

mechanism of a free and open market and a national market system.

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 date of 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 self-regulatory organization consents, the Commission will:

- (A) by order approve such 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 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 Section, 450 Fifth Street, N.W., Washington, D.C. 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-95-53 and should be submitted by February 13, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36721; File No. SR-Amex-95-58]

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 Undervalued Market Basket

January 16, 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 January 2, 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 undervalued market basket index ("Index"). The Index is an equal-dollar weighted broad-based index developed by the Exchange and is comprised of 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").

The text of the proposed rule change is available at the Office of the Secretary, the Amex, and 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 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 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, it currently proposes to list and trade warrants on a domestic market index. The listing and trading of warrants on the undervalued market basket 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

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1)(1988).

² 17 CFR 240.19b-4 (1994).

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 undervalued market basket index, an equal-dollar weighted index. The Index represents a broad-based portfolio of large, actively traded stocks from various industries. The total market capitalization of the Index was \$344,658,060,000 on December 22, 1995. The median capitalization of the companies in the Index on that date was approximately \$3.2 billion and the average market capitalization of these companies was approximately \$8 billion. The individual market capitalization of the companies ranged from approximately \$126 million to approximately \$48.5 billion. During the six month period from June 1995 through November 1995, the average monthly trading volume of the stocks in the Index ranged from 500,000 shares to 188.5 million shares.³

The Index is calculated using an "equal-dollar weighting" methodology that is designed to ensure that each of the component securities is represented in an approximately "equal" dollar amount in the Index. The following is a description of how the equal-dollar weighting calculation method works. Initially, each of the securities in the Index will have equal representation. Specifically, each security included in the Index will be assigned a multiplier on the date of issuance of the warrant so that each component represents an equal percentage of the value of the Index on the date of issuance. The multiplier indicates the number of shares of a security (or the fraction of one share), given its market price on an exchange or through NASDAQ, to be included in the calculation of the Index. Accordingly, each of the 43 companies included in the Index will represent approximately 2.32 percent of the weight of the Index at the time of issuance of the warrant. The Index multipliers will be determined to yield the benchmark value of 100.00 on the date the warrant is priced for initial offering to the public.

As noted above, the multiplier of each component stock in the Index portfolio

remains fixed except in the event of 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. The multiplier of each component stock may also be adjusted, if necessary, 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, the expropriation or nationalization of a foreign issuer, or the imposition of certain foreign taxes on shareholders of a foreign issuer. Shares of a component stock may be replaced (or supplemented) with other securities under certain circumstances, such as the conversion of a component stock into another class of security, the termination of a depositary receipt program, or the spin-off of a subsidiary. If the stock remains in the Index, the multiplier of that security may be adjusted to maintain the component's relative weight in the Index at the level immediately prior to the corporate action. 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 Labor to term, compounded daily.

Similar to other stock index values published by the Exchange, the value of the Index will be calculated continuously and disseminated every fifteen seconds over the Consolidated Tape Association's Network B.

The Exchange believes that it is appropriate to seek broad-based index classification for warrant trading on the undervalued market basket index since the Index represents a broad spectrum of companies across various industries. The industry breakdown, as classified by the Office of Management and Budget in their *Standard Industry Classifications*, includes computers, aircraft, retail, banking, cellular telecommunications, pharmaceutical, petroleum products, medical supplies, hotel/motels, toys, and retail stationary. Further, the Index meets and exceeds the following criteria: (1) Each component security has an average daily trading volume of at least 40,000 shares during the preceding six months (to remain in the Index, each component will have to maintain an average daily trading volume of at least 20,000 shares); (2) no more than 20% of the total weighting of the Index is represented by underlying securities that have an average daily trading

volume less than 75,000 shares in the preceding six months; (3) no underlying security represents more than 10% of the total weight of the Index; (4) the five most heavily weighted securities in the Index do not represent more than 30% of the total weight of the Index; (5) the Index is comprised of at least ten industry sectors represented by no less than 43 component securities; and (6) at least 75% of the total capitalization of the Index is represented by component securities that meet the Exchange's criteria for standardized options trading which is set forth in Exchange Rule 915. In addition, the Index meets and exceeds the Designation Criteria for Futures Contracts Involving Non-Diversified Stock Indexes.⁴

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,⁵ 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.

⁴ See Securities and Exchange Commission and Commodity Futures Trading Commission Joint Statement of Policy, Release No. 20578 (January 18, 1984), 49 FR 2884.

⁵ 15 U.S.C. § 78f(b)(5) (1988).

³ Two of the component securities, Patriot Am. Hospitality and Pharmacia & Upjohn, Inc., have been trading for less than six months. Patriot Am. Hospitality began trading on September 27, 1995 as an initial public offering and has had an average monthly trading volume for the months of October and November of 2.7 million shares. Pharmacia & Upjohn was the result of a merger between Pharmacia Aktiebolag and The Upjohn Company and began trading on November 3, 1995. Pharmacia & Upjohn traded 47.5 million shares during the month of November.

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 also will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-95-58 and should be submitted by February 13, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36716; File No. SR-BSE-95-17]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Boston Stock Exchange, Inc. Relating to Amendments to Its Transaction Fee Schedule

January 16, 1996.

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 December 19, 1995, the Boston Stock Exchange, Inc. ("BSE" 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 seeks to amend, as of January 1996 trading, its fee schedule pertaining to transaction fees. The text of the proposed rule change is as follows [new text is italicized; deleted text is bracketed]:

TRANSACTION FEES

(1) Credits	\$1.50 per trade.
• BSE non-self-directed market orders 100 to 2,500 shares inclusive.	
• Credit is limited to total monthly transaction fees.	
(2) Trade Recording and Comparison Charges	
• [BSE single-sided executions up to and including 5,000 shares	No charge].
• [BSE cross trade executions up to and including 2,000 shares] <i>All BSE executions up to and including 2,500 shares.</i>	No charge.
• <i>All BSE single-sided executions from 2,501-5,000 shares</i>	<i>No charge.</i>
* * * * *	
[(3)](2) Value Charges	
• [BSE single-sided executions up to and including 5,000 shares	\$.20 per 100 shares].
• <i>BSE non-self-directed market and marketable limit executions up to and including 2,500 shares</i>	<i>No charge.</i>
• [BSE cross trade executions up to and including 2,000 shares] <i>All other BSE executions up to and including 2,500 shares.</i>	\$.20 per 100 shares.
• <i>All BSE single-sided executions from 2,501 to 5,000 shares</i>	<i>\$.20 per 100 shares.</i>
* * * * *	
(3) Floor Broker Cross Trade Discounts	
• <i>First 200 cross trades per month</i>	<i>Charge on both trade sides.</i>
• <i>Next 200 cross trades per month</i>	<i>Charge on one trade side.</i>
• <i>Over 400 cross trades per month</i>	<i>Charge on 1/2 of one trade side.</i>
* * * * *	

⁶ 17 CFR 200.30-3(a)(12) (1994).