

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

Margaret H. McFarland,
Deputy Secretary.

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Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc., Relating to Listing and Trading of Warrants Based on the Selected Tech Stock Index

April 17, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 9, 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 Amex, pursuant to Rule 19b-4 of the Act, proposes to approve for listing and trading, under Section 106 of the Amex *Company Guide*, index warrants based on the Selected Tech Stock Index ("Index"), a price-weighted, narrow-based index developed by an issuer and comprised of 24 technology 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").

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 Amex 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 Amex 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

Under Section 106 (Currency and Index Warrants) of the Amex *Company Guide*, the Exchange may approve for listing index warrants based on foreign and domestic market indices. While the Exchange currently lists and trades warrants on a number of foreign market indices and broad-based domestic market indices, it now proposes to list and trade a warrant based on a narrow-based domestic market index. The listing and trading of warrants on the Selected Tech Stock Index will comply in all respects with Exchange Rules 1100 through 1110 for the trading of stock index and currency warrants.

Warrant issues on the Index will conform to the listing guidelines under Section 106, which provide, among other things, that: (1) The issuer shall have tangible net worth in excess of \$250,000,000 and otherwise substantially exceed size and earnings requirements in Section 101(A) of the *Company Guide* or meet the alternate guideline in paragraph (a); (2) the term of the warrants shall be for a period ranging from one to three years from the date of issuance; and (3) the minimum public distribution of such issues shall be 1,000,000 warrants, together with a minimum of 400 public holders, and have an aggregate market value of \$4,000,000.

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 that 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 that 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, prior to the commencement of trading, will distribute a circular to its membership

calling attention to specific risks associated with warrants on the Index.

The Amex is proposing to list index warrants based on the Selected Tech Stock Index, a price-weighted index developed by an issuer and representing a narrow-based portfolio of large, actively-traded technology stocks.³ The total market capitalization of the Index was \$329,094,000,000 on April 3, 1996. The median capitalization of the components in the Index on that date was \$3.8 billion, and the average market capitalization of these companies was \$13.71 billion. The individual market capitalization of the companies ranged from \$594 million to \$68.1 billion. Average monthly trading volume in the Index stocks ranged from approximately 4.4 million shares to approximately 229.6 million shares during the six-month period from October 1995 through March 1996. The Exchange will monitor the components in the basket on a monthly basis and will advise the Commission whenever less than 75% of those components are eligible for standardized options trading. Currently, 100% of the components are eligible for standardized options trading. The Selected Tech Stock Index shall be used as the basis for only one index warrant to be listed and traded on the Exchange. If the Exchange wishes to list and trade other products based on the Selected Tech Stock Index, including other index warrants, the Exchange shall advise the Commission to determine whether an additional filing pursuant to Rule 19b-4 of the Act is necessary or appropriate.

The Index is price-weighted; its value corresponds to the sum of the prices of one share of each of the component stocks, reduced by a divisor. The Index divisor will be determined to yield the benchmark value of 100.00 on the date the warrant is priced for initial offering to the public. 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.

The Index will be monitored daily for 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 which may require a divisor adjustment to maintain

³The Commission notes that a list of the component securities and their respective weights in the Index were attached to the proposed rule filing as Exhibit A, and are available for examination at the Amex or at the Commission as specified in Item IV.

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

continuity of the index's value. In the event of a merger, consolidation, dissolution, or liquidation of an issuer, or in certain other events such as the distribution of property by an issuer to shareholders, components in the index may be deleted or replaced. Shares of a component stock may be replaced (or supplemented) with other securities under certain other circumstances, such as the conversion of a component stock into another class of security or the spin-off of a subsidiary. If the stock remains in the index, the divisor may be adjusted to maintain the continuity of the Index's value. In the event that a security in the index is removed due to a corporate consolidation and the holders of such security receive cash, the cash value of such security will be included in the Index and will accrue interest at LIBOR to term.

2. Statutory Basis

The Amex believes that the proposed rule change is consistent with Section 6(b) of the Act in general, and with Section 6(b)(5) in particular,⁴ in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Amex does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the 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 Amex consents, the Commission will:

A. By order approve the 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-96-12 and should be submitted by May 14, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37121; International Series Release No. 969; File No. SR-CHX-96-12]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the Chicago Stock Exchange, Inc. Relating to Listing Standards for Investment Company Units

April 17, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1) ("Act"), notice is hereby given that on March 27, 1996, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. On April 12, 1996, the Exchange filed Amendment No. 1 to its proposal.¹ The Commission is

⁵ 17 CFR 200.30-3(a)(12) (1994).

¹ Amendment No. 1 serves to supersede entirely the Exchange's initial rule filing. Therefore, this notice incorporates Amendment No. 1 in its entirety. Letter from Charles R. Haywood, Foley & Lardner, to Francois Mazur, Attorney, Division of

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 Exchange proposes to amend Article XXVIII of its Rules governing the listing requirements of securities on the CHX, as well as Article XXX of the CHX's Rules governing specialists.

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 is proposing listing standards for units of trading ("Units") that represent an interest in a registered investment company ("Investment Company") that could be organized as a unit investment trust ("UIT"), an open-end management investment company, or a similar entity. The investment company would hold securities comprising, or otherwise based on or representing an investment in, an index or portfolio of securities. The investment company could either hold the securities directly or could hold another security representing the index or portfolio of securities (such as shares of a UIT that holds shares of an open-end investment company).

Under the proposed rules, the Investment Company would be required either to: (i) hold securities comprising or otherwise based on or representing and interest in an index or portfolio of securities, or (ii) hold securities in another registered investment company.² The Investment Company would then issue Units in a specified aggregate number in return for a deposit of either: (i) shares of securities

Market Regulation, Commission, dated April 11, 1996 ("Amendment No. 1").

² Telephone Conversation between David T. Rusoff, Foley & Lardner, and Francois Mazur, Office of Market Supervision, Division of Market Regulation, on April 12, 1996.

⁴ 15 U.S.C. 78f(b)(5) (1988).