

Per Tier \times (CTA Trade Volume Per Stock/CTA Trade Volume Per Tier).
For example, if Stock ABC had 3,000 consolidated market trades and was the

420th most active stock (Tier 4, as described above) in the month, and there were a total of 300,000

Consolidated Market trades in the tier, the specialist's fixed fee would equal:

Total CHX fixed fee		Tier 4 fixed cost percent		Stock ABC CTA volume		Tier 4 CTA volume		Stock ABC fixed monthly fee
\$345,000	\times	13%	\times	(3000	/	300,000)	=	\$448.50

The Exchange will waive the specialist fixed monthly fee described above for a period of two years beginning February 1, 1997 for any stock unassigned to any specialist as of December 1, 1996, that is assigned to a specialist without competition by May 1, 1997.

Specialists' total monthly fees owed to the Exchange will be reduced by the application of certain transaction credits. The transaction credits will be based upon a percentage of the externally-generated CTA tape revenue obtained in each stock.³ This percentage will increase as the level of this externally-generated revenue, that offsets Exchange fixed costs, also increases. These credits, however, may not exceed a specialist's total monthly billing invoice (excluding directly rebilled services).

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act⁴ in general and furthers the objectives of Section 6(b)(4)⁵ in particular in that it provides for the equitable allocation of reasonable dues, fees, and other charges among the Exchange's members and other persons using its facilities.

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

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.

³ The applicable transaction credit percentage is applied on a marginal basis to the CHX monthly CTA trade volume percentage by stock. For example, if the CHX monthly CTA trade volume percentage for a particular stock is 15%, the applicable transaction credit rates are 18% for the first 7% of the trade volume, 36% for the next 5% of the trade volume, and 54% for the remaining 3% of the trade volume. Conversation among Lou Klobuchar, Jr., Executive Vice President, CHX, George T. Simon, Foley & Lardner, and Howard L. Kramer, Associate Director, Market Regulation, SEC, Michael Walinskas, Senior Special Counsel, Market Regulation, SEC, and George A. Villasana, Attorney, Market Regulation, SEC, on February 3, 1997.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4).

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 due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁶ and subparagraph (e) of Rule 19b-4 thereunder.⁷

At any time within 60 days of the filing of the 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 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 at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of The Chicago Stock Exchange.

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4.

All submissions should refer to File No. SR-CHX-97-01 and should be submitted by March 5, 1997.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-3427 Filed 2-11-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38241; File No. SR-PSE-96-36]

Self-Regulatory Organizations; Pacific Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 Relating to a Requirement That all Non-Self-Clearing PSE Floor Brokers Maintain Error Accounts

February 5, 1997.

I. Introduction

On October 17, 1996, the Pacific Stock Exchange, Incorporated ("PSE" 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 amend its rules to provide that each non-self clearing floor broker on the Exchange must establish and maintain an error account for carrying positions resulting from errors.

The proposed rule change, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 37903 (October 31, 1996), 61 FR 57507 (November 6, 1996). No comments were received on the proposal. The Exchange filed Amendment No. 1 with the Commission on February 4, 1997.³ This

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 was filed with the Commission on February 4, 1997. The amendment changed the numbering of the proposed rule change from 4.10(c) to 4.21, further explained the Exchange's purpose for the rule change, and explained why the rule change distinguishes

order approves the proposed rule change, as amended.

II. Description

The rule change adopts new Rule 4.21 to provide that each member organization whose principal business is as a floor broker on the Exchange and who is not self-clearing must establish and maintain an account with a clearing member of the Exchange, for the sole purpose of carrying positions resulting from bona fide errors made in the course of its floor brokerage business. The new rule further provides that with respect to options floor brokers only, such an account for options transactions must be maintained with an entity that is also a member of the Options Clearing Corporation.

The purpose of the proposed rule change is to strengthen the Exchange's ability to detect and deter rule violations that may occur in connection with floor brokers' trading errors. The proposed rule change would assist routine examinations of the floor brokers' trading by the PSE's Department of Member Examinations. The Exchange notes that the proposed rule change is consistent with Rule 703(c)(vi) of the Philadelphia Stock Exchange, Inc. ("PHLX"). The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5)⁴ in particular in that it is designed to promote just and equitable principles of trade and to protect investors and public interest.

III. Discussion

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, and, in particular, with the requirements of Section 6(b).⁵ More specifically, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public, because the proposed rule change facilitates the enhanced surveillance of floor brokers' error trades.

The Commission believes that the proposed rule change may enhance the Exchange's ability to detect and prevent

rule violations committed by floor brokers that may arise in connection with trading errors, by facilitating routine surveillance examinations of floor brokers with regard to error trades. This enhanced surveillance capability results from the Exchange's ability to more easily review trades designated by floor brokers as errors by reviewing the required error account for each floor broker. The Commission notes that the proposed rule change will conform the treatment of error trades by non-self-clearing floor brokers with that conducted by self-clearing floor brokers, whose practice is to have one or more trading accounts in which to segregate errors.⁶

The Commission also notes that the proposed rule change is similar to rule 703(c)(vi) of the PHLX, previously approved by the Commission, which requires all non-self-clearing floor brokers to have error accounts. Accordingly, the Commission believes that the proposed rule change does not raise any new significant regulatory issues.

The Commission finds good cause for approving Amendment No. 1 on an accelerated basis prior to the thirtieth day after the date of publication of notice thereof in the Federal Register. Specifically, the Commission believes that accelerated approval of Amendment No. 1 is appropriate because the amendment does not change the substance of the proposal. Rather, it simply clarifies and explains certain aspects of the proposed rule change.⁷

Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve 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 to the proposed rule change. 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 Amendment No. 1 between the Commission and any persons, 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 Room. Copies of such filing will also be available at the principal office of the Exchange. All submissions should refer to File No. SR-PSE-96-36 and should be submitted by [insert date 21 days from date of publication].

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-PSE-96-36), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-3429 Filed 2-11-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38252; File No. SR-PTC-96-07]

Self-Regulatory Organizations; Participants Trust Company; Order Approving a Proposed Rule Change Relating to the Right of Set-Off Upon the Default of a Participant

February 6, 1997.

On December 2, 1996, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-PTC-96-07) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ to clarify PTC's right of setoff upon the default of a participant. Notice of the proposal was published in the Federal Register on December 26, 1996.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change clarifies that upon a participant's default in payment of a debit balance PTC will set-off any credit balances in the participant's accounts to reduce the unpaid obligation of the participant. Participants maintain their securities positions at PTC in one or more master accounts, each of which is comprised of one or more accounts of the following types: proprietary accounts for securities that are held by the participant as principal; agency accounts for securities that are held by the participant as agent; pledgee accounts for securities that are held by

between non-self-clearing floor brokers and self-clearing floor brokers. See letter from Michael D. Pierson, PSE, to Heather Seidel, Attorney, Market Regulation, Commission, dated February 4, 1997.

⁴ 15 U.S.C. 78f(b)(5).

⁵ 15 U.S.C. 78f(b).

⁶ See Amendment No. 1.

⁷ See supra note 3.

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 38059 (December 19, 1996), 61 FR 68087.