

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.

VI. Solicitation of Commission

Interested persons are invited to submit 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 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 CBOE. All submissions should refer to File No. SR-CBOE-99-56 and should be submitted by November 15, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[(Release No. 34-42025; File No. SR-CHX-99-12)]

Self-Regulatory Organizations; Notice of Filing Proposed Rule Change by the Chicago Stock Exchange, Inc. To Modify the Recommended Fine Schedule for the Submission of Late Financial and Operational Reports

October 18, 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 August

30, 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 CHX. On October 5, 1999, the CHX 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.

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

The Exchange proposes to eliminate the fixed fine schedule in Exchange Article XI, Rule 4,

Interpretation and Policy .02 ("IP.02"), regarding the submission of late financial and operational reports and subject violations under the rule to the CHX Minor Rule Violation Plan's standard recommended fine schedule. The text of the proposed rule change is available at the Office of the Secretary, the CHX 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 CHX 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 plates specified in Item IV below. The CHX 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

On May 30, 1996 the Commission approved a proposed rule change that established a CHX minor rule violation plan ("MRVP" or "Plan").⁴ Under the

³ See letter from Angelo Evangelo, Senior Attorney, Market Regulation, CHX, to John Roeser, Attorney, Division of Market Regulation, Commission, dated October 1, 1999 ("Amendment No. 1").

⁴ Rule 19d-1(c)(2) under the Act authorizes national securities exchanges to adopt minor rule violation plans for the summary discipline and abbreviated reporting of minor rule violations by exchange members and member organizations. See Securities Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984) (approving amendments to paragraph (c)(2) of Rule 19d-1 under the Act). The CHX's Plan was approved by the Commission in 1996. See Securities Exchange

Plan, the failure to file required financial and operational reports in a timely manner subjects members to a sanction. However, for such violations, the Plan's recommended fine schedule mirrors the fine schedule contained in IP .02. That fine schedule subjects members to late filing charges as follows:

Days Late/Amount

1-30—\$100

31-60—\$200

61-90—\$400

The Exchange is now proposing to eliminate the fixed fine schedule in IP .02, and to subject violations under the rule to the recommended fine schedule applicable to most other violations handled under the Plan. The recommended fine schedule provides that a \$100 fine be imposed for the first violation within a rolling twelve month period and a \$500 fine and \$1000 fine be imposed for the second and third such violations. The Exchange believes that the proposed change would allow the MRVP panel to levy higher fines for the late submission of financial and operational reports.⁵

2. Statutory Basis

The proposed rule change is consistent with the requirements of the Act and the rules and regulations under that Act which are applicable to a national securities exchange, and, in particular, with the requirements of Sections 6(b)(1), 6(b)(6), 6(b)(7), 6(d)(1) and 19(d) of the Act. The proposal is consistent with the Section 6(b)(6) requirement that the rules of an exchange provide that its members and persons associated with its members shall be disciplined appropriately for violations of the rules of the exchange.

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.

Act Release No. 37255 (May 30, 1996), 61 FR 28918 (June 6, 1996) (approving File No. SR-CHX-95-25).

⁵ With respect to the issue of how the MRVP panel would handle violations that differ in terms of the length of time submissions are overdue, the Exchange believes that the MRVP panel, in such instances, would use its discretion in determining appropriate fine amounts. Although the proposed new fine schedule would not expressly state that higher fine amounts are appropriate for overly late submissions, the Exchange indicates that the MRVP panel likely would exercise its discretion to sanction members in accordance with the number of days a report was late. See Amendment No. 1, *supra* note 3.

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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, 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-99-12 and should be submitted November 15, 1999.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42019; File No. SR-MSRB-99-7]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval to Proposed Rule Change Relating to an Amendment to Rule G-16 on Periodic Compliance Examinations

October 15, 1999.

I. Introduction

On August 13, 1999, the Municipal Securities Rulemaking Board ("Board" or "MSRB") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change relating to Rule G-16 on periodic compliance examinations. The proposed rule change was published for comment in the **Federal Register** on August 20, 1999.³ No comments were received on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

Section 15B(c)(7)(A)⁴ of the Act provides that periodic examinations of dealers for compliance with MSRB rules are to be conducted by the National Association of Securities Dealers, Inc. ("NASD") with respect to securities firms and by the appropriate federal bank regulatory agencies with respect to bank dealers. Rule G-16 permits periodic examinations of dealers for compliance with MSRB rules to be combined with other periodic examinations of securities firms and bank dealers to avoid unnecessary regulatory duplication and undue regulatory burdens for such firms and bank dealers. Rule G-16 currently requires that compliance examinations for dealers be conducted at least once every 24 months.

By letter dated April 28, 1999, NASD Regulation, Inc. ("NASDR") requested that the Board revise Rule G-16. The letter stated that because of NASDR's efforts to coordinate examination schedules, NASDR believes that the Board should change the 24-month requirement in Rule G-16 to a two calendar year requirement.

NASDR stated that the requirement in Rule G-16 that municipal securities

examinations commence within 24 months of the previous examination takes precedence over all examinations when coordinating examination schedules. NASDR uses the "field work start date" of a firm's prior municipal securities examination to calculate the 24-month period for the purposes of Rule G-16. Applying this methodology, NASDR identifies all municipal securities examinations required in a given calendar year. A determination is then made as to whether the identified firms are also scheduled for a routine cycle examination during the same year.

If a routine cycle examination is required of a firm that is subject to a municipal inspection, the routine and municipal examinations are combined. If a routine cycle examination is not required, a separate "off-cycle" municipal examination may have to be conducted on-site. Whenever a municipal securities examination is accelerated, the due date for commencement of a subsequent examination is moved to an earlier period; increasingly the first quarter. NASDR stated that this hampers both current and future examination planning and coordination. NASDR stated that without the rule change it may be necessary to remove municipal securities examinations from the coordinated examination programs.

The proposed rule change alters Rule G-16's requirement that compliance examinations be conducted once every 24 months to once every two calendar years. The rule change is intended to facilitate coordination of on-site examinations to eliminate unnecessary regulatory duplication without negatively affecting investor protection. A formal Memorandum of Understanding among the North American Securities Administrators Association, Inc., Commission, NASDR and other securities industry self-regulatory organizations reflect the joint commitment to coordinated examinations.

III. Discussion

The Commission believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder.⁵ In particular, the Commission finds that the proposed rule change is consistent

⁵ In reviewing this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. The proposed rule change should improve efficiency and competition because it permits flexibility for scheduling periodic compliance examinations. 15 U.S.C. 78c(f).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 41773 (Aug. 20, 1999), 64 FR 47209 (Aug. 30, 1999).

⁴ 15 U.S.C. 78o-4(c)(7)(A).

⁶ 17 CFR 200.30-3(a)(12).