

Exchange. Thus, the proposed rule change will benefit customers using the Auto-Ex system, as well as those customers whose orders are on the AODB.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)⁵ of the Act, in general, and furthers the objectives of Section 6(b)(5)⁶ of the Act, in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Amex does not believe that the proposed rule change will impose any 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

Because the foregoing proposed rule: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁸ Although Rule 19b-4(f)(6) requires that an Exchange submit a notice of its intent to file at least five business days prior to the filing date, the Commission waived this requirement at the Amex's request.

The Commission also notes that under Rule 19b-4(f)(6)(iii), the proposal does not become operative for 30 days after date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The

Amex requested a waiver of this 30 day period to permit the immediate integration of the proposed systems change into the Exchange's trading systems. Amex believes that this systems change will provide faster and more efficient executions to market and marketable limit orders, and promote more efficient handling of limit orders on the specialist's book. Amex also believes that the proposed change will assure that limit orders on the specialist's book retain priority, where appropriate, over other interest on the Exchange. For the reasons discussed above, the Commission finds that the waiver of the 30 day period is consistent with the protection of investors and the public interest.⁹

At any time within 60 days of the filing of the proposed rule change, as amended, 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, including whether the proposed rule is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. 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. 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-00-17 and should be submitted by May 5, 2000.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 00-9325 Filed 4-13-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42653; File No. SR-CHX-99-20]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Minimum Net Capital and Excess Net Capital Requirements for Members

April 7, 2000.

I. Introduction

On September 24, 1999, the Chicago Stock Exchange, Inc. ("CHX" 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-4² thereunder, a proposed rule change. In its proposal, CHX seeks to modify its minimum net capital and excess net capital requirements for members who are specialists or who carry the accounts of specialist. The proposed rule change was published for comment in the **Federal Register** on December 22, 1999.³ The Commission received no comments on the filing. This order approves the proposal.

II. Description of the Proposal

The Exchange proposes to amend Article XI, Rule 3 of the Exchange's rules to modify the minimum net capital and excess net capital requirements applicable to members who are specialists or who carry accounts of specialists. CHX is amending its rules because it and the Midwest Clearing Corporation ("MCC") have determined to discontinue the sponsored account program on June 30, 2000, after which time the MCC will be dissolved and the Exchange will no longer guarantee the MCC's obligations to qualified clearing agencies.⁴

Currently, the rules of the Exchange and the MCC permit floor members for

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 42239 (December 15, 1999), 64 FR 71835.

⁴ "Qualified clearing agencies" is a defined term in the Midwest Clearing Corporation ("MCC") Rules. See MCC Rules, Art. XI, Rule 1.

⁵ 15 U.S.C. 78f.

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ The Commission notes that this proposal is similar to a Chicago Board Options Exchange, Inc. proposal that the Commission approved in 1999. See Release No. 34-41995 (October 8, 1999), 64 FR 56547 (October 20, 1999) (File No. SR-CBOE-99-29).

the Exchange to establish "sponsored accounts" pursuant to which the MCC provides sponsored participants with access to clearance, settlement and delivery via a qualified clearing agency such as the National Securities Clearing Corporation ("NSCC"). The Exchange in turn provides a guaranty to the NSCC (and through the NSCC to The Depository Trust Company ("DTC")) from time to time to guarantee the obligations of the MCC with respect to liabilities that could be generated in sponsored accounts.⁵ As stated above, the Exchange and the MCC have decided to discontinue the sponsored account program on June 30, 2000.

Because of this change, all current sponsored participants will have to become direct participants in qualified clearing agencies such as NSCC and DTC. The Exchange therefore proposes to amend Article XI, Rule 3 to incorporate the minimum net capital and excess net capital requirements currently required for direct participation in NSCC, subject to the amended phase-in periods set forth in Interpretation and Policy .01 to the amended rule. The Exchange anticipates that the proposed phase-in periods will ameliorate any financial burden that might otherwise be placed on members who are specialists or who carry accounts of specialists.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act.⁶ In particular, the Commission finds the proposal is consistent with Section 6(b)(5)⁷ of the Act. Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade and to protect investors and the public interest.

The Commission believes that the proposal is consistent with the Act and rules thereunder because the CHX is amending its rules to require net capital and excess net capital levels that are consistent with its current business plan, in light of CHX and MCC's decision to discontinue the sponsored account program. Because of this change in business plans, sponsored participants now need to become direct participants in clearing agencies such as NSCC and DTC. The proposed rule change allows for this change by making certain the CHX's net capital

requirements for specialists and members who carry the accounts of specialists are consistent with those of NSCC. Further, CHX has given these members advance notice of the change and has provided for a reasonable phase-in period to prepare these members for the change.

IV. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-CHX-99-20) is approved.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 00-9327 Filed 4-13-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42658; File No. SR-MSRB-00-03]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval to Proposed Rule Change Relating to Underwriting and Transaction Assessments Imposed by the Municipal Securities Rulemaking Board Pursuant to Rule A-13

April 10, 2000.

I. Introduction

On February 7, 2000, the Municipal Securities Rulemaking Board ("MSRB" or "Board"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² submitted to the Securities and Exchange Commission ("Commission") a proposed rule change revising Rule A-13, Underwriting and Transaction Assessments for Brokers, Dealers and Municipal Securities Dealers. The proposed rule change was published for comment in the **Federal Register** on March 10, 2000.³ No comments were received on the proposal. This order approves the proposal.

II. Description of the Proposal

A. Current Fee Structure

Rule A-13(c) currently provides for a fee levied by the MSRB based on the

total par value of a dealer's inter-dealer sales in municipal securities.⁴ Dealers report these transactions by submitting transaction information to the automated comparison system operated by the National Securities Clearing Corporation. The inter-dealer transaction fee assessment has been set at \$.005 per \$1,000 par value of sales since it was instituted in 1996.

The MSRB levies three other types of fees that generally apply to dealers. Rule A-12 requires each dealer to pay a \$100 initial fee when it enters the municipal securities business. Rule A-14 requires each dealer that conducts municipal securities business during the year to pay an annual fee of \$200. Rule A-13 requires each dealer to pay an assessment on underwriting activity based on the par value of the dealer's purchases from the issuer of primary offerings of municipal securities.

B. Proposed Fee Structure

The MSRB is proposing to expand the transaction-based fee to take into account the dealer's sales to customers in addition to sales to dealers. The MSRB proposes to use a rate of \$.005 per \$1,000 par value to calculate assessments for both inter-dealer and customer transactions. The MSRB would exclude from the calculation of both inter-dealer and customer transaction-based fees certain transactions in very short-term instruments (*i.e.*, securities that have a final stated maturity of nine months or less and securities that may be put to the issuer at least as frequently as every nine months).⁵ Transactions on these instruments are not excluded from the inter-dealer transaction-based fee, but would be excluded from that fee under the MSRB's proposal.

Under the proposed rule change, the MSRB would assess transaction fees on a monthly basis, based on transactions that dealers report to the MSRB's Transaction Reporting System, which supports market surveillance and price transparency functions for the municipal securities market. Dealer sales to customers (not purchases by the dealer from customers) would be used as the measure of transaction activity to avoid double counting when a dealer buys and sells a block of securities in the customer market.⁶

⁴ The total par value of sales transactions will be referred to hereafter as "transaction activity."

⁵ The excluded categories of short-term issues are referred to hereafter as "municipal commercial paper," "short-term notes," and "variable rate demand obligations."

⁶ Similarly, the current inter-dealer transaction fee is assessed to the dealer on the "sell side" of each trade.

⁵ See CHX Rules, Art. XXI, Rule 14.

⁶ In reviewing the proposal, pursuant to Section 3(f) of the Act, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f(b)(5).

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 17 CFR 240.19b-4.

See Exchange Act Release No. 42492 (March 2, 2000), 65 FR 48 (March 10, 2000).