

not available (e.g., when quotation collection or dissemination facilities are inoperable) odd-lot market orders would be executed at the prevailing Amex bid or offer, or at a price deemed appropriate under prevailing market conditions. These procedures also will apply to odd-lot limit orders that are immediately executable based on the Amex quote at the time the order is received at the trading post or through PER.

As the exchange noted in SR-Amex-95-24, it will implement these amendments upon completion of the necessary systems enhancements by the Exchange and the Securities Information Automation Corporation ("SIAC"). Upon implementation of the amended rule, the Exchange will notify the Commission, as well as Exchange members and member organizations. In order to provide the additional time necessary to implement the systems enhancements, the Exchange proposes to extend the existing pilot program procedures under Amex Rule 205 for an additional six-month period.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) ¹⁰ of the Act in general and furthers the objectives of Section 6(b)(5) ¹¹ and Section 11A(a)(1) ¹² in particular in that it is designed to facilitate the economically efficient execution of odd-lot transactions and to improve the execution of customer's orders.

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

The Exchange believes 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

The Exchange has neither solicited nor received written comments 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 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. Also, copies of such filing will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-96-06 and should be submitted by March 7, 1996.

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

The Commission finds that the Exchange's proposal to extend its pilot program concerning the execution of odd-lot orders to August 8, 1996, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes the proposal is consistent with Section 6(b)(5) and Section 11A(a)(1) of the Act ¹³ because the Exchange's proposed pricing procedures are designed to facilitate transactions in odd-lot orders, to help ensure the economically efficient execution of these transactions, and, in general, to protect investors and the public interest. The Commission further believes the revised procedures should provide investors with more timely executions of their odd-lot orders and should produce execution prices that more accurately reflect market conditions than would otherwise be the case under the pre-pilot pricing procedures. ¹⁴

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the Federal Register. This will permit the pilot program to continue on an uninterrupted basis. In addition, the procedures the Exchange proposed to continue using are identical to the

procedures that were published previously in the Federal Register for the full comment period and were approved by the Commission. ¹⁵

Because some odd-lot orders may not be receiving the best available price under the current pilot pricing procedures, the Commission is concerned that the Exchange was unable to implement the new odd-lot pricing procedures that provide for odd-lot market orders to be filled at the ITS best bid or offer as planned. ¹⁶ The Commission encourages the Exchange to complete the systems modifications upon which implementation of the new odd-lot pricing procedures depend as soon as possible. To ensure that the Commission is adequately informed of the Exchange's progress towards such completion, the Commission requests that the Exchange, beginning May 1, 1996, and every month thereafter until the systems modifications are completed, report to the Commission on the progress of this project. Finally upon completion of the systems modifications, the Exchange should give advance notice to the Commission of the date when the new odd-lot pricing procedures are to be implemented.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, ¹⁷ that the proposed rule change (SR-Amex-96-06) is approved on a pilot basis for a six-month period ending on August 8, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. ¹⁸

Margaret H. McFarland,
Deputy Secretary.

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No. 36181 (Sept. 1, 1995), 60 FR 47194 (approving File No. SR-Amex-95-24).

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² 15 U.S.C. 78k-1(a)(1).

¹³ 15 U.S.C. 78f(b)(5) and 78K-1(a)(1).

¹⁴ Prior to the 1989 pilot program, odd-lot market orders were routed to a specialist and held in accumulation in the PER system or by the specialist until a round-lot execution in that security took place on the Exchange. Subsequent to the round-lot execution, the off-lot order received the same price as the last Exchange round-lot transaction, plus or minus and odd-lot dealer differential. See Securities Exchange Act Release No. 26445 (Jan. 10, 1989), 54 FR 2248 (approving File No. SR-Amex-88-23).

¹⁵ See Securities Exchange Act Release No. 35344 (Feb. 8, 1995) 60 FR 8430.

¹⁶ See Securities Exchange Act Release No. 35344 (Feb. 8, 1995), 60 FR 8430 (noting that the Exchange's current pricing formula does not include quotations from other markets).

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 C.F.R. 200.30-3(a)(12).

[Release No. 34-36825; International Series Release No. 930; File No. SR-NASD-96-04]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Use of New York Stock Exchange Modified General Securities Representative Examinations (Series 37 and 38) To Qualify as a General Securities Representative

February 9, 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 January 31, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 NASD. 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 NASD has filed a proposed change to Schedule C of the By-Laws that would allow persons in good standing with the Canadian securities regulators to qualify as general securities representatives (Series 7) by successfully completing one of two modified general securities representative examinations (Series 37 and 38) which have been developed by the New York Stock Exchange. The following is the full text of the proposed rule change to Schedule C. New language is italicized.

Schedule C of the NASD By-Laws

(2) Categories of Representative Registration

(a) General Securities Representative (ii)

(g) A person presently registered and in good standing as a representative with any Canadian stock exchange, or with a securities regulator of any Canadian Province or Territory, or with the Investment Dealers Association of Canada, and who has completed the training course of the Canadian Securities Institute, and who has passed the Canada Module of the General Securities Registered Representative Examination, shall be qualified to be registered as a General Securities Representative except that such person's activities may not involve the solicitation, purchase and/or sale of

municipal securities as defined in Section 3(a)(29) of the Act.

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 NASD 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 V below. The NASD 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

It is the NASD's responsibility under Section 15A(g)(3) of the Act to prescribe standards of training, experience and competence for persons associated with NASD members. Pursuant to this statutory obligation, the NASD develops examinations, as well as administers examinations developed by other self-regulatory organizations. These examinations are designed to establish that persons associated with NASD members have attained specified levels of competence and knowledge.

Section 15(b)(8) of the Act requires most members of the New York Stock Exchange ("NYSE") to also be members of the NASD, resulting in a dual registration requirement with both the NYSE and the NASD for those individuals who perform certain functions with a NYSE member. The proposed amendment to Schedule C is intended to coordinate with the recent SEC approval of a NYSE rule which permits a qualified registered representative in good standing with the Canadian securities regulators to then become qualified as a general securities representative (Series 7) by passing one of the two modified versions (Series 37 or Series 38) of the general securities representative examination developed by the NYSE. At the present time the NASD has no rule which allows for NASD registration of a person who has passed the Series 37 or Series 38 version of the modified general securities representative examination.

The Series 37 version is for Canadian registrants who have successfully completed the basic core module of the Canadian Securities Institute program. The Series 38 version is for Canadian registrants who, in addition to having successfully completed the basic core

module of the Canadian Securities Institute program, have also successfully completed the Canadian options and futures program. Both the Series 37 and Series 38 share topics and test questions with the parent Series 7 program but cover only subject matter that is not covered, or covered in sufficient detail, on the Canadian qualification examinations. The Series 37 has 90 questions and is 150 minutes in duration, while the Series 38, an abbreviated version of the Series 37, has only 45 questions and is 75 minutes in duration. Forty-five questions pertaining to options from the Series 37 were omitted from the Series 38.

The NASD believes that the proposed rule change is consistent with the provisions of Sections 15A(b)(6) and 15A(g)(3) of the Act in that the NASD is required to prescribe standards of training, experience and competence for persons associated with NASD members. Pursuant to this statutory obligation, the NASD develops and administers examinations to establish that persons associated with NASD members have attained specified levels of competence and knowledge.

(B) Self-Regulation Organization's Statement on Burden on Competition

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The NASD requests that the Commission find good cause for accelerated effectiveness pursuant to Section 19(b)(2) of the Act. Approval of the proposed rule change prior to the thirtieth day after publication in the Federal Register, will permit both dually registered NYSE/NASD members and NASD-only members to benefit from the recently approved NYSE modified general securities representatives examination.

IV. Commission Findings

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD, in particular, the requirements of Section 15A(g)(3).

The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of the filing thereof in that accelerated approval will allow dual NYSE/NASD and NASD-only members who were registered in good-standing with the Canadian securities regulators to utilize the recently approved versions of the modified general securities representative examination. The NASD's proposal is comparable to the NYSE's proposal (SR-NYSE-95-29) that was published in the Federal Register on October 23, 1995, and drew no comment. The Commission approved the NYSE's proposal on December 21, 1995. Accordingly, the Commission finds good cause for approving the NASD's analogous proposal prior to the thirtieth day after publication of notice of filing thereof.

V. 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by March 7, 1996.

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹ that the proposed rule change be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-3419 Filed 2-14-96; 8:45 am]

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[Release No. 34-36823; File No. SR-OCC-95-13]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change Relating to Adjustments of Options for Ordinary Stock Dividends

February 8, 1996.

On September 19, 1995, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-95-13) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ On October 16, 1995, OCC filed an amendment to the proposed rule change.² Notice of the proposal was published in the Federal Register on December 13, 1995.³ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description of the Proposal

Article VI, Section 11 of OCC's by-laws sets forth general rules regarding adjustments that may be made by the standardized terms of options when certain events occur.⁴ Each specific adjustment is determined by the vote of an OCC adjustment panel comprised of two designated representatives of each exchange that lists such option and the designee of OCC's chairman who votes only in the case of a tie.⁵

OCC is amending Article VI, Section 11 of its by-laws to provide for a general rule that no adjustments to options will be made as a result of ordinary

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from Jacqueline R. Luthringshausen, OCC, to Jerry W. Carpenter, Esq., Division of Market Regulation, Commission (October 11, 1995).

³ Securities Exchange Act Release No. 36558 (December 6, 1995), 60 FR 64087.

⁴ The adjustment is made by proportionately changing the strike price, the unit of trading, or both.

⁵ Article VI, Section 11(j) grants authority to the adjustment panel to make such exceptions to any of the general adjustment rules as it deems to be appropriate. Recently, two adjustment panels exercised their exception authority and determined not to adjust outstanding option contracts to reflect a stock dividend. In both instances, the issuer evidenced a pattern of declaring a small stock dividend in conjunction with a quarterly cash dividend. In determining not to adjust the options, each adjustment panel considered the provision in the Options Disclosure Document that states a stock dividend may be treated as an ordinary cash dividend by an adjustment panel if the issuer of the underlying security announces or exhibits a policy of declaring regular stock dividends that do not individually exceed 10% of the market value of the underlying security. The adjustment panels involved in making these adjustments requested that OCC amend its by-laws to provide explicitly for a general rule that no adjustment will be made to reflect ordinary stock dividends.

distributions made on the underlying security. Article VI, Section 11(d) previously contained a general rule that required the adjustment of equity options whenever there was a stock dividend, stock distribution, or stock split.⁶ Under the amendment, no adjustments will be made as a result of an ordinary stock dividend. Under the Interpretations and Policies to Article VI, Section 11 of OCC's by-laws, stock dividends and distributions that are paid on a quarterly basis by the issuer of the underlying security that do not exceed ten percent of the market value of the underlying security will be deemed to be ordinary stock dividends or distributions. The rule change will not affect the current adjustment practice with regard to ordinary cash dividends.⁷ Because the rule change only applies to recurrent stock dividends, OCC anticipates that only in a small number of cases will adjustments be made for stock dividends or distributions. OCC believes that formalizing a policy of not adjusting for recurrent stock dividends will eliminate potential problems associated with the creation of an undesirable proliferation of options series and will eliminate the need to convene adjustment panels to make discretionary determinations for such dividends on a case-by-case basis.

Finally, pursuant to a request from Commission staff, OCC is deleting language from Article VI, Section 11 that provides for Commission review of the determinations made by any OCC adjustment panel.

II. Discussion

Section 17A(b)(3)(F) of the Act⁸ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and generally, to protect investors and the public interest. The Commission believes the proposed rule change is consistent with OCC's obligations under

⁶ In contrast, Section 11(c) states that it shall be the general rule that there will be no adjustment for ordinary cash dividends. This is because ordinary cash dividends generally are paid on a quarterly basis and adjusting outstanding options each time a dividend is paid could create a massive proliferation of option series that would dilute market liquidity and would overtax price reporting and other systems. Section 11(e) is being amended to include ordinary stock dividends or distributions in the coverage of the general rule.

⁷ Interpretations and Policies .01 to Article VI, Section 11 of OCC's by-laws provides that cash dividends that do not exceed 10 percent of the market value of the market value of the underlying security generally will be deemed ordinary cash dividends. Ordinary cash dividends are not subject to adjustment.

⁸ 15 U.S.C. 78q-1(b)(3)(F) (1988).

¹ 15 U.S.C. 78s(b)(2).

² 17 CFR 200.30-3(a)(12).