

Commission believes that making satisfaction of the numerical listing criteria mandatory before the Exchange considers whether an issuer is appropriate for exchange trading should help safeguard the integrity of the exchange market and the securities listed thereon.

In addition to the quantitative standards, the Exchange considers other qualitative factors such as an issuer's management plan, the background of officers and directors, and the adequacy of the company's resources. The Commission believes that these factors, combined with other Exchange rules regarding corporate governance and disclosure policies, will help to ensure that only companies with sufficient business plans and resources will have access to the PSE's public market.

The Commission believes that the PSE's proposal for SCOR listings will provide it with the necessary flexibility to determine whether a SCOR issuer is appropriate for exchange trading,²⁷ irrespective of whether it meets the minimum quantitative listing criteria. Thus, the Commission believes that the new listing and maintenance standards strike the appropriate balance between protecting investors and providing a marketplace for small issuers satisfying the disclosure requirements under the federal securities laws.

D. Margin

As discussed above, the PSE is amending Exchange Rule 2.16 to require that SCOR-listed securities be subject to a 100% maintenance margin requirement. The Commission agrees with the maintenance margin approach proposed by the PSE. The SCOR program is intended to be a new marketplace that attracts issuers that might otherwise trade OTC. It is logical that the maintenance margin treatment for OTC securities would apply to SCOR issuers, rather than the treatment accorded regular PSE companies.²⁸

E. State Law Concerns

The Commission believes that the safeguards the PSE has established should make clear to PSE members and

However, companies on the Exchange's main lists may not move down to the SCOR listing program. See PSE Letter, *supra* note 3.

²⁷ PSE Rule 3.2(t)(6) states: "Notwithstanding that a company meets the prescribed listing requirements, the Exchange retains the discretion to refuse listing to a company where it believes it is in the public interest to do so."

²⁸ Non-MNS OTC securities are not marginable unless they are included in the Federal Reserve Board's OTC Margin List. The PSE will require 100% margin on SCOR securities whether or not they are included on the Federal Reserve Board's OTC Margin List.

SCOR issuers listed under the new program that the offer and sale of SCOR securities are subject to state registration and rules. The PSE proposal would prohibit SCOR issuers from using the exemption from registration requirements that the securities laws of some states currently make available to other PSE-listed companies. To accomplish this, the PSE included in its rules that SCOR issuers would not be able to take advantage of existing exemptions in state securities registration requirements accorded to regular PSE-listed securities. In addition, the SCOR rules state that the Exchange will delist any company that fails to take appropriate steps to ensure that no SCOR-listed securities are sold on its behalf in reliance upon the exemption from state securities registration that is otherwise available to companies listed on the Exchange.

F. Review Procedures

The Commission believes the Exchange has proposed adequate procedures to screen applications for SCOR listing. The Exchange's Listing Department staff initially will review applications to confirm that all quantitative listing criteria have been met and evaluate issuers according to the qualitative standards discussed above. The staff will reject applications that fail to meet the quantitative standards. The staff also has discretion to reject applications that have qualitative deficiencies. Applications not rejected by the staff are submitted to the Equity Listing Committee for evaluation. The Equity Listing Committee must approve all applications before new SCOR listings may be accepted by the Exchange.

G. Pilot

Finally, the Commission believes it is appropriate to approve the SCOR program on a three-year pilot basis. This pilot will provide the Exchange, SCOR issuers, and investors with sufficient time to gain experience with the program. In addition, during the pilot, the PSE should monitor and evaluate the SCOR program so that the Commission can assess the benefits of the SCOR listing. The PSE should file a report with the Commission if they determine to request an extension of the pilot or seek permanent approval. The report should contain information on the number of SCOR listing applications accepted and rejected, the SCOR securities that have been delisted and the reasons therefore, the number of SCOR securities that have moved to the PSE's regular market or another market, and quantitative data on the trading

history of SCOR securities (including average price per share and trading volume).

IV. Conclusion

For the reasons stated above, the Commission believes the rule change is consistent with the Act and, therefore, has determined to approve it on a three-year pilot basis. The rule change establishes quantitative and qualitative listing criteria for SCOR securities that provide for the protection of investors and the public interest. Furthermore, the SCOR listing program should provide benefits to investors and small companies by providing for the exchange-trading of SCOR securities, which should result in added liquidity, price discovery, and regulatory oversight.

The Commission does not believe that the 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.

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,²⁹ that the proposed rule change (SR-PSE-94-31) is approved on a pilot basis through April 19, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁰

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF STATE

[Public Notice 2193]

Shipping Coordinating Committee; Subcommittee for the Prevention of Marine Pollution; Meeting

The Subcommittee for the Prevention of Marine Pollution (SPMP), a subcommittee of the Shipping Coordinating Committee, will conduct an open meeting on May 19, 1994, from 9:30 am to 12 noon in Room 6103 of U.S. Coast Guard Headquarters, 2100 Second Street SW., Washington, DC.

The purpose of this meeting is to seek input from the public to assist development of the U.S. position regarding the application of the precautionary approach to the International Maritime Organization's (IMO) work.

At the 35th Session of the Marine Environmental Protection Committee (MEPC) of IMO in March, 1994, a Correspondence Group was established

²⁹ 15 U.S.C. 78s(b)(2) (1988).

³⁰ 17 CFR 200.30-3(a)(12) (1994).