

Under the CRC Agreement, purchases may be funded by the Purchaser's issuance of commercial paper or drawing under its bank facilities. Initially, the aggregate purchase price paid by the Purchaser for Receivables Interests is not intended to exceed \$200 million.

The Agent will have the right to appoint a collection agent on behalf of the Purchaser and CRC, to administer and collect receivables and to notify the obligors of the sale of their receivables, at the Agent's option. CL&P will be appointed as the initial collection agent.

Certain obligations under the Company Agreement create limited recourse against CL&P. In order to secure these obligations, CL&P will grant to CFR a lien on, and security interest in, any rights which CL&P may have in respect of Receivables and Related Assets. The CRC Agreement creates comparable recourse obligations against CRC, and CL&P states that CRC will grant a security interest to the Purchaser in all rights in the Receivables retained by CRC, the Related Assets and certain other rights and remedies (including its rights and remedies under the Company Agreement) to secure such recourse obligations.²

CL&P and CRC will be obligated to reimburse the Purchaser and the Agent for various costs and expenses associated with the Company Agreement and the CRC Agreement. CRC will also be required to pay to the Agent certain fees for services in connection with such agreements.

The arrangements under the Company Agreement and the CRC Agreement are schedules to terminate on July 11, 2001. CRC may, upon at least five business days notice to the Agent, terminate in whole or reduce in part the unused portion of its purchase limit in accordance with the terms and conditions of the CRC Agreement. The CRC Agreement allows the Purchaser to assign all of its rights and obligations under the CRC Agreement (including its Receivables Interests and the obligation to fund Receivables Interests) to other

person, including the providers of its bank facilities.

CL&P intends that the above-described transactions will permit it, in effect, through this intermediary device, to accelerate its receipt of cash collections from accounts receivable and thereby meet its short-term cash needs.

Allegheny Power System, Inc. (70-9041)

Allegheny Power System, Inc. ("Allegheny"), 10435 Downsview Pike, Hagerstown, Maryland 21740, a registered holding company, has filed a declaration ("Declaration") under sections 6(a) and 7 of the Act and rule 54 thereunder.

Allegheny proposes, from time to time through December 31, 2007, to issue up to a total of 500,000 shares of its common stock ("Common Stock") to its senior officers and senior officers of its subsidiaries as performance awards ("Awards") under a Performance Share Plan ("Plan"). The Board of Directors ("Board") of Allegheny has determined that it would like the flexibility to make payments to the Plan participants either in Common Stock or a combination of cash and Common Stock.

The Plan was approved by Allegheny shareholders at the annual meeting in May 1994. The Plan consists of cycles which are not less than three nor more than five years in length. The Management Review Committee ("Committee") of the Board administers the Plan and establishes each Plan cycle, the conditions of each Award made under the Plan, which senior officers will receive Awards, the amount of each Award, and guidelines for each Plan cycle.

Based upon the guidelines set forth in each cycle, an Award payout is calculated by multiplying the amount of cash awarded by the payout ratio. The number of shares of Common Stock to be awarded is then derived by converting this payout figure into a number of shares of Common Stock at the price specified for that Plan cycle. The dividends to be paid on those shares of Common Stock are treated as having been reinvested since the beginning of the Plan cycle. The shares of Common Stock are then converted back into an amount of cash using the closing price at the end of the Plan cycle. A participant receives either Common Stock or cash and Common Stock, as determined by the Committee, after the end of the Plan cycle. The total number of shares of Common Stock eligible for issuance in each Plan cycle is not expected to exceed 40,000 shares.

The Plan will terminate December 31, 2007, unless ended sooner by the Board.

The Board may terminate or amend the Plan at any time, but may not, without stockholder approval, materially increase the benefits accruing to participants or increase the total number of shares of Common Stock available for Awards.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38571; File No. SR-Amex-97-14]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Trading in One Sixteenth of a Dollar

May 5, 1997.

On March 17, 1997, 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 a proposed rule change to permit all Amex equity securities selling at or above \$0.25 to trade in sixteenths.

The proposed rule change was published for comment in the **Federal Register** on April 1, 1997.³ No comments were received concerning the proposal. This order approves the proposal.

In 1992, the Commission approved amendments to Amex Rule 127 to provide that securities selling between \$0.25 and \$5 could be traded in sixteenths (\$0.0625).⁴ In 1995, this rule was amended to expand the securities that could be traded in sixteenths to those selling up to \$10.⁵ The proposed rule change would eliminate the \$10 cap, thus allowing all Amex-listed equity securities priced at or above \$0.25 to trade in sixteenths.⁶ The

and substantially all of the net cash realized from the collection of Receivables will be made available to CL&P.

² CL&P states that neither CRC's nor the Purchaser's recourse to CL&P will include any rights against CL&P should customer defaults on the Receivables result in collections attributable to the Receivables Interests sold to the Purchaser being insufficient to reimburse the Purchaser for his purchase price paid by it for the Receivables Interests and its anticipated yield. The Purchaser will bear the risk for any credit losses on the Receivables which exceed the reserves for such losses included in the Receivables Interests.

¹ 15 U.S.C. § 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 38437 (Mar. 25, 1997), 62 FR 15552 (Apr. 1, 1997).

⁴ Securities Exchange Act Release No. 31118 (Aug. 28, 1992), 57 FR 40484 (Sept. 3, 1992) (approving File No. SR-Amex-91-07).

⁵ Securities Exchange Act Release No. 35537 (Mar. 27, 1995), 60 FR 16894 (Apr. 3, 1995) (approving File No. SR-Amex-95-02).

⁶ Standard and Poor's Depository Receipts® ("SPDRs®") and S&P MidCap 400 SPDRs™ will continue to trade in 1/4s (\$0.015625), and dealings

Exchange believes that trading in sixteenths will enhance competition and, thus, increase the potential for an investor's order to receive price improvement.⁷

At the March 1997 meeting of the Intermarket Trading System ("ITS") Operating Committee, the ITS participants approved enhancements to ITS to permit trading in sixteenths for all Tape B securities.⁸ The Amex has represented that these system modifications have been made and the system now is able to accommodate trading all Amex equity securities in sixteenths.⁹

The Commission finds that the proposed rule change to permit all Amex equity securities selling at or above \$0.25 to trade in increments as small as one sixteenth of a dollar is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) and Section 11A.¹⁰

The Commission believes the quality of the market for Amex-listed securities will likely be enhanced by allowing a minimum fractional change of $\frac{1}{16}$, rather than $\frac{1}{8}$, for all Amex equity securities selling at or above \$0.25.¹¹ Decreasing such trading variations should help to produce more accurate pricing of such securities and can result in tighter quotations. In addition, if the quoted markets are improved by the reduced minimum tick fluctuations, the change could result in added benefits to

the market such as reduced transaction costs.¹²

Furthermore, this change in the minimum increment will complement the Commission's Order Execution Rules.¹³ The rule change allows a more complete display of the buying and selling interest in Amex-listed securities. For example, the enhanced transparency will allow customer limit orders in smaller increments to be displaced, thus giving these limit orders greater visibility and allowing enhanced quote competition. The enhanced transparency will improve access to the best available prices and provide an opportunity for executions at prices that were not previously available.

Finally, the Commission believes the proposal allows increased competition among the different markets pursuant to Section 11A of the Act.¹⁴ As noted above, ITS participants will have the capability to trade all Tape B securities in sixteenths. By ensuring that all ITS participants can quote in sixteenths, regional exchanges, over-the-counter market makers trading in Amex-listed securities, and Amex specialists will be able to compete with each other by quoting in finer increments.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR-Amex-97-14) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38566; File No. SR-NASD-97-23]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Registration Category, Study Outline and Specification for Series 72 Examination, Government Securities Representative.

May 1, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ notice is hereby given that on April 11, 1997, the NASD Regulation, Inc. ("NASD Regulation") filed with the Securities Exchange Commission ("SEC" or "Commission") the proposed rule change as described in items I, II, and III below, which Items have been prepared by NASD Regulation. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organizations Statement of the Terms of Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Act, NASD Regulation is herewith filing a proposed rule change to create a new category of representative registration, the Government Securities Representative (Series 72), and to conform the registration requirements of the existing Registered Options Representative (Series 42) category to take into consideration this new category. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

Rule 1032. Categories of Representative Registration

[(d) Registered Options Representative]

[Each person associated with a member whose activities in the investment banking or securities business include the solicitation and/or sale of option contracts shall be required to be certified as a Registered Options Representative and to pass an appropriate certification examination for such or an equivalent examination acceptable to the Association. Registered Options Representatives qualified in either put or call options shall not engage in both put and call option transactions until such time as they are qualified in both such options. Members shall be required to report to

in Amex-listed equity securities priced below \$0.25 will continue to be in $\frac{1}{32}$ s (\$0.03125).

⁷ The proposed rule change should affect a significant number of orders because, according to the Exchange, approximately 50% of all equity securities presently traded on the Amex sell for over \$10 per share.

⁸ The Consolidated Tape, operated by the Consolidated Tape Association ("CTA"), compiles last sale reports in certain listed securities from all exchange and market makers trading such securities and disseminates these reports to vendors on a consolidated basis. Amex-listed stocks and qualifying regional-listed stocks are reported on CTA Tape B.

⁹ Letter from Arne G. Michaelson, Senior Vice President, Amex, to Howard L. Kramer, Senior Associate Director, SEC, dated April 25, 1997.

¹⁰ 15 U.S.C. §§ 78f(b) and 78k-1. In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the act. *Id.* § 78c(f).

¹¹ A study that analyzed the 1992 reduction in the minimum tick size for Amex-listed securities priced between \$1.00 and \$5.00 found that, in general, the spreads for those securities decreased significantly while trading activity and market depth was relatively unaffected. See Hee-Joon Ahn, Charles Q. Chao, and Hyuk Choe, *Tick Size, Spread, and Volume*, 5 J. Fin. Intermediation 2 (1996).

¹² The rule change is consistent with the recommendation of the Division of Market Regulation ("Division") in its Market 2000 Study, in which the Division noted that the $\frac{1}{8}$ minimum variation can cause artificially wide spreads and hinder quote competition by preventing offers to buy or sell at prices inside the prevailing quote. See SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments* 18-19 (Jan. 1994).

¹³ See Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290 (Sept. 12, 1996).

¹⁴ 15 U.S.C. § 78k-1(a)(1)(C)(ii).

¹⁵ *Id.* § 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).