

extend the pilot program until December 31, 1996 so that investors may continue to receive the benefit of automatic execution of non-marketable limit orders from Auto-Ex while the Commission evaluates carefully the information provided by the Exchange and considers whether to approve the pilot program permanently.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of the 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 of the pilot program that were published in the Federal Register for the full comment period and were approved by the Commission. Any requests to modify this pilot program, to extend its effectiveness, or to seek permanent approval for the pilot also should be submitted to the Commission by October 15, 1996 as a proposed rule change pursuant to Section 19(b) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-CHX-96-18) is hereby approved on a pilot basis until December 31, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37451; File No. SR-MSTC-96-03]

**Self-Regulatory Organizations;
Midwest Securities Trust Company;
Notice of Filing and Immediate
Effectiveness of Proposed Rule
Change Relating to Return of
Participants Fund Contributions**

July 17, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 18, 1996, the Midwest Securities Trust Company ("MSTC") 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 primarily by MSTC. On July 2, 1996, MSTC amended the proposed rule change to make a technical correction.²

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

MSTC proposed to notify those participants whose accounts are closed and who have provided properly executed indemnification agreements of a deferral of the final distribution of their participants fund deposits for sixty days, until August 15, 1996. A notice will be sent to all participants.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, MSTC 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. MSTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On January 5, 1996, the Commission approved a proposed rule change filed by MSTC, which called for termination of MSTC services as of January 15, 1996.⁴ On February 20, 1996, MSTC filed with the Commission a proposed rule change, which was effective upon filing, relating to, among other things, the procedures to be used by MSTC with respect to the liquidation of the MSTC participants fund.⁵ An attachment to the proposed rule change set forth a schedule for the return of participant fund deposits. However, such attachment expressly provided that the schedule was subject to the right of MSTC to retain funds if necessary in its view to fund possible contingent liabilities. Because MSTC has not yet completed a wind-down of its operations, contingent liabilities may

still exist. Therefore, pending completion of the wind-down, MSTC intends to postpone the final distribution of participant fund contributions for sixty days, until August 15, 1996.

MSTC believes the proposed rule change is consistent with Section 17A(b)(3)(F)⁶ of the Act because it will facilitate the prompt and accurate clearance and settlement of securities transactions and will assure the safeguarding of securities and funds which are in MSTC's custody or control or for which MSTC is responsible.

(B) Self-Regulatory Organization's Statement on Burden on Competition

MSTC 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

MSTC 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(i)⁷ of the Act and Rule 19b-4(e)(1)⁸ promulgated thereunder because the proposal constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of MSTC. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 submissions, 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

¹⁰ 15 U.S.C. § 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Letter from David T. Rusoff, Foley & Lardner, to Peter Geraghty, Division of Market Regulation, Commission (July 2, 1996).

³ The Commission has modified the text of the summaries prepared by MSTC.

⁴ For a complete description of MSTC's withdrawal from the securities depository business, refer to Securities Exchange Act Release No. 36684 (January 9, 1996), 61 FR 1195 [File No. SR-MSTC-95-10] (order approving proposed rule change).

⁵ Securities Exchange Act Release No. 36965 (March 13, 1996), 61 FR 11456 [File No. SR-MSTC-96-02] (notice of filing and immediate effectiveness of proposed rule change).

⁶ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

⁷ 15 U.S.C. § 78s(b)(3)(A)(i) (1988).

⁸ 17 CFR 240.19b-4(e)(1) (1995).

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 will also be available for inspection and copying at the principal office of MSTC. All submissions should refer to File No. SR-MSTC-96-03 and should be submitted by August 14, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37445; File No. SR-NYSE-95-42]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendments No. 1 and 2 Thereto by the New York Stock Exchange, Inc. Relating to the Establishment of Uniform Listing and Trading Guidelines for Narrow-Based Stock Index Warrants

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 December 10, 1995, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NYSE. The NYSE filed Amendments No. 1 ("Amendment No. 1") and 2 ("Amendment No. 2" together with Amendment No. 1 "Amendments") to the proposed rule change on April 3 and July 12, 1996, respectively.¹ This Order approves the proposed rule change, as amended, on an accelerated basis and also solicits comments on the proposed rule change, as amended, from interested persons.

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

The NYSE proposes to amend Rule 414 (Index and Currency Warrants) and Rule 431 (Margin Requirements) to permit the trading of warrants on an industry index stock group ("industry index stock group" or "narrow-based stock index"). Amendments No. 1 and 2 propose to modify Rule 414 and certain of the position limit rules that apply to narrow-based stock index warrants, as discussed below.

The text of the proposed rule change is available at the Office of the Secretary of the NYSE 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 NYSE 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 NYSE 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

On August 29, 1995, the Commission approved rule changes for the NYSE and several other stock exchanges which established uniform listing and trading guidelines for broad-based stock index, currency, and currency index warrants ("broad-based regulatory framework").² Those standards govern all aspects of the listing and trading of index warrants, including issuer eligibility, customer suitability and account approval procedures, position and exercise limits, reportable positions, automatic exercise, settlement, margin, and trading halts and suspensions.

The purpose of this proposal is to allow for the listing and trading of warrants on narrow-based stock index groups in a similar manner as was recently approved for other U.S.

exchanges.³ With the exceptions of separate higher margin requirements and reduced position limits, the broad-based regulatory framework will fully apply to the listing, trading, and surveillance of narrow-based index warrants. This includes a heightened suitability standard for recommendations in index warrants as well as requiring all purchasers of index warrants to be options approved. The proposed changes from the broad-based regulatory framework are outlined as follows:

(a) Position Limits

The Exchange notes that position limits for broad-based index warrants were set at levels approximately equal to 75 percent of the then applicable corresponding limits applicable to options on the same index. In turn, the Exchange proposes to establish narrow-based index warrant position limits at a level equal to 75 percent of those recently approved for narrow-based index options.⁴ As a result, narrow-based position limits would be governed by three tiers, using the same qualifications criteria as used for narrow-based index option position limits:

(i) 4,500,000 warrants if any single stock in the group accounts for 30 percent or more of the index group value.⁵

(ii) 6,750,000 warrants where either: (a) any single stock in the group accounts for 20 percent or more of the group's numerical index value; or (b) any five stocks in the group together account for more than 50 percent of the index group value and no single stock in the group accounts for 30 percent or more of the index group value.⁶

(iii) 9,000,000 warrants if the underlying group does not fall within the criteria set forth in either of the other two tiers.

The NYSE proposes that it make the determinations concerning the relative weight of stocks within an index when a warrant on the index first commences to trade on the Exchange and twice a year thereafter. Furthermore, the Exchange proposes to establish uniform dates on which to make those semi-annual determinations so as to allow it to make all such determinations for all Exchange-listed industry index warrants at the same time.

³ On March 21, 1996, the Commission approved uniform listing and trading guidelines for narrow-based stock index warrants for the Philadelphia Stock Exchange, American Stock Exchange, and Chicago Board Options Exchange. See Securities Exchange Act Release No. 37007 (March 21, 1996).

⁴ Currently, depending on the characteristics of the index, position limits for narrow-based index options are either 12,000, 9,000, or 6,000 contracts on the same side of the market.

⁵ See Amendment No. 2.

⁶ See Amendment No. 2.

⁹ 17 CFR 200.30-3(a)(12) (1995).

¹ Letter from James E. Buck, Secretary, NYSE, to Michael Walinskas, SEC, dated April 2, 1996 (Amendment No. 1) and Letter from James E. Buck, Secretary, NYSE, to Ivette Lopez, SEC, dated July 11, 1996 (Amendment No. 2). The Amendments primarily address and clarify position limit related issues.

² On August 29, 1995, the Commission approved uniform listing and trading guidelines for stock index, currency and currency index warrants for the NYSE, Pacific Stock Exchange, Philadelphia Stock Exchange, American Stock Exchange, and Chicago Board Options Exchange. See Securities Exchange Act Release Nos. 36165, 36166, 36167, 36168, and 36169 (Aug. 29, 1995), respectively.