

reflected in Exchange Floor Report Number 21, dated May 15, 1975, and in educational materials which are provided to Exchange members, prevents a market maker from avoiding CBOE Rule 6.55 by placing an order with a floor broker for a particular option contract or other security and also representing himself or herself in the trading crowd for such option contract or other security. The purpose of the proposed rule change is to specifically delineate this policy in the Exchange's rules by including it in a new paragraph (b) to CBOE Rule 6.55.<sup>2</sup>

In addition, the CBOE proposes to add Interpretation and Policy .01 to CBOE Rule 6.55 to specify three alternative procedures that govern how a market maker may permissibly enter a trading crowd in which a floor broker is present who holds an order on behalf of the market maker's individual account or an order initiated by the market maker for an account in which the market maker has an interest.

Under the first alternative, the market maker must make the floor broker aware of the market maker's intention to enter the trading crowd and the floor broker must time-stamp the order ticket for the market maker order and write the notation "Cancel" or "CXL" next to the time stamp. If the market maker wishes to re-enter the order upon the market maker's exit from the trading crowd, the floor broker must at that time again time stamp the order ticket and write the notation "Reentry" or "RENTRY" next to such subsequent time stamp.

Under the second alternative, the market maker must cancel the market maker order by giving the floor broker a written cancellation of the order which is time-stamped by the market maker immediately prior to its transmission to the floor broker. If the market maker wishes to re-enter the order upon the market maker's exit from the trading crowd, a new order ticket must be used.

Under the third alternative, the market maker must cancel the market maker order by taking the order ticket for the order back from the floor broker,

provided that the market maker allows the floor broker to retain a copy of the order ticket (which copy the floor broker must time-stamp at the time of cancellation and retain for the floor broker's records). If the market maker wishes to re-enter the order upon the market maker's exit from the trading crowd, a new order ticket must be used.

The CBOE states that the proposed amendment to CBOE Rule 6.55 also codifies past practice by providing that the appropriate Floor Procedure Committee may adopt other procedures which, if followed, would permit a market maker to be exempt from the requirements of paragraph (b) of CBOE Rule 6.55, or may grant permission for a market maker to enter a trading crowd in a particular instance notwithstanding the requirements of that paragraph.

Finally, the proposed amendment makes certain editorial changes to CBOE Rule 6.55 that do not affect its substance, such as changing the title of CBOE Rule 6.55 from "Multiple Orders Prohibited" to "Multiple Representation Prohibited" in order to more accurately reflect the scope of the amended rule.

The CBOE believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it prohibits the multiple representation of an order in a trading crowd, thereby promoting just and equitable principles of trade, removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

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

The CBOE 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*

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 after 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 reason 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. 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 Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by April 18, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

Jonathan G. Katz,  
Secretary.

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[Release No. 34-37000; International Release No. 955; File No. SR-ISCC-96-02]

#### **Self-Regulatory Organizations; International Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change To Permit ISCC To Charge and To Collect From Members Charges Imposed by Certain Third Parties**

March 21, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on March 19, 1996, the International Securities Clearing Corporation ("ISCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-

Release No. 36977 (March 15, 1996) (order approving File No. SR-CBOE-95-65) (approving regulatory circular which provides that a joint account trading in equity options may be represented simultaneously in a trading crowd by participants trading in person).

<sup>2</sup> The proposal also adds Interpretation and Policy .02 to CBOE Rule 6.55, which states that members should consult Exchange regulatory circulars concerning joint accounts in connection with procedures governing the simultaneous presence in a trading crowd of participants in and orders for the same joint account, since such circulars have in the past granted certain exemptions to the policy proposed to be delineated in CBOE Rule 6.55 with respect to the trading of joint accounts.

<sup>3</sup> 17 CFR 200.30-3(a)(12) (1995).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

ISCC-96-02) as described in Items I, II, and III below, which items have been prepared primarily by ISCC. 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 expand ISCC's authority to charge and to collect from members fees imposed by third parties.

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

In its filing with the Commission, ISCC 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. ISCC 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

ISCC proposes to expand its authority to charge and to collect from its members fees imposed by certain third parties. ISCC's current rules permit ISCC to charge members for fees imposed by banks and trust companies in conjunction with the Global Clearance Network Service. The proposed modifications to ISCC's rules will permit ISCC to include on members' settlement statements charges imposed by entitles or organizations with which ISCC has entered into agreements and which provide services or equipment to ISCC members which are integral to the services provided by ISCC.

From time to time, third parties which have entered into agreements with ISCC and which provide ISCC members with certain services or equipment which facilitate access to an ISCC service request that ISCC directly bill its members for the services such third parties provide to members.<sup>3</sup> The

proposed rule change will permit such third parties to aggregate individual member charges in one invoice to ISCC and will allow ISCC in turn to include the third parties' charges to individual members on such ISCC members' settlement statements. The proposed rule will thereby enable ISCC members to consolidate their payment obligations. If a member does not consent to such charges or otherwise disputes such charges, ISCC will not fine the member for not paying to ISCC the third party's charges. In addition, ISCC will have no liability to any third party vendors for such charges.

ISCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal provides for the equitable allocation of dues, fees, and other charges among ISCC's participants.

##### (B) Self-Regulatory Organization's Statement on Burden on Competition

ISCC does not believe that the proposed rule change will impact or impose a 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 relating to the proposed rule change have been solicited or received. ISCC will notify the Commission of any written comments received by ISCC.

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

Within thirty-five 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 ninety 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 ISCC 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.

aggregate charges for the month. ISCC would then include the appropriate charge on each member's monthly statement. ISCC would remit to the vendor within the agreed upon time period the amount that ISCC actually collected from members in connection with the vendor's charges.

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 Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of ISCC. All submissions should refer to the file number SR-ISCC-96-02 and should be submitted by April 18, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

Jonathan G. Katz,  
Secretary.

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[Release No. 34-37010; File No. SR-NASD-96-09]

#### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Distribution of Interim Reports to Beneficial Owners and the Use of New Technology To Communicate Such Information to Shareholders

March 21, 1996.

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 March 13, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>2</sup> The Commission has modified the text of the statements prepared by ISCC.

<sup>3</sup> For example, ISCC members may want to obtain computer hardware and/or software to access certain ISCC services. To facilitate such access, ISCC would make arrangements with a third party vendor to supply members with the appropriate hardware and/or software. The third party vendor would send a detailed monthly invoice directly to ISCC reflecting the individual member charge and

<sup>4</sup> 17 CFR 200.30-3(a)(12) (1994).