

for narrow-based index options to 6,000, 9,000, or 12,000 contracts, depending on the percentage stock concentrations within the index, are consistent with the requirements of the Act and the rules and regulations thereunder.

The Commission finds good cause for approving the proposed rule changes prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. As noted above, the Commission has previously approved identical proposals submitted by the PHLX and the CBOE.¹² The PHLX's proposals was published for the full notice and comment period and the Commission received no comments on the PHLX's proposal. The Exchanges' proposals raise no new regulatory issues. Accordingly, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the proposed rule changes on an accelerated basis. In addition, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 1 to the PSE's proposal on an accelerated basis so that both proposals may become effective simultaneously.

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, N.W., Washington, D.C. 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 changes 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, D.C. Copies of such filings will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organizations. All submissions should refer to the file numbers in the caption above and should be submitted by December 28, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the

proposed rule changes (SR-Amex-95-45 and SR-PSE-95-30) are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36531; File No. SR-CHX-95-26]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Listing Standards

November 30, 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 November 8, 1995, the Chicago Stock Exchange, Inc. ("CHX" 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. 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 proposes to amend Article XXVIII of the Exchange's Rules to modify the Exchange's listing standards and create two tiers of listings.

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 North American Securities Administration Association ("NASAA")¹ has endorsed certain listing standards as sufficient to warrant a state's granting exchange-listed securities a listing exemption from registration. The CHX proposes to modify its own listing standards to comply with those endorsed by NASAA and adopted by other stock exchanges.²

The CHX proposes changes to its Rules regarding the quantitative requirements for issuers and issues, qualitative requirements for issuers (e.g., corporate governance standards), and maintenance criteria for issues. In no case do the proposed changes decrease current CHX standards.

NASAA has entered into a Memorandum of Understanding ("MOU") with the Philadelphia Stock Exchange ("Phlx")³ and the Pacific Stock Exchange ("PSE").⁴ Those memoranda set out standards that NASAA recognizes as sufficient to warrant listing exemptions from state blue sky requirements. The proposed rules establish listing standards that are essentially identical to the standards set out in those two NASAA MOUs. Although the CHX is in the process of reaching a similar MOU with NASAA, the CHX's new listing standards are specifically designed to satisfy the listing standards endorsed by NASAA.

Other exchanges have established two tiers of listing requirements. In general, Tier I listing standards are quantitatively and qualitatively higher (i.e., more restrictive and demanding) than Tier II listing standards.

The CHX does not currently have a two-tier structure for listings but proposes to create a two-tiered structure. Both Tier I and Tier II listed issues will be traded pursuant to identical auction rules, but otherwise the two tiers will differ in several ways.

¹ NASAA is an association of securities administrators from each of the 50 states, the District of Columbia, Puerto Rico and ten Canadian provinces.

² See, e.g., Securities Exchange Act Release No. 34235 (June 17, 1994), 59 FR 32736 (June 24, 1994) (approving a Philadelphia Stock Exchange rule change adopting NASAA endorsed standards); Securities Exchange Act Release No. 34429 (July 22, 1994), 59 FR 38998 (Aug. 1, 1994) (approving a Pacific Stock Exchange rule change adopting NASAA endorsed standards).

³ The Memorandum of Understanding was approved by NASAA and Phlx on October 12, 1994.

⁴ The Memorandum of Understanding was approved by NASAA and the PSE on October 12, 1994.

¹² See PHLX and CBOE Approval Orders, *supra* note 5.

¹³ 15 U.S.C. 78f(b)(2) (1988).

¹⁴ 17 CFR 200.30-3(a)(12) (1994).

The new, higher standards proposed by the CHX will constitute requirements for a new Tier I listing. The Tier I requirements for a CHX listing will be identical in all material respects with the requirements of the NASAA MOUs. The current standards of the CHX will constitute the listing requirements for the new CHX Tier II listing. The NASAA MOUs do not address Tier II standards.

Tier I issuers and issues will have to meet the corporate governance and disclosure standards endorsed by NASAA MOUs. These include newly specific requirements for disclosure of reports filed with federal regulatory bodies; specific requirements for shareholder approval for certain corporate actions involving the sale or issuance of stock; and specific voting rights provisions forbidding corporate actions that have a disparate impact on holders of stock. The CHX currently has strict corporate governance and disclosure requirements, which will remain in place for Tier II issuers and issues.

The CHX will identify and distinguish at all times which securities are listed pursuant to Tier I and Tier II standards. If a Tier I listed security fails to satisfy Tier I maintenance standards for continued listing, the issue will be removed from Tier I listing. If it meets Tier II standards, it will thereupon be listed on Tier II. If it does not meet Tier II standards, it will be delisted. Moreover, if a Tier II listed security matures to the point that it could meet the Tier I standards, the issuer must apply and receive approval to list the security pursuant to the Tier I standards before the CHX will recognize that security as a Tier I issue. The CHX believes that adopting two tiers of listing standards will provide flexibility for the CHX in pursuing various listing objectives beneficial to CHX members and the public.

The CHX has chosen to adopt NASAA's MOU standards as criteria for its new Tier I because the CHX views those standards as carefully crafted to provide an extremely high level of investor and shareholder protection. For the same reason, the CHX proposes for Tier I to adopt also NASAA's substantial corporate governance standards, including requirements for independent directors, audit committees, shareholder quorums, common stock voting rights, and conflict of interest provisions. The CHX's current rules already address many of these same issues, but for Tier I the CHX proposes to adopt all of NASAA's suggested standards.

Tier I standards must be satisfied by all issuers on a continuing basis.

Moreover, CHX standards for Tier I initial and maintenance listing are both mandatory and non-waivable.

Tier I Standards

With regard to common stock, Rule 8(a) replicates the NASAA MOUs' numerical criteria applicable to original listing determinations in every aspect including net tangible assets, numbers of shareholders and shares publicly held, pre-tax and net earnings, and stock price.

In Rule 8(b), the CHX proposes to also offer alternate listing standards for common stock issues. The proposed standards are identical to those endorsed by NASAA. The CHX offers the alternate standards because there are certain smaller companies that either due to the nature of their business or the amount of resources committed by the company to research and development, would not meet the standards in Rule 8(a) but nevertheless deserve Tier I status. Thus, those types of companies may be approved for listing under Tier I if they satisfy the alternate listing criteria.

Rule 8(c), in conformance with the NASAA MOUs, provides standards for initial public offerings approved for listing on the CHX. Such offerings must be underwritten on a "firm commitment" basis and must meet the CHX's listing standards within a 30-day grace period after completion of the offering.

With regard to preferred stock, Rule 9 provides the Tier I original listing criteria. Preferred stock issuers must satisfy the same net tangible assets and net earnings criteria applicable to issuers of common stock. The ability of the issuers to service the dividend requirements for preferred stock will also be evaluated. The requirements will differ for number of shares publicly held and aggregate market value depending on whether the issuer has common stock listed. Where the common stock is listed on the CHX, New York Stock Exchange ("NYSE"), or American Stock Exchange ("Amex"), at least 100,000 shares of preferred stock must be publicly held with an aggregate market value of at least \$2 million dollars. Where the common stock is not so listed, at least 400,000 shares of preferred stock must be publicly held with an aggregate market value of at least \$4 million. Differentiating on this basis reflects the CHX's belief that companies whose securities are publicly traded have a more significant investor following and a greater demonstrated ability to raise necessary capital while meeting the contingent payment obligations associated with preferred

stock and, as described below, bond and debentures. In either case, a share of preferred stock must have a minimum closing bid price of \$10 to be eligible for listing.

Listing of bonds and debentures under Tier I will be governed by Rule 10. In addition to evaluating issuers according to the same net tangible assets and earnings standards applicable to equity issuers, the CHX will also evaluate the ability of these issuers to satisfy the interest and principal payments of bonds and debentures as they become due. As above, the required aggregate market value and number of public beneficial holders varies depending on whether the issuer's common stock is listed and traded on either the CHX, Amex or NYSE. Additionally, the CHX will require municipal bonds to meet higher standards than other bonds.

Issuers seeking listing of warrants under Tier I must satisfy the criteria of Rule 11. The CHX will set standards with regard to public distribution, and it will not list warrants unless the security underlying the warrant is already listed or will be listed concurrently with the warrants on Tier I.

Rule 12 provides criteria for contingent value rights ("CVRs"). The CHX will set standards for CVRs with regard to aggregate market value, public distribution, net tangible assets, and maturity date. CVR issuers must meet the net tangible assets and earnings requirements for issuers of stock listed on the Exchange, and the CVRs to be listed must have been approved for listed on another national securities exchange. Finally, Rule 13 contains criteria applicable to new and innovative products that do not fall within Rules 8-12 but otherwise have the financial qualifications to be listed and are suitable for auction market trading.

The CHX's maintenance requirements for Tier I securities duplicate those found in the NASAA MOU with the PSE. Rules 14-17 set forth those maintenance requirements for each type of issue. The CHX will initiate delisting procedures against any issue that fails to meet the maintenance requirements on a continuing basis.

Tier II Standards

Rule 18 sets forth the CHX's proposed Tier II standards. Tier II standards will allow companies that may not be large enough to list under Tier I the opportunity to have their securities traded in an auction market, thereby increasing liquidity and issuer access to the investment community.

The CHX's proposed Tier II standards are essentially identical to the current CHX standards applicable to all listed issues, except that index warrants and contingent value rights will no longer be listed under Tier II.

Miscellaneous

The CHX does not propose to materially change its admissions procedures or its delisting procedures.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that the proposal fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, removes impediments to and perfects the mechanism of a free and open market and a national market system and protects investors and the public interest. The proposal also is consistent with Section 11A of the Act in that approval of the Tier I standards will aid in the development of the national market system by enhancing competition for equity listings.

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, N.W., Washington, D.C. 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 communication 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, D.C. 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-CHX-95-26 and should be submitted by December 28, 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. 34-36533; File Nos. SR-PHILADEP-95-09; SR-MSTC-95-09]

Self-Regulatory Organizations; Philadelphia Depository Trust Company and Midwest Securities Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Changes Modifying Procedures to Enable Compliance With Confirmation Disclosure Requirements Through the Use of the Institutional Delivery System

November 30, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 24, 1995, and on October 27, 1995, respectively, the Philadelphia Depository Trust Company ("PHILADEP") and the Midwest Securities Trust Company ("MSTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes as described in Items I, II, and III below, which Items have been prepared primarily by PHILADEP and MSTC. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested parties.

¹ 15 U.S.C. 78s(b)(1) (1988).

I. Self-Regulatory Organizations' Statements of the Terms of Substance of the Proposed Rule Changes

PHILADEP and MSTC propose to make additions to their respective procedures² to enable their participants using the Institutional Delivery ("ID") system for generating confirmations for customer transactions to comply with certain disclosure requirements of Rule 10b-10 under the Act.³

II. Self-Regulatory Organizations' Statements of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, PHILADEP and MSTC included statements concerning the purpose of and the basis for the proposed rule changes and discussed any comments they received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. PHILADEP and MSTC have prepared summaries, set forth in section (A), (B), and (C) below, of the most significant aspects of such statements.⁴

A. Self-Regulatory Organizations' Statements of the Purpose of, and the Statutory Basis for, the Proposed Rule Changes

In 1994, the Commission adopted amendments to Rule 10b-10.⁵ Subsequently, the Division of Market Regulation issued a no-action letter to the Public Securities Association ("PSA") on behalf of its members and all other brokers and dealers temporarily exempting them from certain disclosure requirements of paragraphs (a)(7), (a)(8), and (a)(9) of Rule 20b-10 until November 1, 1995.⁶

The purpose of these proposed rule changes is to enable PHILADEP and MSTC participants using the ID system for generating confirmations for customer transactions to comply with the following three disclosure requirements upon the expiration of the temporary exemption on November 1, 1995.

² While MSTC does not have specific written ID procedures, the MST System Flash newsletter is sent to MSTC participants to update them on, among other things, ID system changes. The newsletter is kept on record at MSTC and is used by MSTC as its participant procedures.

³ 27 CFR 240.10b-10 (1994).

⁴ The Commission has modified the text of the summaries prepared by PHILADEP and MSTC.

⁵ For a complete discussion of the amendments, refer to Securities Exchange Act Release No. 34962 (November 10, 1994), 59 FR 59612.

⁶ Letter from Catherine McGuire, Chief Counsel, Division of Market Regulation, Commission, to George P. Miller, Esq., Vice President and Associate General Counsel, PSA (September 29, 1995).