

to determine whether a conflict existed. After review, the task force noted that most of the other exchanges used broad and general language,⁵ or no language at all, with the understanding that the boards of each exchange follow the spirit of a general policy of avoiding conflicts of interest. The task force approved the proposed rule, which is intended to provide the PSE Board with more flexibility in determining when a conflict exists and with the authority to take appropriate action when such conflicts arise.

III. Description of Proposal

The PSE, accordingly, proposes to amend its rules to authorize the Exchange to remove a governor from the Board, if no resignation is received, in cases where the Board determines that an affiliation or association between Governors of the Board creates a conflict of interest. Moreover, the proposed rule provides that care shall be taken to have the various interests of the membership represented on the Board of Governors.

The PSE states that the proposal is designed to provide the Exchange with the added flexibility and authority necessary to assure that the Board of Governors is comprised of members representative of the public interests while ensuring that an affiliation or association between two or more governors does not create a conflict of interest.

IV. Discussion

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, with the requirements of Section 6(b).⁶ In particular, the Commission believes the proposal is consistent with the Section 6(b)(1) requirement that the exchange be organized so as to be able to carry out the purposes of the Act. The proposal also is consistent with the Section 6(b)(3) requirement that the rules of the exchange assure a fair representation of its members in the selection of its directors and administration of its affairs and provides that one or more directors must be representative of issuers and investors and not be associated with a member of the exchange, broker, or dealer. Lastly, the proposal is consistent with the Section 6(b)(5) requirement that the rules of an exchange be designed to promote just and equitable principles of trade, to

prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest.

The Commission believes that the PSE's proposal to authorize the Exchange to remove a Governor from the Board, if no resignation is received, when, in the opinion of the Board, an affiliation or association between Governors creates a conflict of interest while ensuring that various interests of the membership are represented on the Board is appropriate and will make the PSE's rules consistent with those that are applicable on other exchanges.

The Commission believes that the current rule prevents the Board from resolving conflicts of interest arising among Governors in certain situations in that it limits the Exchange's authority to force a governor off the Board only in limited circumstances. As a result, the Exchange is precluded from addressing various conflicts of interest that arise from an affiliation or association between Governors of the Board that can result in a lack of independence among the Board of Governors. This situation may affect the Board's ability to effectuate proper oversight of the Exchange's business. In this regard, the Commission supports the PSE's proposal which gives the Exchange the authority to remove a governor from the Board when any conflicts of interest arise due to an affiliation or association between Governors of the Board. The Commission notes that the proposal appropriately gives the Exchange the requisite authority to promote and ensure the independence of the Board of Governors, which should result in a more impartial decision making process.

The Commission also believes that a diversified Board, which no single membership group could dominate, would better represent the interests of all of the PSE's constituencies. Towards this end, the PSE proposal appropriately promotes and ensures the diversity of Board representation among the different categories of member firms and the public in that it requires the Exchange to exhibit care to have various interests of the membership represented on the Board of Governors.

Finally, the Commission believes that the PSE proposal promotes a Board of Governors representative of various independent interests that would be more likely to enforce the rules of the Act and of the Exchange.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the

proposed rule change (SR-PSE-96-08) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-14711 Filed 6-10-96; 8:45 am]

BILLING CODE 8010-01-M

STATE JUSTICE INSTITUTE

Sunshine Act Meeting

TIME AND DATE:

Friday, June 14, 1996, 9 a.m.-5 p.m.
Saturday, June 15, 1996, 9 a.m.-1 p.m.

PLACE: State Justice Institute, 1650 King Street, Suite 600, Alexandria, VA 22314.

MATTERS TO BE CONSIDERED: FY 1996 grant requests and internal Institute business.

PORTIONS OPEN TO THE PUBLIC: All matters other than those noted as closed below.

PORTIONS CLOSED TO THE PUBLIC: Internal personnel matters; Board committee meetings.

CONTACT PERSON FOR MORE INFORMATION:

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[FR Doc. 96-14890 Filed 6-7-96; 12:48 pm]

BILLING CODE 6820-SC-M

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

Aviation Rulemaking Advisory Committee Meeting on Airport Certification Issues

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of meeting.

SUMMARY: The FAA is issuing this notice to advise the public of a meeting of the Federal Aviation Administration Aviation Rulemaking Advisory Committee to discuss airport certification issues.

DATES: The meeting will be held on June 27, 1996, at 10:00 a.m. Arrange for oral presentations by June 17, 1996.

ADDRESSES: The meeting will be held at the Airports Council International—North American Region, Suite 500, 1775 K Street NW., Washington, DC 20006-1502.

FOR FURTHER INFORMATION CONTACT: Ms. Marisa Mullen, Federal Aviation Administration, Office of Rulemaking

⁵ See Amex Const. Art. 3, Para. 9022; CBOE Const. Art. 4, para. 1033.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).