delisting would create a gap in consecutive strikes.8

The Exchange believes that the proposed reduction in the strike price interval should provide investors and traders of British pound foreign currency options with the ability to more closely tailor investment and hedging strategies to British pound trading levels and movement. The Exchange further believes that the proposed rule change is designed to promote just and equitable principles of trade by enabling more effective management of foreign currency risk respecting the British pound.

III. Commission Finding and Conclusions

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) of the Act.9 Specifically the Commission finds that the Exchange's proposal 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 months; from \$.025 interval to \$.02 interval in the next three nearest expiration months; and from \$.05 to \$.04 interval for long-term British pound options, which have 12 to 36 months until expiration, is a reasonable attempt to perfect the mechanism of a free and open market and a national market system.

The Commission recognizes that any narrowing of strike price intervals increases the flexibility accorded market participants and allows options positions to be more finely tailored to achieve intended investment objectives. At the same time, however, narrower strike price intervals create the possibility of dispersing trading interest to the degree that there is an excessive dilution of liquidity in open options series.

Accordingly, an evaluation of the appropriate strike price interval for an option contract requires a balancing of the need to accommodate market participants by providing a wide array of investment opportunities and the need to avoid causing excessive proliferation of illiquid options series. The Commission believes that the Phlx proposal strikes such a reasonable balance. Although the proposal makes

available a significant number of new options series, the Commission notes that Phlx generally seeks to delist options series (including British pound foreign currency options) with no open interest.¹⁰ Therefore, the Phlx should be able to eliminate any illiquid series that might result from the implementation of the new strike price proposal. Accordingly, the Commission expects the Phlx to monitor British pound foreign currency options activity closely in order to detect any proliferation of illiquid series possibly resulting from the narrower strike price intervals and to act promptly to remedy this situation should it occur.

In addition, based on representations from the Phlx 11 and OPRA, 12 the Commission believes that the predicted increase in the number of British pound options series should not adversely affect the computer processing capacity to accommodate the additional strike prices. More specifically, both the Phlx and OPRA have represented that their respective systems can adequately handle the additional options transaction-related traffic generated by the projected new series. Nevertheless, the Commission requests that the Exchange monitor the volume of additional options series listed as a result of this rule change and continue to ensure that these additional series will not adversely impact processing system capacity.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, ¹³ that the proposed rule change (File No. SR–Phlx–95–06) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. 14

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–10182 Filed 4–25–95; 8:45 am] BILLING CODE 8010–01–M

[Rel. No. IC-21024; 812-9524]

Equity Income Fund, Select Ten Portfolio

April 20, 1995.

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

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

APPLICANT: Equity Income Fund, Select Ten Portfolio.

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act that would exempt applicant from section 12(d)(3) of the Act.

summary of application: Applicant requests an order on behalf of its series (the "Series") and the Series' component trusts (the "Trusts") to permit each Trust to invest up to ten percent of its total assets in securities of issuers that derived more than fifteen percent of their gross revenues in their most recent fiscal year from securities related activities.

FILING DATE: The application was filed on March 14, 1995 and amended on April 20, 1995.

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 May 15, 1995 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 5th Street, N.W., Washington, D.C. 20549. Applicant, c/o Merrill Lynch, Pierce Fenner & Smith Incorporated, P.O. Box 9051, Princeton, N.J. 08543–9051.

FOR FURTHER INFORMATION CONTACT: Marianne H. Khawly, Staff Attorney, at (202) 942–0562, or C. David Messman, 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. Each Series will be a series of Equity Income Fund, Select Ten Portfolio, a unit investment trust registered under the Act, composed of one or more separate Trusts. Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Prudential Securities Incorporated, PaineWebber Incorporated, Smith Barney Inc., and Dean Witter Reynolds

^{*} See Letter from Gerald O'Connell, First Vice President, Phlx, to Michael Walinskas, Branch Chief, OMS, Division, Commission, dated April 12, 1995 ("O'Connell Letter No. 2").

^{9 15} U.S.C. 78f(b)(5).

¹⁰ See O'Connell Letter No. 2, supra note 8. ¹¹ See Morgan Letter, supra note 7. See also

O'Connell Letter No. 1, supra note 6.

¹² See OPRA Letter, supra note 7.

^{13 15} U.S.C. 78s(b)(2).

^{14 17} CFR 200.30-3(a)(12)