

orders, among other things. With regard to "stop" orders, proposed CHX Article XX, Rule 28A permits such orders only to be entered at a price above (for buy orders) or below (for sell orders) the current primary market offer or bid, respectively.

In addition, the Exchange's rules on "stopped" orders are being clarified to make it clear that the execution guarantee of the "stopped" order is limited to the size displayed in the primary market when the "stopped" order is entered. This is consistent with the execution guarantee on orders that are subject to the BEST Rule that are not stopped, which are guaranteed an execution on the lesser of the size displayed in the primary market or 2099 shares.²

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act³ in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose a burden on competition.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. 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. 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-CHX-96-21 and should be submitted by October 3, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37653; File No. SR-CSE-96-05]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by The Cincinnati Stock Exchange Relating to Day Trading Margin Requirements

September 6, 1996.

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 August 15, 1996, the Cincinnati Stock Exchange ("CSE" 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The CSE proposes to amend its rules concerning day trading margin

requirements. The text of the proposed rule change is set forth below [New text is italicized; deleted text is bracketed]:

Rule 6.2. Day Trading Margin

(a) *The term "day trading" means the purchasing and selling of the same security on the same day. A "day trader" is any customer whose trading shows a pattern of day trading.*

(b) *Whenever day trading occurs in a customer's margin account the margin to be maintained shall be the margin on the "long" or "short" transaction, whichever occurred first. When day trading occurs in the account of a day trader, the margin to be maintained shall be the margin on the "long" or "short" transaction, which ever occurred first.*

(c) *No member shall permit a public customer to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No member shall permit a public customer to make a practice of selling securities with them in a cash account which are to be received against payment from another broker-dealer where such securities were purchased and are not yet paid for.*

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 CSE 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 CSE 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

The purpose of the proposed rule change is to enhance the financial protections and therefore the integrity of the Exchange's markets by ensuring that customers maintain adequate margin reserves in their accounts. The proposed rule change requires day traders to maintain margins sufficient to cover their intraday "long" or "short" positions, depending upon which occurred first, for a particular day.

Because the proposed rule change will enhance the financial protections and the integrity of the exchange's markets, the Exchange believes that the proposed rule change is consistent with

² See CHX Article XX, Rule 37. The Exchange's BEST System specifies certain conditions under which CHX specialists are required to accept and guarantee executions of market and limit orders from 100 up to and including 2099 shares.

³ 15 U.S.C. 78f(5).

Section 6 of the Act in general and with Section 6(b)(5) in particular in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

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

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

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. 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. Copies of such filing will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR-CSE-96-05 and should be submitted by October 3, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37639; File No. SR-DCC-96-09]

Self-Regulatory Organizations; Delta Clearing Corp.; Notice of Filing of Proposed Rule Change Regarding Securities Eligible as Margin

September 4, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 2, 1996, Delta Clearing Corp. ("DCC") 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 primarily by DCC. On August 16, 1996, DCC filed an amendment to its proposed rule change.² The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change will amend DCC's rules to allow participants the option of posting margin with DCC in the form of U.S. Treasury notes or U.S. Treasury bonds to amend the haircuts applicable to securities deposited as margin.

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

In its filing with the Commission, DCC 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. DCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

¹ 17 CFR 200.30-3(a)(12).

² 15 U.S.C. 78s(b)(1) (1988).

³ Letter from John Grebenstein, Executive Director, DCC, to Michele Bianco, Division of Market Regulation, Commission (August 16, 1996).

⁴ The Commission has modified parts of these statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Currently, DCC participants may post margin in either U.S. Treasury bills or in central bank funds (e.g., Federal funds).⁴ The purpose of the proposed rule change is to amend DCC's procedures for the clearance and settlement of over-the-counter options and of repurchase and reverse repurchase agreements to allow participants the option of posting margin either in central bank funds or in U.S. Treasury bills, notes, or bonds.

DCC participants trade and maintain inventories in a wide range of U.S. Treasury securities. However, participants do not always maintain inventory in U.S. Treasury bills that are eligible as DCC margin collateral. Consequently, participants incur additional costs in order to satisfy DCC's requirement that margin collateral be supplied in U.S. Treasury bills.

DCC also believes that expanding the allowable margin collateral to include U.S. Treasury notes and bonds will improve participants' ability to meet margin calls in a timely fashion because they will be able to select from a greater portion of the securities in their securities inventories to meet their margin requirements. DCC also believes that because the U.S. Treasury securities markets is extremely liquid that DCC's acceptance of U.S. Treasury notes and bonds as collateral will not impede DCC's ability to liquidate if necessary and thus not increase the risk to DCC or to the national clearance and settlement system.

Furthermore, DCC believes that with the appropriate "haircut" margin calls met using U.S. Treasury notes and bonds will pose no additional risk to the system. As its haircuts, DCC is proposing to use the Commission's schedule for valuation of government securities as set forth in the Commission's uniform net capital rule.⁵ DCC believes that this approach is conservative because the Commission's schedule provides for a larger percentage reduction in the valuation of U.S. Treasury securities with greater maturities. The magnitude of the reduction in value is consistent with DCC's methodology of assuming a three standard deviation movement in the

⁴ With respect to options, participants also can post margin in the form of cover (i.e., Treasury securities that would be deliverable upon exercise of an option).

⁵ 17 CFR 240.15c-1 (1996). The schedule for valuation of government securities is set forth in paragraph (c)(2)(vi)(A) of Rule 15c3-1.