adopted by securities firms between different departments of firms to enhance the likelihood that knowledge of upcoming events will be isolated within a single group and not disclosed to other groups that might trade on or otherwise benefit from the information. Because many firms today already use information barriers between the research and trading departments of their firms, the Interpretation encourages the use of information barriers as the preferred method of complying with the Interpretation. If a member determines not to implement information barriers, it would carry the significantly greater burden of proving that stock accumulations or liquidations prior to the issuance of a research report had not been purposeful if an NASD investigation into the firm's buying or selling activity were initiated.

III. Summary of Comments

Two commenters objected to the Interpretation. A.G. Edwards stated that the Interpretation would adversely affect retail customers of a firm with an active research department. A.G. Edwards suggested that the Interpretation would prevent a firm from accumulating stock to satisfy expected customer demand once it issued a favorable research report. The A.G. Edwards Letter stated that a firm would need to use outside dealers in order to meet client demand for the security once the research report was issued. This, in turn, would cause the price of the security to rise, which would mean that retail orders would go unfilled or would be executed only at a price above the price at which the security was trading before the report was issued.

A.G. Edwards claimed that the Interpretation would discourage small issuers from issuing their securities because the Interpretation, if adopted, would discourage firms from initiating coverage of their securities. It also claimed that the Interpretation is flawed because it does not similarly prohibit firms from adjusting their inventory when conducting research not available for external distribution. A.G. Edwards suggested prohibiting firms from accumulating securities for a specified period in advance of the issuance of a favorable research report concerning the issuer of those securities, or requiring firms to sell accumulated securities to customers at a price based on the firm's average cost.

Brown & Wood also objected to the Interpretation. The Brown & Wood Letter stated that the Interpretation could not be intended to protect customers because it would apply not only to trading with a firm's own customers but to any trading with any person. The Brown & Wood Letter stated that the Interpretation would discourage firms from maintaining research staffs, would encourage firms not to distribute research to their customers, would encourage other firms not to maintain research staffs and would cause firms to transfer the value of their research without compensation.

The Commission does not believe that the objections raised by these commenters warrant disapproval of the Interpretation. The Commission notes that trading ahead of research reports raises questions about the motivation of the firm in issuing the research report and about the quality of information within the research report. In this regard, the Commission notes that a firm preparing a research report concerning a security solely for "in-house" use cannot expect the repot to affect public demand for the security; hence, such reports do not raise the same "trading ahead" concerns as do reports prepared for public investors.

Furthermore, the Commission does not believe that the prior accumulation of a security that is to be the subject of a favorable research report affects the level of investor demand for that security; therefore, the Commission does not believe that the Interpretation will cause firm customers to pay higher prices for the securities that are the subject of research reports than they would pay if firms could trade ahead of research reports.

The Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act in that the proposed rule change will increase investor confidence in the integrity of research reports, thereby protecting investors and the public interest.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR–NASD–95–28 be, and hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary. [FR Doc. 95–20155 Filed 8–14–95; 8:45 am]

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[Release No. 34–36070; International Series Release No. 837 File Nos. SR–Amex–94– 55 and SR–CBOE–95–01]

Self-Regulatory Organizations; American Stock Exchange, Inc., and Chicago Board Options Exchange, Inc., Order Approving Proposed Rule Changes Relating to the Listing and Trading of Warrants on the Deutscher Aktienindex ("DAX Index")

August 9, 1995.

I. Introduction

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² on December 5, 1994, the American Stock Exchange, Inc. ("Amex") filed with the Securities and Exchange Commission ("Commission"), and on January 5, 1995, the Chicago Board Options Exchange, Inc. ("CBOE") filed with the Commission, proposed rule changes to list and trade warrants on the Deutscher Aktienindex ("DAX Index" or "Index"). The Amex and the CBOE are collectively referred to herein as the "Exchanges." Notices of the proposals appeared in the Federal Register on January 26, 1994.³ The Commission received three comment letters concerning the proposed rule changes.⁴ This order approves the Amex and the CBOE proposals.

II. Description of the Proposals

The Amex and the CBOE propose to list index warrants based on the DAX Index.

A. Composition and Maintenance of the Index

The DAX Index is a capitalizationweighted index of 30 German equity securities listed on the Frankfurt Stock Exchange ("FSE"). The capitalization of a particular stock in the Index is

 3See Securities Exchange Act Release Nos. 35249 (January 19, 1995), 60 FR 5236 (notice of File No. SR-Amex-94-55), and 35247 (January 16, 1995), 60 FR 5233 (notice of File No. SR-CBOE-95-01).

⁴ All three letters were submitted on behalf of the Deutsche Börse AG, the Frankfurt Stock Exchange ("FSE"), and the Deutsche Terminbörse ("DTB") The Deutsche Börse AG is a holding company formed in 1993 for the purpose of, among other things, assuming ownership and control of the FSE and the DTB. See Letter from Lawrence Hunt, Jr., Sidley & Austin, to Margaret McFarland, Deputy Security, Commission, dated March 21, 1995 (commenting on File No. SR-Amex-94-55), and letter from Lawrence Hunt, Jr., Sidley & Austin, to Margaret McFarland, Deputy Secretary, Commission, dated March 21, 1995, (collectively, "Comment Letters"). The commenters subsequently submitted a follow-up statement to the Comment Letters. See Letter from Lawrence Hunt, Jr., Sidley & Austin, to Margaret McFarland, Deputy Secretary, Commission, dated July 19, 1995 ("July 19 Letter").

¹15 U.S.C. §78s(b)(1) (1988).

²17 CFR 240.19b-4 (1994).