

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.<sup>5</sup>

- 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.<sup>6</sup>

### 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 6<sup>7</sup> 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,<sup>8</sup> that the proposed rule change (SR-Amex-96-21) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-19037 Filed 7-25-96; 8:45 am]

BILLING CODE 8010-01-M

[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"),<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup> The procedures were initially approved by the Commission in 1989<sup>4</sup> and were most recently extended in February 1996.<sup>5</sup>

<sup>2</sup> 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.

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

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

<sup>5</sup> 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-

<sup>5</sup> 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.

<sup>6</sup> 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).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

In approving prior extensions to the Exchange's odd-lot pilot program, the Commission has expressed interest in the feasibility of the Exchange utilizing the Intermarket Trading System ("ITS") best bid or offer, rather than the Amex bid or offer, for purposes of the Exchange's odd-lot pricing system. In File No. SR-Amex-95-03, requesting a further extension of the pilot program, the Exchange stated that it had determined to proceed with systems modifications to provide for execution of odd-lot market orders at the ITS best bid or offer.<sup>6</sup>

The Commission has approved amendments to Amex Rule 205 to accommodate the prospective modifications to the Exchange's odd-lot pricing system.<sup>7</sup> Specifically, amended Amex Rule 205 would provide that odd-lot market orders to buy or sell would be filled at the "adjusted ITS offer" or "adjusted ITS bid," respectively, which would be defined in Amex Rule 205, Commentary .04, as the lowest offer and highest bid disseminated by the Amex or by another ITS participant market.<sup>8</sup> Where quotation information is not available (e.g., when quotation collection or dissemination facilities are inoperable) odd-lot market orders would be executed at the prevailing Amex bid or offer, or at a price deemed appropriate under prevailing market conditions. These procedures also will apply to odd-lot limit orders that are immediately executable based on the Amex quote at the time the order is received at the trading post or through PER.

As the Exchange noted in SR-Amex-95-24, it will implement these amendments upon completion of the necessary systems enhancements by the Exchange and the Securities Information Automation Corporation ("SIAC").

Amex-93-06); 30305 (Jan. 20, 1992), 57 FR 4653 (approving File No. SR-Amex-92-04); 29922 (Nov. 8, 1991), 56 FR 58409 (approving File No. SR-Amex-91-30); 29186 (May 19, 1991), 56 FR 22488 (approving File No. SR-Amex-91-09); 28758 (Jan. 10, 1991), 56 FR 1656 (approving File No. SR-Amex-90-39); 27590 (Jan. 5, 1990), 55 FR 1123 (approving File No. SR-Amex-89-31).

<sup>6</sup> See Securities Exchange Act Release No. 35344 (Feb. 8, 1995), 60 FR 8430 (approving File No. SR-Amex-95-03).

<sup>7</sup> See Securities Exchange Act Release No. 36181 (Sept. 1, 1995), 60 FR 47194 (approving File No. SR-Amex-95-24).

<sup>8</sup> In order to protect against the inclusion of incorrect or stale quotations when determining the highest bid and lowest offer, Amex Rule 205, Commentary .04, contains seven criteria that must be met before a quotation in a stock from another ITS market center will be considered. If the ITS quotation fails to meet one of the specified criteria, the best bid or offer disseminated by the Exchange will be used. See Securities Exchange Act Release No. 36181 (Sept. 1, 1995), 60 FR 47194 (approving File No. SR-Amex-95-24).

Upon implementation of the amended rule, the Exchange will notify the Commission, as well as Exchange members and member organizations. In order to provide the additional time necessary to implement these systems enhancements, the Exchange proposes to extend the existing pilot program procedures under Amex Rule 205 for an additional four-month period.

2. *Statutory Basis.* The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>9</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>10</sup> and Section 11A(a)(1)<sup>11</sup> in particular in that it is designed to facilitate the economically efficient execution of odd-lot transactions and to improve the execution of customers' orders.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange believes the proposed rule change will impose no burden on competition.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

The Exchange has neither solicited nor received written comments with respect to the proposed rule change.

### III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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, N.W., Washington, D.C. 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-96-25 and should be submitted by August 16, 1996.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> 15 U.S.C. 78k-1(a)(1).

### IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

The Commission finds that the Exchange's proposal to extend its pilot program concerning the execution of odd-lot orders to December 8, 1996, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes the proposal is consistent with Section 6(b)(5) and Section 11A(a)(1) of the Act<sup>12</sup> because the Exchange's proposed pricing procedures are designed to facilitate transactions in odd-lot orders, to help ensure the economically efficient execution of these transactions, and, in general, to protect investors and the public interest. The Commission further believes the revised procedures should provide investors with more timely executions of their odd-lot orders and should produce execution prices that more accurately reflect market conditions than would otherwise be the case under the pre-pilot pricing procedures.<sup>13</sup>

Nevertheless, the Commission is concerned that the Exchange has been unable to implement the new odd-lot pricing procedures as planned. Under the current pilot pricing procedures, which only use the Amex quote in establishing the execution prices, some odd-lot orders may be receiving the best available price.<sup>14</sup> Therefore, the Commission strongly encourages the Exchange to complete the systems modifications upon which implementation of the new odd-lot pricing procedures depend as soon as possible.<sup>15</sup> To ensure that the Commission is adequately informed of the Exchange's progress towards such completion, the Commission again requests that the Exchange provide the Commission with a status report regarding this project on the first day of every month until the necessary system modifications are completed. Finally,

<sup>12</sup> 15 U.S.C. 78f(b)(5) and 78k-1(a)(1).

<sup>13</sup> Prior to the 1989 pilot program, odd-lot market orders were routed to a specialist and held in accumulation in the PER system or by the specialist until a round-lot execution in that security took place on the Exchange. Subsequent to the round-lot execution, the odd-lot order received the same price as the last Exchange round-lot transaction, plus or minus an odd-lot dealer differential. See Securities Exchange Act Release No. 26445 (Jan. 10, 1989), 54 FR 2248 (approving File No. SR-Amex-88-23).

<sup>14</sup> See Securities Exchange Act Release No. 35344, (Feb. 8, 1995), 60 FR 8430 (noting that the Exchange's current pricing formula does not include quotations from other markets.)

<sup>15</sup> As noted above, the new procedures provide for odd-lot market orders to be filled at the "adjusted ITS best bid or offer."

upon completion of the systems modifications, the Exchange should give advance notice to the Commission of the date when the new odd-lot pricing procedures are to be implemented.<sup>16</sup>

The Commission finds good causes for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the Federal Register. This will permit the pilot program to continue on an uninterrupted basis while the Amex works to implement the new procedures. In addition, the procedures the Exchange proposes to continue using are identical to the procedures that were published previously in the Federal Register for the full comment period and were approved by the Commission.<sup>17</sup>

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>18</sup> that the proposed rule change (SR-Amex-96-25) is approved on a pilot basis for a four-month period ending on December 8, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>19</sup>

[FR Doc. 96-19038 Filed 7-25-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37459; File Nos. SR-BSE-96-4, SR-CBOE-96-27, SR-CHX-96-20, SR-Phlx-96-12]

**Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., and Philadelphia Stock Exchange Inc., Relating to Amendments to Trading Halts Due to Extraordinary Market Volatility ("Certain Market-Wide Circuit Breaker Provisions")**

July 19, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 12, 1996, the Chicago Stock Exchange, Incorporated ("CHX"); on July 15, 1996 the Boston Stock Exchange, Inc. ("BSE"); on July 17, 1996 the Chicago

Board Options Exchange, Incorporated ("CBOE"); and on July 18, 1996 the Philadelphia Stock Exchange, Inc. ("Phlx"), respectively (each individually referred to herein as an "Exchange" and two or more collectively referred to as "Exchanges"), filed with the Securities and Exchange Commission ("SEC" or "Commission") proposed rule changes as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organizations. The Phlx submitted to the Commission Amendment No. 1 to its proposal on July 19, 1996.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons. As discussed below the Commission is also granting accelerated approval of these proposed rule changes.

**I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes**

In 1988, the Commission approved circuit breaker rules proposals by the Exchanges.<sup>4</sup> In general, the Exchanges' circuit breaker rules provide that trading would halt for one hour if the Dow Jones Industrial Average ("DJIA")<sup>5</sup> were to decline 250 points from its previous day's closing level and, thereafter, trading would halt for an additional two hours if the DJIA were to decline 400 points from its previous day's close.

The Exchanges' rules further provide that if the 250-point trigger is reached during the last hour but before the last

half-hour of scheduled trading, or the 400-point trigger is reached during the last two hours, but before the last hour of trading, the Exchanges may then use abbreviated reopening procedures either to permit trading to reopen before the established close, or to establish closing prices. However, if the 250-point trigger is reached during the last half-hour, or if the 400-point trigger is reached during the last hour, the Exchanges shall not reopen for trading on that day.

The Exchanges propose to amend their circuit breaker rules to modify the time periods for halting trading on the Exchanges when the DJIA has declined by 250 or 400 points. The Exchanges propose to revise those time periods to one-half hour and one hour, respectively, from the one hour and two hours. The Exchanges also are proposing to amend their rules to eliminate the reference to using abbreviated reopening procedures either to permit trading to reopen before the scheduled closing or to establish new last sales prices if trigger values are reached in the last one-half hour or hour of trading.

**II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes**

In their filings with the Commission, the self-regulatory organizations included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organizations have prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

**A. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes**

**1. Purpose**

The Exchanges believe that it is appropriate to reduce the time period during which trading will be halted, particularly given the current level of automation support for trading process. The Exchanges believe that these revised time periods should be sufficient to provide a meaningful "time out" for participants to evaluate changing market conditions, without unduly constraining trading activity. The Exchanges are not proposing, at this time, to revise the 250/400 point trigger.

With respect to the use of abbreviated reopening procedures, the Exchanges

<sup>16</sup> The Commission expects the Amex to implement the new off-lot pricing procedures no later than the December 8, 1996 expiration of this pilot extension.

<sup>17</sup> See Securities Exchange Act Release No. 35344 (Feb. 8, 1995), 60 FR 8430; Securities Exchange Act Release No. 36821 (Feb. 8, 1996), 61 FR 6050.

<sup>18</sup> 15 U.S.C. 78s(b)(2).

<sup>19</sup> 17 C.F.R. 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.194-4.

<sup>3</sup> In Amendment No. 1, the Phlx indicated that the pilot period extension of its circuit breaker program will expire on October 31, 1996. See Letter from Murray L. Ross, Secretary, Phlx, to Chester McPherson, Attorney, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulation"), Commission, dated July 18, 1996.

<sup>4</sup> In 1988, the Commission approved the following circuit breaker proposals by the self-regulatory organizations ("SROs") on a pilot basis: See Securities Exchange Act Release Nos. 26198 (October 19, 1988), 53 FR 41637 (American Stock Exchange ("AMEX")), National Association of Securities Dealers ("NASD") and New York Stock Exchange ("NYSE"); 26218 (October 26, 1988), 53 FR 44137 (CHX); 26357 (December 14, 1988), 53 FR 51182 (BSE); and 26386 (December 22, 1988), 53 FR 52904 (Phlx). Since the initial approval of the circuit breaker rules on a pilot basis, the Commission has extended the pilot program each year. The most recent extensions expire on October 31, 1996 for the Amex, NYSE and Phlx, and on October 31, 1997 for the BSE and CHX. See Securities Exchange Act Release No. 36414 (Oct. 25, 1995) 60 FR 55630. The Commission approved on a permanent basis the proposals by the CBOE, Cincinnati Stock Exchange ("CSE") and Pacific Stock Exchange ("PSE"). See Securities Exchange Act Release Nos. 26198 (October 19, 1988), 53 FR 41637 (CBOE); 26440 (January 10, 1989) 54 FR 1830 (CSE); and 26368 (December 16, 1988), 53 FR 51942 (PSE).

<sup>5</sup> "Dow Jones Industrial Average" is a service mark of Dow Jones & Company, Inc.