

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39928; File No. SR-AMEX-98-01]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange, Inc. Relating to Flexible Exchange Index Options

April 28, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 14, 1998, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. On March 2, 1998, the Exchange filed Amendment No. 1 to the proposal with the Commission.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval to the proposed rule change as amended.

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

The Exchange proposes to expand the listing and trading of Flexible Exchange options ("FLEX Options") to all of the Exchange's Broad Stock Index Groups and Stock Index Industry Groups. 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 Change

In its filing with the Commission, the self-regulatory organization 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 III below. The self-regulatory organization 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

On August 20, 1993, the Commission, pursuant to Section 19(b)(2) of the Act and Rule 19b-4 thereunder, approved the Exchange's FLEX™ Options⁴ framework permitting the Exchange to list and trade FLEX Options based on the Major Market ("XMI"), Institutional ("XII") and Standard & Poor's Corporation ("S&P") MidCap ("MID") Indices.⁵ On December 1, 1993, the Commission approved the listing and trading of FLEX Options on the Exchange's Japan Index ("JPN").⁶

The Exchange now proposes to expand approval for FLEX Options trading to all of its indices, including all Broad Stock Index Groups (other than the ones currently approved as noted above)⁷ and all Stock Index Industry Groups.⁸

Broad Stock Index Group FLEX Options. As noted above, the Exchange currently provides for the trading of FLEX Options on XMI, XII, MID and JPN indices. The Exchange now proposes to expand the ability to trade FLEX Options to include all of its Broad Stock Index Group indices, including the EUROTOP 100, Hong Kong Option, Morgan Stanley Consumer and Morgan Stanley Cyclical Indices. All of the Exchange's rules applicable to FLEX Index Options will apply to the

additional Broad Stock Index Group FLEX Options. In addition, the Exchange proposes to apply its current position and exercise limits of 200,000 contracts on the same side of the market for FLEX Options on broad indices to FLEX Options on the additional Broad Stock Index Group indices. The Exchange is proposing this expansion in response to requests from market participants to make available FLEX Options on various additional broad indices. In addition, the Exchange believes that expansion of trading in FLEX Options to all of its Broad Stock Index Group indices will provide new and important trading opportunities which are currently unavailable to market participants. Further, it will increase the Exchange's competitiveness with the over-the-counter market place as well as with other exchanges which have continued to expand FLEX Options trading on indices.⁹ Rules currently in place for FLEX Options on indices shall apply to the FLEX Options on these additional broad indices.

Stock Index Industry Group FLEX Options. The Exchange also proposes to provide for the trading of FLEX Options on all of its Stock Index Industry Group indices ("Industry Indices"). As with its Broad Stock Index Group indices, the Exchange has received requests to provide for the trading of FLEX Options on its Industry Indices and believes this expansion will provide new and important trading opportunities currently unavailable to market participants while increasing the Exchange's competitiveness with the over-the-counter market place and other exchanges which have continued to expand FLEX Options trading on their indices.

In addition to applying its existing FLEX Index Options rules to the trading of Industry Index FLEX Options, the Exchange proposes to establish position limits for these FLEX Options at four times the position limits for standard options on the respective underlying Industry Index (36,000, 48,000 and 60,000 contracts on the same side of the market). The Exchange believes such position limits are appropriate given the institutional nature and use of FLEX Index Options. Further, the proposed

⁴ The term "FLEX" is a trademark of the Chicago Board Options Exchange, Inc.

⁵ Securities Exchange Act Release No. 32781 (August 20, 1993), 58 FR 45360 (August 27, 1993).

⁶ Securities Exchange Act Release No. 33262 (December 1, 1993), 58 FR 64622 (December 8, 1993).

⁷ Amex Broad Stock Index Group Options currently consist of the following: EUROTOP 100 Index, Hong Kong Options Index, Institutional Index, Japan Index, Major Market Index, S&P MidCap 400 Index, Morgan Stanley Consumer Index and Morgan Stanley Cyclical Index.

⁸ Amex Stock Index Industry Group Options currently consist of the following: Airline Index, Gold BUGS Index, Biotechnology Index, Computer Technology Index, de Jager Year 2000 Index, Disk Drive Index, Interactive Week Internet Index, Mexico Index, M.S. Commodity Related Index, M.S. Healthcare Payor Index, M.S. Healthcare Product Index, M.S. Healthcare Provider Index, M.S. High Technology 35 Index, Natural Gas Index, The NatWest Energy Index, Networking Index, North American Telecommunications Index, Oil Index, Pharmaceutical Index, Securities Broker/Dealer Index and Tobacco Index.

⁹ On January 14, 1998, the Commission approved the Philadelphia Stock Exchange's proposal to establish Rule 1079 providing for the trading of FLEX Options on equities and narrow and broad indices. Securities Exchange Act Release No. 39549 (January 14, 1998), 63 FR 3601 (January 23, 1998). On September 3, 1997, the Commission approved the Chicago Board Options Exchange's proposal to list FLEX Options on the Dow Jones Industrial Average. Securities Exchange Act Release No. 39011 (September 3, 1997), 62 FR 47841 (September 11, 1997).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from cott VanHatten, Legal Counsel, Derivative Securities, Amex to Michael Walinskas, Senior Special Counsel, Division of Market Regulation, SEC dated February 27, 1998 ("Amendment No. 1"). In Amendment No. 1, the Exchange adds language to Rule 903G indicating that FLEX options may only be traded on an equity or index that was previously approved for non-FLEX trading. In addition, the Exchange represents that it will request Commission approval before trading FLEX options on indices not yet approved for FLEX options trading.

position limits are the same as those recently adopted by the Philadelphia Stock Exchange, Inc.¹⁰

Finally, the Exchange proposes to adopt \$5 million Underlying Equivalent Value as the minimum value size for opening transactions and Request for Quotes in Stock Index Industry Group Flex Index Options for any series with no open interest, \$1 million Underlying Equivalent Value for any series with open interest and \$1 million Underlying Equivalent Value, or the remaining Underlying Equivalent Value for a closing transaction, whichever is less. Similar to the proposed position limits for Stock Index Industry Group Flex Options, the Exchange believes such minimum value sizes for opening and closing transactions and Requests for Quotes are appropriate given the institutional nature and use of FLEX Index Options and they are the same minimum value sizes proposed by the Philadelphia Stock Exchange, Inc. in its proposal to trade FLEX Options on narrow based indices.¹¹

2. Statutory Basis

The basis under the Act for the proposed rule change is the requirement under Section 6(b)(5)¹² that an Exchange have rules that are designed to promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange represents that the proposed rule change will impose no burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-AMEX-98-01 and should be submitted by May 27, 1998.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

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, with the requirements of Sections 6(b)(5)¹³ and 11A¹⁴ of the Act. Specifically, consistent with Section 11A of the Act, the proposal should encourage fair competition among brokers and dealers and the exchange markets, by allowing the Exchange to compete more effectively with the growing OTC market in customized index options.

The Commission believes that the Exchange's proposal reasonably addresses its desire to better meet the demands of sophisticated portfolio managers and other institutional investors who are increasingly using the OTC market in order to satisfy their hedging needs. Additionally, the Commission believes that the Exchange's proposal will help promote the maintenance of a fair and orderly market, consistent with Sections 6(b)(5) and 11A of the Act, because the purpose of the proposal is to facilitate the extension of the benefits of a listed exchange market to a wider variety of index options that are more flexible than current listed options and that currently trade OTC. The benefits of the Exchange's options market include, but are not limited to, a centralized market center, an auction market with posted transparent market quotations and transaction reporting, parameters and procedures for clearance and settlement, and the guarantee of OCC for all contracts traded on the Exchange.¹⁵

The Commission believes that the Exchange's proposal to designate all currently approved Amex Industry and Broad Stock Group Indices as eligible for FLEX index options trading is consistent with the Act. The Commission notes, however, that when submitting a Section 19(b) proposal to list and trade a new non-FLEX index options product, the Exchange must, in the same filing, specifically propose to list and trade the FLEX index options. If the Exchange is not prepared at that time to seek approval for the listing of FLEX options overlying the proposed index, then the Exchange should submit a rule filing pursuant to Section 19(b) of the Act proposing to list and trade FLEX options on that index at an appropriate time in the future.

In addition, the Commission believes that it is reasonable for the Exchange to apply its existing position limit of 200,000 contracts on the same side of the market to the additional Broad Stock Index Group indices approved for FLEX Options trading pursuant to this proposal. The Commission also believes that it is reasonable for the Exchange to establish position limits for Amex Industry Index FLEX Options at four times the position limits for standard options on the respective underlying Industry Index (36,000, 48,000 and 60,000 contracts on the same side of the market). The Commission notes that these position limits are identical to those recently adopted by the Philadelphia Stock Exchange.¹⁶

Finally, the Commission believes that it is reasonable for the Amex to require a \$5 million underlying equivalent value for an opening transaction in Amex Industry Index FLEX options.¹⁷ The Commission believes that this large underlying equivalent value requirement should help to ensure that transactions in FLEX index options remain of substantial size and, therefore, that the product is geared to an institutional, rather than a retail market.

The Commission finds good cause for approving the proposed rule change and Amendment No. 1 thereto prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. Specifically, as noted above, the Exchange's proposal is substantially similar to a recently approved proposal by the Philadelphia

¹⁰ Securities Exchange Act Release No. 39549 (January 14, 1998), 63 FR 3601 (January 23, 1998).

¹¹ *Id.*

¹² 15 U.S.C. 78f(b)(5).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ 15 U.S.C. 78k-1.

¹⁵ In approving this rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation, 15 U.S.C. 78c(f).

¹⁶ Securities Exchange Act Release No. 39549 (January 14, 1998), 63 FR 3601 (January 23, 1998).

¹⁷ The Commission notes that this underlying equivalent value requirement is identical to that recently approved by the Commission for the Philadelphia Stock Exchange. See Phlx Rule 1079(a)(8)(A)(i).

Stock Exchange.¹⁸ Therefore, the Commission believes that Amendment No. 1 does not raise any new regulatory issues.

Accordingly, the Commission believes, consistent with Section 6(b)(5) and Section 19(b)(2) of the Act, that good cause exists to grant accelerated approval to the proposed rule change.¹⁹

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,²⁰ that the proposed rule change (SR-AMEX-98-01) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-11952 Filed 5-5-98; 8:45 am]

BILLING CODE 8010-01-M

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

Notice of Intent to Rule on Application (98-03-C-00-CPR) to impose and use the revenue from a passenger facility charge (PFC) at the Natrona County International Airport, submitted by the County of Natrona, Wyoming

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of intent to rule on application.

SUMMARY: The FAA proposes to rule and invites public comment on the application to impose and use the revenue from a PFC at the Natrona County International Airport under the provisions of 49 U.S.C. 40117 and part 158 of the Federal Aviation Regulations (14 CFR part 158).

DATES: Comments must be received on or before June 5, 1998.

ADDRESSES: Comments on this application may be mailed or delivered in triplicate to the FAA at the following address: Alan Wiechmann, Manager; Denver Airports District Office, DEN-ADO; Federal Aviation Administration; 26805 E. 68th Avenue, Suite 224; Denver, CO 80249-6361.

In addition, one copy of any comments submitted to the FAA must be mailed or delivered to Mr. Dan E. Mann, Airport Manager, at the following address: Natrona County International

Airport, 8500 Airport Parkway, Casper, Wyoming 82604.

Air Carriers and foreign air carriers may submit copies of written comments previously provided to the Natrona County International Airport, under section 158.23 of part 158.

FOR FURTHER INFORMATION CONTACT:

Mr. Christopher Schaffer, (303) 342-1258; Denver Airports District Office, DEN-ADO; Federal Aviation Administration; 26805 E. 68th Avenue, Suite 224; Denver, CO 80249-6361. The application may be reviewed in person at this same location.

SUPPLEMENTARY INFORMATION: The FAA proposes to rule and invites public comment on the application (98-03-C-00-CPR) to impose and use the revenue from a PFC at Natrona County International Airport, under the provisions of 49 U.S.C. 40117 and part 158 of the Federal Aviation Regulations (14 CFR part 158).

On April 29, 1998, the FAA determined that the application to impose and use a PFC submitted by the County of Natrona, Wyoming, was substantially complete within the requirements of § 158.25 of Part 158. The FAA will approve or disapprove the application, in whole or in part, no later than July 29, 1998.

The following is a brief overview of the application.

Level of the proposed PFC: \$3.00.

Proposed charge effective date: October 1, 1998.

Proposed charge expiration date: August 1, 2003.

Total requested for use approval: \$774,857.00.

Brief description of proposed projects: Rehabilitate water tank for airport rescue fire fighting (ARFF) use, terminal modifications, rehabilitate Runway 8/26, rehabilitate ARFF building ventilation.

Class or classes of air carriers which the public agency has requested not be required to collect PFC's: None.

Any person may inspect the application in person at the FAA office listed above under **FOR FURTHER INFORMATION CONTACT** and at the FAA Regional Airports Office located at: Federal Aviation Administration, Northwest Mountain Region, Airports Division, ANM-600, 1601 Lind Avenue, SW., Suite 315, Renton, WA 98055-4056.

In addition, any person may, upon request, inspect the application, notice and other documents germane to the application in person at the Natrona County International Airport.

Issued in Renton, Washington on April 29, 1998.

David A. Field,

Manager, Planning, Programming and Capacity Branch, Northwest Mountain Region.

[FR Doc. 98-12042 Filed 5-5-98; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Docket No. AB-6 (Sub-No. 379X)]

The Burlington Northern and Santa Fe Railway Company; Abandonment Exemption; in Garfield and Logan Counties, OK

The Burlington Northern and Santa Fe Railway Company (BNSF) has filed a notice of exemption under 49 CFR 1152 Subpart F—*Exempt Abandonments* to abandon 42.80 miles of its line of railroad between milepost 73.60 near Fairmont and milepost 116.40 near Guthrie including the stations of Douglas at milepost 82.4, Marshall at milepost 88.4, Lovell at milepost 95.1, and Crescent at milepost 102.8, in Garfield and Logan Counties, OK. The line traverses United States Postal Service Zip Codes 73736, 73733, 73056, 73028 and 73044.

BNSF has certified that: (1) No local traffic has moved over the line for at least 2 years; (2) any overhead traffic on the line can be rerouted over other lines; (3) no formal complaint filed by a user of rail service on the line (or by a state or local government entity acting on behalf of such user) regarding cessation of service over the line either is pending with the Surface Transportation Board (Board) or with any U.S. District Court or has been decided in favor of complainant within the 2-year period; and (4) the requirements at 49 CFR 1105.7 (environmental reports), 49 CFR 1105.8 (historic reports), 49 CFR 1105.11 (transmittal letter), 49 CFR 1105.12 (newspaper publication), and 49 CFR 1152.50(d)(1) (notice to governmental agencies) have been met.

As a condition to this exemption, any employee adversely affected by the abandonment shall be protected under *Oregon Short Line R. Co.—Abandonment—Goshen*, 360 I.C.C. 91 (1979). To address whether this condition adequately protects affected employees, a petition for partial revocation under 49 U.S.C. 10502(d) must be filed. Provided no formal expression of intent to file an offer of financial assistance (OFA) has been received, this exemption will be effective on June 5, 1998, unless stayed

¹⁸ See Securities Exchange Act Release No. 39549 (January 14, 1998), 63 FR 3601 (January 23, 1998). The Commission notes that this proposal was published for the full notice and comment period during which no comments were received.

¹⁹ 15 U.S.C. 78(f)(5) and 78s(b)(2).

²⁰ 15 U.S.C. 78s(b)(2).

²¹ 17 CFR 200.3-3(a)(12).