

(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 Room. Copies of such filing will also be available for inspection and copying at the principle office of the Exchange. All submissions should refer to File No. SR-CHX-96-15 and should be submitted by July 16, 1996.

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

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-37324 File No. SR-CHX-96-11]

#### Self-Regulatory Organizations; Notice of Filing of Amendment No. 3 to Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Examinations

June 18, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on March 6, 1996, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change, on March 18, 1996, filed Amendment No. 1 to the proposed rule change,<sup>1</sup> and on April 4, 1996, filed Amendment No. 2 to the proposed rule

change.<sup>2</sup> The original filing, as amended by Amendment No. 1 and Amendment No. 2, was published for comment in Securities Exchange Act Release No. 37067 (April 4, 1996), 61 FR 16274 (April 12, 1996). On June 3, 1996, the Exchange submitted to the Commission Amendment No. 3 to the proposed rule change.<sup>3</sup> The proposed rule change, as amended, is 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, as amended, from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

In the original filing as amended by Amendments Nos. 1 and 2, the Exchange proposed to amend Rules 2 and 3 of Article VI (and the interpretations and policies thereunder) to clarify existing rules, adopt a new Floor Membership Exam, adopt a new Market Maker Exam, adopt a new Co-Specialist Exam, and adopt examinations applicable to persons conducting a customer business from the CHX trading floor. The Exchange also proposed to adopt the Content Outline for the Examination Module for Floor Members Engaged in a Public Business with Professional Customers and the Content Outline for the Examination Module for Floor Clerks of Members engaged in a Public Business with Professional Customers (collectively, the "Content Outline").<sup>4</sup> Finally, the Exchange proposed technical changes to Rule 2 of Article VI, Registration and Approval of Member and Member Organization Personnel, including a definition of "control person." Amendment No. 3 clarifies the proposed amendments to Rule 2 of Article VI.

<sup>2</sup> See Letter from Charles R. Haywood, Foley & Lardner, to Elisa Metzger, SEC dated April 4, 1996 ("Amendment No. 2").

<sup>3</sup> See Letter from David Rusoff, Foley & Lardner, to Elisa Metzger, SEC dated May 31, 1996 ("Amendment No. 3").

<sup>4</sup> The Exchange will use the Series 7A Examination that was approved in Securities Exchange Act Release No. 32698 (July 29, 1993), 58 FR 41539 (File No. SR-NYSE-93-10). The Exchange will use the Series 7B Examination that was approved in Securities Exchange Act Release No. 34334 (July 8, 1994) 59 FR 35964 (File No. SR-NYSE-94-13). The Series 7A and 7B Examinations for CHX members will be administered by the National Association of Securities Dealers, Inc. ("NASD").

#### 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 Section 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

As amended, the proposed rule change clarifies current Exchange requirements for registering personnel and makes technical changes to the registration procedure. The proposed rule change adds a definition of "control person" to Article VI, Rule 2 and specifies that all such persons at members and member organizations must be acceptable to the Exchange. A "control person" is defined as:

[A] person with the power, directly or indirectly, to direct the management or policies of a company whether through ownership of securities, by contract or otherwise, and at a minimum, means all directors, general partners or officers exercising executive responsibility (or having similar status or functions), all persons directly or indirectly having the right to having the power to sell or direct the sale of 5% or more of a class of voting securities, or in the case of a partnership, having the right to received upon dissolution, as having contributed, 5% or more of the capital.

In the original filing, the proposed amendment required that all control persons and certain shareholders be acceptable to the Exchange. Amendment No. 3 deleted the reference to "certain shareholders" and amended the definition of "control person" to include those persons who directly or indirectly have the right to vote or sell 5% or more of a class of voting security, as opposed to 10% or more of a class of voting security. Amendment No. 3 also clarified that in the case of a partnership, a "control person" would include those persons who have the right to receive upon dissolution, as having contributed 5%, as opposed to 10%, or more of the capital.

Rule 2 of Article VI States that "[e]very other employee of a member or member organization must also be

<sup>1</sup> See Letter from David T. Rusoff, Foley & Lardner, to Elisa Metzger, SEC dated March 14, 1996 ("Amendment No. 1").

acceptable to the Exchange.” Amendment No. 3 explains the application of the standard “acceptable to the Exchange” to control persons. In the proposed rule change, the Exchange will apply the “acceptable to the Exchange” standard to control persons in the same manner as it has applied that standard to employees of members or member organizations in the past since the rule was first adopted. While the Exchange has not had to exercise this standard in recent years, the Exchange might apply it if, for example, a prospective employee or control person is subject to a statutory disqualification or if the person, while not subject to a statutory disqualification, is barred from the banking industry because he or she stole from customers.

In the original filing, the proposed amendments to Rule 2 of Article VI stated that upon notice to a member or member organization that the President of the Exchange has withheld or withdrawn approval of the employment of any other person, the relationship between the member or member organization and such person shall be terminated. Amendment No. 3 deletes the reference to “the employment of” any such other person.

Rule 2 of Article VI requires members or member organizations that know or in the exercise of reasonable care should know that any prospective employee is subject to one or more statutory disqualifications to submit details on such prospective employee to the Exchange and receive Exchange approval before such person becomes associated with the member or member organization. Rule 2 also requires that each member or member organization take reasonable care to determine the existence of a statutory disqualification prior to employing any prospective employee. Further, if any person already employed by a member or member organization thereafter becomes subject to a statutory disqualification, notice must be sent to the Exchange promptly. Amendment No. 3 clarifies that these provisions are applicable to control persons as well as employees of members or member organizations.

## 2. Statutory Basis

The proposed rule change is consistent with section 6 of the Act in general, and in particular, with Section 6(b)(5), in that it is designed to promote just a equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, as well as to protect investors and the public interest.

The proposed rule change is also consistent with Section 6(c)(3)(B) of the Act, which provides that a national securities exchange may examine and verify the qualifications of an applicant to become a person associated with a member in accordance with procedures established by the rules of the exchange, and require any person associated with a member, or any class of such persons, to be registered with the exchange in accordance with procedures so established.

### *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 understands that the Commission has received comments on SR-CHX-96-11 and Amendments Nos. 1 and 2 thereto.<sup>5</sup> The Exchange believes that issues raised by the commenter are addressed herein, and in Amendment No. 3.<sup>6</sup>

### 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.,

<sup>5</sup> See Letters from C. Philip Curley, Attorney, Robinson Curley & Clayton, P.C., to Jonathan G. Katz, Secretary, SEC, dated May 2, 1996 (“Comment Letters”).

<sup>6</sup> The SEC notes that Amendment No. 3 was submitted in response to the Comment Letter. The comment letter received by the SEC regarding the CHX’s proposal and Amendment No. 3 are available in the SEC’s public reference room in File No. SR-CHX-96-11.

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 CHX. All submissions should refer to File No. SR-CHX-96-11 and should be submitted by July 16, 1996.

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

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-37318; File No. SR-OCC-96-03]

### **Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to the Clearance and Settlement of Flexibly Structured Equity Options**

June 18, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on April 30, 1996, The Options Clearing Corporation (“OCC”) 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 primarily by OCC. 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 purpose of the proposed rule change is to enable OCC to clear and settle flexibly structured equity options.

<sup>1</sup> 15 U.S.C. § 78s(b)(1) (1988).