

submitting petitions that request action with respect to specific products should list on the first page of the petition the following information: (1) The requested action; (2) the HTS subheading in which the product is classified; and, (3) if applicable, the relevant beneficiary developing country.

Frederick L. Montgomery,

Chairman, Trade Policy Staff Committee.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-35651; File SR-Amex-95-05]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Listing and Trading of Indexed Term Notes Linked to the Real Estate Index

April 27, 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 February 16, 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 Amex. On April 4, 1995, the Exchange filed Amendment No. 1 to the proposal.¹ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to approve for listing and trading under Section 107A of the Amex Company Guide ("Guide") intermediate-term, indexed notes ("Notes") whose value will be linked in part to changes in the level of the Real Estate Index ("Index"), a new index designed to reflect general movements in the underlying market for commercial real estate. The Index is calculated by combining the performance of two

¹ In Amendment No. 1, the Exchange proposes to: (1) clarify the name of the Real Estate Index; (2) specify that the Real Estate Index will be initialized at a value of 100; and (3) amend the formula for calculating the value of the Real Estate Index. See Letter from Claire McGrath, Managing Director and Special Counsel, Amex, to Michael Walinskas, Branch Chief, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, dated April 4, 1995.

separate equity indexes—one comprised entirely of large, actively traded Real Estate Investment Trusts ("REIT50 Index"), and the other being the Russell 2000 Index, a broad-based index comprised of small capitalization stocks ("Russell 2000"). The text of the proposed rule change is available at the Office of the Secretary, the Amex, and at the Commission.

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

In its filing with the Commission, the Exchange 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 Amex 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 the Statutory Basis for, the Proposed Rule Change

Under Section 107 (Other Securities) of the Guide, the Exchange may approve for listing and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, and warrants. The Amex now proposes to list for trading under Section 107A of the Guide, intermediate-term, indexed notes, the value of which can be expected to fluctuate based on changes in the level of an index designed to reflect general movements in the underlying market for commercial real estate by combining the performance of two separate equity indexes—one comprised entirely of large, actively trade real estate investment trusts ("REITs"), *i.e.*, the REIT50 Index, and the other a broad-based index of small capitalization stocks, *i.e.*, the Russell 2000.

Background

According to the Exchange, by some estimates over half of the wealth in the United States and as much as one-fourth of total corporate value are in the form of real estate. In addition, the Exchange represents that studies of asset allocation demonstrate clear diversification benefits from allocating a portion of an investment portfolio to real estate as a separate asset class. Traditional investment in a diversified portfolio of commercial real estate, however, is not possible for most

investors, in the Exchange's opinion, because of high transaction costs, market illiquidity, and the extremely large investment required to purchase a pool of properties diversified across different property types and geographic regions.

The Exchange further represents that research has demonstrated that the performance associated with an index of REITs may be attributed partly to movements in the underlying real estate market and partly to the small capitalization nature of REIT securities. Therefore, by subtracting a portion of the returns associated with a broad-based small capitalization stock index from the returns generated by an index of REITs, the Exchange believes that an index can be generated that more closely reflects the performance of the underlying real estate market. The Exchange states that the proposed Notes are intended to use this method to provide an exchange-listed alternative for investors who wish to gain exposure to general movements in the real estate sector or whose portfolios are heavily weighted in real estate and wish to shed some of that exposure.

Note Structure

The proposed Notes will conform to the listing guidelines under Section 107A of the Guide which provide, in part, that such issues have: (1) a public distribution of at least one million trading units; (2) a minimum of 400 holders; and (3) a market value of not less than \$4 million.² The Notes will have a term of two to five years and may provide for periodic payments to holders. Upon maturity, holders will receive not less than 90% of the original issue price plus an amount in U.S. dollars equal to a participation rate (*i.e.*, a specified percentage) multiplied by the increase, if any, in the level of the Index at the time of the offering and the average of the closing Index level on the first ten days of the last twenty days preceding maturity ("Closing Index Level").³

The Notes may not be redeemed prior to maturity and holders of the Notes have no claim to the securities underlying the Index. Thus, holders will be able to liquidate their investment

² The proposal incorrectly indicates that Section 107A requires a market value of not less than \$20 million. Section 107A was recently amended to set the minimum market value to \$4 million. See Securities Exchange Act Release No. 34765 (September 30, 1994), 59 FR 51220 (October 7, 1994).

³ If the Closing Index Level is lower than the level of the Index at the time of the offering, holders will receive at least 90% of the original issue price. The minimum level that holders will receive at maturity will be set at the time of the offering of the Notes.