

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 the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the PHLX. All submissions should refer to File No. SR-PHLX-96-20 and should be submitted by July 17, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-16228 Filed 6-25-96; 8:45 am]

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[Release No. 34-37334; File No. SR-Phlx-96-03]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 thereto by the Philadelphia Stock Exchange, Inc. Relating to Component Additions to the Phlx Gold/Silver Index

June 19, 1996.

On April 1, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or

"Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to revise the composition of the Phlx Gold/Silver Index ("XAU" or "Index") by adding three underlying stocks and to adopt procedures to address replacements, additions and deletions of component stocks. On April 16, 1996, the Exchange filed Amendment No. 1 to the proposal.³ Notice of the proposal was published for comment and appeared in the Federal Register on April 25, 1996.⁴ No comment letters were received on the proposal. On June 5, 1996, the Exchange filed Amendment No. 2 to the proposal.⁵ This order approves the Phlx's proposal as amended.

I. Description of the Proposal

The XAU is a capitalization weighted index currently composed of the stocks of nine widely held U.S. companies in the gold and silver mining industry. Options on the Index have an American style expiration and the settlement value is based on the closing values of the component issues on the day exercised or on the last trading day prior to expiration (*i.e.* "P.M.-settled"). The Index was the first narrow-based or industry index approved for trading on the Exchange.⁶ Pursuant to Footnote 10 to the Index Approval Order,⁷ the Exchange previously agreed to submit to the Commission, pursuant to Rule 19b-4 under the Act, any changes to the stocks comprising the Index and to attempt to formulate a rule that would govern this process. Accordingly, pursuant to this rule filing, the Exchange is requesting approval to

change the composition of the XAU by adding two stocks. The stocks are Santa Fe Pacific Gold Corp. (GLD) and TVX Gold Inc. (TVX) and they both currently trade on the New York Stock Exchange.⁸ The Exchange believes that the addition of these two stocks will help ensure an even more accurate response to overall market activity in the precious metals mining industry. The Phlx represents⁹ that the proposed change would increase the total capitalization of the Index from \$28.63 billion to \$34.01 billion. The two additional stocks combined will account for 10.19% of the revised Index by capitalization weight. The value of the XAU as of the close of trading on March 28, 1996 was 143.83.

The Exchange also proposes to adopt a procedure which will govern future replacements, additions or deletions of underlying stocks from the Index. If at any time a stock is deleted from the Index due to merger, acquisition or otherwise, and the Exchange determines to replace it, the Phlx will take into account the capitalization, liquidity, volatility and name recognition of any proposed replacement stock which fits the character of the Index. Moreover, the Phlx will ensure that the Index meets all of the maintenance criteria in Rule 1009A(c)¹⁰ except the requirement that the Index be A.M.-settled.¹¹ The Phlx notes that this maintenance criteria, in part, requires it to ensure that no fewer than 90% of the stocks comprising the Index by weight, nor fewer than 80% of the total number of stocks in the Index,

⁸ According to the Exchange, as of May 14, 1996, the capitalizations of Santa Fe Pacific Gold Corp. and TVX Gold Inc. were approximately \$2 billion and \$1.46 billion respectively.

⁹ The following data is based on prices and shares outstanding as of May 14, 1996.

¹⁰ The maintenance criteria set forth in Rule 1009A(c) are principally designed as index maintenance criteria that are required to be met by certain narrow-based index option products that were listed pursuant to Rule 1009A(b). Rule 1009A(c), among other things, requires that for a capitalization weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have an average monthly trading volume of at least 1,000,000 shares over the past six months. Rule 1009A(c) also requires each component security to have a market capitalization of at least \$75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least \$50 million. See Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994).

¹¹ See Amendment No. 1, *supra* note 3. The settlement value of an A.M.-settled index is based on the opening prices of the component securities, in contrast to a P.M.-settled index, which is based on closing prices. As mentioned above, the XAU is a P.M.-settled index.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1 the Phlx states that the Index is currently a P.M.-settled index and that it proposes to apply all of the maintenance criteria of Phlx Rule 1009A(c) except the requirement that the Index be designated as A.M.-settled. See letter from Michele R. Weisbaum, Associate General Counsel, Phlx, to James T. McHale, Attorney, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, dated April 16, 1996 ("Amendment No. 1").

⁴ See Securities Exchange Act Release No. 37123 (April 18, 1996), 61 FR 18454 (April 25, 1996).

⁵ In Amendment No. 2, the Exchange states that it has received oral comments that AMAX Gold Inc. (AU) would not be an appropriate stock to include in the XAU as it is not actually a gold or silver mining stock, but more of a ferrous metal company stock. Accordingly, the Exchange wishes to withdraw the proposed addition of AU to the Index. See Letter from Michele R. Weisbaum, Associate General Counsel, Phlx, to James T. McHale, Attorney, OMS, Division, Commission, dated May 15, 1996 ("Amendment No. 2").

⁶ See Securities Exchange Act Release No. 20437 (December 2, 1983) 48 FR 55229 (December 9, 1983) ("Index Approval Order").

⁷ *Id.*

⁸ 17 CFR § 200.30-3(a)(12) (1995).

qualify as eligible for equity options trading under Phlx Rule 1009.¹² Absent Commission approval, the Exchange will not increase to more than 15, nor decrease to fewer than 9, the number of stocks in the Index.

II. 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)¹³ in that it is designed to prevent fraudulent and manipulative acts and practices, to help remove impediments to a free and open securities market and facilitate transactions in securities, while protecting investors and the public interest. Specifically, the Commission believes that adding to the XAU two relatively highly capitalized and actively traded precious metal mining stocks should result in the Index being more representative of the gold and silver mining industries.¹⁴ Moreover, the greater number of securities in the Index should reduce the potential for manipulation to the Index, which will serve to protect investors and the public interest.

With regard to the Exchange's proposed procedure for governing future replacements, additions or deletions of underlying stocks from the Index, the Commission finds that the procedure is appropriate and consistent with the Act. More specifically, the Phlx has undertaken to ensure that the XAU will satisfy the maintenance criteria set forth in Exchange Rule 1009A(c),¹⁵ governing certain narrow-based index options. As noted above, these criteria contain minimum numerical requirements for, among other things, trading volume and capitalization which will help to ensure that the components of the Index have sufficient depth and liquidity to accommodate options trading. Given that the Index is an industry index with

relatively few components, the Commission believes that applying these maintenance criteria is an appropriate means of ensuring that the Index continues to reflect a bona fide narrow-based index. Additionally, the Commission concludes that the Phlx's proposal as a whole satisfies the Commission's request in the original Index Approval Order¹⁶ that the Exchange formulate a rule to govern replacements of stocks in the Index. Based on the above, the Commission believes this portion of the proposal will help to facilitate transactions in securities while protecting investors and the public interest.

The Commission finds good cause for approving Amendment No. 2 to the proposal prior to the thirtieth day after the date of publication of the notice of filing thereof in the Federal Register. Specifically, Amendment No. 2 merely removes one of the proposed Index stocks which, according to the Exchange, was not an accurate representative of the gold/silver mining industry. The amendment does not raise significant issues or otherwise materially impact the proposal. Indeed, the overall initial effect of the proposal is to increase the number of component stocks in the Index from 9 to 11, which, given the capitalization and trading history of the two additional components, strengthens the Index.

Based on the above, the Commission finds good cause for approving Amendment No. 2 to the proposed rule change on an accelerated basis and believes that the proposal, as amended, is consistent with Sections 6(b)(5) and 19(b)(2) of the Act.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 2. 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. 20549. 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-96-03 and should be submitted by July 17, 1996.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹⁷ that the proposed rule change (SR-Phlx-96-03), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF TRANSPORTATION

[Docket 37554]

Notice of Order Adjusting the Standard Foreign Fare Level Index

Section 41509(e) of Title 49 of the United States Code requires that the Department, as successor to the Civil Aeronautics Board, establish a Standard Foreign Fare Level (SFFL) by adjusting the SFFL base periodically by percentage changes in actual operating costs per available seat-mile (ASM). Order 80-2-69 established the first interim SFFL, and Order 96-3-61 established the currently effective two-month SFFL applicable through May 31, 1996.

In establishing the SFFL for the two-month period beginning June 1, 1996, we have projected non-fuel costs based on the year ended December 31, 1995 data, and have determined fuel prices on the basis of the latest available experienced monthly fuel cost levels as reported to the Department.

By Order 96-6-41 fares may be increased by the following adjustment factors over the October 1979 level:

Atlantic	1.4474
Latin America	1.5312
Pacific	1.5214

For Further Information Contact:
Keith A. Shangraw (202) 366-2439.

By the Department of Transportation.

Dated: June 20, 1996.

Patrick V. Murphy,
Deputy Assistant Secretary for Aviation and International Affairs.

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¹² The two new stocks proposed to be added herein both currently have overlying options being traded.

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ See note 8 *supra*.

¹⁵ The XAU contract, however, will not meet the requirement that the Index be A.M.-settled. See Amendment No. 1, *supra* note 3. The Commission continues to believe that basing the settlement of index products on opening, as opposed to closing, prices helps to alleviate stock market volatility on Expiration Fridays and the Commission encourages the Phlx to consider changing the XAU to an A.M.-settled index. Nevertheless, because options on the Index have been trading as P.M.-settled since inception of the Index, and because the Index is comprised of a small number of securities, the Commission is not at this time requiring the Phlx to make such a change.

¹⁶ See *supra* note 6.

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).