OCC's systems for the clearance and settlement of FX Index Options should facilitate promptness and precision.

#### **III. Conclusion**

The Commission finds that the proposal is consistent with the requirements of the Act, particularly with Section 17A(b)(3)(F) of the Act, and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–OCC–94–08) be, and hereby is, approved.

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

### Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34–35140; File No. SR–PSE–94–31]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Pacific Stock Exchange, Inc. Relating to the Listing and Trading of Small Corporate Offering Registration ("SCOR") Securities on the Exchange

December 22, 1994.

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 December 15, 1994, the Pacific Stock Exchange, Inc. ("PSE" 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 PSE is submitting this rule filing in order to permit the Exchange listing and trading of common stock and preferred stock that qualifies under the Small Corporate Offering Registration ("SCOR") designation.<sup>1</sup>

# 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

#### Introduction

The Exchange is proposing to list and trade common stock and preferred stock that qualifies under the Small Corporate Offering Registration ("SCOR") designation. Under the proposal, the SCOR marketplace will be implemented on a three-year pilot basis and the program will be evaluated at least on an annual basis to determine whether this new marketplace has achieved its policy objectives—to facilitate capital formation for small businesses and to provide public market liquidity. The SCOR program will include any securities of an issuer that has been designated as common stock and/or preferred issued pursuant to (i) Regulation A under the Securities Act of 1933 ("Securities Act") and using the prescribed form as applicable; or (ii) Rule 504 under the Securities Act and using Form U-7 of the North American Securities Administrators Association ("NASAA") or a state variation of such form with substantially similar requirements.2 Since such securities are not currently listed or traded on any national securities exchange, the PSE believes that the implementation of the Exchange's proposal will facilitate the capital formation process for small

companies and will supply muchneeded liquidity to public investors within a regulated marketplace. In addition, under the proposal, companies will be afforded all of the benefits of an Exchange listing, with the exception of the Blue Sky exemption from state securities registration requirements and automatic marginability.

In August 1992, the Commission adopted certain rules as part of its Small Business Initiatives program. The program includes, in part, substantive changes to the "small issues" exemption from registration requirements under the Securities Act (Regulation A), as well as changes to the "seed capital" registration exemption pursuant to Rule 504 under the Securities Act. These revisions are designed to facilitate the access of small companies to capital markets and to reduce the costs of compliance with the federal securities laws.

### *Rule 504*

The Commission's modifications to Rule 504 include the elimination of several restrictions and other changes that would allow small companies to conduct public offerings of up to \$1 million in unrestricted securities during a twelve-month period. These changes are designed to allow small companies to market offerings directly to prospective investors by bypassing both the venture capital and small underwriting houses. At the state level, offerings may be registered using the SCOR registration form, Form U–7; however, such limited offerings must also qualify under state Blue Sky laws that require delivery of a prospectus, offering circular, or disclosure document to all purchasers prior to sale. The Form U-7 has been supported by the American Bar Association as well as NASAA.3

## Regulation A

The Commission revised Regulation A to exempt from registration public offerings of up to \$5 million in a twelvemonth period. The disclosure requirements are embodied in the offering statement (SEC Form 1–A), which consists of three parts. The offering circular is contained in Part II and may be prepared in three alternative formats, one of which permits the use of the same simplified disclosure statement (Form U–7) that is prescribed by most states for SCOR offerings.

The Exchange believes these changes to Regulations A and D, in conjunction

<sup>&</sup>lt;sup>7</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>&</sup>lt;sup>1</sup>The PSE originally proposed to list and trade SCOR securities in 1992. That proposal was published for public comment in Securities Exchange Act Release No. 32514 (June 25, 1993), 58 FR 35496 (July 1, 1993) (File No. SR–PSE–92–42). The Commission received several comment letters regarding the proposal, and subsequently published amendments to the proposal for public comment in Securities Exchange Act Release No. 34328 (July 7,

<sup>1994), 59</sup> FR 35776 (July 13, 1994). The Exchange withdrew file no. SR-PSE-92-42 on November 22, 1994, and submitted the instant filing that includes modifications to the proposal in response to comments from the public and from Commission staff.

<sup>&</sup>lt;sup>2</sup> Once a single issuance of securities has been accepted for listing on the Exchange, all securities of that class will be considered to be "SCOR" securities for purposes of this rule, including restricted securities (i.e., securities restricted pursuant to federal or state securities laws, by any other law, by any agreement, or in any other manner), provided that such restricted securities may not be eligible for trading on the Exchange.

 $<sup>^3</sup>$  See Small Corporate Offering Registration Program and Form U-7, 1 Blue Sky L. Rep. (CCH) ¶ 6461 (September 1994).