

proposal, the Commission will enable the new language to become effective prior to the next expiration. In addition, the Commission believes that the proposed settlement method does not present any new or novel regulatory issues as the CBOE's proposal merely restates in a more general manner that which the Commission has already approved.¹⁰ Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the proposed rule change on an accelerated basis.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2)¹¹ of the Act, that the proposed rule change (File No. SR-CBOE-96-40), as amended, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37657; File No. SR-CHX-96-25]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Investment Company Units

September 6, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 28, 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 Substance of the Proposed Rule Change

The CHX proposes to renumber Rule 23, Article XXVIII of the Exchange's

rules relating to investment company units to Rule 24, Article XXVIII.

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

On July 25, 1996, the Commission approved a proposed overhaul of Article XXVIII of the Exchange's rules. Rule 23 of Article XXVIII currently relates to public disclosure requirements for Tier I and Tier II issues.² On August 21, 1996, the Commission approved another proposed change relating to investment company units, also numbered Rule 23, Article XXVIII of the Exchange's rules.³

The primary purpose of this proposed rule change is to renumber the investment company units rule as Rule 24 of Article XXVIII. Specifically, because the Exchange recently overhauled Article XXVIII when it created the Tier I and Tier II securities listing standards, the investment company units rule should be renumbered and placed appropriately within the new listing requirements.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act⁴ in that it is designed to prevent fraudulent and manipulative acts and practices and to perfect the mechanism of a free and open market.

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

The Exchange believes the proposed rule change does not 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

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

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

The foregoing rule change constitutes or changes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁵ and subparagraph (e) of Rule 19b-4 thereunder.⁶

At any time within sixty 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 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, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-96-25 and should be submitted by October 7, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

¹⁰ See Securities Exchange Act Release No. 37089 (April 9, 1996), 61 FR 16660 (April 16, 1996) (File No. SR-CBOE-96-12).

¹¹ 15 U.S.C. 78s(b)(2) (1988).

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 37481 (July 25, 1996), 61 FR 40270 (approving File No. SR-CHX-95-26).

³ Securities Exchange Act Release No. 37589 (Aug. 21, 1996), 61 FR 44370 (approving File No. SR-CHX-96-12).

⁴ 15 U.S.C. 78f(b)(4).

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4.

⁷ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,
Deputy Secretary.
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[Release No. 34-37663; File No. SR-NASD-96-26]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Obligations of CQS Market Makers To Have Available Quotation Services That Provide Quotation Information for CQS Securities

September 10, 1996.

On June 21, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ to amend NASD Rule 6630 to require NASD members registered with The Nasdaq Stock Market, Inc. ("Nasdaq") as Consolidated Quotation Service ("CQS Service" or "CQS")² market makers³ to have available in close proximity to the Nasdaq terminals at which they make markets in CQS securities a quotation service that disseminates the bid and offer prices then being furnished by or on behalf of all exchanges and CQS market makers in the CQS issues for

which they are registered. The Commission published notice of the proposed rule change in the Federal Register on July 15, 1996.⁴ The Commission received no comments in response to the notice. The Commission has reviewed the proposed rule change, and for the reasons discussed below, has determined to approve the proposed rule change.

I. Description of the Proposed Rule Amendment

The amendment to NASD Rule 6330,⁵ the NASD's rule governing CQS market maker obligations, provides that a CQS market maker must have available, in close proximity to the Nasdaq terminal; at which it makes a market in a CQS security, a quotation service that disseminates the bid price and offer price then being furnished by or on behalf of each exchange and each CQS market maker trading and quoting that CQS security.

The NASD states that this rule amendment is necessitated by a planned modification to Nasdaq's CQS Service that is intended to increase Nasdaq computer processing capacity. Specifically, Nasdaq is planning to modify the Nasdaq CQS Service so that quotation montages for exchange-listed securities will consist only of CQS market makers' quotations.⁶ CQS market makers will be required to receive quotation information for CQS securities from the exchanges via independent vendors. The NASD has stated that the use by market makers of vendor services for receipt of CQS market data is the norm because quotations on the Nasdaq's CQS Service are not dynamically updated. Furthermore, vendor services can provide subscribers with additional analytical features.

Nasdaq has represented to the Commission that, by eliminating exchange quotations from Nasdaq's CQS Service, it will be able to redeploy its computer processing capacity presently devoted to processing these quotations toward meeting the demands associated with processing Nasdaq trading volume

greater than one billion shares a day.⁷ Once exchange quotations have been deleted from the Nasdaq CQS Service, the service will essentially function as a means by which CQS market makers can monitor their current quotations resident in Nasdaq as well as the timeliness with which their quotation updates are being processed and disseminated by Nasdaq. Thus, rather than providing quotation information from all market participants in CQS, the Nasdaq CQS Service will function primarily as a quotation verification mechanism for CQS market makers.

Section 6(a)(i)(A) of the ITS Plan states that "for each ITS/CAES security in which an ITS/CAES market maker is registered as such with the NASD for the purposes of the Applications [of the ITS Plan], there shall be available at each location on the premises of such ITS/CAES market maker at which ITS/CAES stations are located a quotation service that disseminates the bid price and offer price then being furnished by or on behalf of each other participant." As a participant in the ITS, the NASD has agreed to this provision of the ITS Plan. Accordingly, since Nasdaq is planning to eliminate exchange quotations from the Nasdaq CQS Service's quotation montages, the proposed amendment ensures the NASD's ongoing compliance with Section 6(a)(i)(A) of the ITS Plan. In particular, by mandating that all CQS market makers have available, in close proximity to the Nasdaq terminals at which they make markets in CQS securities, the same exchange quotation information that is scheduled to be deleted from the Nasdaq CQS Service (i.e., exchange quotes in CQS issues), the NASD will be continuing to satisfy its obligation under Section 6(a)(i)(A) of the ITS Plan.

II. Discussion

The Commission must determine whether the proposed rule change is consistent with the Act, including Section 15A(b)(6). Section 15A(b)(6) requires that the rules of a national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and

¹ 15 U.S.C. 78s(b)(1)

² Nasdaq's CQS is a service provided by Nasdaq that provides subscribers with quotation, last sale, and volume information for securities listed on the New York and American Stock Exchanges. With respect to quotations, the service provides a non-dynamically updated montage of quotations from all exchanges and NASD members registered as CQS market makers in a particular issue. It should be noted that Nasdaq's CQS Service is an internal Nasdaq service that is a completely separate system from the Consolidated Quotation System in which the eight registered securities exchanges and the NASD participate to collect, process and disseminate quotations.

³ A NASD member cannot enter quotes into CQS unless it is registered with Nasdaq as a CQS market maker. CQS market makers are obligated under NASD rules to quote continuous, firm, two-sided markets with a minimum size of 500 shares. The minimum quotation size for an individual CQS security may be lowered, under unique circumstances, from 500 shares to 200 shares by the NASD. All CQS market makers in Rule 19c-3 securities must also be registered with Nasdaq as ITS/CAES market makers. ITS/CAES is the NASD's link to the Intermarket Trading System ("ITS") that enables CQS market makers in Rule 19c-3 securities to direct agency and principal orders to and receive orders from the floors of participating ITS exchanges. CAES is an automated system operated by Nasdaq that allows NASD members to direct agency and principal orders in exchange-listed securities to CAES for automatic execution against CQS market makers. For non-19c-3 securities, CQS market makers must be registered as CAES market makers.

⁴ Securities Exchange Act Release No. 37412 (July 9, 1996), 61 FR 36947.

⁵ NASD Rule 6330 was formerly Section 2 of Part VI of Schedule D to the NASD By-Laws prior to the revision of the NASD Manual.

⁶ In order to make possible this modification, the Commission today issued a letter exempting Nasdaq from the requirements of the Rule 11Ac1-2(c)(2)(iv) under the Exchange Act (the "Vendor Display Rule"), which requires, among other things, that vendors not exclude quotation information based on the market center making available such information. See Letter from Holly H. Smith, Associate Director, SEC, to Robert E. Aber, V.P. and General Counsel, Nasdaq (September 10, 1996).

⁷ The NASD states that the processing of exchange quotations through CQS can consume approximately 40 percent of Nasdaq's computer capacity on a given day.