

Investors Associates, Inc., a New Jersey broker-dealer; and

(2) The accuracy of TFCH's February 12, 1997 public announcement that it "welcomes" the Commission's inquiry, offers "full cooperation" and states that company officials would be able to provide the Commission with the information it requires within nine days, when Joe Davis, who is TFCH's president, Loretta Davis, who was its founder and formerly its president, and Barclay Davis, who formerly was its secretary and director but who continues to act on behalf of TFCH, have all stated through counsel that they refuse to testify in the investigation in reliance on their Fifth Amendment privileges against self-incrimination.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in the securities of the above-listed company.

Therefore, it is ordered pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the above listed company is suspended for the period from 9:00 a.m. EST, February 27, 1997, through 11:59 p.m. EST, March 12, 1997.

By the Commission.

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-38331; File No. SR-BSE-96-10]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Boston Stock Exchange, Inc. Relating to Amending the Execution Guarantee Rule and BEACON Rule 5**

February 24, 1997.

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 December 1, 1996, the Boston Stock Exchange, Incorporated ("BSE" 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. The Exchange also filed Amendment Nos. 1 and 2 on February 14 and 19, 1997,

respectively, the substance of which is incorporated into this notice.<sup>1</sup>

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

BSE proposes to amend Chapter II, Section 33, the Execution Guarantee Rule ("Execution Guarantee Rule"), and Chapter XXXIII, Section 5, the Boston Exchange Automated Communication Order-Routing Network ("BEACON System") Rule ("BEACON Rule 5").

**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 Section 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 main purpose of the proposed rule change is to amend certain provisions of the Execution Guarantee Rule and BEACON Rule 5. The Execution Guarantee Rule was adopted to provide customers with primary market price protection on small size orders. The Exchange states that the guarantee was intended to apply to orders ranging in size from 100 shares up to and including 1,299 shares, regardless of the displayed bid or offer size at the time. Orders over 1,299 shares were not intended to receive a partial execution of 1,299 shares, but were to be handled based on prints in the primary market. The proposed rule change is designed to clarify that BSE specialists must guarantee execution on all agency market and marketable limit orders from 100 up to and including 1,299 shares. The current language of the Execution Guarantee Rule indicates that this guarantee applies "regardless of the size of the order." The Exchange is proposing to delete this phrase. The Exchange states that in drafting the

original text of the rule, the phrase "regardless of the size of the order" was incorrectly stated.

The proposed rule change also eliminates the 2,500 execution guarantee for most actively traded stocks ("MATS") from the Execution Guarantee Rule. The Exchange believes that market conditions should dictate the appropriate execution size for a customer order in a given trading situation. The Exchange believes that because market conditions do not always provide a 2,500 share liquidity level in the MATS issues, it is appropriate to allow natural liquidity level in the MATS issues, it is appropriate to allow natural liquidity levels to establish price and size parameters on larger orders. In addition, the Exchange notes that it has never received a customer complaint regarding the failure of a specialist to honor the 2,500 share MATS guarantee. The Exchange believes that this is most likely because customers do not expect or receive an execution where market conditions do not so warrant and that because of this the elimination of the MATS requirement from the execution guarantee will have no impact.

The proposed rule change moves rule text covering the obligation for filling limit orders from the Interpretations and Policies section to the body of the Execution Guarantee Rule and labels it as paragraph (c). The proposed rule change also renumbers and clarifies the remaining Interpretations and Policies to the Execution Guarantee Rule. The proposed rule change clarifies proposed Interpretation and Policy .03 of the Execution Guarantee Rule regarding simultaneous orders to limit a specialist's obligation to the accumulated displayed national best bid and offer ("NBBO") size, where multiple orders are received in a short period of time, particularly in illiquid stocks. The Exchange notes that the original language was adopted prior to electronic order routing and did not anticipate the high volume of today's electronic trading environment.

The proposed rule change limits the scope of proposed Interpretation and Policy .04, which says that size will be governed by the size displayed on the Consolidated Quote System ("CQS"), to limit order executions. The Exchange states that proposed Interpretation and Policy .04 is restricted to limit orders because market orders are already addressed in proposed paragraphs (a) and (b) of the Execution Guarantee Rule.<sup>2</sup> The Exchange proposes two

<sup>1</sup> See letters from Karen A. Aluise, Assistant Vice President, BSE, to Michael Walinskas, Senior Special Counsel, Market Regulation, Commission, dated February 10, 1997 ("Amendment No. 1") and February 13, 1997 ("Amendment No. 2") respectively.

<sup>2</sup> Proposed paragraph (a) states that specialists will guarantee execution on all agency market and

additional changes to the Execution Guarantee Rule. Proposed Interpretation and Policy .05, regarding adjustments in execution price, has been clarified to include all situations where a market center is experiencing system problems that result in invalid quotations in CQS, not just those quotations that can be demonstrated to be in error. Finally, under proposed Interpretation and Policy .06, specialists can obtain relief from the requirements of the remainder of the Execution Guarantee Rule<sup>3</sup> upon approval from three Floor Officials, rather than the current standard of requiring the approval of two floor members of the Board of Governors or the Market Performance committee. The Exchange notes that Floor Officials include floor members of the Board of Governors. The Exchange states that this change will provide a larger field from which to seek such relief, particularly where absence from the floor and conflict of interest are issues.

BEACON Rule 5 was adopted to specifically address the function of the BEACON System on the trading floor. The automatic execution function in BEACON is designed to aid specialists in the execution of customer orders. The system performs a price check and will automatically execute certain qualifying orders without the intervention of a specialist, except for potential price improvement. The 1,299 share automatic execution parameter in the current BEACON Rule 5 was selected based on the size of the execution guarantee contained in the Execution Guarantee Rule, although higher (2,500 shares) and lower (599 shares) parameters are available in certain situations.

Current BEACON Rule 5 contains three automatic execution parameters (2,500; 1,299; 599), referred to as Tiers I, II, and III. However, the Exchange states that practice has been to only utilize the 1,299 automatic execution parameter of BEACON Rule 5 for automatic execution and the Execution Guarantee Rule to address price and size of execution, manual or automatic. As a result, the proposed rule change to paragraph (a) of BEACON Rule 5 eliminates all references to Tier I, II and III stocks, thus subjecting all the stocks

covered by BEACON Rule 5 to the 1,299 automatic execution parameter unless they are specifically exempted under paragraph (b). The proposed rule change to paragraph (b) of BEACON Rule 5 still allows the specialist to request a 599 automatic execution parameter under certain circumstances and takes out all references to Tier I and Tier II stocks. In addition, paragraph (a) still allows specialists to provide automatic execution parameters larger than the 1,299 minimum requirement.

The Exchange has also proposed certain technical changes to BEACON Rule 5. The automatic execution parameters will be published in the BEACON System, but not in hard copy anymore. All references to the word "guarantee" will be replaced with "automatic execution parameters" or "parameters" because hindsight has shown that the use of the word "guarantee" in regard to the required automatic execution parameter in BEACON Rule 5 has been confusing. The proposed rule change also amends paragraphs (c) and (d) of BEACON Rule 5 to eliminate all references to the "BEACON quotation", which is more closely associated with the specialist's displayed quotation, and replaces them with "BEACON reference price."

The proposed rule change, in clarifying current paragraph (c) of BEACON Rule 5, changes the BEACON reference price from the primary market best bid or offer price to the consolidated best bid or offer ("BBO") price. All market and marketable limit orders will be filled in their entirety, up to the current BEACON Rule 5 automatic execution parameter, regardless of the displayed size of the consolidated BBO. In addition, the proposed rule change to paragraph (c) of BEACON Rule 5 eliminates the last sentence of paragraph (c), which refers to bids and offers superior in price to the BEACON reference price, to reflect the incorporation of these quotations into the BEACON reference price, by changing the reference price from the primary market best bid or offer to the consolidated market best bid or offer.

The Exchange is amending paragraph (d) of BEACON Rule 5 to give specialists discretion to stop orders, which better expresses the intent of the rule. The proposed rule change accomplishes this amendment by replacing "will be 'stopped'" with "should be 'stopped'." The proposed rule change eliminates both paragraphs (e) (requiring that "stopped" order must be executed by the close of trading) and (f) (stating that principal orders will not be subject to the execution guarantee as defined in this section) of BEACON Rule 5 because

the requirements are addressed in separate rules. BEACON Rule 1(a) states that only agency orders will be eligible for automatic execution in the BEACON System.

The Exchange states that this rule change will have no impact on the members or customers of the Exchange, other than to eliminate confusing, conflicting and unnecessary provisions of the Execution Guarantee Rule and BEACON Rule 5. The BEACON System automatic execution parameters and the Execution guarantee Rule execution guarantee will remain unchanged.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>4</sup> 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 national market system, and in general, to protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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

The Exchange 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 either solicited or received.

## 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

marketable limit orders from 100 up to and including 1,299 shares. Proposed paragraph (b) states that, subject to requirements of the short sale rule, all agency market orders must be filled on the basis of the CQS best bid or better on a sell order, or the CQS best offer or better on a buy order.

<sup>3</sup>The Commission notes that the proposed Interpretation and Policy .06 also amends the rule to state that the specialist can now seek relief from the remainder of the entire Execution Guarantee Rule, rather than from just the Interpretations and Policies.

<sup>4</sup> 15 U.S.C. 78f(b)(5).

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. 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-BSE-96-10 and should be submitted by March 24, 1997.

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

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-38334; File No. SR-DCC-97-01]

**Self-Regulatory Organizations; Delta Clearing Corp.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Amendment of Fees Charges for Repurchase Agreements**

February 24, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 5, 1997, Delta Clearing Corp. ("DCC") 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 primarily by DCC. 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 proposed rule change is to amend DCC's fee schedule for trades of repurchase and reverse repurchase agreement ("repos") involving U.S. Government Treasury Securities cleared through DCC.

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

In its filing with the Commission, DCC included statements concerning the purpose of and statutory basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

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

The purpose of the proposed rule change is to amend DCC's fee schedule for the clearance of repos on U.S. Treasury Securities. The new fees will be the greater of either:

A minimum charge per ticket of \$9.00 per round turn<sup>3</sup>; or

Term of the trade	Fee
Overnight up to four-teen days in length.	One-half (.50) basis point per million per day on all trades.
Fifteen to thirty-five days in length.	One-third (.33) basis point per million per day on all trades.
Greater than thirty-five days in length.	One-fifth (.20) basis point per million per day on all trades.

The proposed rule change complies with Section 17A(b)(3)(D) of the Act<sup>4</sup> which requires that the rules of a registered clearing agency provide for equitable allocation of reasonable dues, fees, and other charges for services which it provides to its participants. DCC believes the proposed rule change will result in increased utilization of its clearing services thereby resulting in more securities transactions being cleared and settled through a registered clearing agency environment.

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

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

<sup>2</sup> The Commission has modified parts of these statements.

<sup>3</sup> There are no other charges for bank fees, comparison, federal pass through or money movements.

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(D).

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

Comments were neither solicited nor received.

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by DCC, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>5</sup> and Rule 19b-4(e)(2) thereunder.<sup>6</sup> At any time within sixty days of the filing of the 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 filing will also be available for inspection and copying at DCC. All submissions should refer to the File No. SR-DCC-97-01 and should be submitted by March 24, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(e)(2).

<sup>7</sup> 17 CFR 200.30-3 (a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).