

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 the Amex. All submissions should refer to File No. SR-Amex-95-11 and should be submitted by May 18, 1995.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with sections 6(b)(5) and 11 of the Act.³ The Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market, and, in general, protect investors and the public interest. The Commission also believes that the proposal is consistent with section 11(b) of the Act and Rule 11b-1 thereunder,⁴ which allow exchanges to promulgate rules relating to specialists in order to maintain fair and orderly markets.⁵

Under the current pilot program, a specialist may liquidate a position by selling stock on a direct minus tick or by purchasing stock on a direct plus tick only if such transactions are reasonably necessary for the maintenance of a fair and orderly market and only if the specialist has obtained the prior approval of a Floor Official. Liquidations on a zero minus or a zero plus tick, which previously required Floor Official approval, can be effected under the pilot procedures without a Floor Official's approval, but continue to be subject to the restriction that they be effected only when reasonably necessary to maintain a fair and orderly market. In addition, the specialist must maintain a fair and orderly market during the liquidation.

After the liquidation, a specialist is required to re-enter the market on the opposite side of the market from the liquidating transaction to offset any

imbalances between supply and demand. During any period of volatile or unusual market conditions resulting in a significant price movement in a specialist's specialty stock, the specialist's re-entry into the market must reflect, at a minimum, his or her usual level of dealer participation in the specialty stock. In addition, during such periods of volatile market conditions or unusual price movements, re-entry into the market following a series of transactions must reflect a significant level of dealer participation.

In our 1994 Approval Order,⁶ the Commission asked the Amex to submit a report setting forth the criteria developed by the Exchange to determine whether liquidating transactions effected by specialists pursuant to the pilot were necessary and appropriate in connection with fair and orderly markets. The Commission also asked the Amex to provide information regarding the Exchange's monitoring of liquidating transactions effected by specialists on any destabilizing tick. In addition, the Commission asked the Amex to provide the following information in its report: (1) A review of all liquidating transactions effected by specialists on any destabilizing ticks; (2) a review of liquidating transactions by specialists to determine that the required Floor Official approval was obtained where necessary; and (3) a review of liquidating transactions in light of dealer participation levels and re-entry into the market in terms of timing and support.⁷

During the three month extension of the pilot, the Amex will prepare the report discussed above and submit the data to the Commission for its consideration of whether the pilot program should be granted permanent approval. The Commission expects the Amex to continue to monitor compliance with the pilot program procedures during the three month extension and report any non-compliance with the rule and the action the Amex has taken as a result of such non-compliance.

The Commission finds good cause for approving the proposed rule change 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. The rule change that implemented the pilot program was published in the **Federal Register** for the full comment period,⁸ and no comments were received. Furthermore, the Commission approved a similar rule change for the NYSE also without receiving comments on the proposal.⁹

It Therefore is Ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change is approved for a three month period ending on July 21, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-35636; File No. SR-PSE-95-03]

Self-Regulatory Organizations; Pacific Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change to Establish New Listing Fees Applicable to Small Corporate Offering Registration ("SCOR") Securities

April 21, 1995.

On February 13, 1995, the Pacific Stock Exchange, Inc. ("PSE" 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 establish new fees applicable to Small Corporate Offering Registration ("SCOR") securities.

The proposed rule change was published for comment in Securities Exchange Act Release No. 35395 (February 17, 1995), 60 FR 10626 (February 27, 1995). No comments were received on the proposal.

The Commission has approved the PSE's proposal to create a separate listing tier for SCOR securities on a three year pilot basis.³ The Exchange is adopting the following fee schedule for listing securities pursuant to the SCOR program:

⁸ See Securities Exchange Act Release No. (August 25, 1993), 58 FR 45926 (August 31, 1993).

⁹ See Securities Exchange Act Release No. 31797 (January 29, 1993), 58 FR 7277 (February 5, 1993).

¹⁰ 15 U.S.C. 78s(b)(2) (1988).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 35628 (April 19, 1995).

³ 15 U.S.C. 78f and 78k (1988).

⁴ 17 CFR 240.11b-1 (1994).

⁵ See 1994 Approval Order, *supra* note 1, for a description of Amex Rule 170 procedures and the Commission's rationale for approving those procedures on a pilot basis. The discussion in the aforementioned order is incorporated by reference into this order.

⁶ See *supra* note 1.

⁷ In the 1994 Approval Order, *supra* note 1, the Commission requested that the Amex submit the report in January 1995. Pursuant to the three-month extension of the pilot being approved herein, the Commission now requests that the Amex submit the report in May 1995.

SCOR Marketplace—Listing Fee Schedule*Original Listings*

The Original Listing fees are fixed fees and issues are not charged by the number of shares being listed.

Common Stock: \$5,000.00
Preferred Stock: 5,000.00

Processing Fee

*Per Original Listing Application:
\$500.00

Name change: 250.00
Change in Par Value: 250.00

*This is a fixed charge for the review of potential listings and is non-refundable. Issues approved for listing may have this charge credited toward the original listing fee.

Substitution of Original Listing

Per Application: Fixed charge of
\$750.00

Substitution may occur as a result of a change in state of incorporation, reincorporation under laws of same state, a reverse stock split, recapitalizations, or similar events.

Listing of Additional shares

Per Application: \$.0025 per share
Minimum charge of \$500.00
Maximum charge of \$2,500.00
Maximum charge of \$5,000.00 per
annum

Annual Maintenance Fee

For one issue: \$1,000.00
For each additional issue: 500.00
Payable January of each year
following listing.

Conversion Fee

Conversion from the SCOR Market
place to Tiers I or II.
Common Stock \$15,000.00

The Commission finds that the proposed rule change 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 Sections 6(b).⁴ In particular, the Commission believes the proposal is consistent with the Section 6(b)(4) requirements that the rules of an exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers, and other persons using the Exchange's facilities.⁵ The Commission believes that the fee schedule for the initial and continued listing of SCOR securities is equitable because the fees should not result in an excessive

allocation of PSE fees on its issuers as opposed to members and other persons using its facilities.

The Commission notes that, except for the SCOR original listing fees, the fee schedule for SCOR securities is consistent with the Exchange's fee schedule for Tier I and Tier II securities.⁶ The Commission believes that it is reasonable for the Exchange to impose a lesser initial listing fee for common stock SCOR listings because these issuers will be smaller companies listing single classes of securities. The Commission also believes that it is reasonable for the Exchange to apply the original listing fee for SCOR preferred stock and common stock because it is likely that the costs incurred by the Exchange in processing the listing applications for common and preferred stock will be the same. Additionally, the Commission believes that the conversion fee for common stock that moves from the SCOR list to the Tier I or Tier II lists is reasonable because, when added to the SCOR original listing fee, SCOR issuers will have paid the same amount for listing as those that listed common stock on the PSE directly under Tier I or Tier II.⁷

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-PSE-95-03) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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⁶ The PSE's listing fees for Tier I and Tier II securities were last amended in Securities Exchange Act Release No. 34276 (June 29, 1994), 59 FR 34892 (July 7, 1994). The original listing fee for Tier I and Tier II securities is \$20,000. The original listing fee for Tier I and Tier II preferred stock (secondary issuers) is \$2,500.

⁷ There is no conversion fee for preferred stock because the original listing fee for Tier I and Tier II preferred stock is lower than the original SCOR listing fee for preferred stock.

⁸ 15 U.S.C. 78s(b)(2) (1988).

⁹ 17 CFR 200.30-3(a)(12) (1994).

[Release No. 34-35634; File No. SR-NASD-94-54]

**Self-Regulatory Organizations;
National Association of Securities
Dealers, Inc.; Order Granting Approval
and Notice of Filing and Order
Granting Accelerated Approval of
Amendments No. 1 and 2 of Proposed
Rule Change Relating to Position and
Exercise Limits for Equity Options
Overlying Equity Securities Not
Subject to Standardized Options
Trading**

April 20, 1995.

I. Introduction

On October 12, 1994, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² On March 3 and 22, 1995, and NASD submitted amendments to the proposal.³ The NASD proposes to amend its Rules of Fair Practice to allow, under certain circumstances, members to increase the applicable position and exercise limits⁴ for conventional options⁵ overlying those equity securities that are not subject to standardized options trading.⁶

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ Letters from Joan Conley, Corporate Secretary, NASD, to Mark Barracca, Branch Chief, SEC (Mar. 3, 1995) and Thomas R. Gira, Assistant General Counsel, Nasdaq, to Mark Barracca, Branch Chief, SEC (Mar. 22, 1995). The NASD amended its filing to provide, most significantly that: (1) To be eligible to qualify for a higher position limit, the underlying security must satisfy the initial listing standards for standardized options trading; (2) to continue to be eligible to qualify for a higher position limit, the underlying security must satisfy the maintenance criteria for standardized options trading; and (3) if the position limit is lowered, members will not be required to liquidate their position but will be prohibited from increasing it if it is above the new limit.

⁴ Under NASD rules, exercise limits placed on options trading equal the limits imposed for options positions. *NASD Manual*, Rules of Fair Practice, Art. III, Sec. 33(b)(3)(A), (CCH) ¶2183.

⁵ A conventional option is any option contract not issued, or subject to issuance, by The Options Clearing Corporation. *NASD Manual*, Rules of Fair Practice, Art. III, Sec. 33(b)(1)(GG), (CCH) ¶2183.

⁶ Position limits impose a ceiling on the number of option contracts in each class on the same side of the market (*i.e.*, aggregating long calls and short puts and long puts and short calls) that can be held or written by an investor or group of investors acting in concert. Exercise limits restrict the number of options contracts which an investor or group of investors acting in concert can exercise within five consecutive business days. Under NASD Rules, exercise limits correspond to position limits, such that investors in options classes on the same side of the market are allowed to exercise, during any five consecutive business days, only the number of options contracts set forth as the

⁴ 15 U.S.C. 78f(b) (1988).

⁵ 15 U.S.C. 78f(b)(4) (1988).