

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

On February 10, 1995, the Exchange requested comments from the participants of the Intermarket Trading System ("ITS") pursuant to Section 8(e)(iii) of the ITS Plan. On February 17, 1995, the NYSE submitted a brief comment letter in which they had only one substantive and one procedural comment. The NYSE believes that the CSE mischaracterized the functioning of NYSE specialists and misapplied the term "internalize" within the Statement of Purpose of the filing. The NYSE contends that the term "internalize" is inapplicable to the NYSE. The CSE, within the Statement of Purpose, states "On the NYSE and other exchanges, a unitary specialist *can* (emphasis added), without the price competition of other specialists, internalize order flow of his or her firm or an affiliated firm."

Regarding the procedural comment, the NYSE states that the CSE has not summarized or responded in detail to prior comments made on CSE's preferencing pilot. The CSE has not received any comments, prior to this NYSE letter, on either CSE's initial filing proposing preferencing (SR-CSE-90-06, Release No. 34-27910) or any of the six amendments/extensions subsequently approved by the Commission. However, on August 25, 1993, the NYSE took the opportunity to include within their comment letter regarding the Boston Stock Exchange's Competing Specialists proposal (SR-BSE-93-12, Release No. 34-32549), comments on the preferencing pilot at the CSE. The CSE, in a letter to Brandon Becker, Director, Division of Market Regulation dated March 18, 1994, accordingly addressed certain assertions concerning the CSE which appeared in correspondence from the NYSE. The CSE, under separate letter, requested the Secretary to place copies within files SR-CSE-93-03 and SR-CSE-94-01.

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., 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, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. (SR-CSE-95-03) and should be submitted by April 3, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35447; File No. SR-MSTC-95-03]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by Midwest Securities Trust Company Relating to the Legal Expert System Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 27, 1995, the Midwest Securities Trust Company ("MSTC") 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 MSTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1) (1988).

I. Self-Regulatory Organizations Statement of the Terms of Substance of the Proposed Rule Change

MSTC proposes to waive the fees associated with the Legal Expert System until March 1, 1995.²

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, MSTC 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. MSTC 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

The purpose of the proposed change is to waive the fees for the Legal Expert System until March 1, 1995.

The text of the proposed rule change is as follows with additions italicized:

MSTC LEGAL EXPERT SYSTEM

Terminal inquiry	
1-2,500 inquiries per month.	\$0.50/inquiry.
2,501-5,000	0.35/inquiry.
5,001-10,000	0.26/inquiry.
10,001 and over	0.17/inquiry.

MSTC full legal deposit participants will receive a free inquiry for each legal deposit submitted to MSTC. The free inquiries are only valid in the month the legal deposit is made.

The above terminal inquiry fees are waived until March 1, 1995.

The proposed rule change is consistent with Section 17A of the Act in that it provides for the equitable allocation of reasonable fees and other charges among participants using its facilities.

(B) Self-Regulatory Organization's Statement on Burden on Competition

MSTC does not believe that the proposed rule change will impose a

² For a complete description of the Legal Expert System, refer to Securities Exchange Act Release Nos. 33756 (March 11, 1994), 59 FR 13350 [File No. SR-MSTC-94-02] (order approving a rule change regarding the Legal Expert System's fees and a clarification disclaiming any liability on MSTC's part for any misinformation contained in the Legal Expert System) and 35098 (December 13, 1994), 59 FR 65551 [SR-MSTC-94-17] (order modifying the pricing structure of the Legal Expert System).

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*

Comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)³ of the Act and Rule 19b-4(e)⁴ thereunder in that it establishes or changes a due, fee, or other charge imposed by MSTC. At any time within sixty days of the filing of such rule change, the Commission summarily may abrogate such rule change if it appears to the Commission that such act 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, N.W., Washington D.C. 20549. Copies of the submissions, 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 DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of MSTV. All submissions should refer to File No. SR-MSTC-95-03 and should be submitted by April 3, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35446; File No. SR-MSRB-94-14]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Rule G-37 on Political Contributions and Prohibitions on Municipal Securities Business, and Rule G-8 on Recordkeeping

March 6, 1995.

On August 18, 1994, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("SEC" or "Commission")¹ a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),² and Rule 19b-4 thereunder.³ The proposed rule change amends rule G-37 on political contributions and prohibitions on municipal securities business, and rule G-8 concerning recordkeeping.⁴

Notice of the proposed rule change, together with the substance of the proposal, was provided by issuance of a Commission release (Securities Exchange Act Release No. 34630, September 1, 1994) and by publication in the **Federal Register** (59 FR 46682, September 9, 1994). Eleven comment letters were received.⁵ This order approves the proposed rule change.

¹ On November 9, 1994, the MSRB filed Amendment No. 1 with the Commission. Amendment No. 1 withdraws from the filing the proposed amendment to rule G-37(g)(iv)(A). The MSRB had proposed to amend the definition of "municipal finance professional" contained in rule G-37(g)(iv)(A) to exempt retail sales persons from being deemed "municipal finance professionals."

² 15 U.S.C. § 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ The Board published the text of the proposed rule change in the August 1994 *MSRB Reports*, Vol. 14, No. 4, at 27-32.

⁵ Letter from Mark D. Schwartz, Esq. ("Schwartz") to Arthur Levitt, Chairman, Commission, dated September 18, 1994 ("Schwartz Letter"); Letter from Heather L. Ruth, President, Public Securities Association ("PSA") to Jonathan G. Katz, Secretary, Commission, dated September 18, 1994 ("PSA Letter"); Letter from Patrick J. Manning, President, Chemical Securities Inc. ("Chemical") to Jonathan G. Katz, Secretary, Commission, dated September 30, 1994 ("Chemical Letter"); Letter from Rhonda G. Kirschner, Senior Attorney and Corporate Vice President, Paine Webber Inc. ("Paine Webber") to Jonathan G. Katz, Secretary, Commission, dated September 30, 1994 ("Paine Webber Letter"); Letter from Robin L. Wiessmann, Principal, Artemis Capital Group, Inc. ("Artemis") to Jonathan G. Katz, Secretary, Commission, dated September 29, 1994 ("Artemis Letter"); Letter from W. Robb Hough, Jr., President, William R. Hough & Co. ("Hough") to Jonathan G. Katz, Secretary, Commission, dated September 29, 1994 ("Hough Letter"); Letter from Robert K. Dalton, Vice Chairman and William H. Coughlin, President, George K. Baum & Co. ("Baum") to Jonathan G. Katz, Secretary, Commission, dated September 28, 1994 ("Baum Letter"); Letter from Brian C. Underwood, Vice President—Director of Compliance, A.G. Edwards &

I. Introduction

On April 7, 1994, the Commission approved Board rule G-37, concerning political contributions and prohibitions on municipal securities business.⁶ In response to numerous inquiries received by the Board concerning the application of the rule, on May 24, 1994, the Board filed with the Commission a Question and Answer ("Q&A") interpretation of the rule.⁷ On June 3, 1994, the Commission approved amendments to the rule which (i) provide a procedure whereby dealers may seek relief from the rule's prohibition on business, in limited circumstances, and (ii) clarify certain definitions in the rule.⁸ The Board has filed with the Commission subsequent Q&A interpretations of the rule.⁹ The rule change approved herein also is intended to address concern over certain aspects of rule G-37.

II. Amendments to Rule G-37 and Rule G-8

The rule change approved today amends rule G-37 and rule G-8 by: (i) amending the definition of municipal finance professional by designating as a municipal finance professional any associated person who is both (a) a municipal securities principal or a municipal securities sales principal and (b) a supervisor of any person primarily engaged in municipal securities representative activities or who solicits municipal securities business; (ii) amending the definition of municipal finance professional so that any person designated as a municipal finance

Sons, Inc. ("Edwards") to Jonathan G. Katz, Secretary, Commission, dated September 29, 1994 ("Edwards Letter"); Letter from Samuel J. Winer, Esq., Arter & Hadden to Jonathan G. Katz, Secretary, Commission, dated October 20, 1994 ("Arter & Hadden Letter"); Letter from A. George Saks, Executive Vice President, Secretary and General Counsel, Smith Barney Inc. ("Smith Barney") to Jonathan G. Katz, Secretary, Commission, dated September 29, 1994 ("Smith Barney Letter"); Letter from Steven D. Vander Clay, Vice President, NBD Bank, N.A. ("NBD") to Jill C. Finder, Assistant General Counsel, MSRB, dated October 20, 1994 ("NBD Letter").

⁶ Securities Exchange Act Release No. 33868 (April 7, 1994), 59 FR 17621 (April 13, 1994) ("Approval Order"). The rule applies to contributions made on and after April 25, 1994.

⁷ See Securities Exchange Act Release No. 34161 (June 6, 1994), 59 FR 30379 (June 13, 1994). The interpretations were published in the June 1994 *MSRB Reports*.

⁸ Securities Exchange Act Release No. 34160 (June 3, 1994), 59 FR 30376 (June 13, 1994).

⁹ See Securities Exchange Act Release No. 35128 (December 20, 1994), 59 FR 66989 (December 28, 1994); Securities Exchange Act Release No. 34603 (August 25, 1994), 59 FR 45049 (August 31, 1994). See also *MSRB Reports*, Vol. 14, No. 5, at 8 (December 1994); Vol. 14, No. 4, at 27-32 (August 1994). The interpretations also are available for inspection and copying at the Commission's public reference room and at the Board.