

bearing upon whether the application has been made in accordance with the rules of the exchanges and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
Secretary.

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[Release No. 34-35912; File No. SR-Amex-95-25]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange, Inc. Relating to Rule 590 Minor Rule Violation Fine Systems

June 28, 1995.

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 June 20, 1995, the American Stock Exchange, Inc. ("Amex" 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 is amending its Minor Rule Violation Fine Systems (Rule 590) to add a number of additional minor rule violations to Rule 590. The text of the proposed rule change is as follows [new text is italicized; deleted text is bracketed]:

Minor Rule Violation Fine Systems

Part I

General Rule Violations

Rule 590

(a) through (d): No Change.

(e) The [maximum] fines authorized under Paragraphs (g) and (h) of Part 1 of this Rule [(i.e.) for violations [subsequent to] for a second offense [as set forth in Paragraphs (g) and (h).] and for subsequent offenses may be imposed [for] in the case of a first or second offense if warranted under the circumstances.

(f): No Change.

(g) The following is a list of the rule violations and applicable fines that may be imposed by the Exchange's Enforcement Department pursuant to Part 1 of this Rule.

1 through 6: No Change.

7. [Failure to submit audit trail data or failure to submit accurate audit trail data. (Article V, Section (4)(h), (j) and (k) and Rule 31)] *Violation of the Exchange's policy with respect to the proper submission of audit trail data, including both the failure to submit audit trail data and the failure to submit accurate audit trail data.*

8 through 12: No Change.

(h) The following is a list of the rule violations and applicable fines that may be imposed by the Exchange's Minor Floor Violations Disciplinary Committee pursuant to Part 1 of this Rule.

1 through 7: No Change.

8. *Violation of the "2, 1, and 1/2 Point Rule." (Rule 154, Commentary .08)*

9. *Failure to comply with Stop Order procedures and approval requirements. (Rule 154, Commentary .04)*

10. *Failure to obtain Floor Official approval when establishing, increasing, or liquidating a position. (Rule 170, Commentary .01 and .02)*

11. *Violation of Intermarket Trading System (ITS) rules relating to Pre-Opening Applications (Rule 232) and Trade Throughs, Locked Markets, and the Block Trade Policy (Rule 236).*

12. *Failure to comply with the requirements relating to agency crosses. (Rule 126(g), Commentary .02)*

13. *Failure to submit a properly completed Specialist Floor Broker Questionnaire. (Rule 30)*

14. *Failure to obtain Exchange approval of member or member firm proprietary electronic devices or systems used on the Exchange floor. (Rule 220)*

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 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, the Proposed Rule Change

1. Purpose

Currently under Paragraph (g) of Part 1 of Rule 590, the Exchange's Enforcement Department is authorized, after a matter has been referred to it, to impose fines ranging from \$500 to

\$2,500 against individuals and from \$1,000 and \$5,000 against member firms, for a series of minor rule violations listed in Paragraph (g). The individual or member firm may plead guilty and pay the fine or contest the charge and request a hearing before an Exchange Disciplinary Panel. Under Paragraph (h), the Exchange's Minor Floor Violation Disciplinary Committee is authorized to impose the same fines against individuals and member firms for a series of additional minor rule violations listed in Paragraph (h). The minor violations that the Disciplinary Committee is authorized to hear are primarily floor related, while the minor violations that the Enforcement Department is responsible for generally relate to "upstairs" activities.

The Exchange's Minor Rule Violation Fine Systems have worked well in practice, providing for a convenient and quick resolution of minor rule violations. As a result, the Exchange would like to increase the number of minor violations covered by rule 590. It is proposed that a number of minor floor related violations now be added to Paragraph (h) of the rule. The following is a list of the additional violations for which the Minor Floor Violation Disciplinary Committee will have fining authority.

1. Violation of the "2, 1, and 1/2 Point Rule." (Rule 154, Commentary .08)

2. Failure to comply with Stop Order procedures and approval requirements. (Rule 154, Commentary .04)

3. Failure to obtain Floor Official approval when establishing, increasing, or liquidating a position. (Rule 170, Commentary .01 and .02)¹

4. Violation of Intermarket Trading System (ITS) rules relating to Pre-Opening Applications (Rule 232) and Trade Throughs, Locked Markets, and the Block Trade Policy. (Rule 236)

5. Failure to comply with the requirements relating to agency crosses. (Rule 126(g), Commentary .02)

6. Failure to submit a properly completed Specialist Floor Broker Questionnaire. (Rule 30)

7. Failure to obtain Exchange approval of member or member firm proprietary electronic devices or systems used on the Exchange floor. (Rule 220)

In addition to the above minor rule violations being added to Rule 590, the Exchange proposes to amend Paragraph

¹ The Exchange intends to utilize the fining authority under Rule 590 only with respect to the most technical and nonsubstantive violations of the Floor Official requirement under Rule 170. All major violations of this provision will be referred to the Enforcement Department for appropriate action.

(e) of Part 1 of the rule, which currently authorizes the imposition of the maximum fine for third and subsequent offenses in the case of a first or second offense if warranted under the circumstances. To give the Exchange greater flexibility in the administration of the rule, the rule is being amended to also authorize the imposition of the fine for a second offense in the case of a first offense, again if warranted under the circumstances. Finally, Paragraph (g) is being amended to cite to Exchange policy rather than a rule with regard to Violation 7 relating to member firm submission of audit trail data.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(6) in particular in that it is intended to assure that Exchange members and member firms are appropriately disciplined for rule violations.

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

The proposed rule change will impose no 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

Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from June 20, 1995, the date on which it was filed, and the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 Section, 450 Fifth Street, N.W., Washington, DC 20549. 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-95-25 and should be submitted by July 26, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-16394 Filed 7-3-95; 8:45 am]

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[Release No. 34-35901; File No. CBOE-95-21]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Parents of Member Organizations.

June 28, 1995.

On April 18, 1995, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to rescind Rule 3.7 ("Parents of Member Organizations"), which requires the Exchange's Board to approve each country under whose laws non-U.S. parents of member organizations are organized. The Exchange also proposed to move from Rule 3.7 to Rule 3.5 ("Persons Associated with Member Organizations"), subsection (a), the

requirement that parents of member organizations must furnish certain information to the Exchange upon request. Notice of the proposed rule change was published for comment and appeared in the **Federal Register** on May 10, 1995.³ No comment letters were received on the proposal. This order approves the CBOE proposal.

I. Description of the Proposal

The Exchange is proposing to rescind Rule 3.7. The first paragraph of Rule 3.7 provides that "[a] member organization shall not be an affiliate of a parent organization unless the parent organization is organized under the laws of the United States or such other country as the Board may approve." ("the prohibition"). Additionally, the CBOE has proposed to move to Rule 3.5 the requirement currently contained in Rule 3.7 obligating persons who control member organizations to furnish to the Exchange, upon request, any information reasonably related to their securities business.

II. 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)(2)⁴ in that it eliminates restrictions on who may be associated with a member of the Exchange without diminishing the protection of investors and the public interest. Specifically, the Commission believes that the elimination of the prohibition will facilitate the Exchange's review of membership applications submitted by member organizations that have non-U.S. parents, as well as its review of transactions that would result in the transfer of control of an existing member organization to a foreign parent.

The CBOE represents that it has never adopted standards to govern the Board's approval of individual countries for purposes of Rule 3.7. Indeed, the Commission understands the difficulties which may have been encountered by the Exchange in attempting to distinguish one country from another for purposes of Board approval pursuant to Rule 3.7. Eliminating the prohibition is consistent with Section 6(b)(5) of the Act in that it removes an impediment to a free and open market and is practically significant in an era of

³ See Securities Exchange Act Release No. 35666 (May 3, 1995), 60 FR 24936.

⁴ 15 U.S.C. 78f(b)(2).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.