

*A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

1. Purpose

The purpose of the proposed rule change is to waive membership dues for the month of December, 1996, and waive floor telephone booth and post space charges for the fourth quarter of 1996 because the Exchange has already adequately covered its costs associated with these services for the year.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act<sup>2</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and persons using its facilities.

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

The Exchange does not believe that the proposed rule change will impose a 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.

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

The foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange and therefore has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and subparagraph (e) of Rule 19b-4<sup>4</sup> thereunder. At any time within 60 days of the filing of such 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 submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, 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, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing also will be available for inspection and copying at the Exchange. All submissions should refer to File No. SR-CHX-96-32 and should be submitted by January 27, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-38130; File No. SR-CHX-96-33]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Circuit Breaker Pilot Program**

January 6, 1997.

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 December 18, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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 CHX. 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 CHX proposes to amend Article IX, Rule 10A "Trading Halt Due to Extraordinary Market Volatility" ("circuit breakers")<sup>1</sup> to increase the

<sup>5</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> See Securities Exchange Act Release Nos. 26218 (October 26, 1988), 53 FR 44137 (November 1, 1988); 27370 (October 23, 1989), 54 FR 43881 (October 27, 1989); 28580 (October 25, 1990), 55 FR 45895 (October 31, 1990); 29868 (October 28, 1991), 56 FR 56535 (November 5, 1991); 33120 (October 29, 1993), 58 FR 59503 (November 9, 1993); 36414 (October 25, 1995), 60 FR 55630 (November 1, 1995); and 37459 (July 19, 1996), 61 FR 39172 (July 26, 1996).

levels at which such circuit breakers are triggered. The Exchange seeks to effect these changes on a one-year pilot basis.

The text of the proposed rule change is available at the Office of the Secretary, the CHX, and at the Commission.

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 Exchange 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 Exchange 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

Article IX, Rule 10A (Trading Halts Due to Extraordinary Market Volatility) is the Exchange's codification of the several recommendations for circuit breakers which were made in the wake of the market break of 1987. The current rule, which is due to expire on October 31, 1997, provides that if the Dow Jones Industrial Average<sup>2</sup> ("DJIA") falls 250 or more points below its previous trading day's closing value, trading in all stocks on the Exchange shall halt for one-half hour. The Rule further provides for a one hour trading halt if the decline in the DJIA is 400 or more points. Although the Rule was amended in July 1996 to shorten the time periods for marketwide trading halts, the levels of the circuit breakers themselves have not been adjusted since the Rule was first adopted. The Exchange believes that it is appropriate to amend Article IX, Rule 10A to raise the circuit breakers from 250 points to 350 points and from 400 points to 550 points.

Article IX, Rule 10A was approved by the Commission in October 1988 as a one-year pilot<sup>3</sup> and has been extended on a pilot basis since then. At that time, the DJIA was at a level of about 2100 points. A 250 point drop would have represented at 12% decline in the average. A 400 point drop would have

<sup>2</sup> "Dow Jones Industrial Average" is a service mark of Dow Jones & Company, Inc.

<sup>3</sup> See Securities Exchange Act Release No. 26218 (October 26, 1988), 53 FR 44137 (November 1, 1988).

<sup>2</sup> 15 U.S.C. § 78f(b)(4).

<sup>3</sup> 15 U.S.C. § 78s(b)(3)(A).

<sup>4</sup> 17 CFR 19b-4(e).

represented a 19% decline in the average. Article IX, Rule 10A has never been invoked, as the DJIA has not declined by 250 points or more since the rule was adopted. The largest decline occurred on March 8, 1996, when the DJIA fell intra-day 217 points below its previous day's closing value. Today, with the DJIA at about 6500 points, a 250 or 400 point drop would represent a much smaller percentage decline in the average (3.8% and 6.2%, respectively).

The proposed circuit breakers of 350 and 550 points would represent, respectively, a 5.4% and 8.5% decline in the DJIA, which are significant market declines and thus represent appropriate levels at which to halt trading. The proposed trigger values take into account the rise in market values since the Rule was first adopted, while also recognizing the fact that the original trigger values have never been reached. The Exchange believes that the new trigger values in Article IX, Rule 10A should be stated in absolute numbers, rather than in terms of percentages of the DJIA, in order to facilitate understanding by all market participants as to exactly when the circuit breakers will be utilized.

The Exchange seeks to effect these changes on a one-year pilot basis. The adoption of amendments to Article IX, Rule 10A would be contingent upon the adoption of amended rules or procedures substantively identical to this rule by:

(1) All United States stock exchanges and the National Association of Securities Dealers, Inc. with respect to the trading of stocks, stock options and stock index options; and,

(2) All United States futures exchanges with respect to the trading of stock index futures and options on such futures.

The exchange believes that an all-market trading halt requirement at appropriate levels will promote stability and investor confidence during periods of significant stress by providing market participants with a reasonable opportunity to become aware of and respond to significant price movements, thereby facilitating in an orderly manner the maintenance of an equilibrium between buying and selling interest.

## 2. Basis

The exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade. The Exchange believes that amending Article IX, Rule 10A on a pilot basis is consistent with these objectives in that the revised

trading halt triggers during a period of significant stress can be expected to provide market participants with a reasonable opportunity to become aware of and respond to significant price movements, thereby facilitating, in an orderly manner, the maintenance of an equilibrium between buying and selling interest.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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

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 self-regulatory organization 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. 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 in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and

copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-96-33 and should be submitted by January 27, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-38126; File No. SR-NASD-96-56]

### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Increase in Minimum Gross Income Assessment**

January 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 24, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 the NASD. 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

NASD Regulation, Inc. ("NASD Regulation") is proposing a rule change to amend Section 1 to Schedule A of the By-Laws to increase the minimum gross income assessment from \$850.00 to \$1,200.00. Proposed new language is italicized; proposed deletions are in brackets.

#### *Schedule A to the NASD By-Laws*

Assessments and fees pursuant to the provisions of Article VI of the By-Laws of the Corporation, shall be determined on the following basis.

#### Section 1—Assessments

Each member shall pay an annual assessment composed of:

(a) An amount equal to the greater of \$1,200.00[850.00] or the total of:

(i) 0.125% of the annual gross revenue from state and municipal securities transactions,

<sup>4</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. § 78s(b)(1).