

prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. This will allow the Exchange to quote all the securities listed on the Exchange in finer increments. Requiring the Exchange to wait the full statutory review period for the proposed rule change would unnecessarily complicate the CHX's transition to finer increments and could place the Exchange at a competitive disadvantage vis-a-vis other markets. At the same time, the proposal is effective only until the Commission acts on File No. SR-CHX-97-13.⁶ This will provide the Commission with a sufficient period to receive and assess comments on SR-CHX-97-14. Therefore, the Commission believes it is consistent with Section 6(b)(5) and Section 19(b)(2) of the Act to grant accelerated approval on a temporary basis to the proposed rule change.⁷

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-CHX-97-14) is hereby approved on an accelerated basis until the Commission acts on File No. SR-CHX-97-13.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38718; File No. SR-CHX-97-13]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Amending Rules Regarding Trading Variations

June 5, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 2, 1997, 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 person.

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

The Exchange proposes to amend Article XX, Rule 22, relating to trading variations, and to amend Article XX, Rule 35 to make technical changes necessitated by the changes to Rule 22.² The text of the proposed rule change is as follows [new text is italicized; deleted text is bracketed]:

ARTICLE XX

Minimum [Fractional Changes] *Variations*!

Rule 22. [Bids or offers in stocks above \$1.00 per share not be made at a less variation than $\frac{1}{8}$ of \$1.00 per share; in stocks below \$1.00 but above 50¢ per share, at a less fraction than $\frac{1}{16}$ of \$1.00 per share; in stocks below 50¢ per share, at a less variation than $\frac{1}{32}$ of \$1.00 per share; provided that the Committee on Floor Procedure may fix variations of less than the above for bids and offers in specific securities or classes of securities.] *Bids and offers in specific securities or classes of securities traded on the Exchange shall not be made in variations*

¹ 15 U.S.C. 78s(b)(1).

² The Commission notes that File Nos. SR-CHX-97-11, SR-CHX-97-12, and SR-CHX-97-14 are related filings whose effectiveness is linked to this file. See Securities Exchange Nos. 38704 (May 30, 1997) (approving File No. SR-CHX-97-11 on a temporary basis; reducing the trading increment from eighths to sixteenths for securities that are traded on the Exchange and on Nasdaq); 38717 (June 5, 1997) (approving File No. SR-CHX-97-12 on a temporary basis; a similar reduction in the trading increment for securities that are traded on the CHX and on the New York Stock Exchange); and 38719 (June 5, 1997) (approving File No. SR-CHX-97-14 on a temporary basis; a similar reduction in the trading increment for securities that are traded only on the Exchange).

less than the minimum variation established for such security or class of security as determined by the Committee on Floor Procedure from time to time.

Interpretations and Policies

- .01 The Committee on Floor Procedure has determined that the minimum variation for securities traded both on the Exchange and the American Stock Exchange, Inc. [that are selling above 25¢] shall be as follows: *for securities that are trading above 25¢, $\frac{1}{16}$ of \$1.00 per share; and for securities that are selling at or below 25¢, $\frac{1}{32}$ of \$1.00 per share.*
- .02 The Committee on Floor Procedure has determined that the minimum variation for securities traded both on the Exchange and the Nasdaq National Market shall be as follows: *for securities that are selling at or greater than \$1.00, $\frac{1}{16}$ of \$1.00 per share; and for securities that are selling below \$1.00, $\frac{1}{32}$ of \$1.00 per share.*
- .03 The Committee on Floor Procedure has determined that the minimum variation for securities traded both on the Exchange and the New York Stock Exchange shall be as follows: *for securities that are selling above \$1.00, $\frac{1}{16}$ of \$1.00 per share; and for securities that are selling below \$1.00, $\frac{1}{32}$ of \$1.00 per share.*
- .04 The Committee on Floor Procedure has determined that the minimum variation for securities traded exclusively on the exchange shall be as follows: *for securities that are selling above \$1.00, $\frac{1}{16}$ of \$1.00 per share; and for securities that are selling below \$1.00, $\frac{1}{32}$ of \$1.00 per share.*

Security Quoted "Ex-dividend," "Ex-distribution," "Ex-rights" or "Ex-interest"

Rule 35. When a security is quoted "ex-dividend," "ex-distribution," "ex-rights" or "ex-interest" the following kinds of orders shall be reduced by the value of the payment or rights, and increased in shares in the case of stock dividends and stock distributions which result in round lots, on the day the security sells. Should the disbursement be in an amount other than the [fraction] *minimum variation* in which bids and offers are made, or a multiple thereof, orders shall be reduced by the next higher [fraction] *minimum variation*.

Interpretations and Policies

.01 Reduction of orders—Proportional procedures.—Open buy orders and open stop orders to sell shall be reduced by the proportional value of a stock distribution on the day a security sells ex-dividend or ex-distribution. The new price of the order is determined by dividing the price of the original order by 100% plus the percentage value of the stock dividend or stock distribution. For example, in a stock dividend of 3%, the price of an order would be divided by 103%.

The chart at the end of .03 below lists, for the more frequent stock distributions, the percentages by which the prices of open buy orders and open stop orders to sell shall be divided to determine the new order prices.

⁶ File No. SR-CHX-97-13 is a companion filing that requests permanent approval of the procedures described herein. Securities Exchange Act Release No. 38718 (June 5, 1997). File Nos. SR-CHX-97-11 and SR-CHX-97-12 are related filings whose effectiveness is linked to SR-CHX-97-13. See Securities Exchange Act Release Nos. 38704 (May 30, 1997) (approving File No. SR-CHX-97-11 on a temporary basis; reducing the trading increment from eighths to sixteenths for securities that are traded on the Exchange and on Nasdaq) and 38717 (June 5, 1997) (approving File No. SR-CHX-97-12 on a temporary basis; a similar reduction in the trading increment for securities that are traded on the CHX and on the New York Stock Exchange).

⁷ 15 U.S.C. §§ 78f(b)(5) and 78s(b)(2).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 C.F.R. 200.30-3(a)(12).

If, as a result of this calculation, the price is not equivalent to or is not a multiple of the [fraction of a dollar] *minimum variation* in which bids and offers are made in the particular security, the price should be rounded to the next lower variation[s]; i.e., when a calculation results in a price of \$14.27, the price of an order is rounded to 14¹/₄; a calculation resulting \$14.47 is rounded to 14³/₈].

In reverse splits, all orders (including open sell orders and open stop orders to buy) should be cancelled.

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

Current Article XX, Rule 22 provides set trading variations for all securities, subject to exceptions made by the Committee on Floor Procedure. Recently, different markets have changed the variations in which securities are traded. In order to maintain flexibility in trading securities for which the Exchange is not the primary market, the proposed rule change allows the Exchange, through the Committee on Floor Procedure, to adopt as necessary appropriate trading variations for each security traded on the Exchange.

Earlier this year, the Committee on Floor Procedure determined to make an exception to the general trading variations used by the Exchange for securities traded on the American Stock Exchange ("Amex") to track the increments in which such securities are traded on the Amex. That exception was codified as Interpretation and Policy .01 to Rule 22. This proposed rule change amends Interpretation and Policy .01 relating to trading variations for Amex securities to conform the interpretation to changes in the text of Rule 22. The proposed rule change also adds to Rule 22, Interpretation and Policy .02 and .03, dealing with trading variations for stocks traded on the Exchange and the New York Stock Exchange ("NYSE") or

the Nasdaq National Market, as the case may be. In addition, the proposed rule change adds Interpretation and Policy .04 to Rule 22, to provide trading variations for securities traded exclusively on the Exchange.

The proposed change to Article XX, Rule 35 is a technical change to more accurately reflect the terminology used in Rule 22.

The Exchange proposes that proposed Interpretation and Policy .03 to Rule 22, dealing with trading variations in stocks traded on the NYSE, become effective at the later of (a) approval by the SEC of the proposed rule change and (b) such time as enhancement to Intermarket Trading System ("ITS") is made to permit trading in Tape A issues in minimum variations of a sixteenth through ITS. The Exchange further proposes that proposed Interpretation and Policy .02 to Rule 22 become effective on the later of (a) approval by the SEC of the proposed rule change and (b) such date as the National Association of Securities Dealers' pending rule filing to trade in sixteenths becomes effective and is implemented.³ Current Article XX, Rule 22 provides set trading variations for all securities, subject to exceptions made by the Committee on Floor Procedure. Recently, different markets have change the variations in which securities are traded. In order to maintain the flexibility of the Exchange in trading securities for which the Exchange is not the primary market, the proposed rule change allows the Exchange, through the Committee on Floor Procedure, to adopt as necessary appropriate trading variations for each security traded on the Exchange.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)⁴ of the Act in general and furthers the objectives of Section 6(b)(5)⁵ in particular in that it is designed 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.

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

The Exchange believes the proposed rule change will impose no burden on competition.

³The Commission notes that it approved File No. SR-NASD-97-27 on May 27, 1997, and it was implemented on June 2, 1997. Securities Exchange Act Release No. 38678 (May 27, 1997).

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

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

The Exchange has neither solicited nor received written comments.

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, 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 Room, 450 Fifth Street, NW., Washington, DC 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-97-13 and should be submitted by July 3, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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⁶ 17 C.F.R. 200.30-3(a)(12).