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 principal office of the Exchange. All submissions should refer to File No. SR–Amex–97–13 and should be submitted by May 27, 1997.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

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) of the Act.[3] Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)[4] requirements that rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public.[5]

Specifically, the Exchange proposed that minimum time periods before opening or reopening a stock be compressed from 15 to 10 minutes after the first indication; and to 5 minutes after the last indication, provided that a minimum of 10 minutes elapsed between the first indication and the opening or reopening of a stock. For example, if only 3 minutes had elapsed from the time of the first indication to the second indication, the minimum waiting period after the second indication would be 7 minutes.

The Commission agrees with the Exchange that due to increases in the speed of communications, relevant market information can be disseminated and responded to very quickly. The Commission finds reasonable the Exchange's determination that the propose rule change will allow the opening or reopening of a stock in a more expeditious fashion while still providing sufficient time for appropriate pricing of orders. The Commission finds that in the rule change, the Exchange has made a reasonable determination that balances the preservation of the price discovery process while providing timely opportunities for investors to participation in the market. Exchange staff has represented that the change in the timing of tape indications is consistent with Intermarket Trading System re-opening procedures.[6]

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. The rule change is being approved with a corresponding amendment to Section XI(a) (Trading Halt and Suspension Procedures) of the Consolidated Tape Association Plan.[7] An identical policy on indications, openings, and reopenings was approved for use on the New York Stock Exchange on January 31, 1997 following a full notice period during which no comments were received.[8]

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[9] that the proposed rule change (SR–AMEX–97–13) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–11607 Filed 5–2–97; 8:45 am]

BILLING CODE 8010–01–M

[3] 15 U.S.C. § 78f(b).

[4] 15 U.S.C. § 78f(b)(5).

[5] In approving this rule change, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. 15 U.S.C. § 78c(f).

[6] Telephone conversation between Mike Cavalier, Attorney, Amex and David Sieradzki, Attorney, SEC, on March 20, 1997.

[7] *See* Securities Exchange Release No. 38546 (Apr. 25, 1997).

[8] *See* Securities Exchange Act Release No. 38225 (Jan. 31, 1997), 62 FR 5875 (Feb. 7, 1997) (order approving File No. SR–NYSE–96–32).

[9] 15 U.S.C. § 78s(b)(2).

[10] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38547; File No. SR–CBOE–96–73]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Membership Committee Jurisdiction Over Continuing Membership

April 25, 1997.

I. Introduction

On November 26, 1996, the Chicago Board Options Exchange, Inc. (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder.[2] On February 12, 1997, the Exchange filed an amendment to the rule proposal.[3] The rule change amends CBOE Rule 3.4, ''Denial of and Conditions to Membership,'' to grant CBOE's Membership Committee (''MC''), instead of the CBOE's Business Conduct Committee (''BCC''), the power to deny continued membership or association with a member, or to condition continuance in membership or association, if the member or associated person: (1) Fails to meet any of the qualification requirements for membership or association after the membership or association has been approved; (2) fails to meet any condition placed by the MC on such membership or association; (3) violates an agreement with the Exchange; or (4) becomes subject to a statutory disqualification under the Act. The rule change also amends CBOE Rule 3.4 to require a member or person associated with a member who is subject to a statutory disqualification to submit an application to the MC in order to continue as a member or as a person associated with a member.

Notice of the proposed rule change and Amendment No. 1, together with the substance of the proposal, was provided by issuance of a release (Securities Exchange Act Release No. 38290 (February 14, 1997)) and by publication in the **Federal Register** (62 FR 8472 (February 25, 1997)). No comments were received. This order approves the proposed rule change, as amended.

II. Description of the Proposal

Currently, the CBOE's MC may deny or condition membership for new applicants for the reasons specified in CBOE Rule 3.4 (a), (b), and (c). CBOE Rule 3.4(e) currently authorizes the Exchange's BCC, rather than the MC, to take action against existing members or

[1] 15 U.S.C. § 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Letter from Arthur Reinstein, Senior Attorney, CBOE, to Janice Mitnick, Attorney, Division of Market Regulation, Commission, dated February 12, 1997 (''Amendment No. 1''). Amendment No. 1 provides that failure to file an application notifying the Exchange of a statutory disqualification would be a factor to be considered by the CBOE's Membership Committee in making determinations with respect to the person's membership or association pursuant to CBOE Rule 3.4(e), instead of constituting a waiver of the individual's right of appeal. Further, Amendment No. 1 describes the procedures to be followed by the Exchange's Membership Committee in reviewing an application submitted pursuant to proposed CBOE Rule 3.4(f). Finally, Amendment No. 1 describes the composition of the CBOE's Business Conduct Committee and CBOE's Membership Committee.

associated persons when any of the reasons delineated in CBOE Rule 3.4 (a), (b), or (c) for denying or conditioning membership or association arise.

The CBOE proposes to amend CBOE Rule 3.4(e) to allow the MC, rather than the BCC, to deny continued membership or association, or to condition the continuance of membership or association, if the member or associated person: (1) Fails to meet any of the qualification requirements for membership or association after the membership or association has been approved; (2) fails to meet any condition placed by the MC on such membership or association; (3) violates any agreement with the Exchange; or (4) becomes subject to a statutory disqualification under the Act.

The Exchange believes that it is more appropriate for the MC to deal with membership related issues (whether these issues concern an applicant for membership or an existing CBOE member), and for the BCC to limit its activities to disciplinary matters involving allegations of specific rule violations. According to the CBOE, the MC is more familiar with the considerations that properly bear on decisions to deny or condition membership, and is best able to evaluate cases involving whether to continue or condition the membership of an existing member by referring to the standards it applies when evaluating applicants for membership. Furthermore, the BCC may not be familiar with the factors considered by the MC when acting on membership applications, or the types of conditions that may be imposed on applicants. Therefore, the CBOE believes that the rule change will remove the possibility of disparate or inconsistent treatment of membership issues because the MC will make all membership-related decisions, both for individuals applying for membership and for CBOE members.

New CBOE Rule 3.4(g) preserves the right of persons denied membership under CBOE Rule 3.4 (a), (b) or (c) to appeal the MC's decision pursuant to Chapter XIX, ''Hearings and Review,'' of the CBOE's rules and grants the same right of review to existing members and associated persons who are not permitted to continue in membership or association, or whose membership or association is conditioned pursuant to CBOE Rule 3.4(e).[4] Further, pursuant to CBOE Rule 3.4(g), no determination by the MC to discontinue or condition membership or association shall take effect until the review procedures under Chapter XIX have been exhausted, or the time for such review has passed.

Although the BCC will no longer have authority over decisions regarding conditioned or continued membership under CBOE Rule 3.4(e), the CBOE notes that the BCC will retain its power to take action against existing members or associated persons pursuant to Section 2.2, ''Eligibility for Membership; Good Standing,'' of the Exchange's Constitution if a member or associated person violates any provision of the Constitution or the rules.[5] The Exchange believes that, as a practical matter, the rule change will have little effect on the BCC's ability to act because the BCC rarely relies on CBOE Rule 3.4(e), but instead takes disciplinary action for specific rule violations under the other provisions of the CBOE's rules. Accordingly, the Exchange states that, following the CBOE's current practice, the BCC will continue to take disciplinary action under CBOE Rule 4.2, ''Adherence to Law,'' and the Chairman of the Board or the Chairman of the Executive Committee will continue to take action under CBOE Rule 16.1, ''Imposition of Suspension.''

The rule change also clarifies that CBOE Rule 3.4(e) applies to associated persons as well as members. The Exchange states that the CBOE has always interpreted CBOE Rule 3.4(e) to apply to associated persons as well as members, and that the rule change clarifies CBOE Rule 3.4(e) to reflect this interpretation.

Finally, the rule change will add paragraph (f) to CBOE Rule 3.4, which will require members or persons associated with members who become subject to a statutory disqualification[6] to file an application with the MC within 30 days of becoming subject to the statutory disqualification if the member or associated person wishes to continue in membership or association. The MC will consider continued membership or association with a member under the same procedures as it will consider a new application of an individual who is subject to a statutory disqualification.[7] Absent extenuating circumstances, if a member or associated person fails to submit the required application, the Exchange may consider such failure as a factor to be considered by the MC when making a determination with respect to the member or associated person's continued membership or association.[8]

III. Discussion

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, the requirements of Section 6(b)(6),[9] which requires that the rules of an exchange provide that its members and persons associated with its members be appropriately disciplined for violations of the Act, the rules and regulations thereunder, and the rules of the exchange. In addition, the Commission finds that the Exchange's proposal is consistent with Section 6(b)(7) of the Act,[10] which requires, among other things, that the rules of an exchange provide a fair procedure for the disciplining of members and associated persons, the denial of membership, and the barring of any person from association with a member.

The Commission believes that it is reasonable for the Exchange to amend its rules to provide the MC, rather than the BCC, with jurisdiction over membership issues relating to existing CBOE members and associated persons.[11] In this regard, the Commission notes that the CBOE has stated that the MC is more familiar with the considerations that bear on decisions to deny or condition membership and is best able to evaluate cases involving membership issues. In addition, the CBOE believes that the consolidation of membership issues with the MC will help to ensure consistent treatment of membership related issues, whether the issues concern an applicant for membership or association or an existing CBOE member or associated person.

The proposal also preserves the right of CBOE members and associated persons, as well as applicants for membership or association, to appeal decisions of the MC under CBOE Rule

[4] Under Chapter XIX, a person denied membership may be apply for a hearing before a panel of the Appeals Committee to obtain review of a MC denial. *See* CBOE Rule 19.2, ''Submission of Applications to the Exchange.'' The panel's decision may then be appealed to or reviewed by the CBOE's Board of Directors (''Board''). *See* CBOE Rule 19.5, ''Review.''

[5] Section 2.2 provides that ''the good standing of a member may be suspended, terminated or otherwise withdrawn, as provided in the Rules, if any of said conditions for approval cease to be maintained or the member violates any of its agreements with the Exchange or any of the provisions of the Constitution or the Rules.''

[6] *See* 15 U.S.C. § 78c(a)(39).

[7] *See* Amendment No. 1, *supra* note 3, and CBOE Regulatory Circular RG95–93.

[8] *See* Amendment No. 1, *supra* note 3.

[9] 15 U.S.C. § 78f(b)(6).

[10] 15 U.S.C. § 78f(b)(7).

[11] As noted above, the CBOE's MC currently may deny or condition membership or association with regard to applicants for membership or association under CBOE Rule 3.4 (a), (b), and (c).

3.4. Specifically, CBOE Rule 3.4(g) provides that an applicant or associated person who has been denied membership or association pursuant to CBOE Rule 3.4(a), (b), or (c), or whose continuance in membership or association has been conditioned pursuant to CBOE Rule 3.4 (e), may appeal the MC's decision under Chapter XIX of the CBOE's rules. As noted above, Chapter XIX of the CBOE's rules provides for a hearing before a panel of the CBOE's Appeals Committee and for review of the panel's decision by the CBOE's Board or a committee of the Board. In addition, CBOE Rule 3.4(g) states that no decision of the MC under CBOE Rule 3.4(e) will take effect until the review procedures under Chapter XIX have been exhausted or the time for review has expired. Accordingly, the Commission believes that the CBOE's proposal preserves the rights of members and applicants to appeal decisions of the MC, thereby helping to ensure that the CBOE's rules provide fair procedures for disciplining members and associated persons, and for denials of membership, consistent with Section 6(b)(7) under the Act.

In addition, the Commission believes that it is reasonable for the CBOE to clarify that CBOE Rule 3.4(e) applies to associated persons as well as members in order to reflect accurately the CBOE's interpretation and application of CBOE Rule 3.4(e). Finally, the Commission believes it is reasonable to add CBOE Rule 3.4(f), requiring a member or associated person who becomes subject to a statutory disqualification to submit an application to the MC to continue in membership in order to facilitate the CBOE's compliance with Commission Rule 19h–1.

IV. Conclusion

It is therefore ordered, pursuant to § 19(b)(2) of the Act,[12] that the proposed rule change (SR–CBOE–96–73) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–11606 Filed 5–2–97; 8:45 am]

BILLING CODE 8010–01–M

[12] 15 U.S.C. § 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38556; File No. SR–NSCC–97–01]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change To Eliminate NSCC's Securities Transfer Service

April 29, 1997.

On January 22, 1997, the National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–NSCC–97–01) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on March 7, 1997.[2] No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The proposed rule change eliminates NSCC's Securities Transfer Service (''STS'')[3] by deleting NSCC Rule 42. NSCC developed STS in 1976 to provide assistance with the manual processing of securities certificates that were not eligible for deposit at the Depository Trust Company (''DTC''). STS was an optional service that could be used by full settling participants to transfer and reregister physical securities, including DTC ineligible items, through various transfer agencies in the United States and Canada. To use STS, participants first sent envelopes containing securities certificates to an NSCC office. Pursuant to the participant's transfer instructions, NSCC then forwarded the envelopes to the offices of the indicated transfer agents. Upon completion of the reregistration, transfer agents returned the certificates to NSCC's office for pick up. Participants could also use STS to deliver book closing items, legal transfers, and accommodation transfers. As a result of the elimination of STS, participants will process items directly through the appropriate transfer agent.

NSCC wants to eliminate STS because of a decrease in its usage.[4] NSCC expects to eliminate STS thirty business days after notification to participants that this proposed rule change is approved by the Commission.

II. Discussion

Section 17A(b)(3)(F)[5] provides that the rules of a clearing agency must be designed to remove impediments to and perfect the mechanism for a national system for the prompt and accurate clearance and settlement of securities transactions. When STS was first begun, its use enhanced the transfer of physical securities. Because of the high volume processed through STS, it was more efficient for participants to deliver all of their physical certificates to one location, NSCC, instead of to many different transfer agents. In turn, because NSCC could aggregate multiple delivers to transfer agents, it could reduce the costs of delivery.

However, because of the low volumes of securities being processed through STS, STS has become an inefficient means of transferring securities. Because NSCC does not receive enough items to aggregate deliveries to transfer agents, it cannot provide lower costs. Because STS no longer provides a more economical means by which participants can make deliveries to transfer agents, there no longer is any reason to have an extra securities movement in the process (i.e., the delivery to NSCC before delivery to transfer agents only increases the number of deliveries that must be made). Thus, requiring participants to send their securities directly to the transfer agents may result in a better national clearance and settlement system. Furthermore, by eliminating an inefficient service that is not used by many participants, NSCC may be better able to devote its resources to other services that provide greater efficiencies to the clearance and settlement process.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–

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

[2] Securities Exchange Act Release No. 38352 (February 28, 1997), 62 FR 10602

[3] STS is commonly referred to as the National Transfer Service.

[4] During the 1980s, STS processed approximately 670 securities certificates per day. However, after 1987 volume fell dramatically because DTC began increasing the number of securities eligible for deposit and because of the Group of 30 initiatives which encouraged the brokerage industry to move towards a book-entry registration environment. By 1994, STS' volume fell 82% to 120 securities certificates processed per day. STS processed just over twenty-five items per day in October 1996 or about an 80% decrease from its 1994 volume and a 96% decrease from its 1980s volume.

[5] 15 U.S.C. 78q–1(b)(3)(F)