Gironzentrale (''Westdeusche Landesbank''). WestLB registered with the Commission pursuant to Section 15(b) on June 4, 1976 and is a member of the National Association of Securities Dealers, Inc. In 1985, SIPC determined that WestLB qualified for an exception from SIPC membership under Section 3(a)(2)(A)(i), and on July 17, 1985, the Commission affirmed SIPC's determination that WestLB was a person whose business was conducted outside the United States, its territories and possessions, and therefore was not a member of SIPC.[4] At that time, WestLB had only one customer, Westdeusche Landesbank, located in Germany, and the firm cleared all of its transactions on a fully disclosed basis through a SIPC member. Although WestLB received revenues from its clearing broker in the United States, those revenues stemmed exclusively from transactions conducted by WestLB for Westdeusche Landesbank, acting on behalf of its customers located in Germany.

However, on June 11, 1996, SIPC determined that WestLB is no longer eligible for exclusion from SIPC membership under Section 3(a)(2)(A)(i) of SIPA because WestLB's principal business is no longer conducted outside the United States, its territories or possessions.[5] In the information supplied to SIPC, WestLB now reports that it has U.S. customers and that the majority of its gross revenues from the securities business for its latest fiscal year arise out of transactions in the United States, its territories, and possessions.

III. Protection Under SIPA

The effect of SIPC's determination is that WestLB now is a member of SIPC; therefore, WestLB's customers are afforded the protections of SIPA. In the event of a broker-dealer's liquidation, under SIPA, customers of a failed firm receive securities that are in the possession of the firm, that are registered in their names and that are not in negotiable form. Customers are then entitled to their pro rata share of all remaining cash and securities of customers held by the firm. After the above distribution, SIPC funds are available to satisfy the remaining claims of each customer up to a maximum of $500,000, including no more than $100,000 for cash claims (as distinct from claims for securities).

Margaret H. McFarland,

Deputy Secretary.

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[4] Release No. SIPA–124 (July 17, 1985).

[5] Letter from Stephen P. Harbeck, Secretary, SIPC, to Arthur Levitt, Chairman, SEC, dated June 11, 1996.

[Release No. 34–37456; File No. SR–CBOE–96–48]

Self-Regulatory Organization; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Consolidation of Minor Rule Violation Cases Involving the Same or a Related Transaction or Occurrence

July 19, 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 July 10, 1996, the Chicago Board Options Exchange, Incorporated (''CBOE'' or the ''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 CBOE, the Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Chicago Board Options Exchange, Incorporated (''CBOE'' or the ''Exchange'') proposes to amend its Minor Rule Violation rule to permit the consolidation of, into one hearing, the review of certain conduct involving trading conduct or decorum fines levied against different members and involving the same or related transaction or occurrence. The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

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

In its filing with the Commission, CBOE 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 CBOE has prepared summaries, set forth in sections 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, Proposed Rule Change

The purpose of the proposed rule change is to amend the Exchange's Minor Rule Violation rule to permit the Exchange's Business Conduct Committee (''BCC'') to consolidate in a single hearing the review of trading conduct or decorum fine exceeding $2500 and the review of such fines not exceeding $2500 where the alleged violations involve the same or a related transaction or occurrence.[1] If the review of a fine is to be based upon written submissions, then that review may not be consolidated. Currently, subsection (c)(1) of Rule 17.50 permits any person against whom a fine exceeding $2500 has been imposed pursuant to subsection (g)(6) (Violations of Trading Conduct and Decorum Policies) of the Rule to contest the determination by filing a written answer pursuant to Exchange Rule 17.5, at which point the matter becomes subject to review by the BCC. On the other hand, subsection (d)(1) of Rule 17.50 requires a person contesting a fine not exceeding $2500 imposed pursuant to subsection (g)(6) to make a written application pursuant to Rule 19.2(a), at which point the matter becomes subject to review by the Appeals Committee. In short, matters involving violations of the trading conduct and decorum policies pursuant to subsection (g)(6) are subject to review by different Exchange Committees depending upon whether the fine is (i) above $2500 (Business Conduct Committee) or (ii) $2500 or below (Appeals Committee).

The Exchange has been faced with at least one situation where a trading conduct and decorum policy incident on the floor resulted in fines of varying amounts for the participants involved, which subsequently lead to separate hearings for the different individuals before different Exchange Committees. The Exchange believes that granting the BCC the authority to conduct a consolidated hearing covering all violations resulting from the same or a related transaction or occurrence would

[1] Examples of conduct that are considered to be violations of the Exchange's trading conduct and decorum policy are: use of abusive language, abusing Exchange property, violation of the Exchange's book priority, physical violence, food or drink on the floor, and unbusinesslike conduct. The Exchange periodically distributes to its membership a list of the conduct considered to be violative of the policy and a fine schedule for the various types of conduct. Currently, the fine schedule permits Exchange Floor Officials to fine a member more than $2,500 under the trading conduct and decorum policy only when the conduct involves fighting on the floor.

save time and staff resources. In addition, this proposal generally would be less burdensome on the individuals involved, who under the current rules must often appear at two hearings either as the subject or as a witness.

A request to consolidate Minor Rule Violation cases under Rule 17.50(g)(6) could be made to the BCC by any of the persons who were fined or by the Exchange before the start of either of the hearings. In addition, the BCC could decide to consolidate hearings involving the same or a related transaction or occurrence on its own without a request from the parties involved. After receiving a request to consolidate or after deciding to consolidate on its own, the BCC would grant all parties to the hearings a reasonable opportunity to submit a written statement in support of or in opposition to the decision to consolidate a final decision to consolidate would be made by the BCC which would consider all factors deems relevant, including the staff resources and time that may be saved by the consolidation and whether the consolidation could potentially be prejudicial to the parties involved.

By establishing a procedure to consolidate certain cases involving Minor Rule Violations, the Exchange would be able to save staff resources and time, thereby improving the efficiency with which the Exchange performs its regulatory functions. For these reasons, this policy furthers the objectives of Section 6(b)(7) of the Act in that it is designed to provide a fair procedure for the disciplining of members and persons associated with members. This policy also furthers the objectives of Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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

CBOE 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

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 fix copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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. Copies of the filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to the file number of the caption above and should be submitted by August 21, 1996.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–19471 Filed 7–30–96; 8:45 am]

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[Release No. 34–37471; File No. SR–NASD–96–17]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Definitions of Bona Fide Independent Market and Bona Fide Independent Market Maker

July 23, 1996.

I. Introduction

On April 24, 1996, the National Association of Securities dealers, Inc. (''NASD'' or ''Association'') 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 Rule 2720 of the NASD's Conduct Rules [3] to amend the definitions of ''bona fide independent market'' and ''bona fide independent market maker.'' A notice of the proposed rule change appeared in the Federal Register on May 24, 1996.[4] The Commission received one comment letter endorsing the proposed rule change.[5] The Commission is approving the proposed rule change.

The proposed rule change addresses potential conflicts of interest that arise regarding the conduct of due diligence and the pricing of securities issued by an NASD member, its parent, or an affiliate of a member that is going public (''Rule 2720 offering''). Rule 2720 also would apply to an issuer with which the member has a conflict of interest. The Rule prohibits a member from underwriting or participating in the underwriting or distribution of a Rule 2720 offering of equity or debt unless the price of the equity offering is established no higher, or the yield of the debt offering is established no lower, than the price recommended by a qualified independent underwriter. The qualified independent underwriter also must participate in the preparation of the registration statement and prospectus, offering memorandum, or

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1995).

[3] Prior to the NASD *Manuel* reorganization, this rule was designated as Schedule E of the NASD's By-Laws. *See*, NASD *Notice to Members* 96–24 (April 1996).

[4] Securities Exchange Act Release No. 37223 (May 17, 1996), 61 FR 26239. Also, the NASD granted an extension of the time for Commission action on this rule filing to July 31, 1996. Letter to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, from John Ramsay, Deputy General Counsel, NASD Regulation, Inc. (''NASDR''), dated July 19, 1996.

[5] Letter from Carter K. McDowell, Assistant General Counsel, BANC ONE Corporation, to Jonathan G. Katz, Secretary, SEC, dated June 13, 1996.