

or make available the certificates as promptly as possible.⁷

Instructions from MSTC to register the transfer of securities evidenced by a balance certificate in a name other than MSTC will constitute a presentation of the balance certificate to the transfer agent under applicable law. The same warranties that would apply if MSTC physically presented the balance certificate to the transfer agent will be applicable in this instance.

II. Discussion

The Commission believes that MSTC's proposal is consistent with Section 17A of the Act⁸ and specifically with Sections 17A(b)(3)(A) and (F).⁹ Sections 17A(b)(3)(A) and (F) require that a clearing agency be organized and its rules be designed to facilitate and promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds in its custody or control or for which it is responsible.

Under MSTC's proposed rule change, an electronic instructions will replace the physical transfer of securities between MSTC and transfer agents. The proposal should help alleviate the inefficiencies associated with the physical transfer of securities and should help reduce the possibility of loss while securities are in transit between MSTC and the transfer agent. The transfer of securities will be faster and more efficient with the likely effect of reducing costs related to the preparation of written instructions and physical delivery of the securities. MSTC's proposed rule change also should help MSTC fulfill its safekeeping obligations by allowing MSTC to maintain securities in a form which should reduce the chances of loss and theft.

MSTC's proposed rule change requires that the transfer agent be insured by a customary bankers blanket bond which will cover any securities received from MSTC and/or held by the transfer agent or processor on behalf of MSTC under the Agreement. Where balance certificates have an aggregate current market value in excess of the maximum value of the bankers blanket bond, the transfer agent will not create or maintain certificates in excess of that value, other than any balance certificate,

prior to delivery to MSTC. These insurance requirement should better enable MSTC to safeguard securities which are at the transfer agent or are in transit from the transfer agent to MSTC and should aid in the safekeeping of securities with a market value in excess of the bankers blanket bond.

MSTC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for so approving the proposed rule change because the ATS program allows for an electronic communication between brokers and transfer agents through MSTC. Such communication will be necessary for transfer agents to participate in the direct registration system ("DRS") recently proposed by the Commission.¹⁰ The Commission believes it is prudent to allow MSTC to begin use of the ATS as soon as possible in order that MSTC and its participants will have time to become proficient in using such a system before a DRS is implemented. The Commission also believes that accelerated approval will allow MSTC participants to utilize and to take full advantage in a more timely fashion of the benefits of the ATS service.

III. Conclusion

The Commission finds that MSTC's proposal is consistent with the requirements of the Act and particularly with Section 17A and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-MSTC-94-21) be, and hereby is, approved on an accelerated basis.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 95-6841 Filed 3-20-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35497; File No. SR-PSE-95-2]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Stock Exchange Incorporated Relating to Obligations for Regulatory Cooperation

March 15, 1995.

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 February 8, 1995, the Pacific Stock Exchange, Incorporated ("PSE" 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 self-regulatory organization. On March 3, 1995, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change, which is also described below.¹ 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 Exchange is proposing to amend its rules to require regulatory cooperation by members, member organizations, and others over whom the Exchange has jurisdiction pursuant to Rule 10.1(b) in connection with certain investigations and proceedings that are initiated by other exchanges or self-regulatory organizations. The text of the proposed rule change is as follows [new text is italicized]:

Rule 10.2

Regulatory Cooperation

(d) No member, member organization, person associated with a number or member organization, or other person or entity over whom the Exchange has jurisdiction pursuant to Rule 10.1(b), shall refuse to appear and testify before another exchange or self-regulatory organization in connection with a regulatory investigation, examination, or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation, examination or disciplinary proceeding if the Exchange requests such information or testimony in connection with an inquiry resulting from an agreement entered

⁷ Before delivering to MSTC certificates with an aggregate current market value in excess of the maximum amount of the blanket bond, the transfer agent may not create or maintain certificates, other than any balance certificate, having a value in excess of the blanket bond.

⁸ 15 U.S.C. 78q-1 (1988).

⁹ 15 U.S.C. 78q-1(b)(3)(A) and (F) (1988).

¹⁰ For a complete description of DRS, refer to Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 [File No. S7-34-94] (concept release soliciting comment on a transfer agent operated book-entry registration system).

¹¹ 17 CFR 200.30-3(a)(12) (1994).

¹ See letter from Michael D. Pierson, Senior Attorney, PSE, to Jennifer S. Choi, Attorney, Division of Market Regulation, SEC, dated March 2, 1995. Amendment No. 1 adds .02 of the Commentary to the proposed rule change.

into by the Exchange pursuant to Rule 14.1. The requirements of this Rule 10.2(d) shall apply regardless of whether the Exchange has initiated an investigation pursuant to Rule 10.2(a) or a disciplinary proceeding pursuant to Rule 10.3.

Commentary

.01 The terms "exchange" and "self-regulatory organization," as used in Rule 10.2(d), shall include, but are not limited to, any member of affiliate member of the Intermarket Surveillance Group.

.02 Any person or entity required to furnish information or testimony pursuant to Rule 10.2(d) shall be afforded the same rights and procedural protections as that person or entity would have if the Exchange had initiated the request for information or testimony.

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

1. Purpose

The Exchange is proposing to amend its Rule 10.2, relating to Exchange investigations. The proposed amendment would provide the Exchange with the authority to compel its members, member organizations, and others over whom the Exchange has jurisdiction pursuant to Rule 10.1(b) to testify or furnish documentary materials in connection with regulatory investigations or examinations by other exchanges or self-regulatory organizations under certain circumstances.

Specifically, the Exchange is proposing to adopt new Rule 10.2(d) to provide that no member, member organization, person associated with a member or member organization, or other person or entity over whom the Exchange has jurisdiction, shall refuse to appear and testify before another

exchange or self-regulatory organization in connection with a regulatory investigation, examination, or disciplinary proceeding or refuse to furnish documentary materials or other information or otherwise impede or delay such investigation or examination. Under the proposed rule change, this requirement would apply whenever the Exchange requests such information or testimony in connection with an inquiry resulting from an agreement entered into by the Exchange pursuant to Rule 14.1.² The proposal further provides that the requirements of Rule 10.2(d) shall apply regardless of whether the Exchange has initiated an investigation pursuant to Rule 10.2(a) or a disciplinary proceeding pursuant to Rule 10.3.³

Under the proposed rule change, the Exchange defines in the Commentary the terms "exchange" and "self-regulatory organization," for purposes of Rule 10.2(d), to include, but not be limited to, any member or affiliate member of the Intermarket Surveillance Group.⁴ Moreover, the Exchange in .02 of the Commentary makes explicit that persons or entities, required to furnish information or testimony pursuant to a regulatory agreement, will be afforded the same rights and procedural protections that such persons or entities would have if the Exchange had initiated the request for information or testimony.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and

² Rule 14.1 provides that the Exchange may enter into agreements with domestic and foreign self-regulatory organizations providing for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement, and other regulatory purposes.

³ Under the proposed rule, the Exchange would always act as an intermediary between another SRO and the Exchange member, member organization, or other designated person from whom information or testimony is being sought, for any inquiry made pursuant to an agreement under Rule 14.1. See letter from Michael D. Pierson, Senior Attorney, PSE, to Jennifer S. Choi, Attorney, Division of Market Regulation, SEC, dated March 2, 1995.

⁴ On July 14, 1983, the Intermarket Surveillance Group ("ISG") was formed to, among other things, coordinate more effectively surveillance and investigative information sharing arrangements in the stock and options markets. See Intermarket Surveillance Sharing Group Agreement, July 14, 1983. The members of ISG are the American Stock Exchange, Inc., the Boston Stock Exchange, Inc., the Chicago Board Options Exchange, Inc., the Chicago Stock Exchange, Incorporated, the Cincinnati Stock Exchange, Inc., the National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc., the Pacific Stock Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

practices and to perfect the mechanism of a free and open market.

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

The Exchange 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 either solicited or received.

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 other 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 self-regulatory organization 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, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-PSE-95-2 and should be submitted by April 11, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-6937 Filed 3-20-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35479; File No. SR-Phlx-95-09]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Listing Criteria for Equity Linked Notes ("ELNs")

March 13, 1995.

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 March 8, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 Exchange. 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 Phlx proposes to amend Exchange Rule 803 to adopt listing standards for equity linked notes ("ELNs"). The text of the proposed rule change is available at the Office of the Secretary, the Phlx, 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 Phlx included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Section (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 purpose of the proposed rule change is to add subsection (h) to Exchange Rule 803 to permit the Exchange to list and trade ELNs. ELNs are intermediate-term, hybrid securities,

whose value is based in whole or in part, to the performance of a highly capitalized, actively traded U.S. common stock, non-convertible preferred stock, or foreign security that is traded in the U.S. in the form of sponsored American Depositary Receipts ("ADRs"), ordinary shares, or otherwise.¹ ELNs may pay periodic interest or may be issued as zero-coupon instruments with no payments to holders prior to maturity. ELNs may be subject to a "cap" on the maximum principal amount to be repaid to holders upon maturity, and they may feature a "floor" on the minimum principal amount paid to holders upon maturity. A specific issue of ELNs, for example, may provide holders with a fixed semi-annual interest payment, while capping the maximum amount to be repaid upon maturity at 135% of the issuance price, with no minimum floor guarantee on the principal to be repaid at maturity. Another issue of ELNs might offer lower semi-annual payments based upon a floating interest rate² with a minimum floor for the repayment of principal of 75% of the issuance price. ELNs will be treated as equity instruments for, among other purposes, margin requirements. According to the Phlx, the flexibility available to an issuer of ELNs permits the creation of securities which offer issuers and investors the opportunity to more precisely focus on a specific investment strategy.

There are four components to the proposed listing standards for ELNs: (1) ELN issuer standards; (2) ELN offering standards; (3) underlying linked security standards; and (4) limitations on the size of ELN offerings.

1. Issuer Listing Standards

The issuer must be listed on or be an affiliate of a company listed on a national securities exchange or the Nasdaq National Market. Each issuer must also have a minimum tangible net worth of \$150 million. Finally, the market value of an ELN offering, when combined with the market value of all other ELN offerings previously completed by the issuer and traded on a national securities exchange or through Nasdaq may not be greater than 25% of the issuer's tangible net worth at the time of issuance.

¹ The Phlx will notify the Commission if an issue of ELNs is structured so that it is convertible prior to maturity and will submit a rule filing pursuant to Section 19(b) of the Act prior to listing ELNs with such terms if the Commission so requires.

² The Phlx will notify the Commission if an issue of ELNs provides for periodic interest payments to holders based on a floating rate and will submit a rule filing pursuant to Section 19(b) of the Act prior to listing ELNs with such terms if the Commission so requires.

2. Offering Standards

In order to ensure adequate liquidity in the markets for ELNs, each issuance of an ELN must have: (1) A minimum public distribution of one million ELNs; (2) a minimum of 400 holders of the ELNs, unless the ELNs are traded in \$1,000 denominations, in which case there is no minimum number of holders required; (3) a minimum market value of \$4 million; and (4) a term to maturity of two to seven years (although ELNs linked to a non-U.S. security (including a sponsored ADR) can not have a term longer than three years).

3. Underlying Linked Security Standards

In order to help ensure that ELNs will not have a disruptive effect on the market for the underlying securities, the linked securities must have sufficiently large market capitalizations and high trading volumes. Specifically, an underlying security must have: (1) A minimum market capitalization of \$3 billion and trading volume in the United States of at least 2.5 million shares in the 12-month period preceding the listing of the ELN; (2) a minimum market capitalization of \$1.5 billion and trading volume in the United States of at least 20 million shares in the 12-month period preceding the listing of the ELN; or (3) a minimum market capitalization of \$500 million and trading volume in the United States of at least 80 million shares in the 12-month period preceding the listing of the ELN. In addition, if an issuer proposes to issue ELNs on a security that does not meet the market capitalization and trading volume standards set forth above, the Phlx, with the concurrence of the staff of the Commission, may evaluate the trading volume, public float, and market capitalization of that security, as well as other relevant factors, and determine on a case-by-case basis that it is appropriate to list ELNs overlying that security. The Phlx will submit a rule filing pursuant to Section 19(b) of the Act if so required by the Commission if significant regulatory concerns are raised by a proposed ELN offering that does not meet the above market capitalization and trading volume standards.³

The issuer of the linked security must be a reporting company under the Act and the underlying linked security must be traded on a national securities exchange or through Nasdaq and be

³ In this connection, the Commission notes that any proposal to list an ELN linked to a security with a market capitalization of less than \$500 million would raise significant regulatory concerns for which a Section 19(b) rule filing would be required.