(3) Investment Management Issues

Title III of the 1996 Act (the ''Investment Advisers Supervision Coordination Act'' (''Coordination Act'')) made several amendments to the Investment Advisers Act of 1940,[37] the most significant of which reallocates federal and state responsibilities over investment advisers. Under the new scheme larger advisers will principally be regulated by the Commission, while smaller advisers the businesses of which tend to be more local will be primarily regulated by the states.

Upon the effective date of the Coordination Act, an investment adviser that is regulated or required to be regulated as an investment adviser in a state in which it maintains its principal office and place of business is prohibited from registering with the Commission unless the adviser (i) has assets under management of not less than $25 million (or such higher amount as the Commission may, by rule, deem appropriate), or (ii) is an adviser to an investment company registered under the Investment Company Act of 1940.[38] The Commission is authorized to deny registration to any applicant that does not meet the criteria for Commission registration and is directed to cancel the registration of any adviser that no longer meets the criteria for registration.

The Coordination Act preempts state investment adviser statutes as they apply to investment advisers registered with the Commission. The Coordination Act preserves, however, the ability of state regulators to: (i) Investigate and bring enforcement actions against Commission-registered advisers with respect to fraud and deceit, (ii) require Commission-registered advisers to file notice documents with the state, and (iii) require Commission-registered advisers to pay state registration and other fees. State law is also preempted as to certain ''supervised persons'' of Commission-registered advisers, except that a state retains the authority to register an investment adviser representative that has a place of business in the state.

On December 20, 1996 the Commission proposed rules designed to implement the provisions of the Coordination Act.[39] The proposed rules: (i) Address the procedures by which advisers not eligible to register will identify themselves to the Commission and withdraw from registration, (ii) exempt certain advisers that do not meet the criteria from Commission registration from the new prohibition, and (iii) define certain terms used in the statute. The comment period on the proposed rules closed on February 10, 1997.

The conferees will discuss the Commission's rules as they affect the allocation of regulatory responsibilities between the states and the Commission. In addition, the conferees will discuss mutual concerns regarding the implementation of the Coordination Act, including the transition to the new regulatory scheme, the sharing of information regarding the status of registrants, and arrangements for the provision of technical assistance by the Commission including training, conducting joint exams and sharing of information with respect to investment advisers. In addition, state and federal regulators will discuss the coordination of regulatory, examination and enforcement activities subsequent to the effective date of the Coordination Act. The conferees will also discuss progress with regards to the development of a one-stop electronic filing system for investment advisers, and the development of a system for investors to obtain information regarding the disciplinary history of investment advisers.

(4) Enforcement Issues

In addition to the above-stated topics, the state and federal regulators will discuss various enforcement-related issues which are of mutual interest.

(5) Investor Education

The Commission is pursuing a number of programs for investors on how to invest wisely and to protect themselves from fraud and abuse. The states and NASAA have a longstanding commitment to investor education and the Commission is intent on coordinating and complementing those efforts to the greatest extent possible. The participants at the conference will discuss investor education and potential joint projects in some of the working group sessions.

(6) General

There are a number of matters which are applicable to all, or a number, of the areas noted above. These include EDGAR, the Commission's electronic disclosure system, rulemaking procedures, training and education of staff examiners and analysts and sharing of information.

The Commission and NASAA request specific public comments and recommendations on the above-mentioned topics. Commenters should focus on the agenda but may also discuss or comment on other proposals which would enhance uniformity in the existing scheme of state and federal regulation, while helping to maintain high standards of investor protection.

Dated: April 4, 1997.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–9204 Filed 4–9–97; 8:45 am]

BILLING CODE 8010–01–M

[37] 15 U.S.C. 80b–1 et seq.

[38] 15 U.S.C. 80a–1 et seq.

[39] Investment Advisers Act Release No. 1601 (December 20, 1996) [61 FR 68480].

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38479; File No. SR–Phlx–97–12]

Self-Regulatory Organizations; Order Granting Accelerated Approval of Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 Thereto by the Philadelphia Stock Exchange, Inc. Relating to the Maintenance Criteria for the Phlx Phone Index

April 3, 1997.

On March 5, 1997, the Philadelphia Stock Exchange Inc. (''Phlx'' or ''Exchange'') submitted to the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend the maintenance standards applicable to the Phlx Phone Index (''Index'') to allow the number of stocks in the Index to decline to six without having to delist the Index. Notice of the proposed rule change appeared in the **Federal Register** on March 19, 1997.[3] No comments were received on the proposal. On April 2, 1997, the Phlx filed Amendment No. 1 to the proposal to address issues related to Index concentration and to request accelerated approval of its proposal.[4] This order approves the proposal, as amended, on an accelerated basis.

I. Description of the Proposal

On July 11, 1994, the Commission approved a proposal by the Phlx to list and trade options on the Index.[5] The Index is a capitalization-weighted index composed of eight widely held U.S.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 38383 (March 11, 1997); 62 FR 13203.

[4] Letter from Nandita Yagnik, Attorney, New Product Development, Phlx to Marianne H. Khawly, Staff Attorney, Division of Market Regulation (''Division''), Commission, dated April 2, 1997.

[5] Securities Exchange Act Release No. 34345 (July 11, 1994), 59 FR 36245 (approval for index options on the Phone Index).

companies created as a result of the divestiture of American Telephone and Telegraph Co. (''AT&T'') in 1983. The Index includes seven regional telephone companies spun off from AT&T and AT&T itself.[6] Currently, the maintenance standards for the Index require that at least 90% of the component stocks in the Index by weight, and 80% by number, are eligible for options trading[7] and the number of stocks in the Index not decrease to less than eight or increase to more than ten. If the Index were not to meet these maintenance criteria, the Exchange is required to wind down trading in options overlying the Index by restricting trading to closing only transactions and to not open any new series of options on the Index unless a new Rule 19b–4 filing is submitted to the Commission and approved.

On April 1, 1997, two components of the Index, PacTel and SBC consummated a merger in which SBC acquired all of the assets and liabilities of PacTel. After the close of trading on April 1, 1997, the surviving company, SBC, issued to former PacTel shareholders 0.73145 shares of SBC common stock for each outstanding PacTel share as of close of trading on March 31, 1997. The actual number of new SBC shares issued in the merger, however, was not verified until after the close of trading on April 2, 1997. Because trading in PacTel was halted on the New York Stock Exchange (''NYSE'') at the close of trading on March 31, 1997 as a result of the merger, the Phlx calculated the PacTel capitalization for purposes of determining the Index value on April 1, 1997 and April 2, 1997 by using the March 31, 1997 PacTel closing market value on the NYSE as well as the number of PacTel shares as of that date. In addition, because SBC was the surviving company in the merger and has continued to trade on the NYSE, the Phlx calculated SBC's market capitalization for April 1, 1997 and April 2, 1997 by multiplying the real-time price of SBC by the outstanding shares of SBC before the merger. This approach, according to the Phlx, was consistent with that used for other indices containing these components.

On April 3, 1997 and thereafter, the Phlx will calculate the Index value using the market capitalization for SBC by multiplying the real-time price of SBC by the total outstanding shares of SBC after the merger. PacTel price and share information was dropped from the Index after the close of trading on April 2, 1997.[8] Thus, beginning on April 3, 1997, the Phlx will calculate the Index using only seven component stocks.

In addition, the Exchange expects that in the near future, another merger involving two other Index components may occur. NYNEX and Bell Atlantic are proposing a merger with Bell Atlantic as the surviving company. If this merger is consummated, the Index would have only six component stocks.

The Exchange proposes to amend the maintenance standards to allow the number of component stocks in the Index to decrease to six without having to wind down trading in options overlying the Index by restricting trading to closing only transactions and to not open any new series of options on the Index unless a new Rule 19b–4 filing is submitted to the Commission and approved. In addition, in Amendment No. 1, the Phlx proposes that no one single stock may comprise more than 30% of the Index weight.[9] The maintenance standards requiring the number of components not to exceed ten stocks and 90% of the component stocks in the Index by weight, and 80% by number, to be eligible for options trading will still apply. In the event that the Index fails to meet the Index maintenance standards, the Exchange immediately would contact the Commission's Division of Market Regulation and restrict trading in the Index options to closing only transactions and would not open any new series of options on the Index unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination or unless the continued listing of that class of Index options has been approved by the Commission under Section 19(b)(2) of the Act.

II. Commission Findings and Conclusions

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).[10] Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)[11] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, in general, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, as well as to protect investors and the public interest.[12]

Although the proposed maintenance standards for the Index allow six component stocks to comprise the Index, the Commission believes that, based on the liquidity, large capitalizations and relative weightings of the component securities, the options on the Index can continue to be traded on the Exchange.[13] In addition, the Commission is satisfied that by limiting the most highly capitalized stock in the Index to no more than 30% of the Index weight, the Exchange has proposed maintenance criteria to prevent the Index from being dominated by any one stock. The Commission believes that these maintenance standards help to ensure that the Index is not used as a surrogate to trade equity options on a single component.

The Commission reiterates that should the Index fail to meet the maintenance criteria, the Exchange immediately will contact the Division and restrict trading in the Index options to closing only transactions and would not open any new series of options on the Index unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination or unless the continued listing of that class of Index options has been approved by the Commission under Section 19(b)(2) of the Act.[14]

The Commission finds good cause for approving the proposed rule change,

[6] *Id.* The components of the Index are as follows: Ameritech; AT&T; Bell Atlantic; BellSouth; Nynex Corporation (''Nynex''); Pacific Telesis (''PacTel''); SBC Communications, Inc. (''SBC''); and US West.

[7] *See* Phlx Rule 1009A for options eligibility standards.

[8] Amendment No. 1 and telephone conversation between Michele. R. Weisbaum, Associate General Counsel, Phlx and John Ayanian, Special Counsel, Division, Commission, on April 1, 1997.

[9] Currently, the largest component of the revised Index is AT&T representing 23.02% of the Index weight. See note 13, *infra*.

[10] 15 U.S.C. 78f(b).

[11] 15 U.S.C. 78f(b)(5).

[12] In approving this rule, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. 15 U.S.C. § 78c(f).

[13] The total shares outstanding, market capitalization and index weight of the seven component securities as of April 3, 1997 are as follows: Ameritech, 549,391,000 shares, $32,620,090,625, 13.68% weight; AT&T, 1,620,284,000 shares, $54,887,120,500, 23.02% weight; Bell Atlantic, 437,769,000 shares, $26,101,976,625, 10.95% weight; BellSouth, 991,206,000 shares, $41,382,850,500, 17.35% weight; Nynex, 439,989,000 shares, $19,799,505,000, 8.30% weight; SBC, 916,956,000 shares, $47,796,331,500, 20.04% weight; and US West, 479,325,000 shares, $15,877,640,625, 6.66% weight.

[14] The Commission notes that if the Phlx should propose to list and trade options overlying a narrow-based, single-sector index with fewer stocks, it would be difficult for the Commission to allow the options to be traded as an index product pursuant to the Phlx's option rules.

and Amendment No. 1 thereto, prior to the thirtieth day after the date of publication of the notices of filing thereof in the **Federal Register**. First, the Commission believes that it is in the public interest to allow the Exchange to continue listing series of options overlying the adjusted Index in a timely, efficient and consistent manner. Second, the Commission notes that it previously has approved a proposal to trade options overlying the Phlx Super Cap Index that consists of five highly-capitalized, actively-traded component stocks with no single security dominating the index weight.[15] Finally, the proposal has been subject to a substantial portion of the 21-day notice and comment period and no comments have been received. Therefore, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the proposed rule, and Amendment No. 1 thereto, on an accelerated basis.

III. 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 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 Phlx. All submissions should refer to File No. SR–Phlx–97–12, and should be submitted by May 1, 1997.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act[16] that the proposed rule change (SR–Phlx–97–12) is approved, as amended, on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[17]

[15] Securities Exchange Act Release No. 36369 (October 13, 1995), 60 FR 54274.

[16] 15 U.S.C. 78s(b)(2).

[17] 17 CFR 200.30–3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–9203 Filed 4–9–97; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

Environmental Impact Statement; Spencer and Dubois Counties; Indiana

AGENCY: Federal Highway Administration (FHWA), DOT.

ACTION: Notice of intent.

SUMMARY: The FHWA is issuing this notice to advise the public that an Environmental Impact Statement (EIS) will be prepared for a proposed 36 kilometer (22 mile) realignment of US 231.

FOR FURTHER INFORMATION CONTACT: Mr. Douglas N. Head, Program Operations Engineer, Federal Highway Administration, 575 N. Pennsylvania Street, Room 254, Indianapolis, Indiana 46204, Telephone: (317) 226–7487, Fax: 226–7341.

SUPPLEMENTARY INFORMATION: The FHWA, in cooperation with the Indiana Department of Transportation will prepare an EIS for the proposed reconstruction and upgrading of US 231 on new alignment in Spencer and Dubois counties, Indiana. This 36 kilometer (22 mile) corridor would connect the new bridge over the Ohio river near Rockport, being built by the Kentucky Transportation Cabinet, with I–64. Construction of this project is considered necessary to provide a link between the new Ohio River bridge and the interstate system in Indiana to support the National Highway System, of which US 231 is a part.

Alternatives under consideration include (1) taking no action; (2) applying low-cost Transportation System Management (TSM) techniques, (3) making isolated improvements to improve traffic flow on US 231, and (4) constructing a four-lane divided roadway on new alignment. TSM techniques include changes in signalization, minor lane additions and geometric improvements, and other relatively low cost changes that facilitate the flow of traffic. TSM techniques emphasize maximum use of existing facilities. More extensive capital improvements can also be made that expand roadway capacity, such as adding lanes to change the typical section of a road, eliminating driveway entrances by use of frontage roads, bringing shoulder widths up to current standards and similar measures.

Letters describing the proposed action and soliciting comments will be sent to appropriate Federal, State, and local agencies, and to private organizations and citizens who have expressed interest in this project. No additional formal scoping is planned. Informational public meetings were held May 30, 1993 and June 22, 1993. A public hearing will be held. Public notice will be given of the time and place of the hearing. The Draft EIS will be made available for public and agency review and comment.

To ensure that the full range of issues related to the proposed action are addressed and all significant issues identified, comments and suggestions are invited from all interested parties. Comments or questions concerning this proposed action and the EIS should be directed to the FHWA at the address provided above.

(Catalog of Federal Domestic Assistance Program No. 20.205, Highway Research, Planning and Construction. The regulations implementing Executive Order 12372 regarding inter-governmental consultation on Federal programs and activities apply to this program)

Mr. Douglas N. Head,

Program Operations Engineer, Indianapolis, Indiana.

[FR Doc. 97–9214 Filed 4–9–97; 8:45 am]

BILLING CODE 4910–22–M

DEPARTMENT OF TRANSPORTATION

Federal Railroad Administration

[FRA Docket No. RSGM–96–3]

Petition for Waiver of Compliance

In accordance with Part 211 of Title 49 Code of Federal Regulations (CFR), notice is hereby given that the Federal Railroad Administration (FRA) received a request for a waiver of compliance with certain requirements of its safety standards. The individual petition is described below, including the party seeking relief, the regulatory provisions involved, the nature of the relief being requested, and the petitioner's arguments in favor of relief.

SMS Rail Service Incorporated

SMS Rail Service Incorporated seeks a permanent waiver of compliance from certain sections of 49 CFR Part 223.11 (a), (b), and (c), Safety Glazing Standards, for three locomotives, SLRS 1293, SLRS 1494, and SLRS 300. Locomotive SLRS 300 has broken glazing in several locations.

Interested parties are invited to participate in these proceedings by submitting written views, data, or