

with at least 400 holders or 500,000 shares/warrants with at least 800 holders) are too high when applied to warrants since warrants are a derivative security and their price discovery is less dependent upon such a high level of liquidity. Nonetheless, the Exchange recognizes that a minimum level of liquidity is necessary in an auction market environment. The Exchange presently lists a preferred stock issued by an Amex or NYSE listed company provided that there are at least 100,000 shares outstanding and believes that this would also be an appropriate guideline for the listing of warrants. The Exchange also recognizes that for a specialist to continue to provide an auction market some minimal level of public float is necessary. Thus, the Amex is proposing that a warrant issue would become subject to delisting if its public float fell below 50,000. This too is the same guideline as is applied to preferred stock issues. These changes will provide the Exchange with greater flexibility in listing warrant issues and the Amex believes that the expanded opportunity for side-by-side trading of stocks and warrants will prove beneficial to the shareholders of exchange listed companies.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)² of the Act in general and furthers the objectives of Section 6(b)(5)³ in particular in that it is designed to promote just and equitable principles of trade, remove impediments to a free and open market and a national market system, and protect investors and the public interest.

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

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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 days of the date of 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 such 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 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 in the Commission's Public Reference Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to the file number in the caption above and should be submitted by December 31, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39395; File No. SR-CSE-97-12]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The Cincinnati Stock Exchange, Inc., Relating to Transaction Credits

December 3, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. § 78s(b)(1) ("Act"), notice is hereby given that on November 13, 1997, The Cincinnati Stock Exchange, Incorporated ("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 CSE.¹ 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 amend its schedule of fees in order to provide a transaction credit for Tape B transactions.²

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 parts of such statements.

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

1. Purpose

The Exchange is implementing a credit for transactions in all Tape B securities in order to create an incentive for members to trade such securities on the Exchange. The Exchange believes the credit is a logical next step in its efforts to remain the low-cost provider of exchange services in the National Market System. Members will be credited on a pro rata basis, based upon the percentage of tape B transaction market share captured by the Exchange

¹ On November 19, 1997, the Exchange submitted Amendment No. 1 to the filing. See letter from Adam W. Gurwitz, Vice President and Secretary, CSE, to Marie Ito, Special Counsel, Division of Market Regulation, Commission, dated November 19, 1997.

² "CTA Network B" is commonly known as Tape B, and is defined in the Consolidated Tape Association Plan as "the [Consolidated Tape] System as utilized to make available 'CTA Network B information' (that is, last sale price information related to Network B Eligible Securities)." The Consolidated Tape Association Plan further defines "Network B Eligible Securities" to mean securities "admitted to dealings on the [American Stock Exchange], [Boston Stock Exchange], [Chicago Board Options Exchange], [Chicago Stock Exchange], CSE, [Pacific Exchange], [Philadelphia Stock Exchange] or on any other exchange, but not also admitted to dealings on [the New York Stock Exchange]." CTA Plan, at 1-3.

² 15 U.S.C. 78f(b).

³ 15 U.S.C. 78f(b)(5).

⁴ 17 CFR 200.30-3(a)(12).

in a given quarter. The new credit is delineated in Exhibit A.

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) in particular in that it is 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. It is also consistent with Section 6(b)(4) in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Exchange members by crediting members on a pro rata basis.³

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

The CSE 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 solicited in connection with the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e)(2) of Rule 19b-4 thereunder because it constitutes or changes a due, fee, or other charge imposed by the Exchange. At any time within 60 days of the filing of such proposed 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 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 in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR-CSE-97-12 and should be submitted by December 31, 1997.

For the Commission, by the Division of Market Regulation, pursuant to the delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

Exhibit A

Proposed Rule Change

The Cincinnati Stock Exchange, Incorporated
Additions are italicized

Rule 11.10 National Securities Trading System Fees

A. Trading Fees.

a.—(1) No Change.

(j) Tape "B" Transactions. The CSE will not impose a transaction fee on Consolidated Tape "B" securities. *In addition, Members will receive a pro rata transaction credit based on the following schedule:*

Average quarterly exchange Tape B transaction market share	Percentage of Tape B revenue credited
1-2.99%	10
3-4.99%	25
5-6.99%	30
7% and greater	40

(k)—(n) No Change.

B. Membership Fees.
No Change.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39391; File No. SR-MSRB-97-8]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Interpretation of Rule G-38 on Consultants

December 3, 1997.

On November 13, 1997, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-97-8), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder. The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the board. The Board has designated this proposal as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Board under Section 19(b)(3)(A) of the Act, which renders the proposal effective upon receipt of this filing by the Commission. 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 Board is filing herewith a notice of interpretation concerning Rule G-38 on consultants (hereafter referred to as "the proposed rule change"). The proposed rule change is as follows:

Rule G-38 Questions and Answers

Bank Affiliates and Definition of Payment

Q: A bank and its employees communicate with an issuer on behalf of an affiliated dealer to obtain municipal securities business for that dealer. In return, the bank and its employees receive certain "credits" from the dealer. These credits, which do not involve any direct or indirect cash payments from the dealer to the bank or its employees, are used for internal purposes to identify the source of business referrals. Are the credits considered a "payment" under rule G-38 thereby requiring the dealer to designate the bank or its employees as consultants and comply with the requirements of rule G-38?

A: Rule G-38 defines a consultant as any person used by a dealer to obtain or retain municipal securities business through direct or indirect communication by such person with an issuer on behalf of the dealer where the communication is undertaken by the

³ The Commission notes that the filing may raise questions concerning payment for order flow. To the extent that it does raise such issues, exchange members should consider any associated disclosure obligations, namely pursuant to Rules 10b-10 and 11Ac1-3 under the Act, 17 CFR 240.10b-10 and 17 CFR 240.11Ac1-3, respectively.

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).