

and orderly market and that no Registered Trader should enter into transactions or make bids or offers that are inconsistent with such a course of dealings.⁶ In recognition of this, such market makers are designated as specialists on the Exchange for all purposes under the Act (See Rule 958, Commentary .01), and are entitled to good faith market maker margin with respect to transactions effected on the Amex trading floor in these assigned securities.⁷ The Exchange anticipates that application of Rule 958 requirements to supplemental Exchange market making by its members in currency warrants will encourage additional competition, thereby enhancing liquidity in such securities, and also eliminate an anomalous regulatory disparity between currency and stock index warrant trading.

II. Discussion

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, the requirements of Section 6(b)(5).⁸ In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) requirement that the rules of an exchange be designed to promote just and equitable principles of trade and not to permit unfair discrimination between customers, issuers, brokers, and dealers. Because the proposed rule change would impose specialist obligations on Registered Traders as specialists for the purpose of trading currency warrants, the Commission also believes that the proposal is consistent with Section 11(b) and Rule 11b-1 under the Act, which provide that the rules of a national securities exchange may permit members to be registered as specialists, subject to the requirement of maintaining fair and orderly markets in their specialty securities.

The Commission notes that the proposed rule change will conform the treatment of currency warrants to that of stock index warrants and other non-options derivative products. As a result, Registered Traders that trade currency warrants on the Amex under Rule 958 will assume continuous affirmative and negative market making obligations and

be treated as specialists under the Act, including for margin purposes. This allows the extension and application of good faith margin treatment for such transactions, thereby helping to attract more market makers and liquidity in currency warrants. Furthermore, the stabilization requirements applicable to REMMs will not apply to a Registered Trader's transactions in currency warrants. Because of the duty imposed on Registered Traders that all such transactions must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, the Commission believes it is appropriate not to apply these provisions to Registered Traders. In this respect, the Commission notes that Amex Rule 127, Minimum Fractional Changes, will continue to apply to transactions in currency warrants as will Rule 958(c)(i), which addresses bid-ask differentials.

In summary, the Commission believes that the market making obligations of an ROT together with the extension of good faith margin could help to increase the depth and liquidity of the Amex currency warrant market.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-Amex-95-38) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36851; File No. SR-CHX-96-05]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Acting as Agent for Members and Member Organizations

February 15, 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 February 7, 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 Article XXI, Rule 13 of the CHX's rules relating to the CHX acting as agent for certain persons.

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

In Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 (January 17, 1996) (File No. SR-CHX-95-27), the Commission approved a proposed rule change by the Exchange relating to its decision to withdraw from the clearance and settlement and securities depository businesses conducted by its subsidiaries, among other things. In Securities Exchange Act Release No. 36723 (January 16, 1996), 61 FR 1803 (January 23, 1996) (File No. SR-CHX-95-29), the Commission approved a proposed rule change by the Exchange making certain changes to its rules that were necessitated by its withdrawal from those businesses. One change related to the adoption of a new Article XXI, Rule 13 that permits the Exchange to act as agent on behalf of specialists, market makers, and floor brokers.¹ However, it has become apparent that the Exchange needs the flexibility to be able to provide this service to qualified non-floor members that are members of a Qualified Clearing Agency (as that term is defined in the

⁶ See also Rule 958(c) which, among other things, imposes additional requirements when a ROT is in the trading crowd to make competitive bids and offers as reasonably necessary to contribute to the maintenance of a fair and orderly market.

⁷ Market maker margin for certain off-floor initiated transactions may also be available. See Commentary .01 to Rule 958.

⁸ 15 U.S.C. § 78f(b)(5) (1982).

⁹ 15 U.S.C. § 78s(b)(2) (1988).

¹⁰ 17 CFR § 200.30-3(a)(12) (1994).

¹ Specifically, Article XXI, Rule 13 authorizes the Exchange to enter into agreements with specialists, market makers, or floor brokers to perform various functions on behalf of and as agent for them. Such functions may include making deposits or withdrawals from a bank account, borrowing securities, providing and keeping reports and records, and performing special cashing functions, among other things.

CHX rules).² Thus, the purpose of the proposed rule change is to expand the scope of this agency service.

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 to and perfect the mechanism of a free 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 solicited or received with respect to the proposed rule change.

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) the Exchange has provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁴ and Rule 19b-4(e)(6) thereunder.⁵

A proposed rule change filed under Rule 19b-4(e)(6) does not become operative prior to thirty days after the date of filing or such shorter time as the Commission may designate if such action is consistent with the protection of investors and the public interest. In conjunction with the Exchange's recent withdrawal from the securities clearance and depository businesses, the Commission approved new CHX Article XXI, Rule 13, which permits the CHX to act as agent on behalf of specialists, market makers, and floor brokers. As it subsequently has become apparent to the Exchange that the CHX needs the flexibility to be able to act as agent on behalf of non-floor members that are members of a Qualified Clearing Agency, the CHX requests that the

Commission accelerate the implementation of the proposed rule change so that it may take effect prior to the thirty days specified under Rule 19b-4(e)(6)(iii).⁶ The Commission finds that the proposed rule change is consistent with the protection of investors and the public interest and therefore has determined to make the proposed rule change operative as of the date of this order.

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 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-96-05 and should be submitted by March 15, 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. 34-36856; File Nos. SR-MCC-96-01 and SR-MSTC-96-01]

Self-Regulatory Organizations; Midwest Clearing Corporation; Midwest Securities Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Changes Relating to the Termination Dates for Services Provided by Midwest Clearing Corporation and Midwest Securities Trust Company

February 16, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 29, 1996, the Midwest Clearing Corporation ("MCC") and the Midwest Securities Trust Company ("MSTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes (File Nos. SR-MCC-96-01 and SR-MSTC-96-01) as described in Items I, II, and III below, which items have been prepared primarily by MCC and MSTC. On February 8, 1996, MCC and MSTC filed amendments to the proposed rule changes to make technical corrections not affecting the substance of the proposals.² The Commission is publishing this notice to solicit comments from interested persons.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

MCC and MSTC propose to notify their participants of the transition dates selected for the final termination of MCC's and MSTC's services.

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, MCC and MSTC included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments they received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. MCC and MSTC have prepared summaries, set forth in section (A), (B) and (C) below, of the most significant aspects of such statements.³

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Letters from George T. Simon, Foley & Lardner [counsel to MCC/MSTC], to Jerry Carpenter, Senior Attorney, Division of Market Regulation, Commission (January 26, 1996).

³ The Commission has modified the text of the summaries prepared by MCC and MSTC.

² See CHX Article XXI, Rule 4, Interpretation and Policy .03.

³ 15 U.S.C. 78f(b)(5).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(e)(6).

⁶ 17 CFR 240.19b-4(e)(6)(iii).