order, these amendments should minimize any such perceived advantage. It should be noted that the proposed changes will not apply to options trading, and Rule 950 will be amended accordingly. In addition, the proposed changes also will not apply to system orders.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) [3] of the Act in general and furthers the objectives of Section 6(b)(5) [4] in particular in that the rules are designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

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

The proposed rule change will impose no burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others.

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of 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 such 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 in the Commission's Public Reference Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR–Amex–97–02 and should be submitted by [insert date 21 days from date of publication].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[5]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–3428 Filed 2–11–97; 8:45 am]

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[3] 15 U.S.C. § 78f(b).

[4] 15 U.S.C. § 78f(b)(5).

[5] 17 CFR 200.30–3(a)(12).

[Release No. 34–38238; File No. SR–AMEX–96–39]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Various Updates to Amex Trading Rules and Company Guide Section 402.

February 4, 1997.

On October 16, 1996, the American Stock Exchange, Inc. (''Amex'' or ''Exchange'') submitted to the Securities and Exchange Commission (''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 incorporate various minor updates and clarifications into the Exchange's rules and *Company Guide.*

The proposed rule change was published for comment in the Federal Register on November 13, 1996.[3] No comments were received on the proposal. Subsequently, the Exchange clarified its rationale for the modification of Amex Rule 126, which governs order precedence.[4] This order approves the proposal.

The Exchange proposed that the following minor housekeeping changes be made:

A. Rule 135—delete the reference to sales sheets published by ''Francis Emory Fitch, Inc.'' because the Exchange no longer utilizes this company's service.

B. Rule 152—delete the reference to Rule 570 because Rule 570 was rescinded.

C. Rule 340—change the reference to the Exchange's ''Market Operations Division'' to the ''Exchange.''

D. Rule 171—remove the prohibition against specialist units of less than three natural persons to conform with a comparable NYSE provision.

E. Rule 904—change the reference to the Exchange's ''Membership Compliance Division'' to the ''Exchange.''

F. Rule 950—delete Rule 170 from the list of rules that are applicable in their entirety to option transactions because all of that rule's commentary is not applicable (paragraph (n) of Rule 950 already specifies which portions of Rule 170 are applicable).

G. Section 402 of the *Company Guide*—add Bloomberg Business News to the list of approved services for disclosure of material information.

In addition, the Exchange proposed a change to Amex Rule 126, which provides generally that the highest bid and lowest offer have priority in execution. When bids or offers are made at the same price, priority is determined by the time order in which they were placed. If bids and offers are made simultaneously at the same price, they are on parity and, as such, are entitled to share equally in an execution at the specified price. Amex Rule 108, which governs parity and priority at openings, contains similar provisions. In addition, Amex Rule 108 grants a specialist's agency limit orders a preference over other orders on parity whenever there is a substantial accumulation of orders on the book at a limit price equal to the proposed opening price. Under these circumstances, the specialist is entitled to execute its agency limit orders at the following percentages: 60% when there is one broker on parity, 40% when there are 2–5 brokers on parity, and 30% when there are 6 or more brokers on parity.

The Exchange believes that procedures similar to those contained in Amex Rule 108 should be utilized throughout the trading day. Thus, under the current proposal, when a specialist has a substantial accumulation of agency orders on its book and there are also floor brokers in the trading crowd that are on parity with those orders, the specialist's orders would be entitled to the same percentage of shares of the contra side order as is currently provided for in Amex Rule 108. The Exchange believes that keying the

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4

[3] Securities Exchange Act Release No. 37924 (Nov. 6, 1996), 61 FR 58270.

[4] Letter from Claudia Crowley, Special Counsel, Amex, to Michael Walinskas, Senior Special Counsel, Division of Market Regulation, SEC, dated January 31, 1997.

percentage of contra side shares allotted to the specialist's orders to the number of competing floor brokers on parity would divide the specified execution as equally as possible, while providing an easy to use formula whose implementation is not unduly disruptive to trading. In addition, the Amex believes this change would facilitate the ability of the specialist, who normally represents multiple customer orders, to compete with floor brokers in the trading crowd, who normally only represent one customer order each.

The final aspect of the proposal concerns the adjustment of stop limit orders when a security is quoted ex-divided, ex-distribution, ex-rights, or ex-interest. When a security is quoted ex-divided, ex-distribution, ex-rights, or ex-interest (except for stock dividends and distributions), Amex Rule 132(a) generally provides that a specialist must reduce all open orders to buy and open stop orders to sell by the cash value of the payment or rights. However, there occasionally has been some confusion concerning stop limit orders because the rule does not specifically provide that both the limit and the stop price must be reduced. Therefore, the Exchange proposes to amend paragraph (a) to provide such specificity. This change also will conform Amex Rule 132 to New York Stock Exchange (''NYSE'') Rule 118.

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] Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)[6] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to facilitate transactions in securities, and, in general, to protect investors and the public interest.[7]

The Commission supports the Amex's efforts to continue to review the form and substance of its regulations. In this regard, the Commission agrees with the Exchange's assertion that the proposed to Amex rules 135, 152, 340, 171, 904, and 950 will eliminate or update requirements that no longer serve a meaningful regulatory purpose. In addition, the Commission believes that adding Bloomberg Business News to the Exchange's list of approved services for disclosure of material information should facilitate the dissemination of important information, thereby enhancing the quality of the markets.

The Commission also believes the changes concerning the precedence of orders are consistent with the Act. These changes should allow specialists, who often represent many orders, to compete more equitably with traders in the crowd, who often represent only one order. The Commission believes it is reasonable for the Exchange to conclude that the percentages selected should divide the specified execution in an equitable manner, while providing an easy to use formula whose implementation should not disrupt trading. Moreover, the Commission believes this practice serves the function addressed by procedures in place at other exchanges that facilitate the execution of customer limit orders.[8]

Finally, the Commission believes it is appropriate to require specialists to adjust open stop limit orders to sell when a security is quoted ''ex'' to ensure that these orders will continue to be handled according to the sellers' original intentions and to preserve the ability of these orders to obtain the best price available. Moreover, for the purposes of Amex Rule 132(a), open stop limit orders to sell and open stop orders to sell are essentially the same. The only difference between these orders is that a stop limit order to sell places a floor on an acceptable execution price whereas a stop order to sell will accept whatever the current market price is after a transaction occurs at or below the stop order's sell price.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[9] that the proposed rule change (SR–Amex–96–39) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 97–3430 Filed 2–11–97; 8:45 am]
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[5] 15 U.S.C. 78f(b).

[6] 15 U.S.C. 78f(b)(5).

[7] In making this finding, the Commission notes that the proposal should increase efficiency by eliminating a source of confusion among Amex members and removing outdated provisions. *See* 15 U.S.C 78c(f) (noting that it is in the public interest to consider whether an action will promote efficiency, competition, or capital formation).

[8] *See, e.g.,* NYSE Rule 72. NYSE Rule 72 permits the largest bid (offer) to ''size out'' other smaller bids (offers) that are on parity with it. However, all bids (offers) in ''the book'' that are on parity with the larger bids (offers) in the trading crowd are aggregated for precedence purposes to facilitate the ability of the book to compete with the trading crowd for contra side order flow. Moreover, a specialist may further increase the opportunity for bids (offers) in the book to size out bids (offers) in the trading crowd by combining his bid (offer) for his own account with the bids (offers) in the book, if he so chooses. NYSE Rule 108.10.

[9] 15 U.S.C. 78s(b)(2).

[10] 17 CFR 200.30–3(a)(12).

[Release No. 34–38237; File No. SR–CHX–97–01]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Specialist Fees

February 4, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on January 17, 1997, the Chicago Stock Exchange, Incorporated (''CHX'' or ''Exchange'') 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 by the self-regulatory organization. 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 Exchange, pursuant to Rule 19b–4 of the Act, submits a proposed rule change amending the CHX's Schedule of Fees relating to specialists effective February 1, 1997. The text of the proposed rule change is as follows [new text is italicized; deleted text is bracketed]:

Membership Dues and Fees * * *

(b) Registration Fee:

Firm or Corporation—No change in text.
Office (other than principal)—No change in text.
Officers or Partners—No change in text.m
Salesmen—No change in text.
[Specialist—Fees will be determined based upon the monthly round lot activity of an issue on the MSE, and shall be paid monthly, according to the following:

The 300 most active issues shall be charged at a rate of $400 per year.

All other issues shall be charged at a rate of $100 per year.]

Specialist Assignment—There shall also be an assignment fee of $500 per issue upon the approval by the Committee on Specialist Assignment and Evaluation of an application of a member or member organization to act as specialist in a

[1] 15 U.S.C. 78s(b)(1).