advises members to consult Exchange regulatory circulars for procedures governing the simultaneous presence in a trading crowd of participants in and orders for the same joint account.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change (SR–CBOE–96–10) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–16067 Filed 6–24–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37327; File No. SR–CHX–96–15]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating To Assignment and Reassignment of NASDAQ/NMS Issues

June 19, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 16, 1996, the Chicago Stock Exchange, Inc. (''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 proposes to amend interpretation and policy .01 of Rule 1 of Article XXX relating to assignments and reassignments of Nasdaq National Market (''NM'') securities. Below is the text of the proposed rule change. Proposed new language is italicized:

CHICAGO STOCK EXCHANGE RULES

ARTICLE XXX

Specialists

Registration and Appointment

Rule 1.

* * * Interpretations and Policies

.01 Committee on Specialist Assignment & Evaluation.

Assignment Function

I. Events Leading to Assignment Proceedings

Pursuant to Article XXX, Rules 1 and 8, the Committee may, when circumstances require, assign or reassign a security. Seven circumstances may lead to the need for assignment or reassignment of a security. They are:

1. New listing or obtaining unlisted trading privilege;
2. Specialist request;
3. Corporation request;
4. Split-up and/or merger of specialist units;
5. Fundamental change of specialist unit;
6. Unsatisfactory performance action; or
7. Disciplinary action.

The following guidelines have been adopted by the Committee for its use in the assignment or reassignment of stocks among specialists and co-specialists. These guidelines set forth the general policy of the Committee concerning the posting and allocation of stocks. They are not, however, rigid rules to be strictly followed regardless of unique circumstances. These guidelines form only the starting point of the Committee's deliberations; they will be applied in light of the facts in each individual case.

1. New Listing—Unlisted Trading Privilege.

(*a*) Initial listing of a security or obtaining unlisted trading privileges from the S.E.C. for a security will lead automatically to an assignment proceeding..

(*b*) *Nasdaq/NM Securities—Subsequent Exchange Listing..*

(*i*) *Initial 100 stocks in Nasdaq/NM Pilot. In the event that one of the initial 100 Nasdaq/NM Securities currently assigned to a specialist unit under the Exchange's Nasdaq/NM Pilot Program becomes a Dual Trading System issue, the Committee will utilize the following guidelines in determining whether the security should be posted and re-assignment proceedings should be initiated or whether the specialist unit should be allowed to continue as the specialist unit for the security:.*

(*A*) *If the specialist unit has designated the security as a security that the specialist unit desires to continue to trade as a Dual Trading System Issue (''Non-Reassignment Issue''), the Committee, under normal circumstances, will not post the security or initiate re-assignment proceedings. Each specialist unit may designate five (5) issues as Non-Reassignment Issues under this paragraph (A), which designation may be changed no more than once a year. In the event that a Non-Reassignment Issue becomes a Dual Trading System issue, the total number of stocks that the specialist unit can designate as a Non-Reassignment Issue will be decremented. For example, if 2 Non-Reassignment Issues become Dual Trading System Issues, the specialist will only be able to designate a total of three (3) issues as Non-Reassignment Issues going forward..*

(*B*) *If the specialist unit has not designated the issues as a Non-Reassignment Issue, the specialist unit can nonetheless designate its interest to continue to trade the issue as a Dual Trading System Issue. Such designation can only be made for one out of every three Nasdaq/NM issues that the specialist unit trades that becomes a Dual Trading System Issue. If such designation is made by the specialist, the Committee, under normal circumstances, will not post the issue or initiate re-assignment proceedings. If no such designation is made by the specialist, the Committee will post the issue and initiate re-assignment proceedings. In such event, the specialist unit trading the issue will not be eligible to apply for the security in such proceedings. The specialist unit cannot accumulate the number of stocks for designation. If the specialist unit does not make such designation for any of three consecutive issues that become Dual Trading System issues, he or she cannot carry forward the unused designation.*

(ii) All other Nasdaq/NM Stocks. In the event that a Nasdaq/NM Security (other than a security described in (i) above) currently assigned to a specialist unit becomes a Dual Trading System issue within one year of the date that the specialist unit began trading the security, the security will be posted and the Committee will initiate a re-assignment proceeding for such security. In the event that such security becomes a Dual Trading System issue more than one year after the date the specialist unit began trading the security, the Committee will utilize the following guidelines in determining whether the security should be posted and re-assignment proceedings commenced or whether the specialist unit should be allowed to continue as the specialist without posting the security:

(A) If the specialist unit has designated the security as a Non-Reassignment Issue, the Committee, under normal circumstances, will not post the security or initiate re-assignment proceedings. Each specialist unit may designate 20% of the Nasdaq/NM securities (not including the securities described in (i) above) assigned to such specialist unit as Non-Reassignment Issues under this paragraph (A), which designations may be changed no more than once a year.

(B) If the specialist has not designated the issue as a Non-Reassignment Issue, the specialist may nonetheless designate its interest to continue to trade the issue as a Dual Trading System issue, and the procedures set forth in (i)(B) above shall apply to such issue.

(iii) Nothing contained in this paragraph 1(b) shall be construed to limit or modify the authority of the Committee pursuant to the other provisions of this Rule.

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

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[10] 15 U.S.C. 78s(b)(2) (1988).

[11] 17 CFR 200.30–3(a)(12) (1995).

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

Sections A, B, and C below, of the most significant aspects of these statements.

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

1. Purpose

In 1987, the Commission approved the trading of Nasdaq/NM Securities (previously known as NASDAQ/NMS Securities) on the Exchange on a pilot basis.[2] When these stocks were initially allocated, the Exchange's Committee on Specialist Assignment and Evaluation (''CSAE'') established certain guidelines for assignment on Nasdaq/NM stocks. These guidelines required a firm that desired to trade these stocks to assign a separate co-specialist that only trades Nasdaq/NM stocks. As a result, only a small number of firms could receive allocations of Nasdaq/NM stocks. In part because of this limitation, the CSAE also determined to re-post any Nasdaq/NM stocks when they list on an exchange.

Because of the recent expansion [3] of the number (from 100 to 500) of Nasdaq/NM securities that are eligible for trading on the CHX, the Exchange believes that a more equitable balance is needed between the ability of the current specialist firm in the Nasdaq stock to continue to trade the stock after it lists on an exchange and other specialists that desire to trade the stock. Thus, the purpose of the proposed rule change is to amend the Exchange's allocation policy in order to achieve this equitable balance.

Under the proposed policy, the 500 Nasdaq/NM stocks that are eligible for trading on the CHX would be divided into two groups: the 100 original issues and the 400 recently added issues.

100 Original Issues

A specialist unit that traded one or more of the original 100 Nasdaq/NM issues would be permitted to designate up to 5 of these issues as ''Non-Reassignment Issues.'' In the event that a Non-Reassignment Issue became listed, *i.e.*, a Dual Trading System issues,[4] CSAE under normal circumstances would not post the issue for reassignment. Instead, the existing Nasdaq/NM specialist unit would be permitted to continue to trade the issue assuming the proposed co-specialist for the issue is qualified. A specialist unit could change the issues it designates as Non-Reassignment Issues once a year. Every time a Non-Reassignment Issue becomes a Dual Trading System issue, however, the total number of stocks that the specialist unit can designate as a Non-Reassignment Issue is decremented.

For all other Nasdaq/NM issues that are part of the initial 100 issues, a specialist unit can nonetheless designate its interest to continue trading the issue as a Dual Trading System issue. This designation can only be made at the time that an issue becomes a Dual Trading System issue and can only be made for one out of every three issues that the specialist unit trades that becomes a Dual Trading System issue. If the designation is made, the CSAE, under normal circumstances, will not post the issue or initiate reassignment proceedings. If a designation is not made, the issue will be posted and reassignment proceedings will commence. The specialist unit that traded the issue will not be eligible to apply for the security in these proceedings. Finally, if the specialist unit does not make this designation for any of three consecutive issues that become Dual Trading System issues, he or she cannot carry forward the unused designation.

Other Nasdaq/NM Securities

A specialist unit that trades Nasdaq/NM securities that are not part of the original 100 issues will be permitted to designate 20% of the Nasdaq/NM securities assigned to that specialist unit (excluding the original 100 Nasdaq/NM securities) as Non-Reassignment Issues.

For all other Nasdaq/NM securities, the specialist can designate its interest to continue trading the issue as a Dual Trading System issue. This designation can also only be made at the time an issue becomes a Dual Trading System issue and can also only be made for one out of every three issues that the specialist unit trades that becomes a Dual Trading System issue. This designation will operate in the same manner as the similar designation described above for the original 100 issues.

Finally, this proposed rule change does not limit or modify the authority of the CSAE granted to the CSAE under any other provision of Rule 1 of Article XXX.

2. Statutory Basis

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

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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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 either solicited or received.

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:

[2] *See* Securities Exchange Act Release Nos. 24407 (April 29, 1987), 52 FR 17349 (May 7, 1987) (Order Approving Proposed Reporting Plan for National Market System Securities Traded on an Exchange); 24406 (April 29, 1987), 52 FR 17495 (May 8, 1987) (Order granting Unlisted Trading Privileges (''UTP'') in 25 issues).

The Commission notes that prior to the enactment of the UTP Act of 1994 (''UTP Act''), Section 12(f) of the Act required exchanges to apply to the Commission, and receive Commission approval of the exchange's application, before extending UTP to a particular security. When an exchange ''extends UTP'' to a security, the exchange allows its members to trade the security as if it were listed on the exchange. The Commission was required to provide interested parties with at least ten days notice of the application and the Commission had to determine whether the extension of UTP to each security named met certain criteria. If so, the Commission published an approval order in the Federal Register. Accordingly, Exchange Interpretation and Policy .01 of Rule 1 of Article XXX reflects this statutory scheme in that it references ''obtaining'' UTP from the Commission. The UTP Act, however, removed the application, notice, and Commission approval process from Section 12(f) of the Act. For this reason, the Commission requests that the Exchange submit a rule proposal that approximately amends Exchange Interpretation and Policy .01 of Rule 1 to reflect the current statutory scheme.

In addition, the Commission notes that NASDAQ/NMS Securities are now known as Nasdaq/NM Securities and, therefore, requests that the Exchange submit a rule proposal that amends all appropriate Exchange Rules and Interpretation to reflect this new terminology.

[3] *See* Securities Exchange Act Release Nos. 28146 (Jun. 26, 1990), 55 FR 27917 (Jul. 6, 1990) (Order Expanding the Number of Eligible Securities to 100); 36102 (Aug. 14, 1995), 60 FR 43626 (Aug. 22, 1995) (Order Expanding the Number of Eligible Securities to 500).

[4] According to the Exchange, Dual Trading System Issues are issues that are traded on the CHX and listed on either the New York Stock Exchange or American Stock Exchange. Telephone conversation on June 5, 1996 between David T. Rusoff, Attorney, Foley & Lardner, and George A. Villasana, Attorney, Division of Market Regulation, SEC.

(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.

[FR Doc. 96–16165 Filed 6–24–96; 8:45 am]

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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,[1] and on April 4, 1996, filed Amendment No. 2 to the proposed rule change.[2] 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.[3] 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'').[4] 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.

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

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[1] See Letter from David T. Rusoff, Foley & Lardner, to Elisa Metzger, SEC dated March 14, 1996 (''Amendment No. 1'').

[2] See Letter from Charles R. Haywood, Foley & Lardner, to Elisa Metzger, SEC dated April 4, 1996 (''Amendment No. 2'').

[3] See Letter from David Rusoff, Foley & Lardner, to Elisa Mezger, SEC dated May 31, 1996 (''Amendment No. 3'').

[4] 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'').