

request for documents (60 days after a statement of charges has been served) and staff takes thirty days to respond, the Respondent still has thirty more days to submit a settlement offer within the 120 day time period.

It is also proposed to amend Interpretation and Policy .01 under Rule 17.8 to deal with the situation where a Respondent has elected to proceed in an expedited manner pursuant to Rule 17.3 in an effort to resolve a matter by entering into a letter of consent prior to the issuance of charges. Interpretation and Policy .01(b) under Rule 17.8 provides that if an effort to reach agreement with Exchange staff upon a letter of consent is unsuccessful and charges are issued, any time in excess of 30 days spent in attempting to negotiate a letter of consent is deducted from the 120-day settlement period, but that in any event a Respondent will always have at least 14 days after service of charges within which to submit an offer of settlement. Under the existing provision of Interpretation .01(d), which tolls the settlement period after seven days when a document request has been made, assuming a Respondent makes a document request on the first day of the 14-day settlement period, that Respondent always has at least seven days remaining of the 14-day settlement period after the documents are provided within which to submit an offer of settlement. In order to continue to provide this minimum seven day period in light of the proposal not to commence tolling the settlement period until 30 days after a request for documents, Interpretation .01(d) is proposed to be amended to provide that in no event will a Respondent have less than seven days after the receipt of requested documents within which to submit an offer of settlement.

This proposed amendment to Interpretation .01(d) will be invoked only if, on the day a Respondent receives the requested documents, the time left for settlement is seven days or less. In all other circumstances, tolling of the settlement period begins once Exchange staff has taken more than 30 days to respond to a Respondent's document request.

The CBOE believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(7) of the Act in that it improves the Exchange's procedures for the discipline of members and persons associated with members. The proposal reduces the potential for delay in concluding a disciplinary case by appropriately limiting a Respondent's ability to toll the 120 day settlement period.

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

CBOE does not believe that the proposed rule change will impose any 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 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 Room. Copies of all such filings will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. CBOE-96-46 and should be submitted by August 26, 1996.

For the Commission by the Division of Market Regulation, pursuant to the delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37491; File No. SR-CHX-96-19]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Enhanced SuperMAX and Timed Enhanced SuperMAX

July 29, 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 July 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 and II 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 and to grant accelerated approval of the proposed rule change.

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

The Exchange is proposing to extend its Enhanced SuperMAX and Timed Enhanced SuperMAX pilot program, described in subsections (e) and (f) of Rule 37 of Article XX of the Exchange Rules, for five months, until December 31, 1996, and the deadline for filing a report to the Commission describing its experience with the pilot program, to August 31, 1996.

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

On May 22, 1996, the Commission approved a proposed rule change of CHX that allows specialists on the Exchange, through the Exchange's MAX system, to provide order execution guarantees that are more favorable than those required under CHX Rule 37(a), Article XX.¹ That approval order contemplated that the CHX would file with the Commission specific modifications to the parameters of MAX that are required to implement various options available under this new rule.

On July 27, 1995, the Commission approved a proposed rule change of the CHX that implemented two options to be available under this new rule.² These two new options, Enhanced SuperMAX and Timed Enhanced SuperMAX, were approved on a pilot basis until July 31, 1996. The Commission, in the Pilot Approval Order, requested that the CHX provide a report to the Commission, by May 31, 1996, describing its experience with the pilot program.

The purpose of the proposed rule change is to request a five-month extension of the pilot program, until December 31, 1996, and to request an extension, until August 31, 1996, of the deadline for submitting the monitoring report to the Commission. The Exchange requests the five-month extension of the pilot program to give the CHX additional time to prepare the report for submission to the Commission. The Exchange requests additional time to prepare the monitoring report because of the increased amount of staff time and resources that the Exchange devoted in ensuring smooth transitions that were necessitated by the Exchange's decision to withdraw from the clearance and settlement and securities depository businesses.³ Now that this transition is virtually complete, the Exchange can devote the necessary time and resources needed to provide the Commission with the information requested in the report.

As stated above, the two options available in the pilot program are Enhanced SuperMAX and Timed Enhanced SuperMAX. Enhanced SuperMAX is merely a reactivation of the Exchange's Enhanced SuperMAX program, a program originally approved

by the Commission on a pilot basis in 1991.⁴ Unlike the old pilot program, however, the new Enhanced SuperMAX program is available starting at 8:45 a.m. instead of 9:00 a.m. This program differs from the Exchange's SuperMAX program in that under this program, certain orders are "stopped" at the NBBO⁵ and are executed with reference to the *next* primary market sale instead of the previous primary market sale. Timed Enhanced SuperMAX is a slight variation on the Enhanced SuperMAX program. It executes orders in the same manner as the Enhanced SuperMAX program except that if there are no executions in the primary market after the order has been stopped for a designated time period, the order is executed at the stopped price at the end of such period. Such period, known as a time out period, is pre-selected by a specialist on a stock-by-stock basis based on the size of the order, may be changed by a specialist no more frequently than once a month and may be no less than 30 seconds.

2. Basis

The Exchange believes that 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, to remove impediments to 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 CHX 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 or received with respect to the proposed rule change.

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

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b)(5).⁶ More specifically, the Commission continues to believe that the pricing and execution procedures of Enhanced SuperMAX and Timed Enhanced SuperMAX are consistent with the maintenance of fair and orderly auction markets on national securities exchanges.

In the Pilot Approval Order,⁷ the Commission asked the Exchange to monitor the operation of the systems and determine their effectiveness and to submit a report to the Commission by May 31, 1996 describing its experience with the pilot program. Moreover, the Commission requested that the Exchange assure the Commission that the pilot program has no adverse effects on the quality of customer order executions and determine whether specialists were choosing the appropriate system for each of their stocks. The Exchange has represented that it has not had available the necessary human resources to gather the relevant data and prepare the monitoring report and, therefore, requests an extension of the deadline for filing the report until August 31, 1996, and an extension of the pilot program until December 31, 1996.

The Commission believes that the empirical data in the monitoring report and the conclusions reached therein will be critical in determining whether to further extend or permanently approve the Enhanced SuperMAX and Timed Enhanced SuperMAX pilot program. Moreover, extending the effectiveness of the pilot program until December 31, 1996 will provide the Commission with four months in which to carefully and comprehensively evaluate the information provided by the Exchange. Accordingly, the Commission believes that it is reasonable to extend the Enhanced SuperMAX and Timed Enhanced SuperMAX pilot program until December 31, 1996, and extend the deadline for filing the monitoring report until August 31, 1996.

Any requests to modify this pilot program, to extend its effectiveness, or to seek permanent approval for the pilot program should be submitted to the

¹ See Securities Exchange Act Release No. 35753 (May 22, 1995), 60 FR 28007 (May 26, 1995).

² See Securities Exchange Act Release No. 36027 (July 27, 1995), 60 FR 39465 (August 2, 1995) ("Pilot Approval Order").

³ See Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 (January 17, 1996).

⁴ See Securities Exchange Act Release No. 30058 (December 10, 1991), 56 FR 65765 (December 18, 1991).

⁵ The term national best bid or offer ("NBBO") is defined under SEC Rule 11Ac1-2 as the highest bid or lowest offer for a reported security made available by any reporting market center pursuant to Rule 11Ac1-1 or the highest bid or lowest offer for a security other than a reported security disseminated by an over-the-counter market maker in Level 2 or 3 of Nasdaq.

⁶ 15 U.S.C. 78f.

⁷ See *supra*, note 2.

Commission by October 15, 1996 as a proposed rule change pursuant to Section 19(b) of the Act.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. This will permit the pilot program to remain in effect until December 31, 1996 without interruption. In addition, the Exchange has represented that no problems have arisen and no complaints have been received concerning the pilot program since its implementation.⁸ Accordingly, the Commission believes it is consistent with Section 6(b)(5) of the Act to approve the proposed rule change on an accelerated basis.

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 in the Commission's Public Reference Section, 450 Fifth Street NW., Washington, DC. 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-96-19 and should be submitted by August 26, 1996.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-CHX-96-19), extending the pilot program until December 31, 1996 and extending the deadline for filing the monitoring report to August 31, 1996, is hereby approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

⁸ Telephone conversation between David T. Rusoff, Esq., Foley & Lardner, and James T. McHale, Attorney, Office of Market Supervision, Division of Market Regulation, SEC on July 17, 1996.

⁹ U.S.C. 78s(b)(2).

¹⁰ CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37490; File No. SR-DTC-96-12]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Regarding the Quarterly Assessment of Participants for Lines of Credit Costs

July 29, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 12, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-12) as described in Items I, II, and III below, which items have been prepared primarily by DTC. 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 purpose of the proposal is to change from a monthly basis to a quarterly basis DTC's assessment of participants to recover its costs of obtaining a committed line of credit to fund shortfalls resulting from late payments of principal and income ("P&I payments").

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

The purpose of the proposal is to change from a monthly basis to a

quarterly basis DTC's assessment of participants to recover its costs of obtaining a committed line of credit to fund shortfalls resulting from late P&I payments. In order to help assure that DTC is able to allocate P&I payments to participants in same-day funds on the payment date, DTC has obtained a committed bank line of credit to support P&I Payment allocations of funds not received by DTC's 2:30 p.m. cut-off time. DTC's procedures provide that the commitment fee paid by DTC will be charged to participants monthly on a pro-rata basis based upon the P&I payments that each participant received during the previous calendar year or other reasonably determined time period.³ The purpose of the proposed rule change is to provide for this charge to be made quarterly, instead of monthly, because DTC is billed on a quarterly basis.

DTC believes that the proposed rule change is consistent with Section 17A of the Act⁴ and the rules and regulations thereunder, because it will provide for the equitable allocation of dues, fees, and other charges among participants.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

DTC did not solicit comments on 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)(ii)⁵ of the Act and pursuant to Rule 19b-4(e)(2)⁶ promulgated thereunder in that the proposal changes a due, fee, or other charge. At any time within sixty 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

³ Securities Exchange Act Release No. 36837 (February 13, 1996), 61 FR 6404 [File No. SR-DTC-96-02] (notice of filing and immediate effectiveness of proposed rule change regarding principal and income payments to participants).

⁴ 15 U.S.C. § 78q-1 (1988).

⁵ 15 U.S.C. § 78s(b)(3)(A)(ii) (1988).

⁶ 17 CFR 240.19b-4(e)(2) (1995).

¹ 15 U.S.C. 78s(b)(1) (1988).

² The Commission has modified the text of the summaries prepared by DTC.