

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 Phlx¹¹ 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

⁸ 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).

Inc. are applicant's depositors (collectively, the "Sponsors").

2. Each Trust will invest approximately 10%, but in no event more than 10.5%,¹ of the value of its total assets in each of the ten common stocks in the Financial Times Index or the Hang Seng Index with the highest dividend yields as of its initial date of deposit, and hold those stocks over the life of the Trust (presently anticipated to be approximately one year).

3. The Financial Times Index comprises 30 common stocks chosen by the editors of The Financial Times (London) as representative of British industry and commerce. The companies are major factors in their industries and their stocks are widely held by individuals and institutional investors. The Hang Seng Index comprises 33 of the stocks listed on the Hong Kong Stock Exchange and includes companies intended to represent four major market sectors: commerce and industry, finance, properties, and utilities. The Hang Seng Index is a recognized indicator of stock market performance in Hong Kong.

4. The portfolio securities deposited in each Trust will be chosen solely according to the formula described above, and will not necessarily reflect the research opinions or buy or sell recommendations of the Sponsors. The Sponsors will have no discretion as to which securities are purchased. Securities deposited in a Trust may include securities of issuers that derived more than fifteen percent of their gross revenues in their most recent fiscal year from securities related activities.

5. During the 90-day period following the initial date of deposit, the Sponsors may deposit additional securities while maintaining to the extent practicable the original proportionate relationship among the number of shares of each stock in the portfolio. Deposits made after this 90-day period generally must replicate exactly the proportionate relationship among the face amounts of the securities comprising the portfolio at the end of the initial 90-day period,

¹ The Sponsors will attempt to purchase equal values of each of the ten common stocks in a Trust's portfolio and may choose to purchase the securities in odd lots in order to achieve this goal. However, it is more efficient if securities are purchased in 100 share lots and board lots. A board lot is comprised of a fixed number of shares determined by the issuer. Most fees associated with trading, settling, and transferring of Hong Kong securities are charged on a per board lot basis. As a result, the Sponsors may choose to purchase securities of a securities related issuer which represent over 10%, but in no event more than 10.5% percent, of a Trust's assets on the initial date of deposit to the extent necessary to enable the Sponsors to meet their purchase requirements and to obtain the best price for the securities.

whether or not a stock continues to be among the ten highest dividend yielding stocks.

6. A Trust's portfolio will not be actively managed. Sales of portfolio securities will be made in connection with redemptions of units issued by a Trust and at termination of the Trust. The Sponsors have no discretion as to when securities will be sold except that it is authorized to sell securities in extremely limited circumstances, namely, upon failure of the issuer of a security in a Trust to pay amounts due on any of the securities, institution of certain legal proceedings, default under certain documents materially and adversely affecting future declaration or payment of amounts due, or the occurrence of other market or credit factors that in the opinion of the Sponsors would make the retention of such securities in a Trust detrimental to the interests of the unitholders. The adverse financial condition of an issuer will not necessarily require the sale of its securities from a Trust's portfolio.²

Applicant's Legal Analysis

1. Section 12(d)(3) of the Act, with limited exceptions, prohibits an investment company from acquiring any security issued by any person who is a broker, dealer, underwriter, or investment adviser. Rule 12d3-1 under the Act exempts the purchase of securities of an issuer that derived more than fifteen percent of its gross revenues in its most recent fiscal year from securities related activities, provided that, among other things, immediately after such acquisition, the acquiring company has invested not more than five percent of the value of its total assets in securities of the issuer.

2. Section 6(c) of the Act provides that the SEC may exempt a person from any provision of the Act or any rule thereunder, if and to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

3. Applicant requests an exemption under section 6(c) from section 12(d)(3) to permit any Trust to invest up to approximately 10%, but in no event more than 10.5%, of the value of its total assets in securities of an issuer that derives more than fifteen percent of its revenues from securities related activities. Applicant and each Trust will

² In the master agreement among underwriters, the other Sponsors have appointed Merrill Lynch as agent for the Sponsors. In that capacity, Merrill Lynch is authorized to determine the date of deposit, to purchase securities for deposit in the Series and to supervise each Series' portfolio.

comply with all provisions of rule 12d3-1, except for the five percent limitation in paragraph (b)(3) of the rule.

4. Section 12(d)(3) was intended to prevent investment companies from exposing their assets to the entrepreneurial risks of securities related businesses, to prevent potential conflicts of interest, and to eliminate certain reciprocal practices between investment companies and securities related businesses. One potential conflict could occur if an investment company purchased securities or other interests in a broker-dealer to reward that broker-dealer for selling fund shares, rather than solely on investment merit. Applicant believes that this concern does not arise in connection with its application because neither applicant nor the Sponsors have discretion in choosing the portfolio securities or percentage amount purchased. The security must first be included in the Financial Times Index or the Hang Seng Index, which indexes are unaffiliated with the Sponsors and applicant, and must also qualify as one of the ten highest dividend yielding securities.

5. Applicant also believes that the effect of a Trust's purchase on the stock of parents of broker-dealers would be *de minimis*. Applicant asserts that the common stocks of securities related issuers represented in the Financial Times Index or the Hang Seng Index are widely held, have active markets, and that potential purchases by any Trust would represent an insignificant amount of the outstanding common stock and the trading volume of any of these issues. Accordingly, applicant believes that it is highly unlikely that Trust purchases of these securities would have any significant impact on the securities' market value.

6. Another potential conflict of interest could occur if an investment company directed brokerage to a broker-dealer in which the company has invested to enhance the broker-dealer's profitability or to assist it during financial difficulty, even though that broker-dealer may not offer the best price and execution. To preclude this type of conflict, applicant and each Series agree, as a condition of this application, that no company held in the portfolio of a Trust nor any affiliate thereof will act as a broker for any Trust in the purchase or sale of any security for its portfolio. In light of the above, applicant believes that its proposal meets the section 6(c) standards.

Applicant's Condition

Applicant and each Series agree that any order granted under this application

may be conditioned upon no company held in a Trust's portfolio nor any affiliate thereof acting as broker for any Trust in the purchase or sale of any security for a Trust's portfolio.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-10223 Filed 4-25-95; 8:45 am]

BILLING CODE 8010-01-M

Issuer Delisting; Notice of Application to Withdraw From Listing and Registration; (Semtech Corporation, Common Stock, \$.01 Par Value) File No. 1-6395

April 20, 1995.

The Semtech Corporation ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the American Stock Exchange, Inc. ("Amex").

The reasons alleged in the application for withdrawing the Security from listing and registration include the following:

According to the Company, its Board of Directors unanimously approved resolutions on March 2, 1995 to withdraw the Security from listing on the Amex and, instead, list the Security on the Nasdaq/NMS. The decision of the Board followed a lengthy study of the matter, and was based upon the belief that listing of the Security on the Nasdaq/NMS will be more beneficial to its stockholders than the present listing on the Amex because:

(a) The support of Market Makers on the Nasdaq (as compared to the activities of the AMEX specialist) and the potential for research coverage and other financial services will be advantageous;

(b) The greater visibility of the Nasdaq with various media coverage will be advantageous;

(c) The potential for the Company to be promoted as a growth-oriented, diversified company is enhanced on the Nasdaq, given the Nasdaq's history;

(d) There is potentially more capital support for the Company in the Nasdaq given the Market Maker's responsibilities; and

(e) The services the Nasdaq offers that have been reviewed are more likely to assist the Company in communicating

with shareholders and understanding the market.

Any interested person may, on or before May 11, 1995, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the Amex and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 95-10239 Filed 4-25-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21022/812-9550]

Smith Barney Muni Funds, et al.; Notice of Application

April 19, 1995.

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

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Smith Barney Muni Funds (the "Trust"), Smith Barney Income Trust (the "Income Trust"), Smith Barney Mutual Funds Management Inc. ("SBMFM") and Smith Barney Inc. ("Smith Barney").

RELEVANT ACT SECTIONS: Order requested under section 17(b) for an exemption from section 17(a).

SUMMARY OF APPLICATION: Applicants request an order to allow Smith Barney Intermediate Maturity California Municipals Fund (the "Intermediate Maturity Fund"), a series of the Income Trust, to acquire substantially all of the assets of the California Limited Term Portfolio (the "Limited Term Portfolio"), a series of the Trust. Because of certain affiliations, the two series may not rely on rule 17a-8 under the Act.

FILING DATE: The application was filed on March 24, 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 applicants 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 applicants, 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants, 388 Greenwich Street, 22nd Floor, New York, New York 10013.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Staff Attorney, at (202) 942-0574, or Robert A. Robertson, 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 at the SEC's Public Reference Branch.

Applicants' Representations

1. The Limited Term Portfolio is a series of the Trust and the Intermediate Maturity Fund is a series of the Income Trust. The Trust and the Income Trust each are registered under the Act as open-end management investment companies and are organized as Massachusetts business trusts. The Limited Term Portfolio and the Intermediate Maturity Fund are referred to herein as the "Funds."

2. SBMFM serves as investment adviser to the Intermediate Maturity Fund and the Limited Term Portfolio. Smith Barney is the Funds' distributor and, as of February 13, 1995, owned 12.22% of the outstanding shares of the Limited Term Portfolio. SBMFM and Smith Barney are each a wholly-owned subsidiary of Smith Barney Holdings, Inc. ("Holdings").

3. Each Fund offers three classes of shares, Class A, Class C and Class Y shares. Class A shares of each Fund are sold with an initial sales charge of 2.00% of the net asset value of the shares. Class C shares of each Fund are sold without an initial sales charge but are subject to a contingent deferred sales charge ("CDSC") of 1.00% payable upon certain redemptions. Class Y shares of each Fund are sold without an initial sales charge or CDSC and are available only to investors investing a minimum of \$5.0 million. Class A and Class C shares of each Fund are sold subject to substantially similar 12b-1 distribution plans.