

the operational capacity of the markets, the current length of the trading halts may not be necessary for market participants to become aware of and respond to significant price movements. The shorter time periods proposed by the Exchange for halting all trades should be sufficient to allow market participants to evaluate and act on changing market conditions without unduly constraining market activities.¹³ Nevertheless, the Commission encourages the Exchange and members of the industry to continue to evaluate the trigger levels for the trading halts in light of the changing circumstances of the markets since 1988.¹⁴

The Commission finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof. The Exchange's original proposal was published in the Federal Register for the full statutory period¹⁵ and Amendment No. 1, which deletes the provision in the proposal that provides for an abbreviated reopening session, was submitted in response to the comments received.¹⁶ Moreover, the Commission believes that deleting this provision is appropriate where the details of such a session were not fully

developed and might have created confusion on the Exchange or among the various equities and futures markets during times of extreme volatility. Based on the above, the Commission finds that there is good cause, consistent with Section 6(b)(5) of the Act, to accelerate approval of the amended proposed rule change.

The Commission also believes that the circuit breaker mechanisms must be coordinated across the U.S. equity, futures and options markets to be effective in times of extreme proposal will become effective on July 22, 1996, which will also be the effective date of the amended rules of the other markets, so that the circuit breaker trading halts will continue to be coordinated among the different markets.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. § 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-96-13 and should be submitted by August 16, 1996.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁷ that the proposed rule change (SR-Amex-96-13) is approved and effective on July 22, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37460; File No. SR-Amex-96-21]

Self-Regulatory Organizations; Order Granting Accelerated Approval of Proposed Rule Change by the American Stock Exchange, Inc. Relating to Dissemination of Indications in Connection With Circuit Breaker Trading Halts Under Rule 117

July 19, 1996.

I. Introduction

On June 17, 1996, the American Stock Exchange, Inc. ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to implement guidelines for dissemination of indications to the consolidated tape in connection with the resumption of trading following a "circuit breaker" trading halt pursuant to the Amex's Rule 117.

The proposed rule change was published for comment in Securities Exchange Act Release No. 37356 (June 24, 1996), 61 FR 33786 (June 28, 1996). No comments were received on the proposals.³

II. Description of the Proposal

The Exchange proposes to implement guidelines for the mandatory dissemination of indications to the consolidated tape in connection with the resumption of trading following a "circuit breaker" halt pursuant to its Rule 117.⁴ The purpose of the proposed criteria is to provide guidance to the Exchange's specialists as to the specific

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Commission notes that the comment period ends on July 19, 1996, and that as of yet, no comments have been received.

⁴ The Commission notes that Rule 117—the Exchange's "circuit breaker" rule—provides that trading in securities on the Exchange shall halt (a "Rule 117 halt") and not reopen for one hour if the Dow Jones Industrial Average ("DJIA") falls 250 points or more below its closing value on the previous trading day. The rule provides further that trading on the Exchange shall halt for two hours if the DJIA falls 400 points or more on that same day. Rule 117 was approved by the Commission on a pilot basis on October 17, 1988 and has been extended annually since then. See Securities Exchange Act Release No. 36414 (Oct. 25, 1995), 60 FR 55630 (Nov. 1, 1995) (Commission's most recent order extending temporary approval of Rule 117).

The Amex has filed a proposal to amend Rule 117 to reduce from one hour to thirty minutes the time period during which trading is halted due to a decline in the DJIA of 250 points below its closing value on the previous trading day, and to reduce from two hours to one hour the time period for a halt due to a 400 points decline in the DJIA. See Securities Exchange Act Release No. 37146 (April 26, 1996), 61 FR 19650 May 2, 1996).

¹³ The Commission also believes that shortening the length of the trading halts does not need to be delayed pending the resolution of any other circuit breaker issues. While an examination of the broader issue of raising the circuit breaker triggers may be warranted, the trading halt periods should be shortened irrespective of the level of the trigger points. See Securities Exchange Act Release No. 37457, *supra* note 3 (some comment letters discuss other circuit breaker issues that are not directly involved in the specific proposal before the Commission).

¹⁴ To coordinate trading halts across all securities and futures markets, the regional and futures exchanges have submitted amendments to their circuit breaker rules. For more detail on the specifics of these proposals, see Securities Exchange Act Release No. 37459 (July 19, 1996); Letter from Norman E. Mains, Senior Vice President, Chief Economist, and Director of Research, CME, to Jean A. Webb, Secretary, Commodity Futures Trading Commission, dated July 5, 1996. The NASD's Policy Statement on Market Closings state that the NASD will, upon the request of the Commission, act to halt domestic trading in all securities quoted on the Nasdaq system and domestic trading in equity or equity-related securities in the over-the-counter market. The Commission notes that it has a standing request with the NASD to halt trading as quickly as practicable whenever the NYSE and other equity markets have suspended trading. The Amex's and NYSE's proposed rule change does not affect the Commission's standing request. See Letter from Richard Ketchum, Chief Operating Officer and Executive Vice President, NASD, to Howard, to Howard Kramer, Associate Director, SEC, dated July 18, 1996.

¹⁵ See Securities Exchange Act Release No. 37146, *supra* note 8.

¹⁶ For a detailed discussion about the comments received, see Securities Exchange Act Release No. 37457, *supra* note 3.

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).

circumstances under which they are required to disseminate indications if a significant decline in the price of a stock from the previous last sale on the Exchange is anticipated when trading resumes following a circuit breaker halt.

The Exchange proposed to implement the following guidelines:

- Dissemination of an indication shall be mandatory prior to the reopening of trading if such reopening will result in a price change constituting the lesser of 10% or three points from the last sale reported on the Amex, or five points if the previous reported last sale in \$100 or higher. No indications would be required if the price change is less than one point.⁵

- If, on any day that a Rule 117 halt is in effect, trading in a security has not reopened by one-half hour after the resumption of trading on the Exchange, the matter should be treated as a delayed opening, and would require an indication as well as a Floor Official's supervision.

According to the Exchange, it has existing procedures which require dissemination of indications prior to delayed openings and reopening following regulatory or non-regulatory halts in individual securities. The Exchange will continue to require dissemination of indications in those situations.⁶

III. Discussion

After careful consideration of the Amex's proposal to implement guidelines for dissemination of indications to the consolidated tape in connection with the resumption of trading following a "circuit breaker" trading halt pursuant to the Amex's Rule 117, the Commission finds that the proposal is consistent with the requirements of Section 6⁷ of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission believes the proposal is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, and to remove impediments to and perfect the

mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The proposal will implement more specific guidelines for the dissemination of indications of interest for a resumption of trading following a "circuit breaker" halt. This will provide more clarity as to the reopening procedures in these circumstances.

The Commission finds good cause for approving the Exchange's proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. The proposal is virtually identical to procedures that have been in place for several years at the NYSE. In addition, clarification of dissemination procedures will help provide more certainty to the Amex procedures, which is important in the maintenance of fair and orderly markets. Therefore, the Commission believes that granting accelerated approval of the proposed rule change is appropriate and consistent with Sections 6 and 19(b)(2) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-Amex-96-21) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37462; File No. SR-Amex-96-25]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the American Stock Exchange, Inc. Relating to a Pilot Program for Execution of Odd-Lot Orders

July 19, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 5, 1996, 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 and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit

comments on the proposed rule change from interested persons and to grant accelerated approval to the proposed rule change.

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

The Exchange proposes to extend for four months its existing pilot program under Amex Rule 205 requiring execution of odd-lot market orders at the prevailing Amex quote with no differential charged.²

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 Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization 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 III below. The self-regulatory organization 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 Statutory Basis for, the Proposed Rule Change

1. Purpose. The Commission has approved, on a pilot basis extending to August 8, 1996, amendments to Amex Rule 205 to require execution of odd-lot market orders at the Amex quote with no odd-lot differential charged.³ The procedures were initially approved by the Commission in 1989⁴ and were most recently extended in February 1996.⁵

² The Exchange seeks accelerated approval of the proposed rule change in order to allow the pilot program, which expires on August 8, 1996, to continue without interruption.

³ Securities Exchange Act Release No. 35344 (Feb. 8, 1995), 60 FR 8430 (approving File No. SR-Amex-95-03).

⁴ Securities Exchange Act Release No. 26445 (Jan. 10, 1989), 54 FR 2248 (approving File No. SR-Amex-88-23).

⁵ See Securities Exchange Act Release No. 36821 (Feb. 8, 1996), 61 FR 6050 (approving File No. SR-Amex-96-06). Prior to this release, the Commission had extended this pilot program eleven times. See Securities Exchange Act Release Nos. 34949 (Nov. 8, 1994), 59 FR 58863 (approving File No. SR-Amex-94-47); 34496 (Aug. 8, 1994), 59 FR 41807 (approving File No. SR-Amex-94-28); 33584 (Feb. 7, 1994), 59 FR 6983 (approving File No. SR-Amex-93-45); 32726 (Aug. 9, 1993), 58 FR 43394 (approving File No. SR-Amex-93-24); 31828 (Feb. 5, 1993), 58 FR 84234 (approving File No. SR-

⁵ For example, if the last sale price of a stock was \$6, and the stock would reopen at a price change of 7%, no indication would be required even though the price change was greater than 10% of the last sale price because the price change was less than one point.

⁶ The Exchange noted that the proposed criteria are identical to those currently in place at the New York Stock Exchange ("NYSE") in connection with circuit breaker halts under NYSE Rule 80B. See Securities Exchange Act Release No. 26419 (January 5, 1989), 54 FR 1041 (January 11, 1989).

⁷ 15 U.S.C. 78f(b)(5).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).