

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 purposes 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 in 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 the File No. SR-CBOE-97-53 and should be submitted by December 12, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-30625 Filed 11-20-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39323; File No. SR-CHX-97-24]

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Granting Accelerated Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 Thereto Relating to a Ban on the Entry of Certain Stop Orders and Stop Limit Orders

November 13, 1997.

I. Introduction

On September 22, 1997, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") submitted to the Securities

and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt a new rule to prohibit the entry of certain stop orders and stop limit orders if the New York Stock Exchange ("NYSE") implements a stop order ban pursuant to NYSE Rule 80A.

The proposed rule change was published for comment in the **Federal Register** on October 20, 1997.³ No comments were received on the proposal. On October 31, 1997, the CHX submitted Amendment No. 1 to the proposed rule change.⁴ This order approves the proposed rule change and approves Amendment No. 1 on an accelerated basis.

II. Description of the Proposal

The Exchange proposes to add Article IX, Rule 10B (Stop Order Ban Due to Extraordinary Market Volatility) to prohibit the entry of certain stop orders and stop limit orders if the NYSE implements a stop order ban pursuant to NYSE Rule 80A. The NYSE's Rule 80A prohibits the entry of stop orders and stop limit orders if the price of the primary Standard and Poor's 500 Stock Price Index⁵ futures contract traded on the Chicago Mercantile Exchange reaches a value 12 points below the contract's closing value on the previous trading day. Likewise, the Boston Stock Exchange ("BSE") prohibits the entry of stop and stop limit orders on the BSE when the NYSE has a ban in place.⁶ The Exchange's new rule would exempt from the ban stop orders and stop limit orders of 2,099 shares or less for the account of an individual investor pursuant to instructions received directly from the individual investor.

The Exchange has previously adopted circuit breaker rules on a pilot basis⁷

which parallel the circuit breaker rules of the NYSE.⁸ Such rules are designed to dampen market volatility by providing a "time-out" to permit investors and market professionals to evaluate the state of the market. However, unlike the NYSE, the Exchange has not previously prohibited the entry of stop and stop limit orders during times of market stress.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirement of Section 6 of the Act⁹ and the rules and regulations thereunder applicable to a national securities exchange.¹⁰ The Commission believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act¹¹ in that it is designed to perfect the mechanism of a free and open market and to protect investors and the public interest. Specifically, the Commission believes that the prohibition against accepting stop orders and stop limit orders, except for individual investor orders of up to 2,099 shares, during periods of market stress will facilitate the maintenance of an orderly market and reduce market volatility.

The Commission recognizes that banning the entry of stop orders and stop limit orders in a significant market decline may help to reduce market volatility related to increased selling pressure in the security. The Commission believes that banning the entry of stop orders and stop limit orders in dually-traded issues when NYSE Rule 80A is in effect should prevent the transfer of market volatility from the NYSE to the CHX. The Commission believes that the CHX proposal represents a reasonable effort to arrive at a coordinated means to address potential strain on the market that may develop should the CHX become inundated with orders that have been banned pursuant to NYSE Rule 80A.

The Commission notes that stop orders and stop limit orders on the specialist's book at the time the ban is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 39320 (October 10, 1997) 62 FR 54496.

⁴ See Letter from Charles R. Haywood, Foley & Lardner, to Debbie Flynn, Division of Market Regulation, SEC, dated October 30, 1997 ("Amendment No. 1"). In Amendment No. 1, the CHX requested that the rule filing by approved on an accelerated basis due to the recent volatility in the financial markets and the Exchange's belief that such volatility may continue.

⁵ Standard and Poor's 500 Stock Index is a service mark of Standard and Poor's Corporation.

⁶ See Ch. II, Sec. 35(b) of the BSE's rules.

⁷ See Securities Exchange Act Release Nos. 26218 (October 26, 1988) 53 FR 44137 (November 1, 1988) (order approving File No. SR-MSE-88-9); 27370 (October 23, 1989) 54 FR 43881 (October 27, 1989) (order approving File No. SR-MSE-89-9); 28580 (October 25, 1990) 55 FR 45895 (October 31, 1990) (order approving File No. SR-MSE-90-16); 29868 (October 28, 1991) 56 FR 56535 (November 5, 1991) (order approving File No. SR-MSE-91-14); 33120

(October 29, 1993) 58 FR 59503 (November 9, 1993) (order approving File No. SR-CHX-93-22); 36414 (October 25, 1995) 60 FR 55630 (November 1, 1995) (order approving File No. SR-CHX-95-23); 37459 (July 19, 1996) 61 FR 39172 (July 26, 1996) (order approving File No. SR-CHX-96-20); and 38221 (January 31, 1997) 62 FR 5871 (February 7, 1997) (order approving File No. SR-CHX-96-33).

⁸ See CHX Art. IX, Rule 10A.

⁹ 15 U.S.C. 78f.

¹⁰ In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹¹ 15 U.S.C. 78f(b)(5).

⁸ 17 CFR 200.30(a)(12).

instituted will remain eligible for execution. Consequently, the Commission believes that investors who have submitted orders will be unduly disadvantaged or effected by any subsequent ban on such orders. The Commission further believes that allowing individual investors to enter stop orders or stop limit orders for 2,099 shares or less, while restricting the professional use of such orders when the NYSE institutes a ban pursuant to Rule 80A represents a reasonable response to the problem presented by smaller, individual investors who may be able to monitor market conditions on a continuous basis and who desire a measure of downside protection in a rapidly moving market. In contrast, market professionals are able to monitor the market on a continuous basis and have less of a need to enter such orders. The Commission believes that this exception to the proposed rule should protect investors and the public interest by ensuring that individual investors' stop orders and stop limit orders will be handled even during periods of market volatility.¹²

The Commission finds good cause for approving the proposed rule change, including Amendment No. 1, prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. The Commission notes that Amendment No. 1 merely accelerates the effectiveness of the proposed rule. The Commission further notes that no comments were received on this proposal. Finally, the Commission notes that it has previously approved an identical proposal submitted by the BSE.¹³ Therefore, the Commission believes that this filing raises no new regulatory issues. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act¹⁴ to approve the proposed rule change and Amendment No. 1 on an accelerated basis.

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, 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, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-97-24 and should be submitted by December 12, 1997.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR-CHX-97-24), including Amendment No. 1, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-30626 Filed 11-20-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39326; File Nos. SR-NASD-97-71, SR-NASD-96-20, and SR-NASD-96-29]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change, Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 to the Proposed Rule Change, and Order Extending Temporary Approval of SR-NASD-96-20 and SR-NASD-96-29, Regarding Proposed Changes in the By-Laws and Restated Certificates of Incorporation of the NASD, NASD Regulation, Inc., The Nasdaq Stock Market, Inc., and the Plan of Allocation and Delegation of Functions by the NASD to Subsidiaries

November 14, 1997.

On September 19, 1997, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission")

a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder.² In this filing, the NASD proposed amendments to the corporate documents of the NASD, its regulatory subsidiary, NASD Regulation, Inc. ("NASD Regulation"), and its stock market operating subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"),³ as well as to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries ("Delegation Plan"), in order to finalize the corporate restructuring of the Association.⁴ Notice of this proposed rule filing was published in the **Federal Register** on October 10, 1997 ("Notice").⁵ The Commission did not receive any comment letters on the filing.

Portions of the NASD Proposal were previously submitted and noticed in the **Federal Register** in SR-NASD-96-02, SR-NASD-96-16, SR-NASD-96-20, SR-NASD-96-29, and SR-NASD-97-28.⁶ The versions of the by-laws and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In this Order, NASD Regulation and Nasdaq are referred to as the "Subsidiaries." The three entities, NASD, NASD Regulation, and Nasdaq are referred to collectively as the "Association."

⁴ The corporate documents proposed for amendment are: (1) The By-Laws of the NASD; (2) the By-Laws of NASD Regulation; (3) the By-Laws of Nasdaq; (4) the Restated Certificate of Incorporation of the NASD; (5) the Restated Certificate of Incorporation of NASD Regulation; and (6) the Restated Certificate of Incorporation of Nasdaq. The by-laws and restated certificates of incorporation of the NASD and its Subsidiaries are collectively referred to in this Order as the "corporate governance documents."

⁵ Securities Exchange Act Release No. 39175 (September 30, 1997), 62 FR 53062 (October 10, 1997). On September 29, 1997, the NASD filed a technical amendment to the proposed rule change, the substance of which was included in the Notice. See letter from T. Grant Callery, General Counsel, NASD, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated September 29, 1997. On September 30, 1997, the filing was further amended by the NASD to correct non-substantive typographical errors, all of which were incorporated in the original filing as well. Conversation between Mary Dunbar, Office of General Counsel, NASD Regulation, and Mandy S. Cohen, Division of Market Regulation, Commission. Subsequent to notice of the rule filing, the NASD filed Amendment No. 2, which adjusted the period during which a member may add an agenda item to the annual meeting, to allow the NASD sufficient time to prepare for the new agenda item. See letter from T. Grant Callery, General Counsel, NASD, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated October 7, 1997. Collectively, the original filing and its subsequent amendments are referred to herein as the "NASD" Proposal."

⁶ Securities Exchange Act Release No. 37106 (April 11, 1996), 61 FR 16944 (April 18, 1996) (File No. SR-NASD-96-02); Securities Exchange Act Release No. 37107 (April 11, 1996), 61 FR 16948 (April 18, 1996) (File No. SR-NASD-96-16); Securities Exchange Act Release No. 37282 (June 6, 1996), 61 FR 29777 (June 12, 1996), (File No. SR-

¹² The Commission notes that this exception to the proposed rule is consistent with the rules adopted by the NYSE and BSE. See NYSE Rule 80A(b) and Ch. II, Sec. 35(b) of the BSE's rules.

¹³ See Securities Exchange Act Release No. 32697 (July 29, 1993) 58 FR 41538 (August 4, 1993) (order approving File No. SR-BSE-92-05).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(12).