margin levels for any Tier III pairing be reduced below the 7% level discussed above without the prior approval of the Commission pursuant to Section 19(b) of the Act.<sup>21</sup>

As with Customized FCOs currently being listed by the Phlx, the Options Clearing Corporation ("OCC") will clear and settle all trades in Customized FCOs involving the Lira or Peseta. Because quotes in these options will not be continuously updated or otherwise priced by the Phlx, the OCC will generate a theoretical price based on the prices and quotes of the Customized FCOs and the closing value of the relevant underlying currency. The OCC will use this price to make the Customized FCO contracts involving the Lira and Peseta daily and to calculate margin requirements.

The Commission finds that the proposed rule changes 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 Section 6(b)(5).22 First, the Commission believes that the trading of listed Customized FCOs on the Lira and Peseta should provide investors with a hedging and risk transfer vehicle that will reflect the overall movement of the Lira and Peseta in relation to the U.S. dollar and the other Phlx approved currencies. In this regard, Customized FCOs on the Lira and Peseta should provide investors with an efficient and effective means of managing risk associated with those currencies.

Second, Customized FCOs on both the Lira and Peseta will trade within the Exchange's existing framework for Customized FCOs which the Commission has previously found to adequately address the Commission's regulatory concerns.<sup>23</sup> Specifically, this framework includes, among other things, rules pertaining to: obligations of specialists and registered options trades (Rule 1014); position limits (Rule 1001); exercise limits (Rule 1002); bids and offers (Rule 1033); minimum fractional changes (Rule 1034); and trading rotations, halts, and suspensions (Rule 1047).24

Third, the Exchange has proposed adequate customer margin requirements for Customized FCOs on both proposed currencies. The proposed add-on margin (*i.e.*, 7% for both the Lira and Peseta) provides sufficient coverage to account

for historical and potential volatility in the Lira and the Peseta in relation to the U.S. dollar. As noted above, the 7% customer margin add-on level would cover 98.84% and 99.10% of all seven day price changes over the prior threeyear period in the Lira and Peseta, respectively, in relation to the U.S. dollar. Moreover, all Customized Cross-Rates involving either the Lira or Peseta will be margined at the 7% margin addon level as opposed to either the 4% or 6% levels that apply to Customized Cross-Rates involving the Exchange's other approved currencies. In addition, the Exchange must conduct periodic reviews of the volatility in the two currencies and must take immediate steps to increase the existing customer margin levels if the Exchange determines that the existing levels are no longer adequate.<sup>25</sup> As a result, the Commission believes that the proposed customer margin levels and the review and maintenance criteria for those margin levels will result in adequate coverage of contract obligations and are designed to reduce risks arising from inadequate margin levels for Customized FCOs (including Customized Cross-Rates) involving either the Lira or Peseta.

The Commission finds good cause for approving Amendment No. 1 to each of the proposed rule changes prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. First, the changes increasing the margin levels for Customized FCOs (including Customized Cross-Rates) involving the Lira or Peseta serve an investor protection purpose by reducing the risks that can arise from inadequate margin levels. Additionally, the Commission notes that these changes impose more restrictive standards than those contained in the original proposals which were published in the Federal Register for the full 21-day comment without any comments being received by the Commission.

Second, the changes to the language in the Phlx's rules specifying that FCOs on the Lira and the Peseta are limited to Customized FCOs (including Customized Cross-Rates) and the remaining clarifying amendments in Amendment No. 1 serve to minimize any potential for investor confusion from the proposed rule changes.

Third, accelerated approval of the proposed amendments to the rule changes will allow the Exchange to begin offering these products without further delay to those investors who

desire an exchange-traded product to hedge their currency exposure to the Lira and Peseta.

Accordingly, the Commission believes that the proposed rule changes are consistent with Section 6(b)(5) of the Act and that good cause exists to approve Amendment No. 1 to each of the Phlx's proposals on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to each of the proposals. 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., Washington, D.C. 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-95-20 or File No. SR-Phlx-95-21, as appropriate, and should be submitted by October 19,

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>26</sup> that the proposed rule changes (File Nos. SR-Phlx-95-20 and SR-Phlx-95-21), as amended, are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.  $^{27}$ 

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–24026 Filed 9–27–95; 8:45 am] BILLING CODE 8010–01–M

 $<sup>^{21}\,</sup>See$  Amendment No. 1, supra note 5.

<sup>&</sup>lt;sup>22</sup> 15 U.S.C. 78f(b)(5) (1988).

<sup>&</sup>lt;sup>23</sup> See Exchange Act Release No. 34925, supra note 3.

<sup>&</sup>lt;sup>24</sup> id.

<sup>&</sup>lt;sup>25</sup> See "Customer Margin" and "Customized Cross-Rates," *supra*.

<sup>&</sup>lt;sup>26</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>&</sup>lt;sup>27</sup> 17 CFR 200.30–3(a)(12) (1994).