

futures and forward contracts also have widened.

III. Discussion

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)⁵ that the rules of an exchange be designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts, and, in general, protect investors and the public interest by providing a more efficient and competitive market for foreign currency options.

The Commission believes that the recent significant rise in the value of the yen in relation to the U.S. dollar justifies amending the present applicable quote spread parameters. As the Japanese yen spot value (in relation to the U.S. dollar) has increased, the U.S. dollar value of each yen option contract likewise has increased. However, the quote spread parameters have not previously been adjusted to account for this movement. Setting Japanese yen option quote spread parameters as proposed by the Phlx should continue to facilitate tightly quoted markets without impairing Phlx market makers' ability to provide market depth and liquidity. In addition, the new quote spread parameters should allow the Phlx and Phlx Japanese yen option market makers to compete more effectively with similar over-the-counter-based products.

Finally, the Commission notes that under Phlx Rule 1014, "Obligations and Restrictions Applicable to Specialists and Registered Options Traders," Japanese yen market makers are required to maintain a fair and orderly market and are not permitted to enter into transactions or make bids or offers that are inconsistent with such obligations. Accordingly, the Commission expects the Phlx to monitor trading in Japanese yen options affected by the proposal to ensure that there is adequate market activity in those series and to ensure that market makers are meeting their obligations to maintain fair and orderly markets.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR-Phlx-95-47) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to Proposed Rule Change by the American Stock Exchange, Inc. Relating to Transactions in Currency Warrants by Registered Options Traders

November 30, 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 September 22, 1995, 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 self-regulatory organization. On September 26, 1995, the Amex filed Amendment No. 1 ("Amendment No. 1") to the proposal.¹ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Amex proposes to amend Commentary .12 to Amex Rule 111 (Restrictions on Registered Traders), Commentary .14 to Rule 114 (Registered Equity Market Makers) and Commentary .10 to Rule 958 (Options Transactions of Registered Traders) to provide that proprietary transactions on the Floor in currency warrants shall be governed by, and affected in accordance with, Rule 958. The text of the proposed rule change is available at the Office of the Secretary, 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 Amex 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Amex proposes to amend Commentary .12 to Rule 111 (Restrictions on Registered Traders), Commentary .14 to Rule 114 (Registered Equity Market Makers) and Commentary .10 to Rule 958 (Options Transactions of Registered Traders) to provide that proprietary transactions on the Amex Floor in currency warrants, shall be governed by, and effected in accordance with, Rule 958.

In 1992, the Exchange amended its rules to permit regular members to register as a Registered Trader under Rule 958 to engage in supplemental market making activity in stock index warrants and certain other non-options derivative products.² The Exchange enacted these changes to conform its rules to those of other markets, and to provide additional liquidity to the market for the Exchange's Portfolio Depositary Receipts and LOR SuperUnits. Due to the limited purpose of the 1992 rule changes, the Exchange did not seek at that time to extend this treatment to the trading of listed currency warrants by ROTs.

At present, currency warrants are traded on the Floor by Registered Equity Market Makers ("REMMs") under the Exchange's equity trading rules, pursuant to the provisions of Rule 114 (which includes applicable provisions of Rule 111). Under the proposed rule changes, regular members wishing to engage in supplemental market making activity in currency warrants may register as Registered Traders under Rule 958, and would trade for their own account in such securities pursuant to the provisions of that Rule.

In contrast to REMMs trading pursuant to Rules 111 and 114, Rule 958 imposes continuous affirmative market making obligations upon Registered Traders.³ In recognition of this, such

² See Securities Exchange Act Release No. 30768 (June 2, 1992). A Registered Trader under Rule 958 is also referred to as a Registered Options Trader ("ROT").

³ Moreover, due to the derivative pricing of currency warrants, the Exchange believes it is

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⁵ 15 U.S.C. 78f(b)(5) (1988).

⁶ 15 U.S.C. 78s(b)(2) (1988).

⁷ 17 CFR 200.30-3(a)(12) (1993).

¹ See Letter from William Floyd-Jones, Assistant General Counsel, Amex, to Stephen M. Youhn, SEC, dated Sept. 26, 1995. The amendment renumbers two rule provisions that were misstated in the original filing.