

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were either solicited or received.

**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 other 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 the 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 NW., 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 NW., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-NYSE-96-06 and should be submitted by April 29, 1996.

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

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-37057; File No. SR-NYSE-96-07]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by New York Stock Exchange, Inc., Relating to Continued Listing Criteria for Capital or Common Stock**

April 1, 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 March 18, 1996, the New York Stock Exchange, Inc. ("NYSE" 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 NYSE proposes to amend Paragraph 802.00 of the Exchange's Listed Company Manual ("Manual"). Paragraph 802.00 contains the criteria for continued listing on the Exchange.

The text of the proposed rule change is available at the Exchange 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 self-regulatory organization 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 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 proposed rule change amends the Exchange's continued listing criteria. In 1995 the Exchange amended its initial listing standards to include an alternate method by which a company could meet the "demonstrated earnings"

listing standard.<sup>1</sup> Specifically, that standard was based on a company's "adjusted net income," rather than on a company's "income before federal income taxes and under competitive conditions." That filing also increased the listing standard regarding aggregate market value of publicly-held shares and added a new liquidity standard of 500 total stockholders and average monthly trading volume of 1,000,000 shares. In approving that filing, the Commission noted that the Exchange committed to propose corresponding continued listing criteria.<sup>2</sup>

This filing proposes two changes to the NYSE's continued listing criteria: the adoption of new continued listing criteria to parallel the adjusted net income listing standard; and the amendment of the current continued listing criteria to reflect the 1995 changes to the initial listing standards.

**Adjusted Net Income Continued Listing Criteria.** The Exchange is proposing continued listing criteria that parallel the new adjusted net income listing standard: a company that listed pursuant to that standard would be subject to possible delisting if (1) Its average adjusted net income for the most recent three years is less than \$6,500,000 and (2) the aggregate market value of the company's shares falls below \$25,000,000. These new criteria would be available to companies that either listed pursuant to the adjusted net income standards or that are currently valued on a "cash flow" basis.

**Earnings and Liquidity Continued Listing Criteria.** The second change to the Exchange's continued listing criteria conforms those criteria to the new earnings and liquidity listing standards. A company would be subject to possible delisting if the aggregate market value of its common stock is less than \$8,000,000 (up from \$5,000,000). A company also would be subject to delisting if: (1) The company has less than 400 total stockholders; or (2) if there are less than 1,200 total stockholders and the average monthly trading volume in the common stock is less than 100,000 for the most recent 12 months. This means that if a company meets the trading volume standard of 100,000 shares a month it would be subject to possible delisting if there are less than 400 total stockholders; if a company does not have such trading volume it would be subject to possible

<sup>1</sup> See Securities Exchange Act Release No. 35571 (Apr. 5, 1995), 60 FR 18649 (Apr. 12, 1995) (order approving proposed rule change relating to domestic listing standards).

<sup>2</sup> See Securities Exchange Act Release No. 35571 n. 19 (Apr. 5, 1995), 60 FR 18649 (Apr. 12, 1995).

delisting if there are less than 1,200 total stockholders.

With respect to a company's earnings and net tangible assets, a company would be subject to possible delisting if its average net income after taxes for three years is less than \$600,000 and either the aggregate market value of the company's stock or its net tangible assets is less than \$12,000,000 (up from \$8,000,000).

A small number of companies that initially listed on the Exchange before the original listing standards were increased to their current levels are above the current continued listing criteria but are below the proposed criteria. Upon Commission approval of this proposed rule change, the Exchange will notify these companies of the new continued listing criteria and will inform such companies that the Exchange expects them to be in compliance with the new criteria within 18 months of their effective date. If such a company does not meet these new standards by such date, the Exchange will consider it to be below the continued listing criteria at that time.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and practices and to perfect the mechanism of a free and open market.

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

The Exchange 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 either solicited or received.

## 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 other 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 the 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 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 will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-NYSE-96-07 and should be submitted by April 29, 1996.

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

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-37048; File No. SR-Phlx-96-08]

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Customized Index and Equity Options**

March 29, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 22, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. On March 21, 1996, the Exchange submitted to the Commission Amendment No. 1 to the

proposed rule change.<sup>3</sup> 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 Phlx proposes to adopt Rule 1069A, Customized Options, to govern the trading of customized or flexible index and equity options on the Exchange. Specifically, the Exchange proposes to trade customized options on the following two broad-based (market) index options currently traded on the Phlx: Value Line Composite Index ("VLE") and National Over-the-Counter Index ("XOC"). The Phlx also proposes to trade customized industry (narrow-based) index options pursuant to the proposed rule, specifically, the following four industry index options currently traded on the Phlx: Bank Index ("BKX"), Gold/Silver Index ("XAU"), Semiconductor Index ("SOX") and Utility Index ("UTY"). In addition, the Phlx is proposing to trade customized equity options on securities which are options-eligible pursuant to Phlx Rule 1009, and have been designated as such by the Options Committee.<sup>4</sup>

Proposed Rule 1069A contains the characteristics, trading procedure and other provisions applicable to trading customized options. All customized options would trade in the trading crowd of the corresponding non-customized option. Customized options would not be continuously quoted, nor are series pre-established. The Exchange notes that the Automated Options Market ("AUTOM") system will not be available for customized options.

In order to initiate a transaction, a Requesting Member submits a Request-for-Quote ("RFQ") to the appropriate trading crowd, announcing the terms of the quote sought. The characteristics, including which terms and to what degree customization will be available,

<sup>3</sup> In Amendment No. 1, the Exchange proposes to amend its filing so that (1) customized equity options may be traded on any options-eligible issue, whether or not it is listed for traditional options trading on the Phlx, and (2) the position limit for customized narrow-based (industry) index options are 24,000, 36,000, and 48,000 contracts, as compared to existing position limit tiers for traditional narrow-based index options. See Letter from Gerald D. O'Connell, First Vice President, Market Regulation and Trading Operations, Phlx, to Michael Walinskas, Branch Chief, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulation"), Commission, dated March 21, 1996.

<sup>4</sup> *Id.*

<sup>1</sup> 15 U.S.C. § 78s(b)(1) (1988).

<sup>2</sup> 17 CFR 240.19b-4 (1994).