

Exchange provide information regarding the Exchange's monitoring of liquidation transactions effected by specialists on any destabilizing tick. In both of the 1995 approval orders, the Commission requested that the Amex continue to monitor the pilot and update its report where appropriate.¹⁷ In particular, the Commission asked the Amex to report any noncompliance with the Rule and the action the Amex took as a result of such noncompliance.

The Amex submitted its reports concerning the pilot program to the Commission in May 1995 and April 1996. As noted above, the Amex believes the pilot procedures appear to be working well in enabling specialists to reliquify appropriately to meet the needs of the market. After reviewing the data, the Commission agrees with the Exchange that the pilot generally is working well. In particular, the Commission believes the report indicates that specialists generally are entering the aftermarket after effecting liquifying transactions when appropriate.

The Commission believes, however, that certain issues concerning the pilot need to be revisited before permanent approval can be granted. In this regard, the Exchange should continue to emphasize the requirements of Amex Rule 170, including the necessity for Floor Official approval of specialists' purchases and sales on direct plus or minus ticks, and that such transactions can only be effected if reasonably necessary for the maintenance of fair and orderly markets. In addition, where proper procedures are not followed, the Amex should take appropriate disciplinary action.¹⁸

The Commission finds good cause for approving Amendment No. 1 prior to the thirtieth day after the date of publication of notice of filing thereof. This will permit the pilot program to continue on an uninterrupted basis. In addition, the Exchange proposes to continue using the identical procedures contained in the pilot program. These procedures have been published in the Federal Register on several occasions for the full comment period,¹⁹ and no

comments have been received. Furthermore, the Commission approved a similar rule change for the NYSE also without receiving comments on the proposal.²⁰ For these reasons, the Commission finds that accelerating approval of the proposed rule change is consistent with Section 19(b)(2) of the Act.²¹ Any requests to modify this pilot program, to extend its effectiveness, or to seek permanent approval for the pilot program also should include an update on the disciplinary actions taken for violations of these procedures.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-96-16 and should be submitted by August 14, 1996.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²² that the proposed rule change (SR-Amex-96-16) is approved for a pilot period ending on September 23, 1996.

For the Commission, by the Division, of Market Regulation, pursuant to delegated authority.²³

Margaret H. McFarland,

Deputy Secretary.

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²⁰ See Securities Exchange Act Release No. 31797 (Jan. 29, 1993), 58 FR 7277 (approving File No. SR-NYSE-92-20).

²¹ 15 U.S.C. 78s(b)(2).

²² 15 U.S.C. 78s(b)(2).

²³ 17 CFR 200.30-3(a)(12).

[Release No. 34-37444; File No. SR-Amex-96-28]

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change by American Stock Exchange, Inc. Relating to the Listing and Trading of Indexed Term Notes

July 16, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on July 15, 1996, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission the proposed rule change as described in Items I and II below, which Items have been prepared by the Amex. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Amex proposes to approve for listing and trading under Section 107A of the Amex *Company Guide*, Indexed Term Notes based in whole or in part on changes in the value of a portfolio of common stocks representing the ten highest yielding stocks in the Dow Jones Industrial Average (the "Select Ten").

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 the Statutory Basis for, the Proposed Rule Change

(1) Purpose

Under Section 107A of the Amex *Company Guide*, the Exchange may approve for listing and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.¹ The Amex now proposes

¹ See Securities Exchange Act Release No. 27753 (March 1, 1990).

¹⁷ See April 1995 Approval Order and July 1995 Approval Order, *supra* note 5.

¹⁸ Failure to obtain the required Floor Official approval when establishing, increasing, or liquidating a position should be enforced by the Exchange through its Minor Rule Violation Fine System unless more serious action is warranted through full disciplinary proceedings. See Amex Rule 590.

¹⁹ See 1994 Approval Order, *supra* note 5; April 1995 Approval Order, *supra* note 5; July 1995 Approval Order, *supra* note 5; Securities Exchange Act Release No. 37288 (June 7, 1996), 61 FR 30268 (publishing notice of File No. SR-Amex-96-16).

to list for trading under Section 107A of the *Company Guide*, Indexed Term Notes whose value in whole or in part will be tied to the Select Ten Index. The Select Ten will be determined on two business days prior to the pricing date of the Indexed Term Note.²

The Indexed Term Notes will be non-convertible debt securities and will conform to the listing guidelines under Section 107A of the *Company Guide*. Although a specific maturity date will not be established until the time of the offering, the Indexed Term Notes will provide for maturity within approximately ten years from the date of issue. Indexed Term Notes may provide for periodic payments and/or payments at maturity based in whole or in part on changes in the value of the Select Ten Index. At maturity holders of the Indexed Term Notes will receive not less than 90% of the initial issue price. Consistent with other structured products, the Exchange will distribute a circular to its membership, prior to the commencement of trading, providing guidance with regard to member firm compliance responsibilities, including appropriate suitability criteria and/or guidelines.

Eligibility Standards for the Index Components

Components of the Select Ten Index approved pursuant to this filing shall meet the following criteria: (1) A minimum market value of at least \$75 million, except that up to 10% of the component securities in the Select Ten Index may have a market value of \$50 million; (2) average monthly trading volume in the last six months of not less than 1,000,000 shares, except that up to 10% of the component securities in the Select Ten Index may have an average monthly trading volume of 500,000 shares or more in the last six months; (3) 90% of the Select Ten Index's numerical value and at least 80% of the total number of component securities will meet the then current criteria for standardized option trading set forth in Exchange Rule 915; and (4) all component stocks will either be listed on the Amex, the New York Stock Exchange, or traded through the facilities of the National Association of Securities Dealers Automated Quotation System and reported National Market System securities.

Select Ten Index Calculation

The Select Ten Index will be calculated using an "equal-dollar weighting" methodology designed to ensure that each of the component securities is represented in an approximately "equal" dollar amount at the time the Index is established. The Index will initially be set to provide a benchmark value of 100.00 at the close of trading on the day preceding the establishment of the Index. The Index will reflect price appreciation and cumulative dividends paid on the Select Ten. The Index will be reconstituted annually to reflect an equal-dollar weighted portfolio of the ten highest yielding stocks in the Dow Jones Industrial Average as of two business days prior to the anniversary of the pricing date.

The multiplier of each component stock in the Index will remain fixed except in the event of certain types of corporate actions such as the payment of a dividend other than an ordinary cash dividend, a stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, or similar event with respect to the component stocks. The multiplier of each component stock may also be adjusted, if necessary in the event of a merger, consolidation, dissolution or liquidation of an issuer or in certain other events such as the distribution of property by an issuer to shareholders, the expropriation or nationalization of a foreign issuer or the imposition of certain foreign taxes on shareholders of a foreign issuer. If the issuer of a stock included in the Index were to no longer exist, whether by reason of a merger, acquisition or similar type of corporate transaction, a value equal to the stock's final value will be assigned to the stock for the purpose of calculating the Index value. For example, if a company included in the Index were acquired by another company, a value will be assigned to the company's stock equal to the value per share at the time the acquisition occurred. If the issuer of stock included in the Index is the process of liquidation or subject to a bankruptcy proceeding, insolvency, or other similar adjudication, such security will continue to be included in the Index so long as a market price for such security is available. If a market price is no longer available for an Index stock due to circumstances including but not limited to, liquidation, bankruptcy, insolvency, or any other similar proceeding, then the security will be assigned a value of zero when calculating the Index for so long as no

market price exists for that security. If the stock remains in the Index, the multiplier of that security in the Index may be adjusted to maintain the component's relative weight in the Index at the level immediately prior to the corporate action. In all cases, the multiplier will be adjusted, if necessary, to ensure Index continuity.

The Exchange will calculate the Select Ten Index and, similar to other stock index values published by the Exchange, the value of the Index will be calculated continuously and disseminated every 15 seconds over the Consolidated Tape Association's Network B.

(2) Basis

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, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any 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. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer 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 Exchange consents, the Commission will:

(A) By order approve such 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

²The following is a sample list of the component securities in the Select Ten Index as of July 11, 1996: Philip Morris; J.P. Morgan; Texaco; Exxon Corp; Chevron Corp; General Motors; Du Pont; International Paper; Caterpillar Inc; and Eastman Kodak.

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 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 Exchange. All submissions should refer to File No. SR-Amex-96-28 and should be submitted by August 14, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37443; File No. SR-CHX-96-17]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Clearing Support Fees

July 16, 1996.

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 July 2, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to add an odd-lot dealer CUSIP fee to Section (o)

of its Membership Dues and Fees Schedule. The text of the proposed rule change is as follows [new text is italicized]:

**Chicago Stock Exchange, Incorporated
Membership Dues and Fees**

- (o) Clearing Support Fees
- (1) Account Fees
 - First Master Account Fee: \$500 per month
 - Additional Master Account Fee: \$300 per month
 - Sub-Account Fees: \$100 per account per month
- (2) CUSIP Fees
 - Specialist CUSIP Fee: \$50 per CUSIP per month
 - Market Maker CUSIP Fee: \$10 per CUSIP per month
 - Odd Lot Dealer CUSIP Fee:¹ \$2.50 per CUSIP per month
 - Floor Broker as Principal: \$2 per CUSIP per month

¹ *The Odd Lot Dealer CUSIP Fee does not apply to any issue in which the off-lot dealer is also the specialist for the issue.*

(minimum clearing support fee is \$600 per month)

Discounts

The above Specialist CUSIP Fee will be subject to the following discounts:

If between 20 and 200 trades occur in a particular CUSIP in a given month, the Specialist CUSIP Fee for the CUSIP shall be \$40 for that month.

If less than 20 trades occur in a particular CUSIP in a given month, the Specialist CUSIP Fee for that CUSIP shall be \$20 for that month.

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for the Proposed Rule 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 place specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Section A, B, 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 purpose of the proposed rule change is to add a clearing support fee for odd-lot dealers. The new fee will not apply to any issue in which the odd-lot dealer is also the

specialist for the issue. This new fee is similar to the clearing support fees imposed on specialists, market makers and floor brokers acting as principal pursuant to SR-CHX-96-10.¹ This fee relates to the additional services the CHX is providing to odd-lot dealers as a result of the Midwest Clearing Corporation's withdrawal from the clearance and settlement business. The odd-lot dealer clearing support fee is applicable to all odd-lot dealers that have entered into an agency agreement with the CHX pursuant to Article XXI, Rule 13 of the Exchange's Rules.

The amount of this CUSIP fee is based on expected account activity and the expenses that the CHX will incur in servicing accounts for odd-lot dealers. For example, because the CHX expects odd-lot dealers to have less activity per CUSIP than specialists or market makers due to the unusually large number of issues that an odd-lot dealer typically trades, thus resulting in a lesser amount of staff time expended per CUSIP to produce reports and provide the service contemplated by the agency agreement, the odd-lot dealer CUSIP fee is less than the specialist and market maker CUSIP fee.

2. Statutory Basis. The proposed rule change is consistent with Section 6(b)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and persons using its facilities.

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

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

The foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act and subparagraph (e) of Rule 19b-4² thereunder. At any time within 60 days of the filing of such proposed rule

¹ Securities Exchange Act Release No. 37054 (April 1, 1996), 61 FR 15544 (publishing Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Clearing Support and Other Fees).

² 17 CFR 240.19b-4.

³ 17 CFR 200.30-3(a)(12).