

Temporary Effectiveness

(h) This Section 46 shall remain in effect [for one year from May 2, 1995] until August 1, 1996 unless modified or extended prior thereto by the Board of Governors.

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 NASD 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 NASD 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

The Procedures for Large and Complex Cases, adopted effective May 2, 1995, for a one-year pilot test and codified at Rule 10334 of the Code (formerly Section 46) will expire on May 2, 1996. Since Rule 10334 became effective, the Rule has been used on occasion by parties to large and complex cases.

In addition, the NASD's Arbitration Policy Task Force, which issued its report on "Securities Arbitration Reform" in January 1996, has recommended that the one-year pilot test of Rule 10334 be extended in order to permit the NASD to gather additional data and analyze the low usage rate of the procedures.

The NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act³ because it permits the NASD to continue to specify procedures in the Code for large and complex cases. This serves the public interest by enhancing the satisfaction and perceived fairness of such proceedings by the parties to such proceedings. To the extent the parties to such proceedings express increased satisfaction with the resolution of eligible matters, the goal of providing the investing public with a fair, efficient and cost-effective forum for the resolution of disputes is advanced.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The NASD has requested that the Commission find good cause pursuant to Section 19(b)(2) for approving the proposed rule change prior to the 30th day after publication in the Federal Register. The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD and, in particular, the requirements of Section 15A and the rules and regulations thereunder. The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in that accelerated approval will benefit users of the arbitration process in that providing a temporary extension of the procedures for large and complex cases will permit arbitration participants to continue to use the procedures until a one-year extension is submitted to the Commission for approval.

Rule 10334 expires by its terms on May 2, 1996. The NASD is asking that the effectiveness of the Rule be temporarily extended until August 1, 1996, in order to permit the NASD to submit a proposed rule change to extend the effectiveness of the rule for one year. In addition, the application of the Rule to any case submitted to arbitration is voluntary. Thus, extending the effectiveness of the Rule will not have any adverse impact on the investing public.

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, 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 such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to SR-NASD-96-18 and should be submitted by May 27, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NASD-96-18 be, and hereby is, approved through August 1, 1996.

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. 34-37151; File No. SR-NYSE-96-10]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Six-Month Extension of Pilot Program To Display Price Improvement on the Execution Report Sent to the Entering Firm

April 29, 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 April 19, 1996, the New York Stock Exchange, Incorporated ("NYSE" 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 Organizations' Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change extends for six months the program filed as a pilot in Securities Exchange Act Release Nos. 36421 (October 26, 1995), 60 FR 55625 (November 1, 1995) (File No. SR-NYSE-95-35) and 36489 (November 16, 1995), 60 FR 58123 (November 24, 1995) (File

³ 15 U.S.C. 78o-3.

No. SR-NYSE-95-37). This is a program to calculate and display, on the execution reports sent to member firms, the dollar amounts realized as savings to their customers as a result of price improvement in the execution of their orders on the Exchange.

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

The purpose of this proposed rule change is to extend for six months a pilot program for calculating and displaying, on execution reports sent to member firms entering orders, the dollar value saved by their customers as a result of price improvement of orders executed on the Exchange. The program does not in any way affect the actual execution of orders. The Exchange refers to this calculated dollar savings as the "NYSE PRIMESM."

NYSE PRIME is available to all member organizations¹ for intra-day market orders entered via the Exchange's SuperDOT system that are not tick-sensitive and are entered from off the Floor.² In calculating the dollar value of price improvement, NYSE PRIME utilizes the Best Pricing Quote

SM NYSE PRIME is a service mark of the New York Stock Exchange, Inc.

¹ The Commission notes that member organizations electing to receive NYSE PRIME information are required to enter into an agreement with the Exchange regarding the use of NYSE PRIME information and the NYSE PRIME service mark. Among other things, the agreement provides that in any publication or use of NYSE PRIME information (unless the Exchange otherwise agrees), the member organization must employ the NYSE PRIME service mark.

As of April 29, 1996, the following NYSE member organization are receiving and utilizing NYSE PRIME information: Merrill Lynch, Pierce, Fenner, and Smith, Inc.; Charles Schwab & Co., Inc.; and Kalb, Voorhis & Co.

² Also excluded from the NYSE PRIME feature are booth entered or booth routed orders, booked orders, combination orders (e.g., switch orders) and orders diverted to sidestar.

("BPQ") as approved by the Commission in connection with the Exchange's pricing of odd-lot orders.³

Data from the operation of the pilot during the first quarter of 1996 show price improvement on 25.6% of the execution reports for eligible post-opening market orders entered on the Exchange. The Exchange believes that the NYSE PRIME enhances the information made available to investors and improves their understanding of the auction market.

The initial NYSE PRIME pilot program was commenced on October 24, 1995⁴ and ran until April 24, 1996. The proposed rule change extends the pilot program for an additional six months, to October 24, 1996.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)⁵ that an exchange have rules that are 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. This proposed rule change is designed to perfect the mechanism of a free and open market in that it enhances the information provided to investors by displaying to them the dollar value of the price improvement their orders may have received when executed on the NYSE.

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.

³ See Securities Exchange Act Release No. 27981 (May 2, 1990), 55 FR 19407 (May 9, 1990) (File No. SR-NYSE-90-06). The BPQ is the highest bid and lowest offer, respectively, disseminated by the Exchange or another market center participating in the Intermarket Trading System ("ITS") at the time the order is received by the Exchange. In order to protect against the inclusion of incorrect or stale quotations in the BPQ, however, the Exchange includes quotations in a stock from other markets only if: (1) the stock is included in ITS in that other market; (2) the quotation size is for more than 100 shares; (3) the bid or offer is not more than one-quarter point away from the NYSE's bid or offer; (4) the quotation conforms to NYSE Rule 62 governing minimum variations; (5) the quotation does not create a locked or crossed market; (6) the market disseminating the quotation is not experiencing operational or system problems with respect to the dissemination of quotation information; and, (7) the quotation is "firm" pursuant to Rule 11Ac1-1 under the Act, 17 CFR 240.11Ac1-1, and the market's rules.

⁴ See NYSE Notice to Members (November 17, 1995).

⁵ 15 U.S.C. 78f(b)(5).

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received any written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not have the effect of limiting access to or availability of any Exchange order entry or trading system, the NYSE PRIME program has become effective pursuant to Section 19(b)(3)(A) of the Act⁶ and subparagraph (e)(5) of Rule 19b-4 thereunder.⁷ At any time within 60 days of the filing of such 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, D.C. 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-NYSE-96-10 and should be submitted by May 28, 1996.

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(e)(5).

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37148; File No. SR-PSE-96-02]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Pacific Stock Exchange, Inc., Relating to the Composition of the Exchange's Options Listing Committee

April 29, 1996.

I. Introduction

On January 16, 1996, the Pacific Stock Exchange, Inc. ("PSE" 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 proposal to amend its rules relating to the composition of the Options Listing Committee ("OLC"). On March 11, 1996, the PSE amended its approval.³

The proposed rule change and Amendment No. 1 were published for comment in the Federal Register on March 25, 1996.⁴ No comments were received on the proposed rule change.

II. Description of the Proposal

Currently, Commentary .01 to PSE Rule 11.10(d) provides that the OLC shall be comprised of (i) four floor

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1995).

³ On March 11, 1996, the PSE provided additional information concerning the purpose of the proposal. Specifically, the PSE explained that the proposal is designed to make Commentary .01 to PSE Rule 11.10(d), "Options Listing Committee," easier to follow and to prevent legal appeals of Options Listing Committee ("OLC") decisions on the technical argument that the OLC was not authorized to act because its composition did not conform to the rigid requirements of PSE Rule 11.10(d), Commentary .01. According to the PSE, such an appeal could be made currently if, for example, a non-floor broker is placed in one of the floor broker slots on the OLC because of a shortage of floor brokers willing to serve on the OLC, or if a floor broker on the OLC becomes a market maker mid-year and the OLC decides to retain that member on the OLC. The PSE expects that, under the proposal, the OLC will be composed as specified in Commentary .01 under virtually all circumstances. The Exchange represents that it intends to comply with the spirit of the Commentary and anticipates departures from this general rule only in exceptionally rare circumstances. See Letter from Michael D. Pierson, Senior Attorney, Market Regulation, PSE, to Michael Walinskas, Branch Chief, Options Regulation, Division of Market Regulation, Commission, dated March 11, 1996 ("Amendment No. 1").

⁴ See Securities Exchange Act Release No. 36984 (March 18, 1996), 61 FR 12126.

brokers; (ii) five market makers or lead market makers; and (iii) one member of the PSE or a general partner or officer of a member organization, or any other person who is considered to be qualified. The PSE proposes to amend PSE Rule 11.10(d), Commentary .01, to provide that the Exchange will attempt, but will not be required, to maintain the composition of the OLC as provided currently under Commentary .01. Specifically, the Exchange proposes to amend Commentary .01 by eliminating the phrase "shall be comprised of" and replacing it with a provision stating that "attempts shall be made" in order for the OLC to have a composition that includes those currently specified in subsections (i) through (iii).

The Exchange believes that Commentary .01 is overly restrictive and that the proposal is appropriate in order to allow for greater flexibility in the committee selection procedure and the process for replacing committee members who resign or change their floor status. The proposal is designed to make Commentary .01 easier to follow and to prevent members from appealing decisions of the OLC on the grounds that the OLC was not authorized to act because its composition did not conform to the requirements of Commentary .01. The PSE represents that the Exchange will make every effort to ensure that the OLC maintains the composition specified in Commentary .01. The Exchange expects that, under the proposal, the composition of the OLC will remain as specified currently in Commentary .01 in virtually all circumstances.⁵

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, with Section 6(b)(3) of the Act, in that the proposal provides for a fair representation of the Exchange's members in the administration of its affairs, and also with Section 6(b)(5) of the Act, in that the proposal is designed to protect investors and the public interest.⁶

The Commission believes that the proposal will allow greater flexibility in the composition of the OLC. Specifically, the proposal provides that the Exchange will attempt, but will not be required, to maintain the composition of the OLC as provided currently under PSE Rule 11.10(d),

Commentary .01. The PSE expects that the OLC will continue to be composed as provided currently in Commentary .01 in virtually all circumstances, and the PSE represents that the Exchange will attempt to ensure that the composition of the OLC remains as specified in Commentary .01.⁷ Accordingly, the Commission believes that the proposal will provide flexibility in the composition of the OLC while ensuring that diverse interests are represented on the OLC. In addition, the proposal should simplify the process of replacing a member who resigns from the committee and allow the OLC to retain a member who changes his status (e.g., a floor broker who becomes a maker) during his service on the committee.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-PSE-96-02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37152; File No. SR-PTC-96-02]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Establishing on a Permanent Basis the Margin and Pricing Methodology for Collateralized Mortgage Obligations

April 30, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 8, 1996, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-96-02) as described in Items I and II below, which Items have been prepared primarily by PTC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

⁷ See Amendment No. 1, *supra* note 3.

⁸ 15 U.S.C. 78s(b)(2) (1988).

⁹ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. 78s(b)(1) (1988).

⁵ See Amendment No. 1, *supra* note 3.

⁶ 15 U.S.C. §§ 78f(b)(3) and (b)(5) (1988).