

the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act and subparagraph (e) of Rule 19b-4 thereunder because the rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Board.

At any time within 60 days of the filing of a rule change pursuant to Section 19(b)(3)(A) of the Act, the Commission may summarily abrogate the 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 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 in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the principal office of the Board. All submissions should refer to File No. SR-MSRB-95-02 and should be submitted by April 24, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-8088 Filed 3-31-95; 8:45 am]

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[Release No. 34-35542; File No. SR-PHLX-94-69]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 to the Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to a One Year Pilot Program for the Trading, Comparison, Clearing, Settling, Listing, and Delisting of Municipal Securities

March 28, 1995.

On December 20, 1994, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with 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 proposal to establish a one year pilot program allowing the Exchange to list and trade municipal securities.

Notice of the proposal appeared in the **Federal Register** in Securities Exchange Act Release No. 35308 (January 31, 1995), 60 FR 7251 (February 7, 1995). No comments were received on the proposed rule change.³

The PHLX proposes to initiate a one year pilot program for the trading, comparison, clearance, settlement, listing and delisting of municipal securities. Specifically, the PHLX proposes to (1) Amend PHLX Rules 132, "Dealing Outside the Exchange in Securities Dealt in on the Exchange," 501, "Specialist Appointment," 803, "Criteria for Listing—Tier I," and 810, "Suspension and Delisting Policies Based on Exchange Findings;" and (2) add PHLX Rule 309, "Municipal Securities," to provide requirements for trading, comparison, settlement, clearing and listing and delisting of municipal securities.

To be eligible for listing on the Exchange, proposed PHLX Rule

803(c)(5) provides that a municipal debt security must: (1) Have an aggregate market value and principal amount outstanding of at least \$20,000,000; (2) have at least 100 public beneficial holders of record; and (3) be rated as investment grade by at least one nationally recognized rating service.

Proposed PHLX Rule 810(b)(4)(d) allows the Exchange to delist a municipal debt security when the issue is (1) Not rated as investment grade by at least one nationally recognized rating service; (2) does not have at least a market value or principal amount outstanding of \$500,000; or (3) is not held by at least 50 public beneficial holders of record.

The Exchange proposes to assign any municipal security it lists to a specialist⁴ and to trade municipal securities in accordance with all PHLX regulations otherwise applicable to the trading of securities on the equities trading floor of the Exchange, except that pursuant to proposed PHLX Rule 132(d)(17) municipal securities shall be exempt from the provisions of the Exchange's off-board trading rule. Under proposed PHLX Rule 309, municipal securities will be compared, settled and cleared in accordance with the applicable regulations of the MSRB.

The PHLX believes that the proposed rule change is consistent with the requirements of section 6(b)(5) under the Act in that it is designed to promote the mechanism of a free and open market and to protect investors and the public interest.

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, the requirements of section 6(b)(5),⁵ in that it is designed to promote just and equitable principles of trade, to protect investors and the public interest, and to foster cooperation and coordination with persons engaged in regulating, clearing, settling and processing information with respect to, and facilitating transactions in, securities.

With regard to the listing standards for municipal securities proposed by the PHLX, the Commission notes that listing

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ On March 15, 1995, the PHLX amended its proposal to clarify the delisting standards for municipal securities. See Letter from Murray L. Ross, Secretary, PHLX, to Sharon Lawson, Assistant Director, Division of Market Regulation, Commission, dated March 14, 1995 ("Amendment No. 1"). Specifically, Amendment No. 1 indicates that PHLX Rule 810(b)(4)(d), as amended, will apply solely to municipal securities.

⁴ The PHLX intends to require specialist units applying for appointment and registration in municipal securities to be in compliance with the Municipal Securities Rulemaking Board ("MSRB") Rule G-3 regulations regarding municipal securities principals and representatives. The National Association of Securities Dealers ("NASD") has authority to enforce MSRB rules for listed municipal securities. The PHLX enforcement in this regard will not preempt or limit in any manner the NASD's authority to act in this area.

⁵ 15 U.S.C. 78f(b)(5) (1988).

standards serve as a means for a self-regulatory organization to screen issuers and to provide listed status only to issuers with sufficient investor base and trading interest to maintain fair and orderly markets. Once a security has been approved for initial listing, maintenance criteria allow an exchange to monitor the status and trading characteristics of that issue to ensure that it continues to meet the exchange's standards for market depth and liquidity.

The Commission believes that the municipal securities listing and delisting criteria proposed by the PHLX are designed to protect investors and ensure the maintenance of fair and orderly markets in such listed securities. The PHLX's proposal provides that only municipal bond issuers that satisfy the criteria established in PHLX Rule 803(c)(5) will be considered for listing on the Exchange. Specifically, under PHLX Rule 803(c)(5) a municipal debt security must: (1) Have an aggregate market value and principal amount outstanding of at least \$20,000,000; (2) have at least 100 public beneficial holders of record; and (3) be rated as investment grade by at least one nationally recognized rating service.

The Commission believes that these criteria, along with any other information relevant to determine whether the issue is appropriate for exchange trading, should help to ensure that only municipal issuers capable of meeting their financial obligation and whose bond issues can support a liquid trading market will be listed on the Exchange. The criteria will also alert municipal issuers seeking listing on the PHLX of the Exchange's specific listing standards.

The Commission notes that proposed PHLX Rule 810(b)(4)(d) allows the Exchange to delist a municipal debt security when the issue is (1) Not rated as investment grade by at least one nationally recognized rating service; (2) does not have at least a market value or principal amount outstanding of \$500,000; or (3) is not held by at least 50 public beneficial holders of record. The Commission believes that the delisting standards should allow the Exchange to identify issuers that may have insufficient resources to meet their financial obligations or whose debt securities may lack sufficient trading depth and liquidity for a fair and orderly market.

Under the proposal, municipal securities will trade in accordance with all PHLX regulations otherwise applicable to the trading of securities on the equities trading floor of the Exchange, except that municipal

securities will be exempt from the provisions of the PHLX's off-board trading rule. Because municipal securities will trade under the PHLX's existing regulatory regime for equities, which includes specialist obligations and margin requirements, the Commission believes that adequate safeguards are in place to ensure the protection of investors in municipal securities.

Further, the Commission notes that the regulatory scheme in place for municipal securities will continue to apply to PHLX-listed municipal securities,⁶ with the additional coverage of the PHLX surveillance program to the trading of listed municipal securities. The Commission believes that this regulatory framework will provide sufficient oversight of municipal securities trading on the Exchange.

The PHLX intends to require specialist units applying for appointment and registration in municipal securities to be in compliance with MSRB Rule G-3 regarding municipal securities principals and representatives. The Commission notes that this requirement is consistent with the rules of the MSRB and, in addition, that it is important that any specialist selected by the PHLX for a listed municipal security be familiar with the characteristics of municipal securities.

Finally, the Commission notes that the PHLX's proposal to list and trade municipal securities is virtually identical to a proposal submitted by the Pacific Stock Exchange, Inc. ("PSE"), which was approved by the Commission.⁷ Therefore, the Commission finds that the proposed rules are equally acceptable for the PHLX.

The Commission finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register** because Amendment No. 1 clarifies the proposal by indicating that the delisting standards for municipal securities apply solely to municipal securities and not to the debt of other non-listed issuers. Because Amendment No. 1 clarifies the

⁶ See note 4, *supra*.

⁷ See Securities Exchange Act Release Nos. 33721 (March 7, 1994), 59 FR 11636 (order approving File No. SR-PSE-94-05) (establishes municipal bond trading pilot program through July 5, 1994); 34317 (July 5, 1994), 59 FR 35546 (July 12, 1994) (order approving File No. SR-PSE-94-21) (extends municipal bond trading pilot program through November 2, 1994); 34911 (October 27, 1994), 59 FR 55303 (November 4, 1994) (order approving File No. SR-PSE-94-32) (extends municipal bond trading pilot program through November 2, 1995).

Exchange's proposal and raises no new regulatory issues, the Commission believes it is consistent with sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 1 on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to the proposed rule change. 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 changes 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. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by April 24, 1995.

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-PHLX-94-69) relating to the pilot program for listing and trading municipal securities is approved until March 28, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-8092 Filed 3-31-95; 8:45 am]

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[Investment Company Act Rel. No. 20969; International Series Release No. 798/812-9354]

The Chase Manhattan Bank, N.A.; Notice of Application

March 28, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for exemption under the Investment Company Act of 1940 ("Act").

APPLICANT: The Chase Manhattan Bank, N.A., ("Chase").

⁸ 15 U.S.C. 78s(b)(2) (1988).

⁹ 17 CFR 200.30-3(a)(12) (1994).