Dated: September 24, 1996.

June Gibbs Brown,

Inspector General, Department of Health and Human Services; and Vice Chair, PCIE.

[FR Doc. 96–26024 Filed 10–9–96; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–37783; File Nos. SR–Amex–96–31]

Self-Regulatory Organizations; Order Approving Proposed Rule Changes by the American Stock Exchange, Inc., Relating to Listing Criteria for Equity Linked Notes

October 4, 1996.

I. Introduction

On August 14, 1996, the American Stock Exchange, Inc. (''Amex''), filed proposed rule changes 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] to amend their respective issuer listing standards for Equity Linked Notes (''ELNs'')[3]

Notice of the proposal was published for comment and appeared in the Federal Register on August 27, 1996.[4] No comment letters were received on the proposed rule change. This order approves the Exchange proposal.

II. Description of the Proposal

ELNs are non-convertible debt securities of an issuer which are linked, in whole or in part, to the market performance of a common stock or a non-convertible preferred stock (the ''underlying security''). The Exchange's listing standards currently permit the listing of ELNs if, among other things, (i) the issuer has minimum tangible net worth of $150 million and (ii) the original issue price of the ELNs, combined with all the issuer's other publicly-traded ELNs, does not exceed 25 percent of the issuer's net worth (the ''net worth standard'').[5]

The Exchange proposes to add an alternative net worth standard to its ELNs issuer listing standards. Under the new test, an issuer with tangible net worth of at least $250 million would be able to issue ELNs without being subject to the limit that the ELNs be no more than 25 percent of the issuer's net worth. Issuers with tangible net worth of at least $150 million, but less than $250 million, will still be subject to the 25 percent limit.[6] This will provide the largest issuers with increased flexibility in their financing and capitalization planning.

III. Commission Finding 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, the requirements of Section 6(b)(5) of the Act.[7] Specifically, the Commission finds that the Exchange's proposal strikes a reasonable balance between the Commission's mandates under Section 6(b)(5) to remove impediments to and perfect the mechanism of a free and open market and a national market system, while protecting investors and the public interest. In particular, the Commission believes that the trading of ELNs permits investors to more closely approximate their desired investment objectives through, for example, shifting some of the opportunity for upside gain in return for additional income.

ELNs, unlike standardized options, however, do not have a clearinghouse guarantee but are instead dependent upon the individual credit of the issuer. This heightens the possibility that a holder of an ELN may not be able to receive full cash settlement at maturity. The Commission believes that the Exchange's proposed alternate ELNs issuer listing standard requiring issuers to have at least $250 million tangible net worth (without the issuance being limited to 25% of the issuer's net worth), in addition to the existing size and earnings requirements,[8] reasonably addresses this additional credit risk, and to some extent minimize this risk. The Commission also notes that the revised standard is identical to that approved for other issuer-based products, including index, currency, and currency index warrants.[9]

It is therefore ordered, pursuant to Section 19(b)(2) of the Act[10] that the proposed rule change (File No. SR–Amex–96–31) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–26063 Filed 10–9–96; 8:45 am]

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[Release No. 34–37784; File Nos. SR–NYSE–96–25]

Self-Regulatory Organizations; Order Approving Proposed Rule Changes by the New York Stock Exchange, Inc., Relating to Listing Criteria for Equity Linked Debt Securities

October 4, 1996.

I. Introduction

On August 16, 1996, the New York Stock Exchange, Inc. (''NYSE''), filed proposed rule changes 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] to amend their respective issuer listing standards for Equity Linked Debt Securities (''ELDS'').[3]

Notice of the proposal was published for comment and appeared in the Federal Register on August 27, 1996.[4] No comment letters were received on the proposed rule change. This order approves the Exchange proposal.

II. Description of the Proposal

ELDS are non-convertible debt securities of an issuer where the value of the debt is based, at least in part, on the value of another issuer's common stock or non-convertible preferred stock (the ''underlying security''). The Exchange's listing standards currently permit the listing of ELDS if, among other things, (i) the issuer has minimum tangible net worth of $150 million and (ii) the original issue price of the ELDS, combined with all the issuer's other publicly-traded ELDS, does not exceed 25 percent of the issuer's net worth (the ''net worth standard'').[5]

The Exchange proposes to add an alternative net worth standard to its ELDS issuer listing standards. Under the

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

[2] 17 CFR 240.19b–4.

[3] ELNs are non-convertible debt securities of an issuer which are linked, in whole or in part, to the market performance of a common stock or a non-convertible preferred stock.

[4] *See* Securities Exchange Act Release No. 37587 (August 20, 1996), 61 FR 44097.

[5] *See* Amex *Company Guide* Section 107B.

[6] The Commission notes that under the ELNs proposed rule change, issuers with minimum tangible net worth of at least $150 million

[7] 15 U.S.C. 78f(b)(5).

[8] *See* Amex *Company Guide* Section 101(A).

[9] *See* Securities Exchange Act Release No. 36168 (August 29, 1995), 61 FR 46637 (September 7, 1996) (SR–Amex–94–38).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] ELDS are non-convertible debt securities of an issuer where the value of the debt is based, at least in part, on the value of another issuer's common stock or non-convertible preferred stock.

[4] *See* Securities Exchange Act Release No. 37585 (August 20, 1996), 61 FR 44116.

[5] *See* NYSE *Listed Company Manual* Para. 703.21.

new test, an issuer with tangible net worth of at least $250 million would be able to issue ELDS without being subject to the limit that the ELDS be no more than 25 percent of the issuer's net worth. Issuers with tangible net worth of at least $150 million, but less than $250 million, will still be subject to the 25 percent limit.[6] This will provide the largest issuers with increased flexibility in their financing and capitalization planning.

With respect to the listing of ELDS linked to non-U.S. securities, the NYSE also proposes to amend the definition of ''Relative U.S. Share Volume'' and to delete the definition of ''Relative ADR Volume.'' Specifically, the NYSE proposes collapsing these two definitions into a single definition of ''Relative U.S. Volume.'' The Exchange states that this change is non-substantive and is proposed solely to clarify and simplify the rule.

III. Commission Finding 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, the requirements of Section 6(b)(5) of the Act.[7] Specifically, the Commission finds that the Exchange's proposal strike a reasonable balance between the Commission's mandates under Section 6(b)(5) to remove impediments to and perfect the mechanism of a free and open market and a national market system, while protecting investors and the public interest. In particular, the Commission believes that the trading of ELDS permits investors to more closely approximate their desired investment objectives through, for example, shifting some of the opportunity for upside gain in return for additional income.

ELDS, unlike standardized options, however, do not have a clearinghouse guarantee but are instead dependent upon the individual credit of the issuer. This heightens the possibility that a holder of an ELDS may not be able to receive full cash settlement at maturity. The Commission believes that the Exchange's proposed alternate ELDS issuer listing standard requiring issuers to have at least $250 million tangible net worth (without the issuance being limited to 25% of the issuer's net worth), in addition to the existing size and earnings requirements,[8] reasonably addresses this additional credit risk, and to some extent minimize this risk. The Commission also notes that the revised standard is identical to that approved for other issuer-based products, including index, currency, and currency index warrants.[9]

The Commission also believes that the NYSE's proposal to amend the definition of ''Relative U.S. Share Volume,'' delete the definition of ''Relative ADR Volume,'' and collapse the two definitions into a single definition of ''Relative U.S. Volume'' reasonably addresses its desire to clarify and strengthen its rule language.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change (File No. SR–NYSE–96–25) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–26064 Filed 10–9–96; 8:45 am]

BILLING CODE 8010–01–M

[6] The Commission notes that under the ELDS standards, issuers must have a minimum net worth of at least $150 million.

[7] 15 U.S.C. 78f(b)(5).

[8] *See* NYSE *Listed Company Manual* Paras. 102.01–102.03 or 103.01–103.05.

[9] *See* Securities Exchange Act Release No. 36165 (August 29, 1995), 61 FR 46653 (September 7, 1996) (SR–NYSE–94–41).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30-3(a)(12).

[Release No. 34–37780; File No. SR–PSE–96–03]

Self-Regulatory Organizations; Pacific Stock Exchange, Inc.; Order Approving and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 1 and 2 to Proposed Rule Change Relating to the Lead Market Maker Program

October 3, 1996.

I. Introduction

On January 16, 1996, the Pacific Stock Exchange, Inc. (''PSE'' or ''Exchange'') submitted to the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposal relating to changes to its Lead Market Maker (''LMM'') Program. The proposed rule change was published for comment in the Federal Register on March 18, 1996.[3] The Exchange filed an amendment (''Amendment No. 1'')[4] to its proposal on August 11, 1996. The Exchange filed a second amendment (''Amendment No. 2'')[5] to its proposal on September 26, 1996. No comments were received on the proposed rule change. This order approves the Exchange's proposal as amended.

II. Description of the Proposal

PSE Rule 6.82 (''LMM Rule'') sets forth the basic rules and procedures applicable to LMMs and the LMM Program.[6] The Exchange proposes to modify Rule 6.82 by adding several new substantive provisions and by restructuring the rule and clarifying some of its existing provisions. The purpose of the proposal is to enhance the LMM Program and to clarify and streamline the LMM Rule. The proposed changes include, more specifically, the following:

1. Current PSE Rule 6.82(c)(6) provides that LMMs are guaranteed 50% participation in transactions occurring at their disseminated bids and offers in their allocated issues. The Exchange is proposing to create an exception to this provision.[7] Specifically, with regard to multiply-traded issues, the proposed rule will provide that if the average daily trading volume in an issue reached 3,000 contracts at the Exchange for three consecutive months, and if (i) in the case of an issue traded by two options exchanges, the Exchange's share of the total multi-exchange customer trading volume in the issue drops from above 70% to below 70%, or (ii) in the

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 36952 (March 11, 1996), 61 FR 11072.

[4] Amendment No. 1 provides further justification and rationale for the PSE's proposed changes to the LMM Rule. Amendment No. 1 also provides revised language to the proposed Rule 6.82 changes. Letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, PSE, to Michael A. Walinskas, Senior Special Counsel, Office of Market Supervision, Division of Market Regulation, Commission, dated August 9, 1996.

[5] Amendment No. 2, like Amendment No. 1, provides further justification and rationale for the PSE's proposed changes to the LMM Rule and provides revised language to the proposed Rule 6.82 changes. Letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, PSE, to Janet Russell-Hunter, Special Counsel, Office of Market Supervision, Division of Market Regulation, Commission, dated September 26, 1996.

[6] The LMM Rule was adopted in January 1990 as a pilot program. *See* Securities Exchange Act Release No. 27631 (January 17, 1990), 55 FR 2462. The pilot program most recently was extended to September 30, 1997. *See* Securities Exchange Act Release No. 37767 (September 30, 1996).

[7] Current Rule 6.82(b)(3)(iii) provides that, subsequent to appointment of an issue to an LMM, the issue may be reassigned to the market maker system, pursuant to subsection (b)(7), once trading volume in the issue reaches an average daily volume of 3,000 contracts at the Exchange for four consecutive months, immediately preceded by an Exchange average of 75% of the total multi-exchange trading volume for three consecutive months. The Exchange is proposing to delete this provision and modify it as discussed below. It should be noted that both the provision being deleted and the one replacing it are permissive, not mandatory. *See* Amendment No. 1, *supra* note 4.