

For the SEC, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41968; File No. SR-CHX-99-08]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the Chicago Stock Exchange, Inc., Relating to Access to an After-Hours Trading Session

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 2, 1999, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On September 28, 1999, the Exchange filed an amendment to the proposed rule change.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change and Amendment No. 1 from interested persons.

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

The Exchange proposes to add new Article I.B. to provide rules that would govern access to the CHX trading floor (and related trading privileges) during an after-hours trading session ("E-Session").<sup>4</sup> The text of the proposed rule change and Amendment No. 1 is available at the Exchange 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 Exchange 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 Exchange proposes to amend its rules to include provisions for persons desiring to obtain trading privileges for an E-Session that would operate after the Primary Trading Session and Post Primary Trading Session. At this time, the Exchange is only proposed rules relating to trading privileges and is not proposing any trading rules.

Under the proposed rules, a person or entity may access the E-Session through his or its own existing Exchange membership or by leasing the rights to a membership. The rights and privileges that can be leased for the E-Session will be limited to access rights to the trading floor during the E-Session in the capacity of a floor broker or co-specialist only ("night trading privileges"). To lease the E-Session trading privileges of a membership, a person or entity would be required to register with and be approved by the Exchange as a member or member organization under the Exchange's Constitution and Rules. The lessee would not be entitled to sublease the privileges and rights and would not be able to vote such interest.<sup>5</sup> Further, the lessee of the E-Session trading privilege will be required to provide proof of an agreement with a registered clearing firm that is approved by the Exchange and provide evidence that such clearing firm will guarantee the lessee's obligations for any and all losses incurred through his or its lease of the E-Session trading privileges.<sup>6</sup> The

lessee will be required to execute a lease agreement (which would be required to be approved by the Exchange) in which the lessee must make certain representations with respect to the rights and privileges acquired. The lessee shall be considered a "member" or "member organization" for purposes of the federal securities laws, and the Exchange's Certificate of Incorporation, Constitution and Rules, except in certain circumstances set forth in the rules.

With respect to lessors, the proposed rules would require that the lessor be either: (i) An Approved Lessor, as defined in Article I.A of the Exchange rules; (ii) a member of member organization that leases its membership privileges to a lessee for the Primary Trading Session; or (iii) a member or member organization that owns a membership and uses the membership for his or its own purposes during the Primary Trading Session.

Finally, the proposed rules would permit the Exchange to terminate the E-Session trading privileges if the Exchange determines that it is in the best interests of the Exchange.

###### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>7</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons regulating securities transactions, 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 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

membership during the Primary Trading Session, it will not be viewed as an asset of the person leasing the membership during the E-Session, unless such person is leasing the membership for both the Primary Trading Session and the E-Session.

<sup>7</sup> 15 U.S.C. 78f(b)(5).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See letter from Ellen J. Neely, Vice President and General Counsel, CHX, to Alton S. Harvey, Chief, Office of Market Watch, Division of Market Regulation, SEC, September 27, 1999 ("Amendment No. 1"). In Amendment No. 1, the CHX proposes several technical amendments to its filing, including substituting the term "E-Session" for the term "night trading" and deleting all references to market makers.

<sup>4</sup> The Exchange is proposing these access rules at this time so that they will be in place if the Exchange's filing, submitted under separate cover, to initiate an E-Session, is approved by the Commission. See File No. SR-CHX-99-16, currently pending with the Commission.

<sup>5</sup> The voting right would be retained by the person who is designated as the Voting Designee on the seat.

<sup>6</sup> With respect to a person leasing a membership for the Primary Trading Session, the membership is considered an asset of the lessee and, therefore, the Exchange may sell the membership to satisfy any debts of such person. Because the membership is viewed as an asset of the person leasing the

### 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 CHX 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, including whether the proposed rule change, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 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-99-08 and should be submitted by October 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Jonathan G. Katz,**  
Secretary.

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41969; File No. SR-CHX-99-14]

#### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to "Stop" and "Stop Limit" Orders

September 30, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice hereby is given that on August 27, 1999, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 add Article XX, Rule 28A to the Exchange's Rules relating to "stop" and "stop limit" orders to clarify that the existing Rule 28 of Article XX relates solely to "stopped" orders. Below is the text of the proposed rule change. Proposed new language is in *italics*.

#### Chicago Stock Exchange Rules Article XX

##### Rule 28A Stop Orders

(a) *Dual Trading System Issues.*<sup>3</sup>  
(1) *Stop Orders.* A "stop" order to buy shall be entered at a price above the current primary market offer. A "stop" order to sell shall only be entered at a price below the current primary market bid. Once entered, a "stop" order may not be executed until a trade (the "effective trade") occurs in the primary market that is at or through the price of the "stop" order. Once the effective trade occurs, the "stop" order shall be executed based upon the next primary market trade, but at a price no better than the effective trade (i.e., the "stop" order shall be executed on a next-no better basis).

(2) *Stop Limit Orders.*

(a) *Buy Stop Limit Orders.* A buy stop limit order shall only be entered at a

price above the current primary market offer and shall become a limit order when a round-lot transaction takes place in the primary market at or above the stop price. The order shall then be filled in the manner prescribed for handling a limit order to buy.

(b) *Sell Stop Limit Orders.* A sell stop limit order shall only be entered at a price below the current primary market bid and shall become a limit order when a round-lot transaction takes place in the primary market at or below the stop price. The order shall then be filled in the manner prescribed for handling a limit order to sell.

(b) *Nasdaq/NM Issues:*

A "stop" or "stop limit" order to buy shall only be entered at a price above the then-current best offer disseminated pursuant to SEC Rule 11Ac1-1 (the "National Best Offer"). A "stop" or "stop limit" order to sell shall only be entered at a price below the then-current best bid disseminated pursuant to SEC Rule 11Ac1-1 (the "National Best Bid"). Once entered, a stop or stop limit order may not be executed until the price of the order is equal to (1) the National Best Offer in the case of a buy order or (2) the National Best Bid in the case of a sell order, at which time the member or member organization that accepted the order shall be obligated to use its best efforts to obtain the best available price to fill such order.

#### 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 regarding the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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 primary purpose of the proposed rule change is to add a provision to the Exchange's Rules relating to "stop" orders, thereby clarifying that the existing Rule 28 of Article XX relates solely to "stopped" orders.<sup>4</sup> Under the

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Dual Trading Systems issues are issues traded on both the CHX and either the New York Stock Exchange or the American Stock Exchange.

<sup>4</sup> A "stopped" order is an order that is accepted by a member and guaranteed a fill at a specific price, usually the price at the time the order is

<sup>8</sup> 17 CFR 200.30-3(a)(12).