

Fund, Inc. upon consummation of the reorganization.

8. As of the date of the application, applicant had no shareholders, securities, debts or other liabilities. Applicant is not a party to any litigation or administrative proceeding. Applicant is neither engaged, nor proposes to engage, in any business activities other than those necessary for the winding up of its affairs.

9. Applicant intends to file the necessary documentation with the Commonwealth of Massachusetts to effect its termination as a Massachusetts business trust.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-38117; File No. SR-CSE-96-08]

Self-Regulatory Organizations; Cincinnati Stock Exchange; Order Granting Approval to Proposed Rule Change Relating to Continuous or Regular Quotation Obligations

January 3, 1997.

I. Introduction

On October 3, 1996, the Cincinnati Stock Exchange ("CSE" 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 issue a reiteration and clarification of its rules concerning dealer obligations to provide continuous or regular two-sided quotations.

The proposed rule change was published for comment in Securities Exchange Act Release No. 37811 (October 11, 1996), 61 FR 54472 (October 18, 1996). No comments were received on the proposal.

II. Description

The purpose of the proposed rule change is to clarify the obligations of CSE Designated Dealers, Qualified Dealers, and Contributing Dealers (collectively, "CSE Dealers") to provide continuous or regular two-sided quotations, as the case may be, during the trading day.³ Currently, CSE Rules

11.8 and 11.9 set forth the requirements for CSE Dealers' quotations obligations. To clarify these requirements, the CSE is proposing to adopt a Regulatory Circular ("Circular"), which sets forth the obligations of a CSE Dealer to comply with CSE Rule 11.8 and 11.9 in providing quotes. Upon Commission approval of the Circular, the CSE will be disseminating the Circular to CSE Dealers and the requirements in the Circular will be fully enforceable as a rule of the Exchange. The Circular will provide guidance concerning quotation obligations at the opening and intra-day, during computer systems problems, and in unusual market conditions. In addition, the Circular will delineate enforcement standards for non-compliance with CSE rules pertaining to quotation obligations.

Specifically, the Circular will reiterate the obligations of a Designated Dealer or Qualified Dealer to display a two-sided quotation for a security immediately following the opening of the security on the primary market, and immediately to reestablish a quotation if that quotation is taken out during the day as a result of a transaction. The Exchange will thus reemphasize the need for Designated Dealers and Qualified Dealers to maintain continuous, two-sided quotations throughout the trading day.

Moreover, the Circular will specify the notification procedures to be followed in the event of a computer system problem that prevents a CSE Dealer from providing continuous or regular two-sided quotations. Frequent systems problems may result in the CSE Dealer's deregistration in certain issues by the Exchange's Market Performance Committee ("MPC"), or may be considered by the MPC as a factor in a request to become a dealer in additional securities. In addition, the Circular

net capital amount and who has been approved by the CSE's Securities Committee to perform market making functions by entering bids and offers into the Exchange's trading systems. See CSE Rule 11.9(a)(3). During Exchange trading hours, a Designated Dealer is required to provide continuous bids and offers for round lots of issues for which the member is registered as a Designated Dealer. See CSE Rule 11.9(c)(iii).

A "Contributing Dealer" is defined as a member who maintains a minimum net capital amount and during Exchange trading hours provides regular bids and offers for round lots of issues for which the member is registered. See CSE Rule 11.9(a)(4). Currently, no CSE member is registered with the Exchange as a Contributing Dealer. Telephone Conversation between Adam Gurwitz, Director of Legal Affairs, CSE, and Jon Kroeper, Attorney, SEC, dated January 2, 1997.

A "Qualified Dealer" is defined as a member who has been approved by the CSE's Securities Committee to provide to all members during Exchange trading hours a continuous two-sided market in odd-lots of issues for which the member is designated a Qualified Dealer. See CSE Rule 11.8.

states that the existence of unusual market conditions will not exempt a CSE Dealer from its continuous or regular quotation obligations.

Finally, the Circular will place CSE members on notice that they will be informed of their compliance status at least quarterly, and will set forth possible sanctions resulting from non-compliance. In this regard, the Circular states that initial non-compliance may lead to a warning letter or a fine, while further non-compliance may lead to the imposition of sanctions, which may include a fine and deregistration in one or more issues. The Circular also states, however, that the MPC may impose sterner or swifter action, including sanctions, as it may find appropriate.

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).⁴ In particular, 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.

The Commission finds that the Circular sets forth an adequate reiteration of CSE Dealers' existing obligations under Exchange rules to provide continuous or regular two-sided quotations, as the case may be,⁵ during Exchange trading hours. As was noted above, the Circular states that a Designated Dealer or Qualified Dealer shall immediately display a two-sided quotation as soon as the security opens on the primary market and that the dealer must immediately reestablish a bid or offer if its quote has been taken out as the result of a transaction.

In addition, the Commission believes that the Circular will provide CSE Dealers with appropriate clarification as to their continuous or regular quotation obligations under Exchange rules during the occurrence of unusual market conditions and in the event of systems problems at the Exchange or a member firm. The Circular clearly states that a CSE Dealer is not exempted from its obligation to provide continuous or regular two-sided quotations during the occurrence of unusual market conditions. Moreover, the Circular references the procedures, adopted in a

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term "Designated Dealer" is defined by the Exchange as a member who maintains a minimum

⁴ 15 U.S.C. 78f(b).

⁵ See *supra* note 3.

previous Regulatory Circular,⁶ that are to be followed in the event that systems problems at a member firm or the Exchange temporarily prevent a CSE Dealer from providing continuous or regular quotations.

Furthermore, the Commission believes that the Circular is consistent with Section 6(b)(1) of the Act⁷ in that it provides a means of notifying CSE Dealers of their compliance with the Exchange's rules regarding quotation obligations and delineates enforcement standards that will be applied by the Exchange as a result of member non-compliance with such obligations. The Circular states that members will be notified of their compliance status at least quarterly. In the event of non-compliance, the Circular provides that initial non-compliance may lead to a warning letter or a fine, while further non-compliance may lead to the imposition of sanctions, which may include a fine and deregistration in one or more issues. The Circular also states, however, that the MPC may impose sterner or swifter action, including sanctions, as it may find appropriate. The Commission would particularly expect the CSE to impose sterner sanctions for egregious or continued violations. Accordingly, given the flexibility inherent in the Circular's enforcement standards, the Commission believes that such standards should provide the Exchange with an appropriate framework to address instances of CSE Dealer non-compliance with the Exchange's rules regarding quotation obligations.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-CSE-96-08) is approved.

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

Margaret H. McFarland,
Deputy Secretary.

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SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions and Delegations of Authority

This statement amends part S of the Statement of the Organization, Functions and Delegations of Authority

which covers the Social Security Administration (SSA). Chapter S4 covers the Deputy Commissioner for Systems. Notice is given that Subchapter S4L, the Office of Telecommunications (OTC), is being deleted. Subchapter S4E, the Office of Systems Operations (OSO), is being retitled to the Office of Telecommunications and Systems Operations (OTOSO), and amended to reflect the transfer of functions from OTC to OSO. The changes are as follows:

Section S4.10 *The Office of the Deputy Commissioner, Systems—(Organization):*

Delete:

I. The Office of Telecommunications (S4L).

Retitle:

D. "The Office of Systems Operations" (S4E) to "The Office of Telecommunications and Systems Operations" (S4E).

Section S4.20 *The Office of the Deputy Commissioner, Systems—(Functions):*

Delete in its entirety:

I. The Office of Telecommunications (S4L).

Retitle:

D. "The Office of Systems Operations" (S4E) to "The Office of Telecommunications and Systems Operations" (S4E).

Amend to read as follows:

D. The Office of Telecommunications and Systems Operations (OTOSO) (S4E) directs, manages and coordinates the planning, acquisition, implementation, security, operation and maintenance of SSA's computer systems operations, and plans, implements and evaluates SSA's communications technology and systems. It directs and coordinates the transition, implementation and operation of current/ongoing operating systems support software, including diagnostic software. It is responsible for evaluating current and emerging communications technologies and for designing, acquiring, implementing, operating and maintaining new integrated telecommunications systems combining voice, data, video, facsimile and other SSA communications requirements. OTOSO directs, manages and coordinates the planning, analysis, design, acquisition, implementation, operation and maintenance of SSA's existing telecommunications systems. It manages the telecommunications operations complexes located at the Central Office, Regional Offices and field sites. It is responsible for SSA's comprehensive voice communication management program. OTOSO interfaces with other systems components in the

transition and implementation of redesigned programmatic and administrative systems to progressively replace existing application systems. It manages the computer operations complex which processes SSA's programmatic support, administrative, management information and statistical application systems. OTOSO conducts continuing assessments and engineering analyses of the computer operations, as well as equipment performance analyses and coordinates the implementation of necessary improvements to existing resources. It directs and coordinates the activities associated with the planning, management, acquisition, procurement and renewal of ADP equipment, software and technical services for SSA to maintain operational systems and to prevent progressive deterioration. OTOSO develops, controls and implements operational plans which include the preparing of technical specifications, evaluation criteria, acceptance test criteria, facilities engineering plans and budget estimates to maintain operational systems. It advises the Deputy Commissioner, SSA Executive Staff and external monitoring authorities such as the General Services Administration, the General Accounting Office, the Office of Management and Budget and Congress on SSA's computer systems operations.

Delete: Existing Subchapter S4L, the Office of Telecommunications.

Retitle: Existing Subchapter S4E, "The Office of Systems Operations" (S4E) to "The Office of Telecommunications and Systems Operations" (S4E).

Change all references to the "Office of Systems Operations" to the "Office of Telecommunications and Systems Operations" and all references to "OSO" to "OTOSO" throughout all Subchapters of Chapter 4.

Section S4E.00 *The Office of Telecommunications and Systems Operations—(Mission):*

Amend to read as follows:

The Office of Telecommunications and Systems Operations (OTOSO) (S4E) directs, manages and coordinates the planning, acquisition, implementation, security, operation and maintenance of SSA's computer systems operations and the telecommunications systems. It directs and coordinates the transition, implementation and operation of current/ongoing operating systems support software, including diagnostic software. It is responsible for evaluating current and emerging communications technologies and for designing, acquiring, implementing, operating and maintaining new integrated telecommunications systems combining

⁶ See CSE Regulatory Circular 96-07.

⁷ 15 U.S.C. 78f(b)(1).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).