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PUBLIC PARTICIPATION: Interested persons may make oral presentations to the Panel or file written statements. Requests for oral presentations should be made to the contact person listed below as far in advance as practicable so that appropriate arrangements can be made.

Dated: February 27, 1995.

Andrew L. Bates,

Advisory Committee Management Officer.

[FR Doc. 95-5248 Filed 3-2-95; 8:45 am]

BILLING CODE 7590-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-35420; International Series Release No. 787; File No. SR-Phlx-95-06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to British Pound Strike Price Intervals

February 27, 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 January 30, 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 Exchange. 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 revise its strike price policy respecting foreign currency options on the British pound by changing from a \$.025 interval to a \$.01 interval in the nearest three expiration months and \$.02 in the next three nearest expiration months. In addition to reducing the strike price interval from 2½ cents to 1 and 2 cents, the Exchange also proposes to reduce the strike price interval for long-term British pound options, which have 12 to 36 months until expiration,³ from \$.05

to \$.04. The strike price interval applicable to long-term foreign currency options is determined by doubling the strike price interval of regular options (12 months or less until expiration). The text of the proposed rule change is available at the Office of the Secretary, the Exchange, and at the Commission.

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 Exchange included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Section (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 Exchange's strike price interval policies are administered pursuant to Rule 1012, Series of Options Open for Trading. Currently, British pound options are listed at 2½ cent intervals; long-term options are listed at 5 cent intervals. Pursuant to Phlx Rule 1012, six expiration months are currently listed in regular foreign currency options, with one, two, three, six, nine, and twelve months until expiration. Additionally, two long-term options are currently listed (in June and December) with 18 and 24 months until expiration. Fluctuations in the spot price of the British pound result in additional listings at 2½ cent intervals.

The Exchange proposes to revise its strike price policy respecting foreign currency options on the British pound by changing from a \$.025 interval to a \$.01 interval in the nearest three expiration months and \$.02 in the next three nearest expiration months. In addition to reducing the strike price interval from 2½ cents to 1 and 2 cents, the Exchange also proposed to reduce the strike price interval for long-term British pound options, which have 12 to 36 months until expiration, from \$.05 to \$.04. The purpose of the proposed rule change is to respond to changes in the world-wide market marketplace for the British pound. The Exchange notes that lower volatility respecting the British pound had created a customer need for narrower strike price intervals. Lower volatility signifies less movement in the currency such that it currently trades in a more narrow range, perhaps without moving to the next (2½ cent) strike

price interval. The Exchange notes that the strike price interval for a non-volatile foreign currency option, including the British Pound, has previously been decreased.⁴

In addition, the Exchange seeks to remain competitive and consistent with the contract terms applicable to foreign currency futures and options on such futures traded on the Chicago Mercantile Exchange ("CME"). Recently, the CME determined to list certain options on British pound futures (the three near months) at \$.01 intervals.

The Exchange believes that the proposed reduction in the strike price interval should provide investors and traders of British pound options with the ability to more closely tailor investment and hedging strategies to British pound trading levels and movement. Accordingly, the Exchange believes that the proposed rule change is consistent with Section 6 of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade by enabling more effective management of foreign currency risk respecting the British pound.

(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.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

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

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

⁴ See e.g., Securities Exchange Act Release Nos. 25685 (May 10, 1988), 53 FR 17534 (May 17, 1988) (French franc from \$.05 to \$.025 strike price intervals) (File No. SR-Phlx-86-14), and 24103 (February 13, 1987), 52 FR 5605 (February 25, 1987) (British Pound from \$.05 to \$.025 strike price intervals) (File No. SR-Phlx-86-14).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1993).

³ See Phlx Rule 1012(a)(ii). See also Securities Exchange Act Release No. 30672 (May 6, 1992), 57 FR 20546 (May 13, 1992) (File No. SR-Phlx-91-30).