

Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 96-23561 Filed 9-13-96; 8:45 am]
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[Release No. 34-37663; File No. SR-NASD-96-26]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Obligations of CQS Market Makers To Have Available Quotation Services That Provide Quotation Information for CQS Securities

September 10, 1996.

On June 21, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ to amend NASD Rule 6630 to require NASD members registered with The Nasdaq Stock Market, Inc. ("Nasdaq") as Consolidated Quotation Service ("CQS Service" or "CQS")² market makers³ to have available in close proximity to the Nasdaq terminals at which they make markets in CQS securities a quotation service that disseminates the bid and offer prices then being furnished by or on behalf of all exchanges and CQS market makers in the CQS issues for

¹ 15 U.S.C. 78s(b)(1)

² Nasdaq's CQS is a service provided by Nasdaq that provides subscribers with quotation, last sale, and volume information for securities listed on the New York and American Stock Exchanges. With respect to quotations, the service provides a non-dynamically updated montage of quotations from all exchanges and NASD members registered as CQS market makers in a particular issue. It should be noted that Nasdaq's CQS Service is an internal Nasdaq service that is a completely separate system from the Consolidated Quotation System in which the eight registered securities exchanges and the NASD participate to collect, process and disseminate quotations.

³ A NASD member cannot enter quotes into CQS unless it is registered with Nasdaq as a CQS market maker. CQS market makers are obligated under NASD rules to quote continuous, firm, two-sided markets with a minimum size of 500 shares. The minimum quotation size for an individual CQS security may be lowered, under unique circumstances, from 500 shares to 200 shares by the NASD. All CQS market makers in Rule 19c-3 securities must also be registered with Nasdaq as ITS/CAES market makers. ITS/CAES is the NASD's link to the Intermarket Trading System ("ITS") that enables CQS market makers in Rule 19c-3 securities to direct agency and principal orders to and receive orders from the floors of participating ITS exchanges. CAES is an automated system operated by Nasdaq that allows NASD members to direct agency and principal orders in exchange-listed securities to CAES for automatic execution against CQS market makers. For non-19c-3 securities, CQS market makers must be registered as CAES market makers.

which they are registered. The Commission published notice of the proposed rule change in the Federal Register on July 15, 1996.⁴ The Commission received no comments in response to the notice. The Commission has reviewed the proposed rule change, and for the reasons discussed below, has determined to approve the proposed rule change.

I. Description of the Proposed Rule Amendment

The amendment to NASD Rule 6330,⁵ the NASD's rule governing CQS market maker obligations, provides that a CQS market maker must have available, in close proximity to the Nasdaq terminal; at which it makes a market in a CQS security, a quotation service that disseminates the bid price and offer price then being furnished by or on behalf of each exchange and each CQS market maker trading and quoting that CQS security.

The NASD states that this rule amendment is necessitated by a planned modification to Nasdaq's CQS Service that is intended to increase Nasdaq computer processing capacity. Specifically, Nasdaq is planning to modify the Nasdaq CQS Service so that quotation montages for exchange-listed securities will consist only of CQS market makers' quotations.⁶ CQS market makers will be required to receive quotation information for CQS securities from the exchanges via independent vendors. The NASD has stated that the use by market makers of vendor services for receipt of CQS market data is the norm because quotations on the Nasdaq's CQS Service are not dynamically updated. Furthermore, vendor services can provide subscribers with additional analytical features.

Nasdaq has represented to the Commission that, by eliminating exchange quotations from Nasdaq's CQS Service, it will be able to redeploy its computer processing capacity presently devoted to processing these quotations toward meeting the demands associated with processing Nasdaq trading volume

⁴ Securities Exchange Act Release No. 37412 (July 9, 1996), 61 FR 36947.

⁵ NASD Rule 6330 was formerly Section 2 of Part VI of Schedule D to the NASD By-Laws prior to the revision of the NASD Manual.

⁶ In order to make possible this modification, the Commission today issued a letter exempting Nasdaq from the requirements of the Rule 11Ac1-2(c)(2)(iv) under the Exchange Act (the "Vendor Display Rule"), which requires, among other things, that vendors not exclude quotation information based on the market center making available such information. See Letter from Holly H. Smith, Associate Director, SEC, to Robert E. Aber, V.P. and General Counsel, Nasdaq (September 10, 1996).

greater than one billion shares a day.⁷ Once exchange quotations have been deleted from the Nasdaq CQS Service, the service will essentially function as a means by which CQS market makers can monitor their current quotations resident in Nasdaq as well as the timeliness with which their quotation updates are being processed and disseminated by Nasdaq. Thus, rather than providing quotation information from all market participants in CQS, the Nasdaq CQS Service will function primarily as a quotation verification mechanism for CQS market makers.

Section 6(a)(i)(A) of the ITS Plan states that "for each ITS/CAES security in which an ITS/CAES market maker is registered as such with the NASD for the purposes of the Applications [of the ITS Plan], there shall be available at each location on the premises of such ITS/CAES market maker at which ITS/CAES stations are located a quotation service that disseminates the bid price and offer price then being furnished by or on behalf of each other participant." As a participant in the ITS, the NASD has agreed to this provision of the ITS Plan. Accordingly, since Nasdaq is planning to eliminate exchange quotations from the Nasdaq CQS Service's quotation montages, the proposed amendment ensures the NASD's ongoing compliance with Section 6(a)(i)(A) of the ITS Plan. In particular, by mandating that all CQS market makers have available, in close proximity to the Nasdaq terminals at which they make markets in CQS securities, the same exchange quotation information that is scheduled to be deleted from the Nasdaq CQS Service (*i.e.*, exchange quotes in CQS issues), the NASD will be continuing to satisfy its obligation under Section 6(a)(i)(A) of the ITS Plan.

II. Discussion

The Commission must determine whether the proposed rule change is consistent with the Act, including Section 15A(b)(6). Section 15A(b)(6) requires that the rules of a national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and

⁷ The NASD states that the processing of exchange quotations through CQS can consume approximately 40 percent of Nasdaq's computer capacity on a given day.

open market and a national market system and, in general, to protect investors and the public interest. Having considered the merits of the proposed rule change, the Commission has determined that it is consistent with the requirements of the Act, and is therefore approving the proposed rule change.

The Commission believes it is crucial for Nasdaq to be able to process transactions should volume exceed one billion shares a day. The NASD has determined that it can free up some Nasdaq capacity immediately by deleting certain quotation information from Nasdaq's CQS Service. In order for CQS market makers to uphold their market making responsibilities in exchange-listed stocks, however, the NASD rule requires that CQS market makers have a quotation service disseminating quotations from exchanges and CQS market makers in close proximity to their Nasdaq terminals. This proximity requirement ensures that CQS market makers will be capable of viewing exchange quotations and it also appears to satisfy the appropriate provisions of the ITS Plan.

The NASD has represented that neither it nor its subsidiaries believe that eliminating exchange quotations from CQS will compromise the NASD's ability to monitor trading in the third market. The NASD has stated that the NASDR's Market Regulation Department already receives market information concerning exchange-listed securities from securities information vendors. The Commission also notes that the NASD recently entered into a settlement with the Commission that requires the NASD to enhance its systems for market surveillance.⁸

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NASD-96-26 be, and hereby is, approved.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-23636 Filed 9-13-96; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

[License No. 02/72-0561]

Prospect Street NYC Discovery Fund, L.P., Notice of Request for Exemption

On August 16, 1996, Prospect Street NYC Discovery Fund, L.P. (Prospect), a

Delaware limited partnership and SBIC Licensee number 02/72-0561 filed a request to the SBA pursuant to Section 107.730(a) of the Regulations governing small business investment companies (13 C.F.R. 107.730(a) (1996)) for an exemption allowing the Licensee to invest in BondNet, of Greenwich, Connecticut. BondNet received prior financial assistance from an Associate (as defined by Section 107.5 of the SBA Regulations) of Prospect, and has itself become an Associate of the Licensee. BondNet is currently in need of additional capital, and Prospect can only offer this assistance to BondNet upon receipt of a prior written exemption from SBA. This exemption is the basis for this notice.

Notice is hereby given that any person may, not later than 15 days from the date of publication of this Notice, submit written comments on this exemption request to the Associate Administrator for Investment, Small Business Administration, 409 3rd Street, SW, Washington, DC 20416.

A copy of this Notice will be published in a newspaper of general circulation in New York, New York.

(Catalog of Federal Domestic Assistance Programs No. 59.011, Small Business Investment Companies)

Dated: September 9, 1996.

Don A. Christensen

Associate Administrator for Investment.

[FR Doc. 96-23593 Filed 9-13-96; 8:45 am]

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Declaration of Disaster Loan Area #2891, Tennessee; Amendment #1

The above-numbered Declaration, approved on August 29, 1996, is hereby amended to include Meigs County, Tennessee as a county that is contiguous to Hamilton County, Tennessee for this Declaration. Meigs County was inadvertently omitted from the original Declaration.

All other information remains the same, i.e., the termination date for filing applications for physical damage is October 28, 1996, and for economic injury the deadline is May 29, 1997.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: September 6, 1996.

Ginger Lew,

Acting Administrator.

[FR Doc. 96-23577 Filed 9-13-96; 8:45 am]

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TENNESSEE VALLEY AUTHORITY

Sunshine Act Meeting

AGENCY HOLDING THE MEETING: Tennessee Valley Authority (Meeting No. 1488).

TIME AND DATE: 10 a.m. (EDT), September 18, 1996.

PLACE: TVA West Tower Auditorium, 400 West Summit Hill Drive, Knoxville, Tennessee.

STATUS: Open.

Agenda

Approval of minutes of meeting held on August 21, 1996.

New Business

Discussion Item

Final Rule Review.

A—Budget and Financing

A1. Approval of Short-Term Borrowing from the Treasury.

C—Energy

C1. Delegation of authority to the Senior Vice President of Procurement, or that office's designee, to enter into individual uranium procurement contracts of up to \$15 million each for the four-year period 1999 through 2002, based on the approval of the President TVA, Nuclear.

C2. Delegation of authority to the Vice President of Fuel Supply and Engineering to award seven 6-year coal contracts under

C3. Proposed decreases in prices under dispersed power price schedule—CSPP.

E—Real Property Transactions

E1. Sale of noncommercial, nonexclusive permanent easements affecting 0.28 acre of land on Tellico Lake in Monroe and Loudon Counties, Tennessee, to Kenneth D. Holloway (Tract No. XTELR-165RE), Ronald Kemp (Tract No. XTELR-182RE), and W.R. Yeary (Tract No. XTELR-184RE) for construction and maintenance of recreational water-use facilities.

E2. Grant of a permanent easement to the City of Alcoa affecting approximately 0.14 acre of land on Fort Loudoun Lake in Blount County, Tennessee, for construction of a sewerline (Tract No. XTFL-123S).

E3. Commercial 19-year recreation lease to Thomas Everhart affecting approximately 3.5 acres of land on Cherokee Lake in Hamblen County, Tennessee, for a commercial campground (Tract No. XCK-576L).

E4. Deed modification affecting approximately 2.37 acres of former TVA land (Tract No. XPR-80) in exchange for fee ownership of approximately 4.51 acres of Pickwick Lake land (Tract No. PR-2355) in Colbert County, Alabama.

E5. Grant of a 25-year recreation easement to Marshall County, Kentucky, affecting approximately 19 acres of land on Kentucky Lake (Tract No. XTGIR-140RE) for public recreation.

E6. Deed modification affecting approximately 76 acres of former TVA land on Norris Lake in Campbell County, Tennessee (Tract No. XNR-584), to allow Norris Crest Partnership to subdivide the

⁸ Exchange Act Release No. 37538 at 5 (August 8, 1996).

⁹ 17 CFR 200.30-3(a)(12).