

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 the principal office of the Exchange. All submissions should refer to File No. SR-Amex-96-28 and should be submitted by August 14, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37443; File No. SR-CHX-96-17]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Clearing Support Fees

July 16, 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 July 2, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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.

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

The Exchange proposes to add an odd-lot dealer CUSIP fee to Section (o)

of its Membership Dues and Fees Schedule. The text of the proposed rule change is as follows [new text is italicized]:

**Chicago Stock Exchange, Incorporated
Membership Dues and Fees**

- (o) Clearing Support Fees
- (1) Account Fees
 - First Master Account Fee: \$500 per month
 - Additional Master Account Fee: \$300 per month
 - Sub-Account Fees: \$100 per account per month
- (2) CUSIP Fees
 - Specialist CUSIP Fee: \$50 per CUSIP per month
 - Market Maker CUSIP Fee: \$10 per CUSIP per month
 - Odd Lot Dealer CUSIP Fee:¹ \$2.50 per CUSIP per month
 - Floor Broker as Principal: \$2 per CUSIP per month

¹ *The Odd Lot Dealer CUSIP Fee does not apply to any issue in which the off-lot dealer is also the specialist for the issue.*

(minimum clearing support fee is \$600 per month)

Discounts

The above Specialist CUSIP Fee will be subject to the following discounts:

If between 20 and 200 trades occur in a particular CUSIP in a given month, the Specialist CUSIP Fee for the CUSIP shall be \$40 for that month.

If less than 20 trades occur in a particular CUSIP in a given month, the Specialist CUSIP Fee for that CUSIP shall be \$20 for that month.

II. Self-Regulatory Organizations' 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 place specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Section A, B, 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 purpose of the proposed rule change is to add a clearing support fee for odd-lot dealers. The new fee will not apply to any issue in which the odd-lot dealer is also the

specialist for the issue. This new fee is similar to the clearing support fees imposed on specialists, market makers and floor brokers acting as principal pursuant to SR-CHX-96-10.¹ This fee relates to the additional services the CHX is providing to odd-lot dealers as a result of the Midwest Clearing Corporation's withdrawal from the clearance and settlement business. The odd-lot dealer clearing support fee is applicable to all odd-lot dealers that have entered into an agency agreement with the CHX pursuant to Article XXI, Rule 13 of the Exchange's Rules.

The amount of this CUSIP fee is based on expected account activity and the expenses that the CHX will incur in servicing accounts for odd-lot dealers. For example, because the CHX expects odd-lot dealers to have less activity per CUSIP than specialists or market makers due to the unusually large number of issues that an odd-lot dealer typically trades, thus resulting in a lesser amount of staff time expended per CUSIP to produce reports and provide the service contemplated by the agency agreement, the odd-lot dealer CUSIP fee is less than the specialist and market maker CUSIP fee.

2. Statutory Basis. The proposed rule change is consistent with Section 6(b)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and persons using its facilities.

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

The proposed rule change will impose no 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

The foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act and subparagraph (e) of Rule 19b-4² thereunder. At any time within 60 days of the filing of such proposed rule

¹ Securities Exchange Act Release No. 37054 (April 1, 1996), 61 FR 15544 (publishing Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Clearing Support and Other Fees).

² 17 CFR 240.19b-4.

³ 17 CFR 200.30-3(a)(12).

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 purpose 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, NW., Washington, DC 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, NW., Washington, DC 20549. 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-CHX-96-17 and should be submitted by August 14, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37442; File No. SR-CHX-96-18]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to an Extension of Its Pilot Program for Automatic Execution of Limit Orders

July 16, 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 July 2, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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 and to grant accelerated approval of the proposed rule change.

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

The Exchange proposes to extend, until December 31, 1996, its system enhancement relating to the automatic execution of non-marketable limit orders,¹ and extend, until August 31, 1996, the deadline for filing a report to the Commission describing the Exchange's experience with the program. This system enhancement is the subject of a current Commission approval order, which is scheduled to expire on July 31, 1996.² The related report was due by May 31, 1996. A slightly modified version of this enhancement was originally approved by the Commission as a one year pilot program.³ The original one-year pilot program lapsed on April 13, 1994 without the Exchange filing for an extension or a permanent approval request.

The proposed system enhancement ("Auto-Ex") is a feature of the Exchange's automated execution system ("MAX") that CHX specialists may voluntarily choose to activate to automatically execute non-marketable limit orders⁴ on a specialist's book. Auto-Ex will operate by comparing the size of the CHX-entered limit order against the amount of stock ahead of that order in the primary market when the issue is trading in the primary market at the limit price. The Auto-Ex System will begin comparing CHX-entered limit orders when the limit price equals the bid or offer quoted in the primary market (as the case may be) for the first time.⁵ Thereafter, the Auto-

¹ A limit order is an order to buy or sell a stated amount of a security at a specified price or at a better price.

² See Securities Exchange Act Release No. 35962 (July 12, 1995) (File No. SR-CHX-95-11).

³ See Securities Exchange Act Release No. 32124 (April 13, 1993), 58 FR 21325 (approving File No. SR-MSE-92-03).

⁴ A limit order is called "marketable" when the prevailing best offer (bid) is equal to or less (greater) than the limit buy (sell) order price. CHX Rule 37(b)(7) provides for the automatic execution at the best bid or best offer disseminated pursuant to Rule 11Ac1-2 ("BBO") or better of all limit orders that are marketable when entered into the MAX system provided that such orders are of a certain size and otherwise are eligible for execution under a CHX Rule 37(a).

⁵ For example, if the primary market quotation is 1/4 bid, 1/2 offered, 4,000 shares bid and 4,000 shares offered, and a CHX specialist receives a limit order

Ex system will keep track of all prints in the primary market and will automatically execute the limit order once sufficient size prints in the primary market.⁶ As additional limit orders at the same price are received by the specialist, comparisons will be made and entered based upon the shares ahead of those limit orders at the time of receipt, including shares ahead on the CHX. The Auto-Ex feature will not permit a limit order to be filled out of sequence.

The Auto-Ex feature will execute limit orders in accordance with existing CHX rules. Auto-Ex will be available for all dually traded issues; however, specialists will be permitted to choose Auto-Ex on an issue by issue basis.⁷ Generally, however, Auto-Ex will be used for issues which, based on experience, have demonstrated reliable and accurate quotes in the primary market. Limit orders not subject to Auto-Ex will be "flagged" with a prompt to alert the specialist that a fill may be due. The proposal to establish an Auto-Ex feature applies only to non-marketable limit orders. It is not applicable to marketable limit orders or to market orders.

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 III below. The self-regulatory organization has

to buy 2,000 shares for 1/8, that limit order will not be compared against the amount of stock ahead of the order in the primary market until such time as the 1/4 bid is exhausted and the 1/8 bid becomes the best bid. At that time, the size which is disseminated with the 1/8 bid is the size against which the limit order is compared for Auto-Ex purposes.

⁶ For example, assume a CHX specialist receives an agency limit order to buy 2,000 shares of ABC at 1/2. The primary market quotation is 1/2 bid, 3/4 offered, 5,000 shares bid and 5,000 shares offered, meaning there are 5,000 shares ahead of the CHX order. The Auto-Ex system will automatically execute the entire CHX limit order after 7,000 shares print at 1/2 in the primary market. However, when more than 5,000 but less than 7,000 shares print at 1/2 in the primary market, the order will be flagged with a flashing prompt to alert the specialist that the order may be due at least a partial fill. See CHX Article XX, Rule 37(a) governing primary market protection of certain limit orders.

⁷ The CHX will limit a specialist's ability to activate and then deactivate Auto-Ex regularly by: (1) only permitting a specialist to deactivate Auto-Ex on a certain day each month and (2) requiring that issues remain on Auto-Ex for a minimum of five trading days.