[Release No. 34–35246; International Series Release No. 773 File No. SR-Amex-94-60]

## Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc. Relating to the Listing of Options and Long-Term Options Based on a Reduced-Value of the Deutscher Aktienindex (DAX)

### January 19, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 15, 1994, the American Stock Exchange, Inc. ("Amex" 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 Amex. 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 approve for listing and trading standardized options and long-term options on a reducedvalue of the Deutscher Aktienindex ("DAX Index" or "Index") computed at one-tenth of the full-value of the Index. In addition, the Amex proposes to amend Rule 904C(b) to provide for a position limit for standardized options on the Index of 25,000 contracts on the same side of the market, provided no more than 15,000 of such contracts are in series in the nearest expiration month. The text of the proposed rule change is available at the Office of the Secretary, the Amex, 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 and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Amex has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

## (A) Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

The Exchange is proposing to trade standardized options and long-term options on a reduced-value of the DAX Index, and internationally recognized, capitalization-weighted <sup>1</sup> index of 30 highly capitalized German stocks trading on the Frankfurt Stock Exchange ("FSE").<sup>2</sup> The stocks included in the Index are among the largest German corporations and their shares are among the most actively traded of German issuers. The DAX Index is composed of ten broad industry groups including chemicals, automobile manufacturers, banks, and insurance companies.

The median capitalization of the companies in the Index as of December 2, 1994, was US \$6.52 billion.<sup>3</sup> The average market capitalization of these companies was US \$8.78 billion as of that date. The market capitalizations of the individual companies in the Index ranged from US \$740.51 million to US \$32.02 billion as of December 2, 1994. Also on that date, the largest component of the Index, Allianz AG Holdings, accounted for 12.15% of the total weighting of the DAX Index, while the smallest, Deutsche Babcock AG, accounted for 0.28% of the weight of the Index. The five highest weighted components of the Index on that date accounted for 43.69% of the total weight of the Index. Average daily volume in the component securities for the period from June 1994, through November 1994, ranged from a low of approximately 59,408 shares to a high of 1.04 million shares, with an average daily trading volume for all components of the Index of approximately 338,449 shares per day. The Index had a closing value of 2,038.5 on December 2, 1994.

The DAX Index is maintained by the FSE in conjunction with the Borsen-

<sup>2</sup> The components of the Index are as follows: Allianz AG Holdings; BASF AG; Bayer AG; Bayer Hypo/Wech; BMW; Bayer Vereinsbank AG; Commerzbank AG; Continental AG; Daimler-Benz AG; Beutsche Babcock AG; Beutsche Bank AG; Degussa AG; Dresdner Bank AG; Henkel KGAA-Pfd; Hoechst AG; Karstadt AG; Kaufhof Holdings AG; Lufthansa AG; Linde AG; Man AG; Metallgesellsch; Mannesmann AG; Preussag AG; RWE AG; Schering AG; Siemens AG; Thyssen AG; Veba AG; Viag AG; and Volkswagen AG.

<sup>3</sup>Based on the exchange rate of DM 1=US \$1.5800 prevailing on December 2, 1994.

Zeitung (an industry newspaper). To maintain continuity of the Index, the FSE adjusts the Index to reflect certain events relating to the component stocks. In addition, the composition of the DAX Index is reviewed periodically by the FSE. The FSE will not alter the composition of the DAX Index unless a stock fails to meet certain criteria, *e.g.*, market capitalization and trading volume. If possible, a replacement stock will be selected by the FSE from the same industry as the stock that it is replacing.

## Index Calculation

The DAX Index is a capitalizationweighted index and is calculated by multiplying the price of each component security by its listed capital,<sup>4</sup> adding those sums and dividing by the current Index divisor. The Index divisor was initially determined to yield a benchmark value of 1,000 on December 30, 1987. The divisor is adjusted by the FSE for the changes described above regarding Index maintenance.

The value of the Index is calculated every minute by the FSE from 10:30 a.m. to 1:30 p.m. Frankfurt time (4:30 a.m. to 7:30 a.m. New York time) <sup>5</sup> and is disseminated over Reuters News Service, among others.<sup>6</sup> For purposes of standardized options trading, the Index trading value ("Trading Value") will be one-tenth the level of the DAX Index as calculated and disseminated by the FSE. Thus, at the close of trading in December 2, 1994, the Index value was at 2,038.5, the Trading Value for Index options trading on the Amex would have been 203.85.

#### **Options Expiration and Settlement**

The proposed options on the Trading Value of the Index are to be European-

<sup>6</sup> The Amex represents that the FSE also operates the Integrated Stock Exchange Trading and Information System ("IBIS") that is available to trading the 30 DAX Index components from 8:30 a.m. to 5:00 p.m. Frankfurt time (2:30 a.m. to 11:00 a.m. New York time). Because trading on IBIS extends for 31/2 hours after trading of the FSE ends and overlaps trading on the Amex for two hours (9:00 a.m. to 11:00 a.m. New York time), the Amex will disseminate, for information purposes only, an Index Trading Value (as defined herein) based on the "indicative DAX" level disseminated by IBIS. Once trading on IBIS has concluded, the Amex will disseminate a closing Trading Value based on the "indicative DAX" level disseminated by IBIS. The "indicative DAX" as disseminated by IBIS will have a different ticker symbol from the DAX Index value as reported by the FSE.

<sup>&</sup>lt;sup>1</sup> The capitalization of a particular stock in the DAX Index is calculated by multiplying the price of the stock by the "listed capital." Listed capital includes common and preferred shares and shares held in the corporate treasury. The Amex represents that this weighting method differs from the method used in calculating domestic capitalization-weighted indexes, which are calculated by multiplying the price of the stock only by the number of common shares.

<sup>&</sup>lt;sup>4</sup>See supra note 1.

<sup>&</sup>lt;sup>5</sup> Telephone conversation between Claire McGrath, Managing Director and Special Counsel, Derivative Securities, Amex, and Brad Ritter, Senior Counsel, Office of Market Supervision, Division of Market Regulation, Commission, on January 5, 1995.