

Amendment No. 1 on an accelerated basis.

III. Description of the Proposal

Recently, there has been a movement within the industry to reduce the minimum trading and quotation increments imposed by the various self-regulatory organizations ("SROs"). For example, the New York Stock Exchange ("NYSE"), The Nasdaq Stock Market ("Nasdaq"), and the American Stock Exchange ("Amex") have recently reduced their minimum increments.⁵ In addition, several third market makers have begun quoting securities in increments smaller than the primary markets. The CHX responded by submitting rule filings that matched the primary markets' changes.⁶ In order to permit a quick response to rapidly changing market conditions, however, some of those proposals were granted only temporary accelerated approval.⁷ The current proposal. The current proposal seeks permanent approval of those rule changes.⁸

III. Commission's Findings

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission believes the proposal comports with the requirements of Section 6 and Section 11A of the Act.⁹

⁵ Securities Exchange Act Release Nos. 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (approving File No. SR-Amex-97-14); 38678 (May 27, 1997), 62 FR 30363 (June 6, 1997) (approving File No. SR-NASD-97-27); 38897 (Aug. 1, 1997), 62 FR 42847 (Aug. 8, 1997) (approving SR-NYSE-97-21).

⁶ Securities Exchange Act Release Nos. 38590 (May 9, 1997), 62 FR 26832 (May 15, 1997) (approving File No. SR-CHX-97-08; reducing the trading increment from eighths to sixteenths for securities that are traded on the Exchange and on the Amex); 38704 (May 30, 1997), 62 FR 31467 (June 9, 1997) (approving File No. SR-CHX-97-11 on a temporary basis; a similar reduction in the trading increment for securities that are traded on the Exchange and on Nasdaq); 38717 (June 5, 1997), 62 FR 32134 (June 12, 1997) (approving File No. SR-CHX-97-12 on a temporary basis; a similar reduction in the trading increment for securities that are traded on the CHX and on the NYSE); and 38719 (June 5, 1997) (approving File No. SR-CHX-97-14 on a temporary basis; a similar reduction in the trading increment for securities that are traded only on the Exchange).

⁷ See File Nos. SR-CHX-97-11, SR-CHX-97-12, and SR-CHX-97-14.

⁸ The proposal also makes conforming changes to CHX Rule 35; the Exchange's rule regarding when a security is quoted "ex-dividend," "ex-distribution," "ex-rights," or "ex-interest."

⁹ 15 U.S.C. §§ 78f(b) and 78k-1. In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3(f) of the Act. *Id.* § 78c(f).

The proposed rule change will likely enhance the quality of the market for the affected securities. Allowing the CHX to permanently quote and trade equity securities in finer increments will facilitate quote competition.¹⁰ This should help produce more accurate pricing of such securities and can result in tighter quotations.¹¹ In addition, if the quoted markets are improved by reducing the minimum increment, the change could result in added benefits to the market such as reduced transaction costs.

The proposed rule change also will allow the CHX the flexibility it needs to address the recent transition to smaller increments and to remain competitive with competing market centers. Nevertheless, the Commission notes that any further change in the minimum increment constitutes (1) a change in a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the CHX, or (2) a change in an existing order-entry or trading system of the CHX, or (3) both. Therefore, the Exchange is obligated to file such proposed changes with the Commission.¹²

The Commission finds good cause for approving Amendment No. 1 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. This amendment does not raise any new, significant regulatory concerns. It simply conforms the CHX's proposal to similar rules of the NYSE and the Amex by slightly modifying the level at which trading securities in increments of $\frac{1}{32}$ of a dollar may occur. Therefore, the Commission believes that granting accelerated approval to Amendment No. 1 is appropriate and consistent with Section 19(b)(2) of the Act.¹³

¹⁰ The rule change is consistent with the recommendation of the Division of Market Regulation ("Division") in its Market 2000 Study, in which the Division noted that the $\frac{1}{8}$ minimum variation can cause artificially wide spreads and hinder quote competition by preventing offers to buy or sell at prices inside the prevailing quote. See SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments* 18-19 (Jan. 1994).

¹¹ A study that analyzed the reduction in the minimum tick size from $\frac{1}{8}$ to $\frac{1}{16}$ for securities listed on the Amex priced between \$1.00 and \$5.00 found that, in general, the spreads for those securities decreased significantly while trading activity and market depth were relatively unaffected. See Hee-Joon Ahn, Charles Q. Chao, and Hyuk Choe, *Tick Size, Spread, and Volume*, 5 J. Fin. Intermediation 2 (1996).

¹² These changes, however, may become effective upon filing if they meet certain statutory requirements. See 15 U.S.C. § 78s(b)(3)(A)(i) and 17 CFR 240.19b-4(e).

¹³ 15 U.S.C. § 78s(b)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1. 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 Room, 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-97-13 and should be submitted by September 23, 1997.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-CHX-97-13) is approved, including Amendment No. 1 on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

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DEPARTMENT OF STATE

[Public Notice No. 2598]

Ad Hoc on the 1998 International Telecommunication Union Policy Forum; International Telecommunications Advisory Committee (ITAC) Meeting Notice

The Department of State announces the establishment, under its International Telecommunications Advisory Committee (ITAC), of an Ad Hoc Group to prepare for the Second World Telecommunication Policy Forum (WTPF). The first three meetings will be held at the Department of State, 2201 "C" Street, N.W., Washington, D.C., as follows:

¹⁴ 15 U.S.C. § 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).

Wednesday, September 17, 1997, 1:30–4:00 p.m., Room 1107
 Wednesday, September 24, 1997, 1:30–4:00 p.m., Room 1408
 Wednesday, October 8, 1997, 1:30–4:00 p.m., Room 1207

The purpose of ITAC is to advise the Department on policy, technical and operational matters and to provide strategic planning recommendations, with respect to international telecommunications and information issues. To assist in preparations for certain meetings of the International Telecommunication Union (ITU), the Department establishes ad hoc groups open to any and all government, industry or other interested participants in accordance with the ITAC advisory committee charter. The purpose and agenda of this ITAC Ad Hoc Group is to develop and recommend positions and, as appropriate, written contributions for submission by the United States in connection with the 1998 WTPF, as described below. Questions regarding the agenda or Ad Hoc activities in general may be directed to the chairman, Richard Shrum, State Department, at 202–647–0050; Fx: 202–647–7407, e-mail (uuencode):shrumre@ms6820wpoa.us-state.gov.

The ITU will convene the second Policy Forum in Geneva, March 16–18, 1998, in order to discuss and exchange views on the theme of trade in telecommunications services. The agenda will include: (a) the general implications for the ITU membership of the World Trade Organization (WTO) agreement on trade in basic telecom services, with respect to telecom policies, regulations and regulatory structures, and the implications for developing countries, particularly with respect to financial strategies to promote network and service, development; (b) actions to assist ITU membership in adapting to changes in the telecom environment including analysis of the current situation and possible cooperative actions to facilitate transition; and (c) the evolution of the international telecom environment, particularly the current accounting and settlement system. Discussions at the WTPF shall be based on a report of the Secretary-General, incorporating contributions and comments of the ITU membership, which will serve as the sole working document of the Forum. Preparations for WTPF will include an informal group of experts convened by the Secretary-General to assist in developing the report, and a working group of representatives of the ITU–T and ITU–D Sectors and the ITU

Secretariat to conduct case studies in developing countries.

All participants may join in discussions, subject to instructions of the chair. In this regard, entry to the building is controlled. If you wish to attend, please send a fax to 202–647–7407 at least 24 hours before the scheduled meeting, providing name, affiliation, date of birth and social security number, to arrange for pre-clearance. One of the following valid photo ID's is required for admittance: U.S. driver's license with picture, passport, Government ID (company ID's are not accepted). Enter through the "C" Street Main Lobby.

Dated: August 26, 1997.

John T. Gilsenan,

Acting ITAC Executive Director.

[FR Doc. 97–23165 Filed 8–29–97; 8:45 am]

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DEPARTMENT OF STATE

[Public Notice No. 2599]

Ad Hoc on the International Telecommunication Union Strategic Planning Working Group International Telecommunications Advisory Committee (ITAC); Meeting Notice

The Department of State announces the establishment, under its International telecommunications Advisory Committee (ITAC), of an Ad Hoc Group to prepare for the ITU Strategic Planning Working Group. The first three meetings will be held at the Department of State, 2202 "C" Street, N.W., Washington, D.C., as follows:
 Wednesday, September 17, 1997, 9:30–12:00 noon, Room 1107
 Wednesday, September 24, 1997, 9:30–12:00 noon, Room 1408
 Wednesday, October 8, 1997, 9:30–12:00 noon, Room 1207

The purpose of ITAC is to advise the Department on policy, technical and operational matters and to provide strategic planning recommendations, with respect to international telecommunications and information issues. To assist in preparations for certain meetings of the International Telecommunication Union (ITU), the Department establishes ad hoc groups open to any and all government, industry or other interested participants in accordance with the ITAC advisory committee charter. The purpose and agenda of this ITAC Ad Hoc Group is to develop and recommend positions and, as appropriate, written contributions for submission by the United States to the ITU Working Group described below. Questions regarding the agenda or Ad

Hoc activities in general may be directed to the chairman, Richard C. Beard, State Department, at 202–647–5832; Fx: 202–647–5957.

The ITU Strategic Planning Working Group will prepare a draft strategic plan for the Union for 1999–2003, including linkages among overall policies, Sector priorities and programs, and financial factors for the period. The draft strategic plan will be considered at the May, 1998 session of Council, and ultimately at the upcoming Plenipotentiary Conference in Minneapolis. ITU Member States and Sector Members are invited to submit comments on the draft plan by November 30. The ITU Working Group will convene a meeting in February 1998 in order to finalize the draft strategic plan.

All participants may join in discussions, subject to instructions of the chair. In this regard, entry to the building is controlled. If you wish to attend, please send a fax to 202–647–5957 at least 24 hours before the scheduled meeting, providing name, affiliation, date of birth and social security number, to arrange for pre-clearance. One of the following valid photo ID's is required for admittance: U.S. driver's license with picture, passport, Government ID (company ID's are not accepted). Enter through the "C" Street Main Lobby.

Dated: August 26, 1997.

John T. Gilsenan,

Acting ITAC Executive Director.

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DEPARTMENT OF STATE

[Public Notice No. 2597]

Advisory Committee on Private International Law; Meeting of Study Group on Electronic Commerce

The Department of State's Advisory Committee Study Group on Electronic Commerce will hold its next meeting Thursday, September 18 in Washington, DC from 10 a.m.–4:30 p.m. The purpose of the meeting is to review legal issues and possible international guidelines, model national laws or other international legal initiatives on electronic signatures, including digital signature systems, that could be developed by international organizations.

The Advisory Committee meeting is scheduled immediately prior to meetings of the National Conference of Commissioners on Uniform State Laws (NCCUSL) new Drafting Group on a proposed uniform electronic