are not tied to applicant's net investment income and realized capital gains and do not represent yield or investment return.

4. Another concern underlying section 19(b) and rule 19b–1 is that frequent capital gains distributions could facilitate improper sales practices, including in particular, the practice of urging an investor to purchase fund shares on the basis of an upcoming distribution (''selling the dividend''), when the distribution would result in an immediate corresponding reduction in net asset value and would be, in effect, a return of the investor's capital. Applicant submits that this concern does not apply to closed-end investment companies, such as applicant, which do not continuously distribute shares.

5. Applicant states that increased administrative costs also are a concern underlying section 19(b) and rule 19b–1. Applicant asserts that it will continue to make quarterly distributions regardless of whether capital gains are included in any particular distribution.

6. Section 6(c) provides that the SEC may exempt any person, security, or transaction from any provision of the Act, or from any rule thereunder, if such 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. For the reasons stated above, applicant believes that the requested relief satisfies this standard.

Applicant's Condition

Applicant agrees that the order granting the requested relief shall terminate upon the effective date of a registration statement under the Securities Act of 1933 for any future public offering by applicant of its shares other than: (i) a non-transferable rights offering to shareholders of applicant, provided that such offering does not include solicitation by brokers or the payment of any commissions or underwriting fee; and (ii) an offering in connection with a merger, consolidation, acquisition, or reorganization.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–25029 Filed 9–19–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39079; International Series Release No. 1099, File No. SR–Amex–96–38]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 1, 2, and 3 Thereto by the American Stock Exchange, Inc., Relating to the Listing and Trading of Warrants on the ING Barings Securities Limited BEMI Latin America Index

September 15, 1997.

I. Introduction

On October 15, 1996, the American Stock Exchange, Inc. (''Amex'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] the proposed rule change to list and trade warrants on the ING Barings Securities Limited BEMI Latin America Index (''Index'').[3] A notice appeared in the **Federal Register** on November 21, 1996.[4] No comment letters were received concerning the proposed rule change. On December 24, 1996, March 3, 1997 and June 3, 1997, the Exchange filed Amendment Nos. 1, 2 and 3, respectively, to the proposed rule change.[5] This order approves the Amex's proposal, as amended.

II. Description of the Proposal

The purpose of the proposed rule change is to permit the Exchange to list and trade, under Section 106 of the Amex *Company Guide*, cash-settled index warrants based on the Index.

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 37960 (November 15, 1996).

[4] *See* 61 FR 59261.

[5] *See* Letters from Claire P. McGrath, Managing Director & Special Counsel, Derivative Securities, Amex, to Ivette Lopez, Assistant Director, Division of Market Regulation (''Division''), SEC, dated December 23, 1996 (''Amendment No. 1''), February 28, 1997 (''Amendment No. 2''), and June 3, 1997 (''Amendment No. 3''), respectively. Amendment No. 1, sets forth, among other things, the definition of ''available capitalization,'' the calculation formula for the Index and the foreign stock exchanges with which the Amex has comprehensive surveillance sharing agreements. In Amendment No. 2, the Amex provides for each Index component, the average daily trading volume for the six month period ending December 31, 1996 and their weights in the Index. In Amendment No. 3, the Amex provides Index maintenance standards.

A. Design of the Index

The Exchange represents that the Index is a market capitalization-weighted broad-based index developed by ING Barings Securities Limited (''Barings'') comprised of 122 stocks from 112 companies from the following seven Latin American countries: Argentina; Brazil; Chile; Colombia; Mexico; Peru; and Venezuela.[6] In addition, the stocks represent eleven different industry groups. As of June 30, 1997, the number of stocks and weightings in the Index was as follows: Argentina 22 stocks/12.63% weighting; Brazil 22 stocks/46.84% weighting; Chile 21 stocks/11.20% weighting; Columbia 12 stocks/1.50% weighting; Mexico 26 stocks/21.76% weighting; Peru 12 stocks/3.90% weighting; and Venezuela 7 stocks/2.16% weighting. As of the same date, the largest stock accounted for 10.95% of the Index weight, while the smallest accounted for 0.016%. The top five stocks in the Index by weight accounted for 32.15%.

The total available market capitalization of the Index was $158,437,566,290 billion on that date.[7] The average available market capitalization of these companies was $1,298,668,576 billion. The individual available market capitalization of the companies ranged from $25,050,774 million to $17,343,762,504 billion.

B. Maintenance of the Index

The Index is maintained by Barings' Recomposition Committee. The Recomposition Committee, established at the time of the launch of the Index, reviews on a quarterly basis the Index rules and composition. The Recomposition Committee implements changes or fixes standards as appropriate and oversees the security environment of the Index and its record-keeping. The quarterly meeting is normally held in the second week of the last month of the quarter. The date of these meetings is posted at least two months in advance on Reuters and the results are publicly disclosed on Reuters the day after a meeting. Actual implementation of any changes to the composition of the Index occurs on the last day of the month that the meeting is held. This is approximately two

[6] The Index is a sub-index of the Barings Emerging Markets Index (''BEMI'').

[7] A company's ''available capitalization'' is defined as the lower of (i) the company's ''free float'' or (ii) the legally available capitalization of the company. A company's ''free float'' is defined as the percentage of shares which could reasonably be expected to trade on the open market. Generally, government holdings, corporate cross-ownership and other strategic holdings are not considered freely floating.

weeks after the Recomposition Committee has met and the changes to the Index have been publicly announced.

Exceptionally, in the case of new issues, privatizations and takeovers, a stock can be introduced to or deleted from the Index without waiting for the next quarterly meeting. In these cases, the decision to include or remove a stock is taken by an ad hoc meeting of members of the Recomposition Committee in accordance with established rules. New companies resulting from a spin-off of a component company will be put into the Index and remain in the Index until the next quarterly recomposition meeting. The Amex notes that Barings will adjust the Index divisor, if necessary, in order to ensure Index continuity.[8]

The stocks selected for inclusion in the Index were chosen on the basis of both country and company criteria. To be included in the Index, a country must have a minimum Gross Domestic Product per capita of $400 and a minimum market trading value of $2 billion per year in at least one of the last three years. The companies included in the Index are drawn from a database of stock entities, which may represent individual companies in their entirety, or separate classes of stock (*e.g.*, A shares and B shares, of the same company). The criteria for stock entities to be included are: capitalization value greater than 1% of the Barings database for that country; minimum free float of 10%;[9] and minimum average daily trading value of $100,000. In addition, shares that rank first or second in their industry sector may be included if they have a minimum capitalization of 0.5% of the Barings database for that country and meet the normal free-float and daily trading value rules.

The Amex notes that Barings will maintain the Index to ensure that no more than 10% of the index weight is represented by stocks that do not have a minimum average daily trading value, on a rolling four quarter basis, of US$200,000.[10] In addition, no more than 5% of the index weight will be represented by stocks that fall below US$100,000 average daily trading value on a semi-annual basis.[11] If the Index fails to meet either of these standards, the Index will be rebalanced by removing the requisite stocks.

In addition, Barings maintains the Index to ensure that no single stock comprises more than 20% of the Index weight and no five stocks comprise more than 50% of the Index weight. If the Index fails to satisfy this maintenance requirement, the Exchange will apply margin requirements for stock index industry group warrants.[12]

Barings has created special procedures to prevent material non-public information from being improperly used by its research, sales and trading divisions in connection with the maintenance of the Index. Specifically, membership of the Recomposition Committee is regulated by a ''Fire Wall.'' All members are isolated from sales, trading and corporate finance functions. Members are drawn from Index research, calculation, legal and compliance departments of Barings. To ensure impartiality and good practice, the committee has retained Russell Systems Limited (''Russell''), part of the Frank Russell Group, to attend all meetings and to provide an audit of attendance and appropriateness of the agenda. Russell also provides advice on good practice in indexation and on how to ensure the use of the best available information on emerging markets.

C. Trading of the Index Warrants

Currently, the Amex is seeking authority to list and trade only a single issuance of warrants on the Index which have a term of less than five years.[13] The Index warrants will be direct obligations of their issuer subject to cash-settlement during their term and either exercisable throughout their life (*i.e.*, American style) or exercisable only on their expiration date (*i.e.*, European style). Upon exercise, or at the warrant expiration date if not exercisable prior to such date, the holder of a warrant structured as a ''put'' would receive payment in U.S. dollars to the extent the Index has declined below a pre-stated cash settlement value. Conversely, holders of a warrant structured as a ''call'' would, upon exercise or at expiration, receive payment in U.S. dollars to the extent the Index has increased above the pre-stated cash settlement value. If out-of-the-money at the time of expiration, the warrants would expire worthless.

In addition, the Amex has adopted account approval standards covering transactions in customer accounts as the suitability standards applicable to recommendations to purchasers of index warrants. Amex Rule 411, Commentary .02 recommends that index warrants under Section 106 of the *Company Guide* be sold only to investors whose accounts have been approved for options trading pursuant to Rule 921. The suitability requirements under Amex Rule 923 apply to recommendations in index warrants both with respect to customer accounts that have been approved for options trading and customer accounts that have not been so approved. Under these requirements, the person recommending a purchase of the Index warrants should have a reasonable basis for believing that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction and is financially able to bear the risks of the position in the option contract. Amex Rule 421, Commentary .02 requires a Senior Registered Options Principal or a Registered Options Principal to approve and initial a discretionary order in index warrants on the day the order is entered.

D. Calculation and Dissemination of the Value of the Index

The Index was first calculated on January 7, 1992 with a benchmark value of 100. As of June 30, 1997 the Index had a value of 203.825. The Amex disseminates the Index value every 15 seconds throughout the trading day over the Consolidated Tape Association's Tape B. The Amex, however, does not have real-time data feeds from the exchange that trade the component securities in Colombia, Peru and Venezuela. As a result, for those component securities that trade in Colombia, Peru and Venezuela, the previous day's last sale price, converted into U.S. dollars using Reuters 4 p.m. EST exchange rates, is used to calculate the Index value. If a security from a non-real-time reporting country, however, has options eligible American Depositary Receipts (''ADRs'') that trade on the New York Stock Exchange (''NYSE''), the ADR's real-time NYSE price is used to calculate the Index value.

As a result, the Index value is calculated so that stocks representing no more than 7% of the Index weight

[8] *See* Amendment No. 1, *supra* note 5.

[9] *See* note 7 *supra* for a definition of free float.

[10] A ''rolling four quarter basis'' is defined to mean that a stock will be reviewed each quarter to determine if it has maintained an average daily trading value of US$200,000 for the combined previous four quarters. For example, a security is reviewed at the beginning of the third quarter of 1997 and it maintained an average daily trading value of US$200,000 during the second and first quarters of 1997 and the fourth quarter of 1996 but it did not maintain such an average during the third quarter of 1996. The security may be removed if the figures from the third quarter of 1996 reduce the average daily trading value below US$200,000 for the combined four quarter period.

[11] In contrast to a rolling four quarter review, component securities will be reviewed twice a year to determine if they meet this standard.

[12] *See* Amex Rule 462.

[13] *See* note 22 *infra*.

report non-real-time prices.[14] If the Index fails to meet this standard, the Index will be rebalanced at the quarterly Recomposition Committee meeting by removing the requisite stocks to permit the Index to meet this standard. In the event a component security in the Index does not open for trading, however, the most recent closing value for that component will be used in the Index's calculation.

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, reorganization, recapitalization or similar event with respect to the component stocks, the Index divisor will be adjusted, if necessary, to ensure Index continuity.[15]

E. Warrant Listing Standards and Customer Safeguards

The Exchange represents that the listing and trading of warrants based on the Index will comply in all respects with the Amex warrant listing standards. Under Section 106 of the Amex *Company Guide,* the Exchange may approve for listing index warrants based on foreign and domestic market indices. In addition, the listing and trading of warrants on the Index will comply in all respects to Exchange Rules 1100 through 1110 for the trading of stock index and currency warrants. As discussed below, these standards govern issuer eligibility, position and exercise limits, reportable positions, settlement, automatic exercise, margin and trading halts and suspensions.[16]

Under Section 106(a) of the Amex *Company Guide,* issuers are required to have minimum tangible net worth in excess of $250 million or, in the alternative, to have a minimum tangible net worth in excess of $150 million, provided that the issuer has not, including as a result of the proposed issuance, issued outstanding warrants where the aggregate original issue price of all such warrant offerings, combined with offerings by its affiliates, listed on a national securities exchange or traded through the facilities of Nasdaq exceeds 25% of the warrant issuer's net worth. In addition, Sections 106(b) and 106(c) of the Amex *Company Guide* require that warrant issues have a term of one to five years and have a minimum public distribution of one million warrants together with a minimum of 400 public holders and an aggregate market value of $4 million.

Under Amex Rule 1107, no member can hold or control an aggregate position in a stock index warrant issue, or in all warrants issued on the same stock index, whether long or short, on the same side of the market, in excess of 15 million warrants with an original issue price of ten dollars or less. Stock index warrants with an original issue price greater than ten dollars will be weighted more heavily in calculating position limits. Amex Rule 1108 established exercise limits on stock index warrants analogous to those found on stock index options. Accordingly, no member, acting alone or in concert with others, directly or indirectly, may exercise a long position in warrants within five consecutive business days in excess of the permissible position limit. In addition, such limits are separate and distinct from any exercise limits that may be imposed by the issuers of stock index warrants.

Under Amex Rule 1110, members are required to file a report with the Exchange whenever any account in which the member has an interest has established an aggregate position, whether long or short, of 100,000 warrants overlying the same index, currency, or currency index.

Under Section 106(d) of the Amex *Company Guide,* currency and index warrants must be cash-settled in U.S. dollars. The procedures for determining the cash settlement value for the warrants have not yet been determined by Barings.[17] Once those procedures have been determined by Barings, they will be fully set forth in the prospectus and in the Information Circular distributed by the Exchange to its membership prior to the commencement of trading the warrant.

Under Section 106(f) of the Amex *Company Guide,* all unexercised warrants that are in-the-money will be automatically exercised on their expiration date or on or promptly following the date on which the warrants are delisted by the Exchange, provided that such warrant issue has not been listed on another organized securities market in the United States.

In general, the margin requirements for long and short positions in stock index warrants are the same as the margin requirements for long and short positions in stock index options. Accordingly, the purchase of a stock index warrant will require payment in full and the short sale of a stock index warrant will require margin of 100% of the current value of the warrant plus 15% of the current value of the underlying index less the amount by which the warrant is out-of-the-money, but not less than 10% of the index value.[18]

F. Surveillance

The Amex notes that although it does not have comprehensive surveillance sharing agreements (''CSSAs'') with all seven countries represented in the Index, it does comply with section 106(g) of the Amex *Company Guide.* Section 106(g) of the *Company Guide* states that foreign country securities or ADRs thereon that are not subject to a CSSA, and have less than 50% of their global trading volume in dollar value within the United States, shall not in the aggregate, represent more than 20% of the weight of an index, unless such index is otherwise approved for warrant or option trading. The Commission has Memoranda of Understanding with government authorities in Argentina, Brazil, Chile and Mexico. The Exchange has CSSAs with the securities markets and/or self-regulators in Argentina, Brazil and Chile. The Amex notes that the Commission previously has permitted U.S. derivatives markets to list derivatives on securities where the home market for such securities is located in Argentina, Brazil, Chile and Mexico based upon the Commission's and the Exchange's information sharing arrangements with the appropriate government or self-regulatory authorities in such countries.[19]

III. Commission Findings and Conclusions

The Commission finds that the proposed rule change by the Exchange is consistent with the requirements of the Act and the rules and regulations

[14] The Commission believes that the most current last sale prices for each component stock should be used in calculating the Index value. Nevertheless, because of the difficulty in receiving timely information from the three countries noted above, the Commission has decided to permit the use of the previous day's closing price for a number of Index components as long as their weight remains relatively minor and in no case more than 7% of the Index weight. The Commission notes that a proposal to list and trade derivative instruments overlying an index that had more than 7% of its component securities reporting non-real-time prices would raise questions regarding whether that particular index and any derivative instruments overlying it would be susceptible to manipulation.

[15] *See* Amendment No. 1, *supra* note 5.

[16] *See* Amex Rules 1109 and 918(c) for the regulations regarding trading halts and suspensions.

[17] The Amex notes that the procedures for determining the cash settlement value of the warrants will be in accordance with its listing criteria for warrants. In the event that such procedures do not comport with established requirements, the Amex will notify the Commission, prior to implementing such procedures, in order to determine the proper regulatory response.

[18] *See* Amex Rule 462, *supra* note 12.

[19] As of June 30, 1997, component securities from these four countries comprised 92.44% of the Index weight.

thereunder applicable to a national securities exchange, and in particular, the requirements of Section 6(b)(5) of the Act.[20] Specifically, the Commission finds that the listing and trading of warrants based on the Index will serve to promote the public interest and help to remove impediments to a free and open securities market by providing investors with a means to hedge exposure to market risk associated with the Latin American equity markets[21] and promote efficiency, competition, and capital formation.[22]

Nevertheless, the trading of warrants on the Index raises several concerns related to the design and maintenance of the Index, customer protection, surveillance and market impact. The Commission believes, however, for the reasons discussed below, that the Amex has adequately addressed these concerns.[23]

A. Design and Maintenance of the Index

The Commission finds that it is appropriate and consistent with the Act for the Amex to designate the Index as Broad-based for warrant trading. First, the Index is composed of 112 companies from 11 industry groups including: consumer goods, energy, capital equipment, basic materials, agriculture/food and financial services. Second, no particular stock or group of stocks dominates the Index. Specifically, as of June 30, 1997, the largest stock accounted for 10.95% of the Index weight, while the smallest accounted for 0.016%. The top five stocks in the Index by weight accounted for 32.15%. Accordingly, the Commission believes that it is appropriate to classify the Index as broad-based so that the Exchange may list warrants for trading pursuant to the Amex warrant listing standards for broad-based indices.

The Commission notes that with respect to the maintenance of the Index, Barings has implemented several safeguards in connection with the listing and trading of the index warrants that will serve to ensure that the Index is a highly capitalized, diversified and actively-traded index. In this regard, Barings will maintain the Index so that: (1) No single stock may comprise more than 20% of the Index weight and no five stocks may comprise more than 50% of the Index weight; (2) no more than 7% of the Index weight may report non-real-time prices in calculating the Index value (in addition, NYSE prices will be used for options eligible ADRs for securities from non-real-time reporting countries); (3) no more than 10% of the index weight may be represented by stocks that do not have a minimum average daily trading value, on a rolling four quarter basis, of US$200,000[24] and (4) no more than 5% of the Index weight may be represented by stocks that fall below US$100,000 average daily trading value on a semi-annual basis. If the 20% single stock, 50% top five stock standard is not maintained, then the Exchange will re-classify the Index as narrow-based and would, among other things, impose minimum margin requirements for stock index industry group warrants.

In particular, the Commission believes that the real-time reporting of simultaneously traded index component securities that underlie an exchange-traded index component securities that underlie an exchange-traded derivatives product is an important element for the intra-day pricing of derivatives products, the reduction of potential market manipulation and other trading abuses. While not all of the Index's component securities report real-time prices, the Commission believes that the Exchange has reasonably addressed this concern by noting that no more than 7% of the Index weight, a *de minimis* amount, may report non-real-time prices. The Commission notes that if the Index fails to satisfy the 7% non-real time price reporting requirement or the minimum trading value requirements, Barings immediately will rebalance the Index by removing the requisite stocks.[25]

In addition, the Commission notes that Barings has adopted appropriate procedures to be followed by those responsible for maintaining the Index in order to help prevent and deter the misuse of any informational advantages with respect to changes in the composition of the Index. Such procedures include, for example, informational barriers.

B. Customer Protection

The Commission notes that the rules and procedures of the Exchange adequately address the special concerns attendant to the trading of index warrants. Specifically, the applicable suitability, account approval, disclosure and compliance requirements of the Amex warrant listing standards satisfactorily address potential public concerns. Moreover, the Amex plans to distribute a circular to its membership calling attention to specific risks associated with warrants on the Index. Pursuant to the Exchange's listing guidelines, only companies capable of meeting the Amex's index warrant issuer standards will be eligible to issue Index warrants. In addition, the Amex presently is seeking authority to list and trade only a single issuance of warrants on the Index which have a term of less than five years.

C. Surveillance

In evaluating new derivative instruments, the Commission, consistent with the protection of investors, considers the degree to which the derivative instrument is susceptible to manipulation. The ability to obtain information necessary to detect and deter market manipulation and other trading abuses is a critical factor in the Commission's evaluation. It is for this reason that the Commission requires that there be a CSSA in place between an exchange listing or trading a derivative product and the exchanges trading the stocks underlying the derivative contract that specifically enables officials to survey trading in the derivative product and its underlying stocks.[26] Such agreements provide a necessary deterrent to manipulation because they facilitate the availability of information needed to fully investigate a potential manipulation if it were to occur. For foreign stock index derivative products, these agreements are especially important to facilitate the collection of necessary regulatory, surveillance and other information from foreign jurisdictions.

[20] 15 U.S.C. 78f(b)(5).

[21] Pursuant to Section 6(b)(5) of the Act, the Commission must predicate approval of any new securities product upon a finding that the introduction of such product is in the public interest. Such a finding would be difficult with respect to a warrant that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns.

[22] 15 U.S.C. 78c(f).

[23] The Commission also notes that the Amex presently is only seeking the authority to list and trade a single issuance of warrants on the Index and that if the Exchange proposes to list and trade other products based on the Index, including other Index warrants, the Exchange will advise the Commission in order to determine whether a rule filing pursuant to Section 19(b) of the Act will be necessary and appropriate.

[24] *See* note 10 *supra.*

[25] *See* note 14 *supra.*

[26] The Commission believes that the ability to obtain relevant surveillance information, including, among other things, the identity of the ultimate purchasers and sellers of securities, is an essential and necessary component of a CSSA. A CSSA should provide the parties thereto with the ability to obtain information necessary to detect and deter market manipulation and other trading abuses. Consequently, the Commission generally requires that a CSSA require that the parties to the agreement provide each other, upon request, information about market trading activity, clearing activity and customer identity. *See* Securities Exchange Act Release No. 31529 (November 27, 1992).

In order to address the above noted concerns and to comply with Section 106(g) of the Amex *Company Guide,* the Amex has entered into information sharing arrangements with the Buenos Aires Stock Exchange in Argentina, the Sao Paolo Stock Exchange in Brazil, and the Santiago Stock Exchange in Chile. In addition, the SEC has memoranda of understanding with: the Comision Nacional de Valores in Argentina; the Comissao de Valores Mobiliarios in Brazil; the Superintendencia de Valores y Seguros in Chile; and the Comision Nacional Bancaria y de Valores in Mexico. As of June 30, 1997, stocks from Argentina, Brazil, Chile, and Mexico represent 92.44% of the Index weight. As a result, no single uncovered country represents more than 3.90% of the Index weight and not two uncovered countries represent more than 6.06% of the Index weight.

D. Market Impact

The Commission believes that the listing and trading of Index warrants on the Amex should not adversely impact the securities markets in the U.S. or Latin America. First, the existing index warrant surveillance procedures of the Amex will apply to warrants based on the Index. Second, the Commission notes that the Index is broad-based and diversified and includes highly capitalized securities that are actively traded in their home markets.[27] Accordingly, the Commission does not believe that the introduction of Index warrants on the Amex will have a significant effect on the underlying Latin American securities markets.

For the reasons described above, the Commission finds good cause to approve Amendment Nos. 1, 2 and 3, prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 1 provides, among other things, the definition of ''available capitalization,'' the calculation formula for the Index and the foreign stock exchange with which the Amex has surveillance sharing agreements. Amendment No. 2 provides the average daily trading volume for the six month period ending December 31, 1996 and the weights of the Index components. Lastly, Amendment No. 3 adds several maintenance standards that the Commission believes strengthen the Amex proposal by ensuring that the Index remains broad-based and is comprised of relatively well-capitalized and liquid securities. No single stock may comprise more than 20% of the Index weight and no five stocks may comprise more than 50% of the Index weight. In addition, no more than 7% of the Index weight may report non-real-time prices in calculating the Index value. NYSE prices will be used for options eligible ADRs for securities from non-real-time reporting countries. The Commission believes that this standard will ensure that a substantial portion of the Index value will be calculated using current prices.[28]

Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2)[29] of the Act, to find that good cause exists to approve Amendments Nos. 1, 2 and 3, on an accelerated basis.

IV. Solicitation of Comments and Conclusion

Interested persons are invited to submit written data, views and arguments concerning Amendments Nos. 1, 2 and 3. 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 Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to the File No. SR–Amex–96–38 and should be submitted by October 14, 1997.

For the foregoing reasons, the Commission finds that the Amex's proposal to list and trade warrants based on the Barings BEMI Latin America Index is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b) (2) of the Act, that the proposed rule change (SR–Amex–96–38), as amended, is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[30]

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010–01–M

[27] As the Amex notes, while some of the stocks in the Index have relatively low trading volume, they account for only a small percentage of the Index weighting.

[28] *See* note 14 *supra.*

[29] 15 U.S.C. 78s(b)(2).

[30] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39065; File No. SR–DCC–97–03]

Self-Regulatory Organizations; Delta Clearing Corp.; Order Approving Proposed Rule Change Regarding the Clearing of the Off-Date Portion of Repurchase Agreements

September 12, 1997.

On March 11, 1997, Delta Clearing Corp. (''Delta'') filed with the Securities and Exchange Commission (''Commission'') and on May 7, 1997, and May 29, 1997, amended a proposed rule change (File No. SR–DCC–97–03) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on June 18, 1997.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change amends Delta's procedures for repurchase agreements and reverse repurchase agreements (''Repo Procedures'') to permit Delta to clear the off-date portion of a repurchase agreement (''repo'') transaction whose on-date portion has been cleared outside of Delta. Delta's Repo Procedures now provide that Delta may assume the obligation to clear solely the off-date portion of a repo transaction (''novated repo'') subject to: (1) The receipt by Delta of matching trade reports from the parties to the trade or from authorized broker,[3] as applicable and (2) Delta's confirmation of the prior execution and clearance of the on-date portion of such repo transaction.

Section 2401 of the Repo Procedures sets forth time periods for participants to report on-date transactions to enable Delta to clear such transactions by settlement time. Section 2401 is amended to provide that the time periods for reporting transactions set

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

[2] Securities Exchange Act Release No. 38736 (June 11, 1997), 62 FR 33145.

[3] Pursuant to Delta's rules, Delta will clear and settle repo transactions that have been entered into directly between two participants or entered into by two participants through the facilities of a broker that has been specifically authorized by Delta for such purpose.