

delivery on short sales, and the issuer credit risk associated with long warrants—may cause these margin requirements to be insufficient to fully cover the risk of such positions in certain circumstances, and broker-dealers must therefore be prepared to call for additional margin when appropriate. CBOE further believes that each exchange listing stock index, currency index or currency warrants should draw the attention of its member firms to this issue in connection with the adoption of these margin rules.

In accordance with the Lawson letter, the proposed rules would be applicable only to warrants issued after the effective date of this filing. Warrants issued prior to that date would remain subject to rules then in effect.

**Applicability of Other Exchange Rules.** Appendix A to Chapter XXX, which is a cross-reference table to other rules of the Exchange that are applicable to securities otherwise covered in Chapter XXX, is being updated to reflect the applicability of certain options rules (*i.e.*, customer protection rules including, but not limited to, options account approval, suitability, etc.) to stock index warrants, currency index warrants and currency warrants.

**Listing Criteria.** The listing criteria for stock index warrants and currency warrants are being amended to reflect the comments contained in the Lawson letter and to make clear that they apply to currency index warrants. In particular, issuers would be required to have a minimum tangible net worth in excess of \$150 million. In addition, the aggregate original issue price of all of a particular issuer's warrant offerings (combined with offerings by its affiliates) that are listed on a national securities exchange or that are National Market securities traded through NASDAQ would not be permitted to exceed 25 percent of the issuer's net worth. Finally, opening prices for all U.S. traded securities will be used to determine an index's settlement value where 25 percent or more of the value of the index is represented by securities whose primary trading market is in the U.S.

**Trading Halts or Suspensions.** Proposed new Rule 30.36 makes the provisions in Rule 24.7 concerning trading halts or suspensions in stock index options applicable to stock index warrants.

**Specific Warrant Issues.** It is the Exchange's understanding that, upon approval of the foregoing amendments, no rule filing pursuant to Section 19(b) of the Act will be required in order for the Exchange to list specific issues of warrants on a board-based index that is

the underlying index for warrants or standardized options that have previously been listed or approved for listing by the Commission on a national securities exchange or national securities association.

Initial and maintenance listing standards for stock index warrants will require that no more than 20% of the securities in the underlying index, by weight, may be comprised of foreign securities that are not subject to comprehensive surveillance sharing agreements between the CBOE and the primary exchange on which the foreign security (including a foreign security underlying an ADR) is traded.<sup>6</sup> Prior to trading stock index or currency warrants, the Exchange will distribute a circular to its membership providing guidance regarding member firm compliance responsibilities (including suitability recommendations) when handling transactions in index or currency warrants.<sup>7</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

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

The Exchange believes 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the **Federal Register** or

<sup>6</sup> Telephone conversation between James R. McDaniel, Schiff Hardin & Waite, and Stephen M. Youhn, SEC, on December 21, 1994 ("Amendment No. 1"). The Exchange proposes that the "20% test" be applied in the same manner as that contained in Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994) (Commission approval order allowing the expedited trading approval of certain narrow-based index options).

<sup>7</sup> Telephone conversation between James R. McDaniel, Schiff Hardin & Waite, and Stephen M. Youhn, SEC, on December 22, 1994.

within such other period (i) as the Commission may designate up to 90 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 CBOE. All submissions should refer to File No. SR-CBOE-94-34 and should be submitted by January 30, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Clarifying the Depository Trust Company's Policy on Depository-to-Depository Services and Fees

December 30, 1994.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on

<sup>8</sup> 17 CFR 200.30-3(a)(12) (1993).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).