

Exchange's margin rules to conform with more recent amendments to Regulation T of the Board of Governors of the Federal Reserve System.

Because the proposed rule change will enhance the financial protections and the integrity of the Exchange's markets, the Exchange believes that the proposed rule change, as amended, is consistent with Section 6 of the Act in general and with Section 6(b)(5) in particular in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

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

The Exchange believes the proposed rule change will impose no inappropriate burden on competition.

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

One written comment was received with respect to the original proposed rule change. The Exchange believes that Amendment No. 1 adequately addresses the concerns expressed in that written comment.

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

Within 35 days of 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 reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve the 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. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR-CSE-96-05 and should be submitted by January 9, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Jonathan G. Katz,
Secretary.

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[Release No. 34-38047; File No. SR-NYSE-96-38]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Amendments to Exchange Rule 80B ("Trading Halts Due to Extraordinary Market Volatility")

December 13, 1996.

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 December 11, 1996, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change relating to certain market-wide circuit breaker provisions as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 its Rule 80B (Trading Halts Due to Extraordinary Market Volatility—"circuit breakers") to increase the trigger levels for its circuit breakers. The existing circuit breakers would be triggered if the Dow Jones Industrial Average ("DJIA")³ declines by 250 and 400 points, respectively, from its previous day's close. A 250 points decline would result in a one-half hour trading halt, while a 400 points decline

would cause trading to halt for an additional hour. The Exchange proposes establishing new thresholds of 350 and 550 points decline in the DJIA before the respective one-half hour and one hour circuit breakers are triggered. The Exchange seeks to effect these changes on a one-year pilot basis.

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. 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

Rule 80B (Trading Halts Due to Extraordinary Market Volatility) is the Exchange's codification of the several recommendations for "circuit breakers" which were made in the wake of the market break of 1987. The current rule, which is due to expire April 30, 1997, provides that if the DJIA falls 250 or more points below its previous trading day's closing value, trading in all stocks on the Exchange shall halt for one-half hour. Further, the rule provides for an additional one hour trading halt if on that same day the DJIA declines by 400 points or more below its previous trading day's closing value.⁴ Although the Rule was amended in July 1996 to shorten the time periods for market-wide trading halts, the levels of the circuit breakers themselves have not been adjusted since the rule was first adopted.⁵ The Exchange believes that, at this time, it is appropriate to amend Rule 80B to raise the circuit breakers from 250 points to 350 points and from 400 points to 550 points.

Rule 80B was approved by the Commission in October 1988 as a one-year pilot and has been extended on a year to year basis since then, except for

⁴ See Securities Exchange Act Release No. 37890 (Oct. 29, 1996) 61 FR 56983.

⁵ See *supra* note 4. See also, Securities Exchange Act Release Nos. 36563 (December 7, 1995), 60 FR 64084; 36414 (Oct. 25, 1995) 60 FR 55630; 26440 (January 10, 1989) 54 FR 1830; 26368 (December 16, 1988), 53 FR 51942; and 26198 (October 19, 1988), 53 FR 41637.

¹ 47 CFR 200.30-3(a)(12).

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ "Dow Jones Industrial Average" is a service mark of Dow Jones & Company, Inc.

in October 1996, when it was extended for only six months until April 30, 1997.⁶ When circuit breakers were first adopted, the DJIA was about 2100 points. A 250 point drop would have represented approximately a 12% decline, and a 400 point drop would have represented roughly a 19% decline in the average. Rule 80B has never been invoked, as the DJIA has not declined by 250 points or more since the rule was adopted. The largest decline occurred on March 8, 1996, when the DJIA fell intra-day 217 points below its previous day's closing value. Today, with the DJIA at about 6500 points, a 250 or 400 point drop would represent a much smaller percentage decline in the average (3.8% and 6.2%, respectively).

The proposed circuit breakers of 350 and 550 points would represent around a 5.4% and 8.5% decline in the DJIA, which the Exchange considers to be significant market declines, and thus represent appropriate levels at which to halt trading. The proposed trigger values take into account the rise in market values since the Rule was first adopted, which also recognizing the fact that the original trigger values have never been reached. The Exchange believes that the new trigger values in Rule 80B should be stated in absolute numbers, rather than in terms of percentages of the DJIA, in order to facilitate understanding by all market participants as to exactly when the circuit breakers will be utilized.

The Exchange seeks to effect these changes on a one-year pilot basis. The adoption of amendments to Exchange Rule 80B would be contingent upon the adoption of amended rules or procedures substantively identical to Rule 80B by:

(1) all United States stock exchanges and the National Association of Securities Dealers with respect to the trading stocks, stock options and stock index options; and,

(2) all United States futures exchanges with respect to the trading of stock index futures and options on such futures.

The Exchange believes that an all-market trading halt requirement at appropriate levels will promote stability and investor confidence during a period of significant stress by providing market participants with a reasonable opportunity to become aware of and respond to significant price movements, thereby facilitating in an orderly manner the maintenance of an equilibrium between buying and selling interest.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5) that an Exchange have rules that are designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and a national market system and in general, to protect investors and the public interest. The Exchange believes that amending Rule 80B on a one-year pilot basis is consistent with these objectives in that revised trigger levels take into consideration the rise in market values since the rule was first adopted, while recognizing that the original trigger levels have not been reached since they were adopted.

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

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

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 the 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 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 the File No. SR-NYSE-96-38 and should be submitted by January 9, 1997.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 96-32235 Filed 12-18-96; 8:45 am]

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(Release No. 34-38045; File No. SR-PSE-96-44)

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Pacific Stock Exchange Incorporated Relating to Amendments to Its Constitution

December 13, 1996.

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 November 15, 1996, the Pacific Stock Exchange Incorporated ("PSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change, and on December 3, 1996 filed Amendment No. 1³ to 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 PSE proposes to amend Article VI, Sections 2, 3, and 4 of its Constitution.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Rosemary A. MacGuinness, Senior Counsel, PSE to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated, December 3, 1996 ("Amendment No. 1). Amendment No. 1 withdraws the filing except for the section amending Article VI, Application and Election to Membership, Sections 2, 3, and 4.

⁶ See *supra* note 4.