that successful completion of the Exchange's Floor Membership Examination would ensure that clerks wishing to perform certain functions on the floor, such as accepting professional orders, are sufficiently familiar with the rules and practices of the Exchange's trading floor.

2. Statutory Basis

The CHX believes that the proposed rule change is consistent with Section 6(b) of the Act [11] in general and furthers the objectives of Section 6(b)(5) [12] in particular 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 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

The Exchange did not solicit or receive written comments on 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 Exchange 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, including whether the proposed rule change 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 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–CHX–00–07 and should be submitted by July 3, 2000.

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

Margaret H. McFarland,

Deputy Secretary.

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[11] 15 U.S.C. 78f(b).

[12] 15 U.S.C. 78f(b)(5).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42886; File No. SR–CHX–99–28]

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Approving Proposed Rule Change To Delete Certain Provisions of Article VIII, Exchange Rule 9, Prohibiting Off-Floor Transactions by Exchange Members

June 1, 2000.

I. Introduction

On December 27, 1999, the Chicago Stock Exchange, Inc. (''CHX'' or ''Exchange'') filed with 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 rescind certain provisions of Article VIII, Exchange Rule 9, the Exchange's off-board trading rules. The proposed rule change was published for comment in the **Federal Register** on March 3, 2000.[3] Proposed rule changes filed by the American Stock Exchange and the Philadelphia Stock Exchange to rescind their off-board trading rules were published on the same date as the CHX proposing release.[4] Shortly thereafter, the Boston Stock Exchange and the Pacific Exchange filed similar proposed rule changes.[5] The Commission received no comments on any of these proposals. Today, in separate orders, the Commission is approving the proposed rule changes to rescind off-board trading rules filed by the exchanges noted above.

II. Description of the Proposal

Certain provision of Article VIII, Exchange Rule 9 restricts a member's ability to effect transactions in Exchange-listed securities off a national securities exchange. In the proposing release, the Exchange noted that the New York Stock Exchange, along with other exchanges, had submitted similar proposals to rescind their off-board trading rules,[6] and that the Commission had recently adopted amendments to the Intermarket Trading System Plan (''ITS'') to expand the ITS linkage with the National Association of Securities Dealers' Computer Assisted Execution System. Thus, ''to confirm the Exchange's commitment to the competitive ideals on which those actions are based,'' the Exchange proposed to rescind certain provisions of its off-board trading rule, Article VIII, Exchange Rule 9.

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. In particular, the Commission finds the proposed rule change is consistent with Section 6(b)(5) of the

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

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 42459 (February 25, 2000), 65 FR 11619.

[4] Securities Exchange Act Release No. 42460 (February 25, 2000), 65 FR 11618 (March 3, 2000) (File No. SR–Amex–00–05); Securities Exchange Act Release No. 42458 (February 25, 2000), 65 FR 11628 (March 3, 2000) (File No. SR–Phlx–00–12).

[5] Securities Exchange Act Release No. 42461 (April 10, 2000), 65 FR 20497 (April 17, 2000) (File No. SR–BSE–00–02); Securities Exchange Act Release No. 42660 (April 10, 2000), 65 FR 21052 (April 19, 2000) (File No. SR–PCX–00–11).

[6] Referring to Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577 (February 28, 2000) (''NYSE Release'').

On May 5, 2000, the Commission approved the New York Stock Exchange's proposed rule change rescinding its off-board trading rule, Rule 390. Securities Exchange Act Release No. 34–42758 (May 5, 2000), 65 FR 30175 (May 10, 2000) (''NYSE Approval Order'').

In the NYSE Release, the Commission also solicited the public's views on a broad range of issues related to market fragmentation—the trading of orders in multiple locations without interaction of those orders. The period for public comment on market fragmentation expired on May 12, 2000. The Commission currently is reviewing the comments submitted in response to the NYSE Release.

Act[7] which requires, among other things, that the rules of an exchange be 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, in general, to protect investors and the public interest, and Section 6(b)(8), which requires that the rules of an exchange not impose any burden on competition not necessary or appropriate in furtherance of the Act. The rescission of the Exchange's off-board trading restrictions is also consistent with Section 11A of the Act[8] which sets forth the findings and objectives that are to guide the Commission in its oversight of the national market system. Specifically, rescinding the off-board trading restrictions will help further the national market system objective in Section 11A(a)(1)(C)(i) to assure the economically efficient execution of securities transactions, and in Section 11A(a)(1)(C)(ii) to assure fair competition between exchange markets and markets other than exchange markets.[9]

As discussed more fully in the NYSE Approval Order, the existence of off-board trading restrictions can no longer be justified in an age when advancing technology and expanding trading volume are introducing new competitive challenges for the U.S. securities markets, both at home and abroad. Off-board trading rules such as Articles VIII, Exchange Rule 9 directly restrict a certain type of market center competition—competition between exchange markets and markets other than exchange markets. Their rescission today eliminates an inappropriate regulatory burden on competition that runs contrary to the objectives set forth in the Act.

Off-board trading restrictions have been justified on the basis that they promote the interaction of investors' orders without participation by a dealer—indeed an objective set forth in the Act.[10] The Commission believes, however, that whatever beneficial effect off-board trading restrictions such as Article VIII, Exchange Rule 9 may have in enhancing the interaction of investors orders can no longer justify their anticompetitive nature. To the extent off-board trading rules enhance order interaction, they do so in an undesirable way—by attempting a direct restriction on competition. Such attempts are never wholly successful and typically only distort, rather than eliminate, competition and introduce unnecessary costs ultimately borne by investors.

The outcome of competition between market centers should depend on which market centers are most able to serve investors interests by providing the highest quality trading services at the lowest possible prices; the Commission's regulatory task is removing unwarranted regulatory barriers to competition between market centers. As stated in the NYSE Approval Order, the rescission of off-board trading rules is ''intended solely to free the forces of competition and allow investors interest to control the success or failure of individual market centers.'' [11] The same rationale and motivation support the Commission's action today.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR–CHX–99–28) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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[7] 15 U.S.C. 78f(b)(5).

[8] 15 U.S.C. 78k–1.

[9] In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[10] Section 11A(a)(1)(C)(v) of the Act.

[11] NYSE Approval Order at 30179.

[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42885; File No. SR–NASD–99–67]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by NASD Regulation, Inc. Relating to Amendments to Membership Rules

June 1, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'' or ''Exchange Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on November 2, 1999, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association''), through its wholly owned subsidiary NASD Regulation, Inc. (''NASD Regulation''), filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation. On May 1, 2000, the NASD Regulation filed Amendment No. 1 to the proposed rule change.[3] 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

NASD Regulation is proposing to amend the Rule 1010 Series, which concerns member admission. Additions are *italicized;* deletions are [bracketed].

1010. Membership Proceedings

1011. Definitions

Unless otherwise provided, terms used in the Rule 1010 Series shall have the meaning as defined in Rule 0120.

(a) ''Applicant''

The term ''Applicant'' means a person [or entity] that applies for membership in the Association under Rule 1013[,] *or a member that* files an application [to remove or modify a restriction under Rule 1017, or files a notice and application for continuance in membership under Rule 1018] *for approval of a change in ownership, control, or business operations under Rule 1017.*

(b) ''Associated Person''

The term ''Associated Person'' means: (*1*) a natural person registered under the Rules of the Association; or (*2*) a sole proprietor, partner, officer, director, branch manager, or *other* natural person occupying a similar status or performing similar functions who will be or is anticipated to be associated with the Applicant, or a natural person engaged in the investment banking or securities business who will be or is anticipated to be directly or indirectly controlling or controlled by the Applicant, whether or not any such person is registered or exempt from registration under the NASD By-Laws or the Rules of the Association.

(c) ''Department''

The term ''Department'' means the Department of Member Regulation of NASD Regulation.

(d) ''Director''

The term ''Director'' means a member of the NASD Regulation Board.

(e) ''district''

The term ''district'' means a district established by the NASD Regulation Board.

(f) ''district office''

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

[2] 17 CFR 240.19b–4.

[3] This 19b–4 filing, represents Amendment No. 1 to File No. SR–NASD–99–67.