



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(202) 272-2650



FOR RELEASE ON February 11, 1985

85-9

COMMISSION TO CONSIDER FOUR ITEMS

WASHINGTON, D.C., February 11 -- The Securities and Exchange Commission will consider four items at an open meeting to be held on Wednesday, February 13, 1985 at 2:30 p.m. in the Commission meeting room, Room 1C30, 450 Fifth Street, N.W., Washington, D.C. The items are an order publishing a plan for abbreviated reporting procedures on minor violations filed by the American Stock Exchange; issuance of an order permitting the New York Stock Exchange to trade options under certain conditions, a request by a Canadian issuer for exemption from reporting requirements and requests for exemption from certain sections of the Investment Company Act of 1940 by a venture capital company in regard to a leveraged buyout by its management.

American Stock Exchange Plan

Self-regulatory organizations must promptly report disciplinary actions they take to the Commission, under Rule 19d-1 of the Securities Exchange Act of 1934. In 1984, the Commission adopted an amendment to Paragraph C of the Rule allowing SRO's to submit plans for filing abbreviated reports of minor disciplinary infractions. Minor infractions are those in which sanctions not exceeding \$2,500 are imposed.

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The American Stock Exchange filed such a plan on September 11, 1984, requesting that minor infractions be reported quarterly, instead of as soon as sanctions are imposed. The Commission will also consider issuing a release adopting an amendment to Section 200.30-3 of the Commission's Rules of Practice, Title 17, Chapter II. This amendment would give the Director of the Division delegated authority to review, publish notice of and, as appropriate, approve similar plans in the future.

New York Stock Exchange Entry into Options

The Division of Market Regulation will also discuss with the Commission a proposed rule change from the New York Stock Exchange (NYSE) to establish a market for trading standardized options on individual listed stocks, and adopting a modified version of the Allocation Plan used by options exchanges* to decide who trades new options to accommodate NYSE participation.

The NYSE filed the proposed rule change with the Commission on January 17, 1984. Because the proposal raised significant issues for the options markets, the Commission published a release asking for comment on May 2, 1984. The NYSE proposes to trade options on individual listed stocks subject to certain restrictions. The

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*Options are allocated to the four options exchanges for trading by using an algorithm to select the order in which these exchanges can choose new securities on which to trade options. The four existing options exchanges are the American Stock Exchange, the Philadelphia Stock Exchange, the Pacific Stock Exchange and the Chicago Board Options Exchange.

restrictions would:

- ° separate completely the NYSE equity trading floor from an options trading floor;
- ° prohibit NYSE stock specialists and registered market makers from trading options on their specialty stocks (except for hedging purposes);
- ° prohibit persons jointly registered as stock traders and as competitive options traders from personally effecting transactions in individual stock options for one hour after leaving the equity floor; and
- ° restrict electronic communications of NYSE options floor professionals to the NYSE stock floor, except as is currently permitted between the existing options' exchanges floor professionals and the NYSE equity floor.

The issue of trading options on listed stocks was first raised by the NYSE in 1977 but was delayed by the Options Moratorium of 1977. That proposal was substantially different from the current one in that it contemplated the NYSE trading options and stock on the same trading floor, and called for "multiple trading," which would have allowed the NYSE to trade stock options also traded by other exchanges.

Exemption from the Securities Exchange Act of 1934

The Division of Corporation Finance is recommending that the Commission issue an order denying an application for exemption from registration requirements of Section 12(g) of the Exchange Act and from reporting requirements of Section 12(h) of the same Act.

Both domestic and foreign issuers that make registered public offerings of securities in the United States must file periodic reports with the Commission. In addition, issuers with assets of \$3,000,000 and 500 equity security holders must register under the Exchange Act, and comply with regulations relating to the solicitation of proxies, insider reporting and trading and going private transactions, in addition to periodic reporting. Until 1983, foreign issuers already filing periodic reports were exempt from the registration requirement by Commission rule. In 1983, however, the Commission revised this rule and eliminated the exemption as part of its effort to treat foreign issuers on the same basis as domestic companies.

Trans Canada Pipelines Limited, a Canadian corporation, has applied for an exemption from both the reporting and the registration requirements claiming that the U.S. interest in the Company is small. The Division is recommending denial of the application because of the number of U.S. shareholders (1800), the company's voluntary entry into U.S. markets (through a 1957 public offering of securities), and the need of U.S. security holders for disclosure documents that conform to Exchange Act standards.

Proposal for Leveraged Buyout

Narragansett Capital Corporation is a venture capital company registered under the Investment Company Act of 1940. It has requested exemptive relief from the Commission in two areas. The first is approval of a leveraged buyout, in which certain Narragansett Partners would take the company private, making it not subject to the Act.

The second is a request for exemption from Investment Company Act Rules after the buyout, until the new Partnership decreases to the size that would make it automatically exempt from the rule (fewer than 100 security holders.)

The Division of Investment Management is recommending that both exemptions be granted, and that the Commission issue a notice to permit the leveraged buyout and, if no requests for a hearing are filed, authorize an order granting the application.

Specific exemptions from the Investment Company Act of 1940 are Sections 17(b) exempting the purchase from Section 17(a), and Section 17(d) and Rule 17d-1 permitting both the purchase and management's participation in it. Exclusion from reporting under the 1940 Act until the company decreases in the number of outstanding securityholders is under Section 3(c)(1) of Section 3(a) of the 1940 Act.

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