• Addition of a statement on Page 4 of Form U–4 that will be executed by the applicant and retained by the member firm, that authorizes the member firm to make electronic filings on behalf of the applicant.

• An option for the applicant and member firm to request on the Form U–4 processing under a Relicensing Program. This program is intended to replace the existing Temporary Agent Transfer (TAT) Program. The new program will result in expedited handling for eligible persons including most individuals who previously have reported an affirmative answer to disclosure questions on their Forms U–4, but who have no new disclosure upon transfer.

• An opportunity for an individual to provide a summary of the circumstances relating to an internal review disclosure submitted by the individual's former employer on the Form U–5.

• Item 22, the disclosure question on the Form U–4 and the parallel disclosure items on the Form U–5 have been made consistent with each other to the extent possible.

• The questions relating to disclosure have been categorized to provide a uniform format to collect, display and sort disclosure detail.

• Each category of disclosure has its own custom Disclosure Reporting Page (DRP) soliciting detail unique to that category.

• Each custom DRP solicits detail to provide the information that regulators have indicated they need in order to make informed registration decisions. The revised DRPs require more detail than the current DRPs, which will reduce the number of requests for additional disclosures that prolong the review and registration process.

The forms also contain a new customer complaint question. The question was developed after discussion between representatives from the NASD, NASAA and the securities industry. The NASD believes the new question will clarify the types of complaints that have to be reported on the Forms U–4 and U–5. The question will require the reporting of all written customer complaints that allege sales practice rule violations and compensatory damages of $5,000 or more. The definition of the term of ''sales practice violations'' will be included in the explanation of terms section of the forms. The NASD intends to issue a Notice of Members which will include a list of examples of sales practice violations under this section and the instructional software in the new CRD system will have this list as well. The NASD will periodically revise this list as warranted.

Written complaints, which do not evolve into arbitration, civil litigation or a settlement over the jurisdictional amount, will be deleted from the CRD system two years from the date the complaint was reported to the CRD. All arbitration and civil litigation proceedings involving securities transaction matters will be reported regardless of the dollar amount of compensatory damages. All settlements of $10,000 or more will be reported as well.

The NASD recently began a test pilot phase of the new CRD system with eleven firms and one service bureau that agreed to participate. The pilot participants will go into actual production on the new system on approximately July 29, 1996 using the revised Forms U–4 and U–5. The NASD intends to phase-in the use of the amended Forms with the remaining NASD members commencing on approximately September 9, 1996 and concluding on approximately November 7, 1996.

II. Commission Findings

The Commission finds that the proposed amendments to Forms U–4 and U–5 are consistent with the provisions of Section 15A(b)(6) of the Act.[4] The amended forms will make the filing of disclosable information easier and more efficient for the securities industry. In addition, the amended forms will provide more detailed information for use by securities regulators, thus fostering the protection of investors and the public interest.

The Commission finds good cause to approve the proposed rule change prior to the 30th day after the date of publication of notice of filing in the Federal Register. The forms were published for comment by NASAA in August 1995 and the revised customer complaint question also was published by NASAA in March 1996. Comments that were received have been addressed by amendments to the forms. As stated earlier, the Commission has received no comment letters on the instant proposal. In addition, the Commission believes that accelerated approval is warranted so the NASD can print and distribute the new forms in time for NASD members to become familiar with the forms prior to their use in July and September 1996.

III. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[5] that the proposed rule change (SR–NASD–96–19) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30–3(a)(12).

Jonathan G. Katz,

Secretary.

[FR Doc. 96–17630 Filed 7–10–96; 8:45 am]

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[4] 15 U.S.C. 78*o*–3(b)(6) (1988).

[5] 15 U.S.C. 78s(b)(2) (1988).

[Release No. 34–37405; International Series Release No. 1002; File No. SR–NYSE–96–12]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by New York Stock Exchange, Inc., Relating to Equity-Linked Debt Securities

July 3, 1996.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1) (the ''Act''), notice is hereby given that on May 17, 1996, the New York Stock Exchange, Inc. filed with the Securities and Exchange 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 Exchange filed with the Commission Amendment No. 1 to the proposed rule change on June 7, 1996.[1] The Commission is approving the Exchange's proposal, as amended, on an accelerated basis, and solicits comments from interested persons.

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

The New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') is proposing amendments to its listing standards for Equity-Linked Debt Securities (''ELDS''). These listing standards are contained in Para. 703.21 of its Listed Company Manual.

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

[1] In Amendment No. 1, the Exchange proposes to amend the proposed rule change to delete footnote one in Para. 703.21 of the NYSE Listed Company Manual. In light of the proposed 20% Test + Daily Trading Volume Standard described more fully herein, the Exchange believes that the footnote is unnecessary. *See* Letter from James E. Buck, NYSE, to Jonathan G. Katz, Secretary, Commission, dated June 7, 1996 (''Amendment No. 1'').

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

(a) *Purpose*—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''). As initially adopted, the Exchange's listing standards permitted the listing of ELDS only if the underlying security was issued by a U.S. company.[2] The Exchange subsequently amended these standards to permit the listing of ELDS based on underlying securities of widely-held non-U.S. companies which are traded in the U.S. market as sponsored [3] American Depository Receipts, or ordinary shares (''non-U.S. securities'') if either (i) the Exchange has an effective, comprehensive surveillance sharing agreement with the primary market for the security or (ii) if over half of the volume in the underlying security occurs in the United States (the ''Primary Market Test'').[4]

The Exchange proposes to amend its ELDS listing standards by (1) revising the manner in which the Primary Market Test is calculated; (2) adding new criteria for the listing of ELDS on non-U.S. securities based on the daily trading volume in the U.S.; and (3) revising the current restrictions on the size of ELDS issuances linked to non-U.S. securities.

Under the Primary Market Test, the Exchange can list ELDS if (i) for non-U.S. securities that trade in the United States as ordinary shares, at least half the world-wide volume in the security is in the United States or (ii) for non-U.S. securities that trade in the United States as sponsored American Depository Receipts (''ADRs''), the Relative ADR Volume''[5] is at least 50 percent.

When the Exchange first adopted ELDS listing standards for non-U.S. securities, ''Relative ADR Volume'' was defined generally to require at least half of the trading volume in the security or the ADR, on a share equivalent basis, to be in the United States. However, in October 1995, the Commission approved amendments to that definition so that it now includes both U.S. volume and volume in any other market with which the Exchange has an effective, comprehensive surveillance sharing agreement (''permitted markets'') in determining whether the Primary Market Test is satisfied.[6]

By incorporating the definition of ''Relative ADR Volume'' into the ELDS listing standards, the Exchange can now list ELDS on non-U.S. companies if the underlying security trades in the United States, as sponsored ADRs and at least half the volume in the security is in the United States or in permitted markets. The Exchange also proposes to include the definition of ''Relative U.S. Share Volume'' as a conforming change to the ELDS listing standards for non-U.S. securities that trade in the United States as ordinary shares.[7]

Second, the Exchange proposes to add an alternate set of criteria for the listing of ELDS on non-U.S. securities (''20% Test + Daily Trading Volume Standard''). These criteria will permit the Exchange to list ELDS on securities of non-U.S. issuers if: (i) the volume in U.S. markets [8] is at least 20 percent of world-wide volume for the most recent six months; (ii) average daily U.S. trading volume for the six-month period is at least 100,000 shares; and (iii) the actual trading volume on the majority of trading days in the United States during the six months is at least 60,000 shares.

Moreover, the Exchange proposes to amend the size limitations of ELDS issuances linked to non-U.S. securities. Specifically, the Exchange proposes to require that the size of ELDS issuances linked to non-U.S. securities will be limited to 2% of the total shares of the underlying security outstanding provided at least 20% (instead of the current 30% requirement) of the worldwide trading volume in the security and related for the six-months prior to the listing occurred in the U.S. market.[9]

The Exchange also proposes to delete footnote one from Section 703.21 of the NYSE Listed Company Manual. That footnote refers to the Exchange's ability to list ELDS linked to non-U.S. securities if there is not an effective, comprehensive surveillance information agreement with the primary exchange in the country where the security is primarily traded. Specifically, the provision currently requires such an agreement if the Primary Market Test was not satisfied. In light of the proposed 20% Test + Daily Trading Volume Standard, the Exchange believes that this provision should no longer be applicable.[10]

The Exchange believes that the proposed rule change will expand the number of non-U.S. securities that may underlie ELDS. In so doing, it will benefit investors by enhancing investment flexibility and increasing the ability of U.S. persons to invest in securities linked to highly-capitalized and actively-traded non-U.S. securities. The Exchange believes that the proposed criteria are carefully crafted to limit eligibility to those non-U.S. securities that have a significant amount of U.S. market trading interest or that trade in markets with which the Exchange has an effective, comprehensive surveillance sharing agreement. The Exchange believes that it will accordingly have the ability to gather information on potential trading problems or irregularities in the primary market for the security.

(b) *Basis*—The Exchange believes that the proposed rule change is consistent with the Act and the requirements of Section 6(b)(5) of the Act in that the proposal is designed to prevent

[2] *See* Securities Exchange Act Release No. 33468 (January 13, 1994), 59 FR 3387 (January 21, 1994).

[3] As opposed to an unsponsored ADR, a sponsored ADR is established jointly by the issuer of the underlying security and depositary. With a sponsored ADR, the depositary is generally required to distribute notices of shareholder meetings and voting instructions to ADR holders, thereby ensuring the ADR holders will be able to exercise voting rights through the depositary with respect to the underlying securities.

[4] *See* Securities Exchange Act Release No. 34545 (August 18, 1994), 59 FR 43877 (August 25, 1995).

[5] The ''Relative ADR Volume'' is the ratio of (A) the combined trading volume (on a share equivalent basis) of the ADR and ''other related ADRs and securities'' (as defined below) occurring in U.S. markets or in any other market with which the Exchange has in place an effective surveillance information sharing agreement to (B) the combined worldwide trading volume in the ADR, the security underlying the ADR and ''other related ADRs and securities''. For the purposes of the preceding sentence, ''other related ADRs and securities'' refers to the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other classes of stock. *See* NYSE Rule 715, Supplementary Material .40 (iv).

[6] *See* Securities Exchange Act Release No. 36434 (October 30, 1995), 60 FR 56071 (November 6, 1995) (order approving revised listing standards for options on ADRs).

[7] Specifically, the proposed definition of ''Relative U.S. Share Volume'' is the ratio of (i) the combined trading volume of the security and related securities in the United States and in any other market with which the Exchange has in place an effective, comprehensive surveillance information sharing agreement to (ii) the worldwide trading volume in such securities.

[8] This 20% Test + Daily Trading Volume Standard calculation does not include foreign markets with which the Exchange has in place a comprehensive surveillance sharing agreement.

[9] As with the 20% Test + Daily Trading Volume Standard, foreign markets with which the Exchange has in place a comprehensive surveillance sharing agreement are not included in the calculation for determining the size of eligible ELDS issuances.

[10] *See* Amendment No. 1, *supra* note 1.

fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange believes that the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Commission's Findings and Order Granting Accelerated Approval

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.[11] Specifically, the Commission finds that the Exchange's proposal to provide alternate criteria for the listing and trading of ELDs on non-U.S. securities 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.

The Commission believes that the proposed amendments to the listing standards for ELDS on non-U.S. securities will benefit investors by effectively increasing the number of available ELDS-eligible non-U.S. securities. At the same time, as described below, the proposal provides safeguards designed to reduce the potential for manipulation and other abusive trading strategies in connection with the trading of non-U.S. security ELDS and their underlying securities. Accordingly, the Commission believes that the proposal will extend the benefits associated with ELDS on non-U.S. securities to additional non-U.S. securities and provide market participants with opportunities to trade a greater number of ELDS on non-U.S. securities without compromising the effectiveness of the Exchange's listing standards for such securities.

Currently, the Primary Market Test allows the Exchange to list options on an ADR in the absence of a comprehensive/effective surveillance sharing agreement with the primary exchange where the non-U.S. security trades if the combined trading volume of the non-U.S. security and other related non-U.S. securities occurring in the U.S. market and permitted markets during the six month period preceding the selection of the ADR for options listing represents (on a share equivalent basis) at least 50% of the combined world-wide trading volume in such securities. The effect of the NYSE's proposal would be to allow this definition of ''Relative U.S. ADR Volume'' to apply to the listing of ELDS on ADRs. Additionally, the Exchange proposes to include the definition of ''Relative U.S. Share Volume'' as a conforming change to the ELDS listing standards for non-U.S. securities that trade in the United States as ordinary shares.

The Commission has previously concluded that this standard is consistent with the Act and will continue to ensure that the majority of world-wide trading volume in the non-U.S. security and other related non-U.S. securities occurs in trading markets with which the Exchange has in place a comprehensive/effective surveillance sharing agreement.[12] The existence of such agreements should deter as well as detect manipulations or other abusive trading strategies and also provide an adequate mechanism for obtaining market and trading information from the non-U.S. markets that list the non-U.S. security underlying the Exchange's ELDS in order to adequately investigate any potential abuse or manipulation.[13]

Additionally, the Commission finds that the proposed 20% Test + Daily Trading Volume Standard is consistent with the Act. As noted above, the 20% Test + Daily Trading Volume Standard will allow the Exchange to list ELDS on a non-U.S. security if, over the six month period preceding the date of selection of the non-U.S. security for ELDS trading (1) the combined world-wide trading volume for the non-U.S. security in the U.S. market represents (on a share equivalent basis) at least 20% of the combined world-wide trading volume in the non-U.S. security and other related non-U.S. securities; [14] (2) the average daily trading volume for the non-U.S. security in the U.S. market is at least 100,000 shares; and (3) the trading volume for the non-U.S. security in the U.S. market is at least 60,000 shares per day for a majority of the trading days.

The Commission believes that these requirements present a reasonable alternative to the Primary Market Test by limiting the actual listing of ELDS on non-U.S. securities to only those non-U.S. securities that have a significant amount of U.S. market trading volume. This will ensure that the U.S. market is sufficiently active to serve as a relevant pricing market for the non-U.S. security and that the underlying foreign security is readily available to meet the delivery requirements upon exercise of the ELDS. Accordingly, the Commission believes that the 20% Test + Daily Trading Volume Standard should help to ensure that the U.S. markets serve a significant role in the price discovery of the applicable non-U.S. security and are generally deep, liquid markets.

Finally, the Exchange believes, for similar reasons, that it is appropriate to reduce the minimum U.S. trading volume requirements for ELDS issuances from 30% to 20%. As noted above, the Commission believes that the 20% Test + Daily Trading Volume Standard will ensure that an underlying non-U.S. security has deep and liquid markets to sustain an ELDS listing. The Commission believes that it is appropriate to adjust the limitations on the size of the ELDS issuance to correspond to this requirement. Accordingly, where the trading volume in the U.S. market for the underlying non-U.S. security is between 20% and 50% of the worldwide trading volume, the issuance will be limited to 2% of the total outstanding shares of the underlying security.[15] The Commission

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

[12] *See* Securities Exchange Act Release Nos. 36990 (March 20, 1996), 61 FR 13545 (March 27, 1996) (SR–Amex–95–44); 36995 (March 20, 1996), 61 FR 13550 (March 27, 1996) (SR–CBOE–95–71); ad 36994 (March 20, 1996), 61 FR 13553 (March 27, 1996) (SR–NASD–96–01) (''Structured Notes Approval Orders'').

[13] *Id.*

[14] The Commission notes that the 20% Test + Daily Trading Volume Standard does not include worldwide trading volume in the non-U.S. security that takes place in a foreign market regardless of the existence of a comprehensive surveillance sharing agreement with the listing exchange. The 20% Test is a minimum U.S. market share trading test intended to permit the listing of ELDS only on non-U.S. securities that have active and liquid markets in the U.S.

[15] The Commission notes that if a non-U.S. security and related securities has less than 20% of the worldwide trading volume occurring in the U.S. market during the six month period preceding the date of listing, then the instrument may not be linked to that non-U.S. security under any circumstances. The 20% minimum U.S. trading volume requirement should continue to ensure that

believes that these restrictions will minimize the possibility that trading in such issuances will adversely impact the market for the security to which it is linked.

The Commission notes that other existing ELDS listing requirements relating to the protection of investors will continue to apply. Among other things, these rules set forth issuer standards as well as minimum market capitalization and trading volume requirements that must be met prior to listing an ELDS.[16]

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. In particular, the Exchange's proposal is substantively similar to proposals submitted by the other options exchanges and recently approved by the Commission,[17] and presents no new regulatory issues. Further, these proposal were published for comment, and no comments were received. Accordingly, the Commission believes it is consistent with section 6(b)(5) of the Act to approve the proposal on an accelerated basis.

The Commission finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. The Commission believes that in light of the requirements set forth in the 20% Test + Daily Trading Volume Standard, the provisions contained in footnote one to section 703.21 in the NYSE Listed Company Manual, as described above, should no longer be required. Accordingly, the Commission believes it is consistent with section 6(b)(5) of the Act to approve Amendment No. 1 to the proposal on an accelerated basis.

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 in 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 the File No. SR–NYSE–96–12 and should be submitted by August 1, 1996.

V. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[18] that the proposed rule change (File No. SR–NYSE–96–12), as amended, is approved on an accelerated basis.

Jonathan G. Katz,

Secretary.

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the U.S. market is significant enough to accommodate ELDS trading.

[16] The Exchange's initial listing standards require, among other things, that the linked stock underlying the Exchange-listed ELDS either: (i) has a minimum market capitalization of $3 billion and during the 12 months preceding listing is shown to have traded at least 2.5 million shares, (ii) has a minimum market capitalization of $1.5 billion and during the 12 months preceding listing is shown to have traded at least 10 million shares; or (iii) has a minimum market capitalization of $500 million and during the 12 months preceding listing is shown to have traded at least 15 million shares. *See* Securities Exchange Act Release No. 36993 (March 20, 1996), 61 FR 13557 (March 27, 1996).

[17] *See* Structured Notes Approval Orders, *supra* note 12.

[18] 15 U.S.C. 78s(b)(2).

[Release No. 34–37395; File No. SR–OCC–96–01]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change Relating to Choice of Law Provisions in Connection With Amendments to Articles 8 and 9 of the Uniform Commercial Code

July 2, 1996.

On January 16, 1996, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–OCC–96–01) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the Federal Register on March 25, 1996.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description of the Proposal

In 1994, The American Law Institute and the National Conference of Commissioners on Uniform State Laws promulgated amendments to Articles 8 and 9 of the UCC (''1994 amendments''). To a significant degree, the 1994 amendments were adopted in response to the views of the Commission and others that the shortcomings in the provisions of the 1977 version of Articles 8 and 9 of the UCC contributed to the liquidity problems associated with the October 1987 stock market decline. The 1994 amendments were intended to reduce legal uncertainty and to facilitate the transfer of ownership of and creation of security interests in securities as well as other financial assets and investment property, including futures and futures options, through a set of rules designed to apply to the modern securities and futures holding systems.

Illinois recently adopted the 1994 amendments. Accordingly, the rule change amends OCC's by-laws, rules, and interpretations to take advantage of the benefits associated with the application of the 1994 amendments to govern most options transactions involving OCC. Previously, OCC's by-laws and rules contained choice of law provisions that selected Delaware as the governing law.[3] OCC originally adopted the Delaware choice of law provisions to reinforce the provisions of the 1977 version of the UCC under which OCC options were deemed uncertificated securities. Under the conflict of laws rules in the 1977 version of the UCC, the law of the jurisdiction of incorporation of the issuer of uncertificated securities governs the perfection of security interests therein.

Under the 1994 amendments, OCC will function as a ''securities intermediary'' rather than an issuer of uncertificated securities. Under the new choice of law provisions in the 1994 amendments, the applicable law will be the law of the securities intermediary's jurisdiction, which may be selected by agreement between the securities intermediary and the entitlement holder (*i.e.*, OCC and its clearing members). In absence of a contrary agreement, OCC believes that Illinois law will apply because under the choice of law rules found in the 1994 amendments, Illinois would be deemed the securities intermediary's jurisdiction.

As discussed above, OCC's present choice of law rules were adopted solely to reinforce the choice of law provisions of the 1977 version of the UCC. However, in light of Illinois' adoption of

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

[2] Securities Exchange Act Release No. 36983 (March 18, 1996), 61 FR 12124.

[3] Although the 1994 amendments have been adopted in Illinois, they have not been adopted in many other jurisdictions, including Delaware, the state of OCC's incorporation.