

620(e) would unify the nonrefundable filing fee for all industry claims at \$500.

The Commission finds that this proposed amendment is consistent with Section 6(b)(4)⁸ because it provides for the equitable allocation of reasonable fees among its members and other persons using its facilities. Moreover, a uniform filing fee removes any temptation for industry parties to purposely omit the monetary amount of their claims in order to reduce the nonrefundable filing fee from \$500 to \$250.⁹

The Exchange is proposing to add a new rule, Amex Rule 624. This new rule would provide that the failure of a member firm or registered representative to honor an arbitration award, including those issued at another self-regulatory organization or by the American Arbitration Association, would subject the firm or registered representative to disciplinary proceedings at the Exchange.

The Commission finds that the addition of proposed Amex Rule 624 to the Exchange's arbitration rules is consistent with Section 6(b)(6)¹⁰ because it provides for appropriate disciplinary action for violating the provisions of the Act, the rules and regulations thereunder, or the rules of the Exchange. By establishing the enforceability of arbitration awards, this proposal should increase the effectiveness of the arbitration process.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (SR-Amex-95-46) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36751; File No. SR-CHX-96-03]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to a Program To Display Price Improvement on the Execution Report Sent to the Entering Firm

January 22, 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 January 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 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 CHX proposes to implement a program that will calculate and display, on the execution reports sent to member firms, the dollar amounts realized as savings to their customers as a result of price improvement in the execution of their orders on the Exchange.

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.

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 implement a program for calculating and displaying, on an execution report sent to member firms entering orders, the dollar value saved by their customers as a result of price improvement of orders executed on the Exchange. This program does not in any

way affect the actual execution of orders. The Exchange is proposing to refer to this calculated dollar savings as the "NATIONAL BESTSM."

The NATIONAL BEST is proposed to be made available for intraday market orders entered via the Exchange's MAX system that are not tick sensitive and are entered from off the Floor.¹ The NATIONAL BEST (amount of price improvement) is calculated in comparison to the best bid and offer displayed in the national market system at the time the order is received.² Only orders executed at a price better than the inside market will receive a NATIONAL BEST indicator.

The following examples illustrate how NATIONAL BEST is proposed to work.

Assume the national market quote is 50-50¹/₄.

Example 1—A market order to sell 1000 shares, entered on the CHX, is stopped at 50, meaning it is guaranteed a price at 50 or a better price. The quote is narrowed to 50-50¹/₈ and the order is subsequently executed at 50¹/₈. This is an ¹/₈ point savings over the national bid price of 50, which translates into \$125 savings over the guaranteed price. Thus, the execution report would display NATIONAL BEST \$125.³

Assume the national market quote is 50-50¹/₄.

Example 2—A market order to buy 800 shares, entered on the CHX, is executed at 50¹/₈. This is an ¹/₈ point savings over taking the prevailing offer of 50¹/₄. The execution report would display NATIONAL BEST \$100.

If there is no price improvement because either there was no execution between the national best bid or offer or the order was not eligible for the program, then no price improvement information would be displayed on the execution report to the entering firm.

The Exchange believes that the NATIONAL BEST can be expected to enhance the information made available to investors and improve their understanding of the auction market.

SM NATIONAL BEST is a service mark of the Chicago Stock Exchange, Inc.

¹ Also excluded from the NATIONAL BEST feature are orders received when the spread between the national best bid and offer is one minimum variation, and MAX floor broker orders.

² For stocks that are not ITS-eligible, the CHX quote is used.

³ The algorithm that calculates the savings per share can calculate price improvement from a minimum of ¹/₃₂ or \$0.03125 per share to a maximum of 96/32 or \$3.00 per share. If price improvement exceeds \$3.00 per share, the NATIONAL BEST will be preceded by a ">" sign and will equal \$3.00 × the number of shares traded.

⁸ 15 U.S.C. 78f(b)(4).

⁹ See Securities Exchange Act Release No. 35167 (Dec. 28, 1994), 60 FR 1816 (approving File No. SR-NASD-94-75 and publishing the NASD's determination that there have been situations in which industry parties have purposely not disclosed the monetary amount of their claim in order to reduce the nonrefundable filing fee from \$500 to \$250).

¹⁰ 15 U.S.C. 78f(b)(6).

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR 200.30-3(a)(12).

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act 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. This rule change is designed to perfect the mechanism of a free and open market in that it enhances the information provided to investors by displaying to them the dollar value of the price improvement their orders may have received when executed on the CHX.

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

The Exchange believes that no burden will be placed on competition as a result of the proposed rule change. In fact, the Exchange believes that the NATIONAL BEST program can reasonably be expected to enhance competition by disclosing to investors the amount of savings they may realize as a result of the price improvement their orders may receive when executed on the CHX.

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

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest, (2) does not impose any significant burden on competition, and (3) does not have the effect of limiting access to or availability of any Exchange order entry or trading system, the NATIONAL BEST program has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act and Rule 19b-4(e)(5) thereunder.⁴ 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 purpose 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 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 CHX. All submissions should refer to File No. SR-CHX-96-03 and should be submitted by February 20, 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. 34-36753; File No. SR-CHX-95-30]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Order Processing Fees and Transaction Fees

January 22, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 2, 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 amend Section (c), add a new Section (d), and make conforming renumbering changes

to existing Sections (d) through (o) of its Membership Dues and Fees Schedule.

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.

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 simplify the Exchange's order processing and transaction fee schedule. The new fee schedule contemplates two types of fees. First, the CHX will assess a processing fee for odd lot orders and limit orders that are placed on a specialist's book and are executed subsequently. The odd lot processing fee is similar to the current odd lot transaction fee, except that it will not include applicable trade recording fees.² It will be \$.35 per trade, up to a maximum of \$400.00 per month. The open limit order processing fee will be \$.25 per limit order that is executed. Orders in NASDAQ/NMS Securities³ will not be assessed any order processing fees.

Second, the Exchange will assess certain transaction fees for orders executed on the CHX. Market orders sent via MAX⁴ will not be assessed any

² The Commission notes that the CHX has decided to terminate the clearance and settlement services offered by several of its subsidiaries. See Securities Exchange Act Release No. 36684 (Jan. 5, 1995), 61 FR 1195 (approving the necessary proposed rule changes and providing details of the CHX's agreement not to engage in the businesses from which it has decided to withdraw).

³ The Commission notes that the National Association of Securities Dealers, Inc. refers to such securities as "Nasdaq National Market Securities." However, the Exchange, in order to maintain consistency within its rules, still utilizes the term "NASDAQ/NMS Securities." The Exchange intends to update this aspect of its rules at a later date. Telephone conversation between David T. Rusoff, Attorney, Foley & Lardner, and Anthony P. Pecora, Attorney, SEC (Jan. 16, 1996).

⁴ MAX stands for "Midwest Automated Execution System." This system may be used to provide automated delivery and execution of certain orders. See Chicago Stock Exchange Guide, Article XX, Rule 37.

⁴ 17 CFR 240.19b-4(e)(5).

¹ 15 U.S.C. 78s(b)(1).