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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–3134 Filed 2–12–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36812; File No. SR–Amex–96–03]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc. Relating to Options on the Networking Index

February 6, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on January 23, 1996, the American Stock Exchange, Inc. (''Amex'' 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 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 American Stock Exchange, Inc. (''Amex'' or the ''Exchange'') proposes to trade options on the Networking Index (''Index''), a new index developed by the Amex comprised of 15 computer and telecommunication networking stocks which are traded on the Amex, the New York Stock Exchange, Inc. (''NYSE''), or through the facilities of the National Association of Securities Dealers Automated Quotation system and are reported national market system securities (''NASDAQ/NMS''). In addition, the Amex proposes to amend Rule 901C, Commentary .01, to reflect that 90% of the Index's numerical value will be accounted for by stocks that meet the current criteria and guidelines set forth in Rule 915.

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 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 IV 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

The Exchange proposes to trade standardized options on the Networking Index (''Index''), a modified equal-dollar weighted index developed by the Amex, representing a portfolio of large, actively traded computer and telecommunication networking stocks.

1. Eligibility Standards for Index Components

The Networking Index currently conforms with Exchange Rule 901C, which specifies criteria for inclusion of stocks in an index on which standardized options will be traded. In addition, the Index also currently conforms to all the criteria set forth in Rule 901C, Commentary .02, which provides for the commencement of trading of options on an index thirty days after the date of filing, with the exception that the Index is calculated using a modified version of the equal-dollar weighting method. Therefore, the component securities all meet the following eligibility standards: (1) They are traded on the Amex or NYSE, or are NASDAQ/NMS securities; (2) component stocks comprising the top 90% of the Index by weight have a minimum market capitalization of $75 million, and those component stocks constituting the bottom 10% of the Index by weight have a market capitalization of at least $50 million; (3) stocks constituting the top 90% of the Index by weight have minimum monthly volume of 1,000,000 shares over the six months preceding this filing, and stocks constituting the bottom 10% of the Index by weight have a minimum monthly volume of at least 500,000 shares over the six months preceding this filing. The Exchange will assure that upon quarterly rebalancing (1) at least 90% of the index's numerical index value and at least 80% of the total number of component securities individually will meet the then current criteria for standardized option trading set forth in Exchange Rule 915; (2) that no component security represent more than 25% of the weight of the Index; and (3) that the five highest weighted component securities in the index, in the aggregate, account for no more than 60% of the weight of the Index.

2. Index Calculation

The Index is calculated using a ''modified equal-dollar weighting'' methodology. Four of the fifteen component securities are given higher weightings to reflect their higher market capitalizations than the rest of the group, while not allowing them to dominate the Index to the extent they would in a straight market capitalization weighted Index. This method of calculation is important given the great disparity in market value of a few of the Index's components. It has been the Exchange's experience that options on market value weighted indexes dominated by relatively few component stocks are less useful to investors, since the index will tend to represent these few components and not the industry as a whole. At the same time, the increase in Index weight for the smaller, less liquid stocks is lower than if the index had been straight equal-dollar weighted; and the decrease in Index weight of the larger, more liquid stocks also is less dramatic than using straight equal-dollar weighting.

The following is a description of how the modified equal-dollar weighting calculation method works. As of the market close on October 20, 1995, a portfolio of networking stocks was established representing an investment of $12,000 in each of the four highest capitalized stocks of the companies in the Index and $4,727.27 in the 11 remaining stocks (rounded in the nearest whole share). The value of the Index equals the current market value (i.e., based on U.S. primary market prices) of the sum of the assigned number of shares of each of the stocks in the Index portfolio divided by the Index divisor. The Index divisor was initially determined to yield the benchmark value of 200.00 at the close of trading on October 20, 1995. Each quarter thereafter, following the close of trading on the third Friday of January, April, July and October, the Index portfolio will be ranked in descending market capitalization order and the Index portfolio adjusted by changing the number of whole shares of each component stock so that the four largest capitalized stocks in the Index each represents 12% of the Index value for a total of 48%, and the remaining 52% of the Index value is evenly distributed over the remaining securities. At the inception of the Index, each of the remaining 11 components had a weight of approximately 4.73%. The Exchange has chosen to rebalance following the close of trading on the quarterly expiration cycle because it allows an option contract to be held for up to three

---

[1] 15 U.S.C. 78s(b)(1) (1988).

months without a change in the Index portfolio while at the same time, maintaining the equal-dollar weighting feature of the Index. If necessary, a divisor adjustment is made at the rebalancing to ensure continuity of the Index's value. The newly adjusted portfolio becomes the basis for the Index's value on the first trading day following the quarterly adjustment.

As noted above, the number of shares of each component stock in the Index portfolio remain fixed between quarterly [2] reviews except in the event of certain types of corporate actions such as the payment of a dividend other than an ordinary cash dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, or similar event with respect to the component stocks. In a merger or consolidation of an issuer of a component stock, if the stock remains in the Index, the number of shares of that security in the portfolio may be adjusted, to the nearest whole share, to maintain the component's relative weight in the Index at the level immediately prior to the corporate action. In the event of a stock replacement, the average dollar value of the remaining portfolio components in the same weighting tier of the stock being replaced (*i.e.,* either the top four stocks by market capitalization as of the last rebalance, or the remaining stocks) will be calculated and that amount invested in the stock of the new component, to the nearest whole share. In all cases, the divisor will be adjusted, if necessary, to ensure Index continuity.

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.

3. Maintenance of the Index [3]

The Exchange will review the Index quarterly,[4] and maintain it so that (1) the total number of component securities will not increase or decrease by more than 33⅓% from the number of components in the Index at the time of its initial listing and in no event will the Index have fewer than nine components; (2) component stocks constituting the top 90% of the Index by weight will have a minimum market capitalization of $75 million and the component stocks constituting the bottom 10% of the Index by weight will have a minimum market capitalization of $50 million; (3) the monthly trading volume for each of the past six months [5] for each component security shall be at least 500,000 shares, or for each of the lowest weighted components in the Index that in the aggregate account for no more than 10% of the weight of the Index, the monthly trading volume shall be at least 400,000 shares; and (4) no single component will represent more than 25% of the weight of the Index and the five highest weighted components will represent no more than 60% of the Index at each quarterly rebalancing.

The Exchange shall not open for trading any additional option series should the Index fail to satisfy any of the maintenance criteria set forth above unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination.

4. Expiration and Settlement

The proposed options on the Index will be European style (i.e., exercises permitted at expiration only), and cash settled. Standard option trading hours (9:30 a.m. to 4:10 p.m. New York time) will apply. The options on The Networking Index will expire on the Saturday following the third Friday of the expiration month (''Expiration Friday''). The last trading day in an expiring option series will normally be the second to last business day preceding the Saturday following the third Friday of the expiration month (normally a Thursday). Trading in expiring options will cease at the close of trading on the last trading day.

The Exchange plans to list options series with expirations in the three near-term calendar months and in the two additional calendar months in the January cycle. In addition, longer term option series having up to thirty-six months to expiration may be traded. In lieu of such long-term options on a full value Index level, the Exchange may instead list long-term, reduced value put and call options based on one-tenth (1⁄10) the Index's full value. Ineither event, the interval between expiration months for either a full value or reduced value long-term option will be not less than six months. The trading of any long term options would be subject to the same rules which govern the trading of all the Exchange's index options, including sales practice rules, margin requirements and floor trading procedures, and all options will have European style exercise. Position limits on reduced value long term Networking Index options will be equivalent to the position limits for regular (full value) Index options and would be aggregated with such options (for example, if the position limit for the full value options is 9,000 contracts on the same side of the market, then the position limit for the reduced value options will be 90,000 contracts on the same side of the market).

The exercise settlement value for all of the Index's expiring options will be calculated based upon the primary exchange regular way opening sale prices for the component stocks. In the case of securities traded through the NASDAQ/NMS, the first reported regular way sale price will be used. If any component stock does not open for trading on its primary market on the last trading day before expiration, then the prior day's last sale price will be used in the calculation.

5. Exchange Rules Applicable to Stock Index Options

Amex Rules 900C through 980C will apply to the trading of option contracts based on the Index. These Rules cover issues such as surveillance, exercise prices, and position limits. Surveillance procedures currently used to monitor trading in each of the Exchange's other index options will also be used to monitor trading in options on the Networking Index. The Index is deemed to be a Stock Index Option under Rule 901C(a) and a Stock Index Industry Group under Rule 900C(b)(1). With respect to Rule 903C(b), the Exchange proposes to list near-the-money option series on the Index at 2½ point strike (exercise) price intervals when the value of the Index is below 200 points. In addition, the Exchange expects that the review required by Rule 904C(c) will result in a position limit of 9,000 contacts with respect to options on this Index.

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) of the Act 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 regulating, clearing, settling, processing information with respect to, and

[2] Telephone Conversation between Claire McGrath, Managing Director and Special Counsel, Amex, and Francois Mazur, Attorney, Office of Market Supervision, Division of Market Regulation, Commission, on February 2, 1996 (''Telephone Conversation'').

[3] The Amex has stated that the Index will be maintained so as to conform with the generic maintenance listing standards for options on narrow-based indexes (Amex Rule 901C, Commentary .02). Telephone Conversation between Claire McGrath, Managing Director and Special Counsel, Amex, and Francois Mazur, Attorney, Office of Market Supervision, Division of Market Regulation, Commission, on February 6, 1996.

[4] Telephone Conversation, *supra* note 2.

[5] *Id.*

facilitating transactions in, securities, and in general to protect investors and the public interest, 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 Amex believes that the proposed rule change will not impose any burden on competition.

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

Written comments on the proposed rule change were neither solicited nor received.

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 self-regulatory organization 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 arguments concerning the foregoing. 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 in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to File No. SR–Amex–96–03 and should be submitted by March 5, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–3100 Filed 2–12–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36813; File No. SR–NYSE–96–02]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Voting of Proxies by Its Member Firms for Holders of Auction Rate Preferred Securities

February 6, 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 February 1, 1996, the New York Stock Exchange, Inc. (''NYSE'' 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 New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') is proposing amendments to its rules governing the voting by its member firms for holders of auction rate preferred securities.[1] These requirements are contained in Exchange Rule 452 and Section 402.08 of its Listed Company Manual. The amendments would allow the Exchange's member firms to vote the shares of auction rate preferred securities in the absence of instructions provided by beneficial holders as long as certain conditions are met.

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 IV 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

The Exchange's proxy rules prohibit member firms from voting, without customer instructions, on non-routine items submitted to a vote of shareholders. Auction rate preferred securities are substantially short term instruments sold primarily to institutional investors. At the auction date, which typically runs every seven days but in some instances can be one to five years, the investor receives their entire investment along with accrued dividends, and may, if they so chose, participate in the repurchase of shares at the new dividend rate for the ensuing rate period. Because of the turnover and the little interest that auction rate preferred shareholders have in the performance of the issuer and its governance structure, corporate issuers find it extraordinarily difficult to obtain requisite approval.

In addition, some state laws require the approval of at least a majority of preferred holders in any matter taken to a vote of preferred holders. The failure to obtain a quorum in such cases effectively blocks the approval of the matters which are overwhelmingly voted in favor of by common shareholders, when a vote of all classes is required, and those preferred voters who do vote.

The proposed rule change will allow member firms to vote the shares of auction rate preferred securities with auction reset periods of less than one year, on non-routine items, in proportion to those votes cast by beneficial holders, as long as: (i) The issuer has transmitted proxy soliciting material to the beneficial owner or its designee; (ii) it has not received voting instructions from the beneficial owner or its designee within the time period specified in the proxy material; (iii) at least 30% of the issue has been voted by beneficial holders or their designee; (iv) less than 10% of the issue has voted against the proposal; (v) for any proposal taken to preferred and common shareholders, proportional voting would not be allowed unless

---

[6] 17 CFR 200.30–3(a)(12) (1994).

[1] The proposed change defines an auction rate preferred security as a preferred security pursuant to which the dividend rate is established periodically by auction or remarketing at specified ''reset periods.''