

addition, it should assist the Exchange in providing detailed information to the Commission under certain circumstances as required in Rule 19h-1.⁹ Moreover, the Commission believes that the additional fingerprinting requirements being imposed by the Exchange will further enhance security measures implemented by the CHX and is consistent with Section 17(f)(2) of the Act.¹⁰ Finally, the Commission finds that the clerk's fee is consistent with Section 6(b)(4) of the Act, which requires exchange rules to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.¹¹

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-CHX-95-06) 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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[Release No. 34-35853; File No. SR-NSCC-95-05]

**Self-Regulatory Organizations;
National Securities Clearance
Corporation; Order Granting
Accelerated Approval of a Proposed
Rule Change Modifying Procedures
Relating to the Trade Comparison
Service for Debt Securities**

June 16, 1995.

On April 19, 1995, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-95-05) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ On April 27, 1995, NSCC filed an amendment to the proposed rule change requesting the Commission to consider the rule filing

convicted of any felony or certain enumerated misdemeanors) seeks admission to or continuance in membership, participation in, or association with a member or member organization. See 15 U.S.C. 78c(a)(39) (1988).

⁹ Specifically, the Rule requires SROs to notify the Commission whenever it determines to admit or continue in membership or participation or association with a member or member organization, any person who is subject to a statutory disqualification. See 17 CFR 240.19h-1 (1994).

¹⁰ See supra note 5.

¹¹ 15 U.S.C. 78f(b)(4) (1988).

¹² 15 U.S.C. 78s(b)(2) (1988).

¹³ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

pursuant to Section 19(b)(2)² of the Act rather than under Section 19(b)(3)(A)³ of the Act as originally filed.⁴ Notice of the proposal was published in the **Federal Register** on May 25, 1995.⁵ No comment letters were received. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

I. Description of the Proposal

NSCC is modifying its procedures relating to the trade comparison service for debt securities. Specifically, NSCC is expanding the parameters for trade input and trade comparison for transactions in debt securities. The rule change will expand the comparison parameters for debt securities from \$.05 per \$1,000 of contract amount to a net \$10 difference per trade for trades of \$100,000 or less and to \$.10 per \$1,000 of contract amount for trades greater than \$100,000. NSCC will continue to advise participants of money differences for fixed income transactions on the morning of T+1 when contract prices are reported to transaction parties.

NSCC expects to implement the proposed rule change during the late part of the second quarter of 1995. Participants will be notified of the exact date of this change by an NSCC Important Notice.

II. Discussion

Section 17A(b)(3)(F)⁶ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that NSCC's proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) because expanding the comparison parameters for trades in debt securities should increase the initial trade date comparison rate for such transactions. Although NSCC has established comprehensive and effective procedures for the resolution of uncomparated trades,⁷ expanding the comparison parameters to increase the initial trade date comparison rate should result in a greater number of trades in debt securities being reported as compared earlier in the settlement cycle. Earlier comparison should provide greater certainty that those

² 15 U.S.C. 78s(b)(2) (1988).

³ 15 U.S.C. 78s(b)(3)(A) (1988).

⁴ Letter from John P. Barry, Associate Counsel, NSCC, to Peter Geraghty, Senior Counsel, Division of Market Regulations, Commission (April 24, 1995).

⁵ Securities Exchange Act Release No. 35733 (May 18, 1995), 60 FR 27800.

⁶ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁷ NSCC, Rules and Procedures, Procedure II.D.2. (June 7, 1995).

trades will settle on settlement date. Consequently, NSCC members should have to spend less time and resources on the supplemental activity required to resolve uncomparated trades.

Accordingly, the Commission believes that the proposed rule change should facilitate a faster and more effective comparison process and thereby should enhance the prompt and accurate clearance and settlement of securities transactions.

NSCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for so approving the proposed rule because it will permit NSCC to notify its members and to begin use of the proposed rule change within NSCC's implementation schedule. In addition, as of the end of the period for public comment, the Commission had not received any comment letters on NSCC's proposal.

III. Conclusion

For the reasons stated above, the Commission finds that the proposal is consistent with the requirements of Section 17A of the Act⁸ and the rules and regulations thereunder.

It is Therefore ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-NSCC-95-05) be, and hereby is, approved.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-35862; File No. SR-NASD-95-18]

**Self-Regulatory Organizations; Order
Approving Proposed Rule Change by
National Association of Securities
Dealers, Inc., Relating to Corporate
Financing Underwriting Terms and
Arrangements**

June 19, 1995.

On May 3, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities

⁸ 15 U.S.C. § 78q-1 (1988).

⁹ 15 U.S.C. § 78s(b)(2) (1988).

¹⁰ 17 CFR 200.30-3(a)(12) (1994).

Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder.² The proposed rule change amends the NASD's Rules of Fair Practice, Article III, Subsection 44(c)(6)(B)(xi) of the Corporate Financing Rule to raise the permissible level of non-cash incentives to \$100 per person per issuer annually.

Notice of the proposed rule change, together with the substance of the proposal, was issued by Commission release (Securities Exchange Act Release No. 35712, May 12, 1995) and by publication in the **Federal Register** (60 FR 26753, May 18, 1995). No comment letters were received. The Commission is approving the proposed rule change.

I. The Terms of Substance of the Proposed Rule Change

Subsection 44(c)(6)(B)(xi) of the Corporate Financing Rule (the "Rule") currently prohibits NASD members from receiving non-cash sales incentives from an issuer or its affiliates valued in excess of \$50 per person per issuer annually. Such non-cash sales incentives are typically de minimis in nature, such as small souvenir or gift items, provided by issuers to a member or associated persons of a member. The sole purpose of this rule is to raise the permissible level of non-cash sales incentives to \$100 per person, annually.

II. Commission Findings

The Commission believes that a dollar amount of \$100 is still relatively low and will neither compromise the intent, nor reduce the ability, of the rule to prevent fraudulent acts and practices that might arise in connection with the giving of gifts or payments by issuers and their affiliates as non-cash compensation to members or persons associated with members.

Additionally, the amendment will make the value-limitation provisions of the Rule consistent with similar provisions in Article III, Sections 10 and 34 of the Rules of Fair Practice, with proposed amendments to Sections 26 and 29 now pending SEC approval, and with Rule 350(a) of the New York Stock Exchange ("NYSE"). The amendment to the Rule would provide regulatory consistency and simplify compliance for member firms that are also members of the NYSE.

The Commission believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³ which require that the rules of the association be designed to prevent fraudulent and manipulative acts and

promote just and equitable principles of trade in that the proposed rule change allows for an increase in the dollar limit to a level that is still reasonably de minimis and provides for regulatory consistency with other rules of the NASD and the NYSE.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NASD-95-18 be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35854; File No. SR-NYSE-95-09]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Amendment No. 1 to Proposed Rule Change Relating to Entry of Limit-at-the-Close Orders

June 16, 1995.

I. Introduction

On March 3, 1995, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities and Exchange Commission of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to replace its current pilot³ for the entry of limit-at-the-close ("LOC") orders⁴ to offset a published market-at-the-close ("MOC") order⁵ imbalance of 50,000 shares or more in stocks selected from expiration day⁶ pilot stocks with a pilot including all stocks for which MOC order imbalances are published. On April 18, 1995, the NYSE submitted Amendment No. 1 to the proposed rule change.⁷

The proposed rule change, including Amendment No. 1, was published for comment in Securities Exchange Act Release No. 35653 (April 27, 1995), 60

FR 21839. No comments were received on the proposal.

II. Description of the Proposal

The proposed rule change proposes to expand the universe of stocks in which LOC orders may be entered to all stocks for which MOC imbalances are published pursuant to such procedures regarding time of order entry and order cancellation as the Exchange may establish from time to time.

Currently, the NYSE allows entry of LOC orders to offset published imbalances of MOC orders of 50,000 shares or more in five of the so-called "pilot stocks."⁸ The Commission approved the current LOC order entry procedures on a 15-month pilot basis through July 15, 1995.⁹ Thus far, LOC orders been entered rarely. Members cite the limited number of stocks for which LOC orders may be entered as a primary reason for not committing resources to effect system program changes necessary to support the pilot program.

The Exchange believes that by expanding the universe of eligible LOC stocks, it will make it more feasible for member firms to effect the systems changes required to use LOC orders.¹⁰ The Exchange is therefore proposing to replace the current pilot to permit the entry of LOC orders to offset a MOC order imbalance of 50,000 shares or more in all stocks for which MOC order imbalances are published.¹¹ The

⁸ For purposes of LOC order entry, the term "pilot stocks" refers to the Expiration Friday pilot stocks plus any additional QIX Expiration Day pilot stocks. Specifically, the Expiration Friday pilot stocks consist of the 50 most highly capitalized Standard & Poors ("S&P") 500 stocks and any component stocks of the Major Market Index ("MMI") not included therein. The QIX Expiration Day pilot stocks consist of the 50 most highly capitalized S&P 500 stocks, any component stocks of the MMI not included therein and the 10 highest weighted S&P Midcap 400 stocks.

⁹ See Release No. 33706, *supra*, note 3.

¹⁰ The NYSE has represented that, before initiating the expanded pilot program, it will submit to the Commission a letter (1) stating that the NYSE is operationally ready to accept LOC orders and (2) informing the Commission of the start-up date for this pilot. Telephone conversation between Donald Siemer, Director of Market Surveillance, NYSE, to Elisa Metzger, Senior Counsel, SEC, on June 7, 1995.

¹¹ Currently, MOC imbalances are published for pilot stocks on expiration days and non-expiration days. The term "expiration days" refers to both (1) the trading day, usually the third Friday of the month, when some stock index options, stock index futures and options on stock index futures expire or settle concurrently ("Expiration Fridays") and (2) the trading day on which end of calendar quarter index options expire ("QIX Expiration Days").

In addition, on non-expiration days, MOC imbalances are published for stocks that are being added to or dropped from an index and, upon the request of a specialist, any other stock with the

Continued

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78o-3.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 33706 (March 3, 1994), 59 FR 11093.

⁴ A LOC order is a limited price order entered for execution at the closing price if the closing price is within the limit specified. See NYSE Rule 13.

⁵ A MOC order is a market order to be executed in its entirety at the closing price on the Exchange. *Id.*

⁶ See *infra* note 11.

⁷ See Letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Glen Barrentine, Team Leader, SEC dated April 17, 1995.