

more fully automate the transmission of orders and to provide additional protections to investors who trade during the E-Session. For example, only unconditional limit orders will be eligible for execution in the proposed E-Session and all such orders must be specifically designated as E-Session orders. E-Session orders that are not executed during the E-Session will be automatically canceled and are not carried over to the next-day primary session. The Commission further notes that the CHX proposes to require its members to provide certain disclosures to non-members about the proposed E-Session. The Commission believes that the CHX's proposed mandatory disclosures to non-members should ensure that customers are reasonably informed about the specific risks associated with participation in the after-hours market before their orders are accepted by a CHX member. These requirements are designed to limit, to the extent possible, the likelihood of investor confusion regarding the significant differences between the E-Session and the existing trading sessions. Moreover, the proposed requirement that specialist firms continue to make two-sided, continuous markets in the securities assigned to them for the existing trading sessions may provide further liquidity for investor orders.

In the Commission's view, the CHX's proposal to require its members to follow the rules and procedures currently in place for the existing trading session, with certain exceptions, is reasonable. The Commission notes that proposed exceptions result from the CHX's desire to more fully automate its E-Session and the fact that no primary markets are expected to be operating in the after-hours market at the time the CHX's E-Session is implemented. Although the Commission believes that the proposed exceptions are reasonable at this time, the Commission expects that the CHX's Best System and its existing rules governing odd-lot orders would be applied by the CHX to the E-Session as soon as the primary markets initiate trading in the after-hours market.¹⁸

The Commission further notes that the CHX has represented that it intends to implement enhanced surveillance procedure with respect to the proposed E-Session.¹⁹ The enhanced surveillance capabilities should assist the CHX in satisfying the requirements of Section

6(b)(5) of the Act²⁰ that Exchange proposals be designed to promote just and equitable principles of trade.

Finally, the CHX has requested that the Commission find good cause pursuant to Section 19(b)(2) of the Act²¹ for approving the proposed rule change prior to the 30th day after publication in the **Federal Register**. The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in the **Federal Register** because accelerated approval will benefit investors by providing retail investors with another venue, in this case, a national securities exchange, for executing transactions after regular trading hours. Moreover, the rules and regulations applicable to Exchange members should increase competition in, and enhance the transparency of, the after-hours market. In particular, SIAC and Nasdaq will disseminate CHX quotations and trade data on a real-time basis over the consolidated tape.

The Commission further believes that good cause exists for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication in the **Federal Register**. The Commission notes that Amendment No. 1 merely establishes the extended hours trading session as a pilot program, scheduled to expire on March 1, 2000. The Commission believes that designation the E-Session as a pilot program will provide the Commission and the CHX with additional time to evaluate the issues implicated by after-hours trading. In addition, a pilot program should provide the Commission and the CHX with greater flexibility to modify the program to ensure consistency across markets when the primary markets extend their trading hours.

The Commission believes that good cause also exists to accelerate approval of Amendment No. 2 to the proposed rule change. Amendment No. 2 delays the date on which the proposal becomes operative to October 29, 1999 to provide the Exchange additional time to ensure that its systems are ready. The Commission believes that it is prudent for the CHX to take the requisite time to ensure that its systems are fully prepared prior to implementing its proposed E-Session. The Commission finds, therefore, that granting accelerated approval of the proposed rule change, including Amendment Nos. 1 and 2, is appropriate and consistent with Section 6 of the Act.²²

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²³ that the proposed rule change (SR-CHX-99-16), as amended, is hereby approved on an accelerated basis as a pilot program, through March 1, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁴

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42001; File No. SR-CHX-99-17]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Voluntary Delisting Requirements

October 13, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 24, 1999, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I and II 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 XXVIII, Rule 4 of the Exchange's rules to modify the prerequisites to voluntary delisting from the Exchange. Specifically, the proposed rule change would delete the requirement that an issuer seeking to delist first obtain shareholder approval, replacing the deleted provisions with a provision requiring that the issuer first file with the Exchange a certified copy of its board resolution authorizing delisting.

²³ 15 U.S.C. 78s(b)(2).

²⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹⁸ These changes would require the CHX to submit a rule filing with the Commission pursuant to Section 19(b) of the Act. 15 U.S.C. 78s(b).

¹⁹ See *supra* note 11.

²⁰ 15 U.S.C. 78f(b)(5).

²¹ 15 U.S.C. 78s(b)(2).

²² 15 U.S.C. 78f.

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

The Exchange has proposed the rule change in order to ensure that CHX-listed companies are not subject to more stringent voluntary delisting requirements than those imposed by other exchanges. In prior years, many exchanges included in their listing standards the requirement that an issuer seeking to delist voluntarily first obtain shareholder approval. Over time, this requirement has been deleted by each exchange (other than the CHX) and generally has been replaced with the requirement that the issuer demonstrate that its board of directors has authorized delisting. See, e.g., Amex Rule 18; PCX Rule 3.4(b); Phlx Rule 809.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) ³ of the Act, in general, and section 6(b)(5) ⁴ of the Act, 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 Exchange 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.

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

Written comments on the proposed rule change were neither solicited nor received.

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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. 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, located at the above address. Copies of such filing will also be available for inspection and copying at the principal office of the self-regulatory organization. All submissions should refer to File No. SR-CHX-99-17 and should be submitted by November 10, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42003; File No. SR-NASD-99-57]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 by National Association of Securities Dealers, Inc. Relating to the Extension of Certain Nasdaq Services and Facilities Until 6:30 p.m. Eastern Time

October 13, 1999.

Pursuant to Section 19(b)(1) of the Securities Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 5, 1999, the National Association of Securities Dealers, Inc. ("NASD"), through its wholly-owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by Nasdaq. On October 13, 1999, Nasdaq submitted Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change and Amendment No. 1 on a pilot basis through March 1, 2000.

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

Pursuant to the provisions of Section 19(b)(1) under the Act,⁴ Nasdaq is filing a proposed rule change to establish a pilot program extending the availability of several Nasdaq services and facilities until 6:30 p.m. Eastern Time. In addition, Nasdaq is proposing to extend the applicability of NASD Interpretive Material 2110-2 (the "Manning Rule") until 6:30 p.m. Eastern Time. Below is the text of the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Letter to Belinda Blaine, Associate Director, Division of Market Regulation ("Division"), Commission, from Thomas P. Moran, Assistant General Counsel, Nasdaq, dated October 12, 1999 ("Amendment No. 1"). In Amendment No. 1, Nasdaq proposes to amend the initial filing to request that the Commission approve its proposed extended hours trading session on a pilot basis beginning on October 25, 1999, through March 1, 2000. Nasdaq also explains in Amendment No. 1 how certain concerns regarding calculation of a 4 p.m. closing price will be addressed and how the Manning Rule will apply.

⁴ 15 U.S.C. 78s(b)(1).

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

⁵ 17 CFR 200.30-3(a)(12).