

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39530; File No. SR-Amex-97-45]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the American Stock Exchange, Inc. Relating to Options Qualification Examinations

January 8, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 19, 1997, 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 and II 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 and to grant accelerated approval on the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to discontinue the use of its Listed Put and Call Option Questionnaire for Registered Personnel, and instead, require affected individuals to satisfactorily complete the Series 42 examination administered by the National Association of Securities Dealers, Inc. ("NASD").²

The text of the proposed rule change is available at the Office of the Secretary, the Amex and at 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 self-regulatory organization included statements concerning the purpose of, and statutory 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 III 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 Exchange is proposing to discontinue its Listed Put and Call Option Questionnaire for Registered Personnel.³ This examination has been administered to an Amex member or registered employee who was registered and approved by the Exchange prior to 1977,⁴ and who wishes to engage in a public options business.⁵ The Listed Put and Call Option Questionnaire had been administered by the broker-dealer member organization with which the individual was associated, which would then certify to the Exchange that the applicant had satisfactorily completed the examination.

The Exchange is proposing that, in lieu of the Listed Put and Call Option Questionnaire, members and registered employees seeking to become qualified to engage in a public options business, pursuant to Exchange Rule 920(b) satisfactorily complete the Series 42 examination administered by the NASD. This examination is currently in use by the NASD, and prior to the Exchange's proposed termination of the Listed Put and Call Option Questionnaire, affected individuals were able to take either of the examinations in order to become options qualified. The Exchange, therefore, believes that the proposed termination of the Listed Put and Call Questionnaire examination will result in greater industry-wide consistency in the qualification testing of registered personnel.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act, specifically Section 6(b)(5) in that the proposal, in general, protects investors and the public interest by helping to assure member competence. In addition, the proposal furthers the objectives of Section 6(c)(3)(A) because it is designed to set standards of training, experience and competence and to examine and verify the qualifications of its members and associated persons of its members.

B. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change will impose no 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. 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 Room in 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 the file number in the caption above and should be submitted by February 5, 1998.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the Exchange's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁶ which requires that an exchange have rule that, in general, protect investors and the public interest. Moreover, the Commission finds the proposed rule change consistent with Section 6(c)(3)(A) of the Act⁷ in that the proposal is designed to ensure that members, and those persons associated with members, meet certain standards of training, experience and competence.

The Commission believes that replacing the Listed Put and Call Option Questionnaire for Registered Personnel with the NASD's series 42 will provide more consistency in educating and examining for competence for those who wish to engage in a public options

¹ U.S.C. 78s(b)(1).

² See Securities Exchange Act Release No. 33892 (April 11, 1994), 59 FR 18433 (April 18, 1994) (release approving the Registered Options Representative exam).

³ This examination was previously referred to as the Put and Call Option Questionnaire for Listed Personnel.

⁴ In 1997 the Series 7 examination began to cover standardized options.

⁵ See Exchange Rule 920.

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78f(c)(3)(A).

business. The Listed Put and Call Option Questionnaire and the Series 42 both consist of 50 multiple choice questions. The Series 42, however, has a question bank of 307 questions so a person who has failed the exam is unlikely to receive the same series of questions upon re-testing, thereby assuring that an individual is properly tested for his competency in the subject matter. Moreover, the Commission believes that because the Series 42 is only given at designated and secured testing sites the integrity of the examination process is protected.

The Commission therefor finds good cause for approving the proposed rule change (SR-Amex-97-45) prior to the thirtieth day after date of publication of notice thereof in the Federal Register.

It is Therefore Ordered, pursuant to Section 19(b)(2),⁸ that the proposed rule change be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Jonathan G. Katz,
Secretary.

[FR Doc. 98-1038 Filed 1-14-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39525; File No. SR-Amex-97-29]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to the Proposed Rule Change Relating to Listing and Trading of DIAMONDSSM Trust Units

January 8, 1998.

I. Introduction

On August 11, 1997, the American Stock Exchange, Inc. ("Amex" 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 proposed rule change to list and trade under Amex Rules 1000 *et seq.* DIAMONDSSM, units of beneficial interest in the DIAMONDS Trust. In addition, the Exchange proposes to adopt Amex Rule 1005,

"Down Jones Indexes," relating to license and warranty issues.

Notice of the proposed rule change, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 39143 (September 29, 1997), 62 FR 51917 (October 3, 1997). No comments were received on the proposal. The Exchange filed Amendment No. 1 to the proposed rule filing on December 3, 1997.³ This order approves the proposed rule filing as amended.

II. Description

On December 11, 1992,⁴ the Commission approved Amex Rules 1000 *et seq.* to accommodate trading on the Exchange of Portfolio Depositary Receipts ("PDRsSM"), securities which represent interests in a unit investment trust ("Trust") operating on an open-end basis and that hold a portfolio of securities. The Trust sponsor ("Sponsor") for each series of PDRs is PDR Services Corporation, a wholly-owned subsidiary of Amex.⁵ Each Trust is intended to provide investors with an instrument that closely tracks the underlying securities portfolio, that trades like a share of common stock, and that pays to PDR holders periodic dividends proportionate to those paid with respect to the underlying portfolio of securities, less certain expenses, as described in the applicable Trust prospectus. The first Trust to be formed in connection with the issuance of PDRs was based on the Standard & Poor's 500 Index ("S&P 500 Index"), known as Standard & Poor's Depositary Receipts® ("SPDRs[®]"), which have been trading on the Exchange since January 29, 1993.⁶ In 1995, the Commission approved Amex's listing and trading of PDRs based on the Standard & Poor's MidCap 400 IndexTM ("MidCap SPDRs").⁷

³ Amendment No. 1 discusses the composition of the trust securities, the basis for the mandatory termination date of the Trust, applicable trading halt procedures, and applicable equity rules. See letter from Michael Cavalier, Associate General Counsel, Legal and Regulatory Policy, Amex, to Sharon Lawson, Senior Special Counsel, Market Regulation, Commission, dated December 3, 1997.

⁴ See Securities Exchange Act Release No. 31591 (December 11, 1992), 57 FR 60253 (December 18, 1992) ("SPDRs Order").

⁵ "PDRs" is a service mark of PDR Services Corp.

⁶ See SPDRs Order, *supra* note 4.

⁷ See Securities Exchange Act Release No. 35534 (March 24, 1995), 60 FR 16686 (March 31, 1995). "Standard & Poor's 500," "Standard & Poor's MidCap 400 Index," "Standard & Poor's Depositary Receipts®," "SPDRs®," "Standard & Poor's MidCap 400 Depositary Receipts" and "MidCap SPDRs" are trademarks of The McGraw-Hill Companies, Inc. and are being used by the Exchange and the Sponsor under license among Standard & Poor's, a division of The McGraw-Hill Companies, Inc., the Exchange and the Sponsor. "SPDRs" and "MidCap SPDRs" are not sponsored, endorsed, sold, or

The Exchange now proposes to list and trade under Rules 1000 *et seq.* DIAMONDSSM, units of beneficial interest in the DIAMONDS Trust.⁸ The Sponsor will enter into a trust agreement with the Trustee, State Street Bank and Trust Company, in accordance with Section 26 of the Investment Company Act of 1940 ("1940 Act"). A distributor will act as underwriter of DIAMONDS on an agency basis. All orders to create DIAMONDS in Creation Unit size aggregations must be placed with the distributor, and it will be the responsibility of the distributor to transmit such orders to the Trustee. The distributor is a registered broker-dealer, and a member of the National Association of Securities Dealers, Inc.

*The Dow Jones Industrial Average*⁹

The DJIA is a price-weighted stock index consisting of 30 stocks traded on the New York Stock Exchange ("NYSE").¹⁰ The DJIA is called an "average" because originally it was calculated by adding up the component stock prices and then dividing by the number of stocks. The method remains the same today, but the divisor (the number that is divided into the total of the stock prices) has been increased to eight significant digits to minimize distortions due to rounding. The DJIA divisor is adjusted due to corporate actions that change the price of any of its component shares. The most frequent reason for such an adjustment is a stock split. For example, suppose a company in the DJIA issues one new share for each share outstanding. After this two-for-one "split," each share of stock is worth half what it was immediately before, other things being equal. But without an adjustment in the divisor, this split would produce a distortion in the DJIA. An adjustment must be made to compensate so that the "average" will remain unchanged. At Dow Jones, this adjustment is handled by changing the divisor.¹¹

promoted by S&P, and S&P makes no representation regarding the advisability of investing in SPDRs or MidCap SPDRs.

⁸ "Dow Jones Industrial AverageSM," "DJIASM," "Dow JonesSM" and "DIAMONDS" are each trademarks and service marks of Dow Jones & Company, Inc. ("Dow Jones") and have been licensed for use for certain purposes by the Exchange and the Sponsor. DIAMONDS are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such product.

⁹ The description of the DJIA included herein is based on materials prepared by Dow Jones and submitted by Amex in its proposed rule filing.

¹⁰ A price-weighted index is an index in which component stocks are weighted according to their price.

¹¹ Currently, the divisor is recalculated after the close of business on the day prior to the occurrence

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.