

dealings in the security and subject the company to delisting proceedings. Whenever the Exchange staff determines that a security should be removed from the list, the issuer will be given an opportunity to present to the Equity Listing Committee any reasons why the security should not be delisted. A decision by the Equity Listing Committee to delist a security may be appealed to a Board committee or a committee appointed by the Board of Governors for such purpose.²²

C. Trading and Transaction Reporting

The Exchange will allocate SCOR securities to Exchange specialists for auction market trading. All transactions in SCOR securities will be reported on a real-time basis, and will be identified by a ".SC" suffix to the ticker symbol. All of the PSE's rules and equity surveillance procedures will be applicable to transactions in SCOR securities.

III. Discussion

A. Introduction

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 Sections 6 and 11A.²³ Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to perfect the mechanism of a free and open market and a national market system and to protect investors and the public interest. Section 11A generally promotes the development of a national market system for securities to assure economically efficient execution of securities transaction; fair competition among brokers and dealers, among exchange markets and markets other than exchange markets; the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities; the practicability of brokers executing investors' orders in the best market; and an opportunity for investors' orders to be executed without the participation of a dealer.

B. SCOR Marketplace

In general, the Commission believes the PSE's SCOR listing program should provide benefits to investors as well as small companies listed under the

program. The SCOR listing standards will provide small companies who would not otherwise be eligible for exchange trading with an opportunity to list securities on a national securities exchange for the first time. The Commission believes that the availability of an exchange listing as an alternative to solely over-the-counter ("OTC") trading will provide an additional trading mechanism that could increase capital committed to trading SCOR securities. In addition, the availability of the SCOR listing on the PSE will enhance SCOR issuer access to the U.S. capital markets.

The Commission believes investors in small companies also will benefit from exchange trading of SCOR securities. Each SCOR security traded on the PSE will be handled by an Exchange specialist who is required to commit capital to maintain fair and orderly markets. Furthermore, trading of SCOR securities on the Exchange will be subject to the PSE's trading and surveillance rules. The Commission believes exchange trading with appropriate market surveillance should improve the quality of market making in SCOR securities. In addition, transactions in SCOR securities will be broadcast over the Consolidated Tape System ("CTS") and the Consolidated Quote System ("CQS") Network B as local issues.²⁴ The Commission believes this real-time reporting and wide dissemination of quotations and transactions in SCOR securities should result in more efficient and fair markets for the securities. Finally, because exchange-trading of SCOR securities requires the companies to register under Section 12(b) of the Act and to comply with the disclosure requirements of the federal securities laws, listing may provide investors with greater access to information about SCOR issuers.

The Commission recognizes, however, that the listing standards for SCOR issuers are significantly lower than those for regular PSE-listed issuers and that the markets for SCOR securities normally may not be as liquid and deep as those for regular PSE-listed securities. The Commission therefore has considered carefully the PSE's proposal, and for the reasons stated below, believes the SCOR proposal satisfies the requirements of the Act.

C. SCOR Listing Standards

In general, the Commission believes the development and enforcement of

adequate standards governing the initial and continued listing of securities on an exchange is necessary to ensure that only *bona fide* companies with sufficient public float, investor base, and trading interest to support a fair and orderly auction market will be listed. Adequate standards are especially important given the expectations of investors regarding exchange trading and the imprimatur of listing on a particular market.²⁵ Once a security has been approved for initial listing, maintenance criteria allow an exchange to monitor the status and trading characteristics of that issue to ensure that it continues to meet the exchange's standards for market depth and liquidity. For the reasons set forth below, the Commission believes that the proposed rule change will provide the PSE with appropriate standards to determine which securities warrant listing under the Exchange's new SCOR designation.

The Commission believes that the initial and maintenance criteria for SCOR issuers, as described above, are consistent with Sections 6(b)(5) and 11A of the Act in that these criteria should help to ensure the maintenance of fair and orderly markets for SCOR securities, as well as enhance benefits and protections for investors who trade in these securities. Specifically, the numerical listing and maintenance criteria include minimum requirements for public float and outstanding shares. While these are lower than the regular PSE listing standards, they are high enough to ensure that some minimum level of public interest and liquidity will be available in SCOR securities. Although these lower standards might not be sufficient for regular listings, they are acceptable for SCOR securities given the benefits noted above that the listing of such securities would produce (in particular, the increased information disclosure).

The Commission believes the quantitative SCOR listing standards are adequate to ensure that fair and orderly markets can be maintained. This conclusion is reinforced by the PSE's decision not to accept applications from issuers until they meet the minimum numerical listing criteria.²⁶ The

²⁵ See, e.g., In re Silver Shield Mining and Milling Company, Securities Exchange Act Release No. 6214 (March 18, 1960) ("use of the facilities of a national securities exchange is a privilege involving important responsibilities under the Exchange Act"); In re Consolidated Virginia Mining Co., Securities Exchange Act Release No. 6192 (February 26, 1960) (same).

²⁶ In addition, a SCOR-listed issuer that becomes eligible for trading on the Exchange under its Tier I or Tier II criteria may "graduate" to the main lists.

²² If a security is delisted, the Exchange must submit an application to the Commission to strike the security from listing and registration. A copy of such application will be provided to the issuer in accordance with Section 12 of the Act. See 15 U.S.C. 78f(d) (1988).

²³ 15 U.S.C. §§ 78f and 78k-1 (1988).

²⁴ SCOR securities will be identified by a ".SC" suffix to the ticker symbol so that members, public investors, and others can distinguish SCOR securities from other securities traded on the Exchange.