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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-36010; File No. SR-Amex-95-27]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the American Stock Exchange, Inc. Relating to a Three Month Extension of Its Pilot Program That Amended Rule 109 to Permit Specialists to Grant Stops in a Minimum Fractional Change Market

July 21, 1995.

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 July 6, 1995, 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, 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 Exchange requests a three month extension of a pilot program that amended Exchange Rule 109 to permit a specialist, upon request, to grant stops in a minimum fractional change market.<sup>1</sup>

The text of the proposed rule change is available at the Amex and at the Commission.

<sup>1</sup> The Amex received approval to amend Rule 109, on a pilot basis, in Securities Exchange Act Release No. 30603 (Apr. 17, 1992), 57 FR 15340 (Apr. 27, 1992) (File No. SR-Amex-91-05) ("1992 Approval Order"). The Commission subsequently extended the Amex's pilot program in Securities Exchange Act Release Nos. 32185 (Apr. 21 1993), 58 FR 25681 (Apr. 27, 1993) (File No. SR-Amex-93-10) ("April 1993 Approval Order"); 32664 (July 21, 1993), 58 FR 40171 (July 27, 1993) (File No. SR-Amex-93-22) ("July 1993 Approval Order"); 33791 (Mar. 21, 1994), 59 FR 14432 (Mar. 28 1994) (File No. SR-Amex-93-47) ("1994 Approval Order"); and 35310 (Jan. 31, 1995), 60 FR 7236 (Feb. 7, 1995) (File No. SR-Amex-95-01) ("January 1995 Approval Order").

#### 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 statement 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 aspect of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

On January 31, 1995, the Commission extended its pilot approval of amendments to Exchange Rule 109 until July 21, 1995.<sup>2</sup> The amendments permit a specialist, upon request, to grant a stop<sup>3</sup> in a minimum fractional change market<sup>4</sup> for any order of 2,000 shares or less, up to a total of 5,000 shares for all stopped orders, provided there is an order imbalance, without obtaining prior Floor Official approval. A Floor Official, however, must authorize a greater order size of aggregate share threshold.

During the course of the pilot program, the Exchange has closely monitored compliance with the rule's requirements, analyzed the impact on orders on the specialist's book resulting from the execution of stopped orders at a price that is better than the stop price, and reviewed market depth in a stock when a stop is granted in a minimum fractional change market. The Exchange believes that the amendments to Rule 109 have provided a benefit to investors by providing an opportunity for price improvement, while increasing market depth and continuity without adversely affecting orders on the specialist's book. The Exchange is therefore proposing a three month extension of the pilot program that amended Exchange Rule 109.

<sup>2</sup> See January 1995 Approval Order, *supra*, note 1.

<sup>3</sup> An agreement to "stop" stock at a specified price constitutes a guarantee by the member who grants the stop that the order of the member who accepts the stop will be executed at the stop price or better. See Amex Rule 109(a).

<sup>4</sup> Amex Rule 127 sets forth the minimum fractional changes for securities traded on the Exchange.

###### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest. The Exchange believes that the proposed amendments to Rule 109 are consistent with these objectives in that they are designed to allow stops, in minimum fractional change market, under limited circumstances that provide for the possibility of price improvement to customers whose orders are granted stops.

##### 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., 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-Amex-95-27 and should be submitted by August 18, 1995.