

prophylactic restrictions on trading represented by Rule 950(n) are not essential to ensure compliance with standards of fair dealing.

For the foregoing reasons, the Exchange believes that it is appropriate to permit Exchange specialist organizations and their affiliates to engage in market making in specialty options on the floor of other options exchanges. This measure will eliminate a regulatory disparity between the rules of the Exchange and other markets. To ensure that specialist organizations and their affiliates do not intentionally trade ahead of, or otherwise disadvantage, orders on the AMEX limit order book, the Exchange will require any AMEX member organization that seeks to act as a market maker on the floor of another options exchange in an option in which they are a specialist on the AMEX to implement policies and procedures designed to prevent the misuse of information regarding limit orders on the AMEX limit order book.⁴ These policies and procedures will not have to conform to the specific requirements of Rule 193. Instead, the Exchange proposes to adopt the approach used by Congress in enacting Sections 15(f) and 21A of the Act, and by the Commission in adopting Rule 14(e)(3) under the Act, which require firms to adopt information barriers, but do not legislate the design of these internal controls.⁵ The Exchange believes that specialist firms and their affiliates should have the ability (subject to Exchange oversight) to structure information barriers that are appropriate to the structure of their firms.

2. Statutory Basis

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

⁴ As proposed, these policies and procedures will not be subject to pre-approval by the Exchange. Telephone conversation between Bill Floyd-Jones, Assistant General Counsel, AMEX, and Heather Seidel, Attorney, Division of Market Regulation, Commission, on January 2, 1997.

⁵ See Broker-Dealer Policies and Procedures Designed to Segment the Flow and Prevent the Misuse of Material Nonpublic Information, Securities and Exchange Commission Division of Market Regulation, March 1990.

⁶ 15 U.S.C. 78f(b)(5)

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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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, 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 Room. 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-96-46 and should be submitted by January 27, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

⁷ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38125; File No. SR-CHX-96-32]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to a Fee Waiver by the Chicago Stock Exchange, Incorporated

January 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ notice is hereby given that on December 17, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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 Exchange proposes to waive certain member charges in its Membership Dues and Fees Schedule. Specifically, the Exchange proposes to waive all membership dues for the month of December. The Exchange also proposes to waive all floor telephone booth and post space charges for the fourth quarter of 1996 (i.e., October, November and December).

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 IV 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.

¹ 15 U.S.C. § 78s(b)(1).

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

1. Purpose

The purpose of the proposed rule change is to waive membership dues for the month of December, 1996, and waive floor telephone booth and post space charges for the fourth quarter of 1996 because the Exchange has already adequately covered its costs associated with these services for the year.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act² in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and persons using its facilities.

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 solicited or received.

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

The foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange and therefore has become effective pursuant to Section 19(b)(3)(A) of the Act³ and subparagraph (e) of Rule 19b-4⁴ thereunder. At any time within 60 days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, 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 in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing also will be available for inspection and copying at the Exchange. All submissions should refer to File No. SR-CHX-96-32 and should be submitted by January 27, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38130; File No. SR-CHX-96-33]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Circuit Breaker Pilot Program

January 6, 1997.

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 December 18, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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 CHX. 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 CHX proposes to amend Article IX, Rule 10A "Trading Halt Due to Extraordinary Market Volatility" ("circuit breakers")¹ to increase the

levels at which such circuit breakers are triggered. The Exchange seeks to effect these changes on a one-year pilot basis.

The text of the proposed rule change is available at the Office of the Secretary, the CHX, 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 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 Exchange 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

Article IX, Rule 10A (Trading Halts Due to Extraordinary Market Volatility) is the Exchange's codification of the several recommendations for circuit breakers which were made in the wake of the market break of 1987. The current rule, which is due to expire on October 31, 1997, provides that if the Dow Jones Industrial Average² ("DJIA") falls 250 or more points below its previous trading day's closing value, trading in all stocks on the Exchange shall halt for one-half hour. The Rule further provides for a one hour trading halt if the decline in the DJIA is 400 or more points. Although the Rule was amended in July 1996 to shorten the time periods for marketwide trading halts, the levels of the circuit breakers themselves have not been adjusted since the Rule was first adopted. The Exchange believes that it is appropriate to amend Article IX, Rule 10A to raise the circuit breakers from 250 points to 350 points and from 400 points to 550 points.

Article IX, Rule 10A was approved by the Commission in October 1988 as a one-year pilot³ and has been extended on a pilot basis since then. At that time, the DJIA was at a level of about 2100 points. A 250 point drop would have represented at 12% decline in the average. A 400 point drop would have

⁵ 17 CFR 200.30-3(a)(12).

¹ See Securities Exchange Act Release Nos. 26218 (October 26, 1988), 53 FR 44137 (November 1, 1988); 27370 (October 23, 1989), 54 FR 43881 (October 27, 1989); 28580 (October 25, 1990), 55 FR 45895 (October 31, 1990); 29868 (October 28, 1991), 56 FR 56535 (November 5, 1991); 33120 (October 29, 1993), 58 FR 59503 (November 9, 1993); 36414 (October 25, 1995), 60 FR 55630 (November 1, 1995); and 37459 (July 19, 1996), 61 FR 39172 (July 26, 1996).

² 15 U.S.C. § 78f(b)(4).

³ 15 U.S.C. § 78s(b)(3)(A).

⁴ 17 CFR 19b-4(e).

² "Dow Jones Industrial Average" is a service mark of Dow Jones & Company, Inc.

³ See Securities Exchange Act Release No. 26218 (October 26, 1988), 53 FR 44137 (November 1, 1988).