLEX Equity Options for purposes of the limits.

The Exchange also proposes to provide that the expiration date of a FLEX Equity Option may not occur on a day that falls on, or within, two business days of the expiration date of a Non-FLEX Equity Option. This is intended to eliminate the possibility that the exercise of FLEX Equity

Options at expiration will cause any untoward pressure on the market for an underlying security at the same time as Non-FLEX Equity Options expire. The Exchange proposes that this change will also apply to FLEX Index Options.<sup>26</sup>

The Exchange also proposes to amend FLEX Index Option rules to conform to certain rules currently in place at the Chicago Board Options Exchange, Inc.<sup>27</sup> Specifically, the Exchange proposes to amend its rules to provide for the trading and settlement of FLEX Index Options in select foreign currencies. Currently, FLEX Index Options trade and settle in U.S. dollars only. The Exchange now proposes to trade and settle FLEX Index Options in Canadian Dollars, British Pounds, Japanese Yen, Deutsche Marks, Swiss Francs, French Francs, or European Currency Units. The Exchange believes that this change will increase the utility and, thus, the attractiveness of FLEX Index Options, which in turn should broaden the base of domestic and international institutional investors that use exchange-traded FLEX Index Options to manage their trading and investment risk.

The Exchange believes the proposed rule change will improve the efficiency and transparency of the equity option markets and the markets in the underlying equities, and bring transactions which are currently subject to little or no regulatory oversight under a regulatory framework that is fully consistent with the regulation of common stock trading and reporting.

#### IV. Discussion

The Commission finds that the proposals are 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 Sections 6(b)(5)<sup>28</sup> and 11A<sup>29</sup> of the Act. Specifically, the Commission finds that the Exchange's proposal is designed to provide investors with a tailored or customized product for eligible equity options that may be more suitable to their investment needs. Moreover, consistent with Section 11(a), the proposal should encourage fair competition among brokers and dealers and exchange markets, by allowing the Exchange to compete with the growing

<sup>17</sup> See Amex Rule 900G(b)(4).

<sup>18</sup> See Amex Rule 900(b)(3).

<sup>19</sup> OCC Rule 805 provides for automatic exercise of in-the-money options at expiration without the submission of an exercise notice to the OCC if the price of the security underlying the option is at or above a certain price (for calls) or at or below a certain price (for puts); and the non-exercise of an option at expiration if the price of the security underlying the option does not satisfy such price levels. See OCC Rule 805.

<sup>20</sup> See Amex Rule 909G(a).

<sup>21</sup> See Amex Rule 909G(c). See also Amendment No. 2, *supra* note 5.

<sup>22</sup> See Amex Rule 904G(e)(iii).

<sup>23</sup> See Amendment No. 1, *supra* note 3.

<sup>24</sup> See Amendment No. 1, *supra* note 3.

<sup>25</sup> See Securities Exchange Act Release Nos. 36409 (October 23, 1995), 60 FR 55399 (October 31, 1995) (File Nos. SR-NYSE-95-31; SR-PSE-95-25; SR-Amex-95-42; and SR-Phlx-95-71); and 36371 (October 13, 1995), 60 FR 54269 (October 20, 1995) (File No. SR-CBOE-95-42) (Collectively the "Equity Option Position Limit Approval Orders").

<sup>26</sup> The Exchange currently provides that the expiration date of a FLEX Index Option may not occur during this time period. The proposed rule change merely clarifies this requirement.

<sup>27</sup> See Securities Exchange Act Release No. 34203 (June 13, 1994), 59 FR 31658 (June 20, 1994) (File No. SR-CBOE-93-33).

<sup>28</sup> 15 U.S.C. 78f(b)(5).

<sup>29</sup> 15 U.S.C. 78k-1.

OTC market in customized equity options.

The Commission believes the Exchange's proposal reasonably addresses its desire to meet the demands of sophisticated portfolio managers and other institutional investors who are increasingly using the OTC market in order to satisfy their hedging needs. Additionally, the Commission believes that the Exchange's proposal will help promote the maintenance of a fair and orderly market, consistent with Sections 6(b)(5) and 11(a) of the Act, because the purpose of the proposal is to extend the benefits of a listed, exchange market to equity options that are more flexible than current listed equity options and that currently trade OTC. The benefits of the Exchange's options market include, but are not limited to, a centralized market center, an auction market with posted transparent market quotations and transaction reporting, parameters and procedures for clearance and settlement, and the guarantee of OCC for all contracts traded on the Exchange.

As indicated above, the trading procedures applicable to FLEX Equity Options will be subject to many of the same rules that apply to equity options traded on the Exchange, and are similar to those that apply to FLEX Index Options. The Commission believes the Exchange's trading procedures for FLEX Equity Options are reasonably designed to provide some of the benefits of an Exchange auction market along with features of a negotiated transaction between investors. In approving the proposal, the Commission recognizes that the Exchange's proposed FLEX Equity Option trading program will allow the trading of option contracts of substantial value, for which continuous quotations may be difficult to sustain. The Commission believes that the Exchange has adequately addressed these concerns by establishing procedures for quotes upon request, which must be firm for a designated period of time and which will be disseminated through the Options Price Reporting Authority ("OPRA").

Additionally, the Commission believes that the Exchange's proposal to provide a minimum right of participation of at least 25% of the trade to Exchange members who initiate Requests for Quotes in respect of FLEX Equity Options and indicate an intention to cross or act as principal on the trade, is consistent with the Act. In addition, under Amex rules, such transactions must, in all cases, be in compliance with the priority, parity, and precedence requirements of Section

11(a) of the Act,<sup>30</sup> and Rule 11a1-1(T)<sup>31</sup> promulgated thereunder. These provisions set forth, among other things, the conditions in which members must yield priority to public customers' bids and offers at the same price.

The Commission believes that market impact concerns are reduced for FLEX Equity Options because expiration of these equity options will not correspond to the normal expiration of Non-FLEX Equity Options, will never expire on any "Expiration Friday." More specifically, the expiration date of a FLEX Option may not occur on a day that is on, or within, two business days of the expiration date of a Non-FLEX Option. The Commission believes that this should reduce the possibility that the exercise of FLEX Options at expiration will cause any additional pressure on the market for underlying securities at the same time that Non-FLEX Options expire.

Nevertheless, because the position limits for FLEX Equity Options are much higher than those currently existing for outstanding exchange-traded equity options and open interest in one or more FLEX Equity Option series could grow to significant levels, it is possible that FLEX Equity Options might have an impact on the securities markets for the securities underlying FLEX Equity Options. The Commission expects the Exchange to monitor the actual effect of FLEX Equity Options once trading commences and take prompt action (including timely communication with the self-regulatory organizations responsible for oversight of trading in the underlying securities) should any unusual market effects develop.

The Exchange represents that FLEX Equity Options will allow them to compete with OTC markets and help meet the demand for customized equity options products by institutional investors. The minimum value sizes for opening transactions in FLEX Equity Options are designed to appeal to institutional investors, and it is unlikely that most retail investors would be able to engage in options transactions at that size. Nevertheless, the FLEX Equity Options minimum size is much smaller than that for FLEX Index Options. Accordingly, the Commission requests that the Exchange monitor the comparative levels of institutional and retail investor open interest in FLEX Equity Options for one year from the commencement of its FLEX Equity Option trading program, and provide a

report to the Commission's Division of Market Regulation with its findings.

The Commission notes that effective surveillance guidelines are essential to ensure that the Exchange has the capacity to adequately monitor trading in FLEX Equity Options for potential trading abuses. The Commission's staff has reviewed Amex's surveillance program and believes it provides a reasonable framework in which to monitor the trading of FLEX Equity Options on its trading floor and detect as well as deter manipulation activity and other trading abuses.

In order to ensure adequate systems processing capacity to accommodate the additional options listed in accordance with the FLEX Equity Options program, OPRA has concluded that the additional traffic generated by FLEX Equity Options traded on the Amex is within OPRA's capacity.<sup>32</sup>

Finally, the Commission believes that the Amex's proposal to expand the list of variable FLEX Index Option contract terms to include certain designated foreign currencies is a reasonable response by the Exchange to meet the demands of sophisticated portfolio managers and other institutional investors. Additionally, the Commission believes that the Amex's proposal will help to promote the maintenance of a fair and orderly market because it extends the benefits of a listed exchange market to FLEX Index Options that trade and settle in certain designated foreign currencies.

The Commission believes that investors should benefit from the additional flexibility by permitting them to designate quotation and settlement terms in various foreign currencies while continuing to ensure adequate investor protection the trading of these products. The potential risk of settling FLEX Options in foreign currencies rather than U.S. dollars is also disclosed in the ODD pursuant to Rule 9b-1 of the Act.<sup>33</sup>

The Commission finds good cause for approving Amendment No. 2 prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. Specifically, this amendment proposes to: (1) Include a reference to the specific indexes approved for FLEX Options trading in Rules 903G(a)(2)(i) and 906G(a); (2) revise Amendment No. 1 regarding the proposed guaranteed minimum right of participation for a Submitting Member

<sup>32</sup> See Letter from Joe Corrigan, Executive Director, OPRA, to Michael Walinskas, Special Counsel, OMS, Market Regulation, Commission, dated April 19, 1996 ("OPRA Capacity Letter").

<sup>33</sup> See Securities Exchange Act Release No. 33582 (February, 1994).

<sup>30</sup> 15 U.S.C. 78k(a).

<sup>31</sup> 17 CFR 240.11a1-1(T).

seeking to cross a public customer FLEX Equity Option order, such that the Submitting Member will be permitted to execute the contra side of the trade that is the subject of the Request for Quotes, to the extent of at least 25% of the trade under specific circumstances; and (3) include subparagraph (c) to Rule 909G to indicate the FLEX Equity Options specialists must comply with Rules 171 and 950(h) regarding equity option specialist's financial requirements. The Commission does not believe that the amendments raise any new or unique regulatory issues. These amendments also strengthen the proposal by clarifying certain crossing transaction procedures and specialists financial requirements as described above. Accordingly, the Commission believes, consistent with Section 6(b)(5) of the Act, that good cause exists, to approve Amendment No. 2 to the proposal on an accelerated basis.

The Commission finds good cause for approving Amendment No. 3 prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. Specifically, this amendment proposes to amend Rule 903G(a)(3) to make it clear that bids and offers responsive to FLEX Requests for Quotes must be stated in terms of the designated currency in the Request for Quotes. The Commission notes that the proposed amendment conforms Amex's rules to CBOE's rules regarding the trading and settlement of FLEX Index Options in certain designated foreign currencies. The Commission does not believe that the amendment raises any new or unique regulatory issues. Accordingly, the Commission believes, consistent with Section 6(b)(5) of the Act, that good cause exists, to approve Amendment No. 2 to the proposal on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 2 and 3 to the proposed rule change. 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 Exchange. All submissions should refer to SR-Amex-95-57 and should be submitted by July 18, 1996.

#### V. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and Sections 6 and 11(a) of the Act in particular. In addition, the Commission finds pursuant to Rule 9b-1 under the Act, that FLEX Options, including FLEX Equity Options, and FLEX Index Options traded and settled in certain designated foreign currencies, are standardized options for purposes of the options disclosure framework established under Rule 9b-1 of the Act.<sup>34</sup> Apart from the flexibility with respect to strike prices, expiration dates, exercise styles, and settlement (for FLEX Index Options), all of the other terms of FLEX Options are standardized pursuant to OCC and Amex rules. Standardized terms include matters such as exercise procedures, contract adjustments, time of issuance, effect of closing transactions, restrictions on exercise under OCC rules, margin requirements, and other matters pertaining to the rights and obligations of holders and writers.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>35</sup> that the proposal (File No. SR-Amex-95-57), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>36</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-16367 Filed 6-26-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37337; File No. SR-CBOE-96-20]

#### Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Chicago Board Options Exchange, Incorporated, Relating to FLEX Equity Options

June 19, 1996.

#### I. Introduction

On March 18, 1996, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed a proposed rule change with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> to amend certain rules pertaining to FLEX Equity Options.

Notice of the proposal was published for comment and appeared in the Federal Register on April 8, 1996.<sup>3</sup> No comment letters were received on the proposed rule change. This order approves the Exchange's proposal.

#### II. Description of the Proposal

The Exchange proposes to amend two rules pertaining to FLEX Equity Options. First, the Exchange proposes to amend Interpretation and Policy .05 under Exchange Rule 5.5 in order to provide that new series of FLEX Equity Options may be opened during the month in which they will expire, so long as options of that series expire no earlier than the day following the day the series is added. The Exchange believes that this will provide maximum flexibility to users of FLEX Equity Options, while avoiding the administrative costs that would be associated with options that expire on the day they are issued.

Second, the Exchange proposes to amend Rule 24A.5(e) in order to provide a minimum right of participation to Exchange members who initiate Requests for Quotes in respect of FLEX Equity Options and indicate an intention to cross or act as principal on the trade, similar to the right of participation that applies under existing Exchange rules in respect of FLEX Index Options. Under existing Rule 24A.5(e)(iii), a member who submits a Request for Quotes in respect of a FLEX Index Option and indicates an intention to cross or act as principal on the trade, and who matches the current best bid or offer ("BBO") during the BBO

<sup>34</sup> 17 CFR 240.9b-1(a)(4). As part of the original approval process of the FLEX Options framework, the Commission delegated to the Director of the Division of Market Regulation the authority to authorize the issuance of orders designating securities as "standardized options" pursuant to Rule 9b-1(a)(4) under the Act. See Securities Exchange Act Release No. 31911 (February 23, 1993), 58 FR 11792 (March 1, 1993).

<sup>35</sup> 15 U.S.C. 78s(b)(2).

<sup>36</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 37051 (March 29, 1996), 61 FR 15543.