

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 CHX 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, including whether the proposed rule change, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 CHX. All submissions should refer to File No. SR-CHX-99-08 and should be submitted by October 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41969; File No. SR-CHX-99-14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to "Stop" and "Stop Limit" Orders

September 30, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice hereby is given that on August 27, 1999, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 proposes to add Article XX, Rule 28A to the Exchange's Rules relating to "stop" and "stop limit" orders to clarify that the existing Rule 28 of Article XX relates solely to "stopped" orders. Below is the text of the proposed rule change. Proposed new language is in *italics*.

Chicago Stock Exchange Rules

Article XX

Rule 28A Stop Orders

(a) *Dual Trading System Issues.*³
(1) *Stop Orders.* A "stop" order to buy shall be entered at a price above the current primary market offer. A "stop" order to sell shall only be entered at a price below the current primary market bid. Once entered, a "stop" order may not be executed until a trade (the "effective trade") occurs in the primary market that is at or through the price of the "stop" order. Once the effective trade occurs, the "stop" order shall be executed based upon the next primary market trade, but at a price no better than the effective trade (i.e., the "stop" order shall be executed on a next-no better basis).

(2) *Stop Limit Orders.*

(a) *Buy Stop Limit Orders.* A buy stop limit order shall only be entered at a

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Dual Trading Systems issues are issues traded on both the CHX and either the New York Stock Exchange or the American Stock Exchange.

price above the current primary market offer and shall become a limit order when a round-lot transaction takes place in the primary market at or above the stop price. The order shall then be filled in the manner prescribed for handling a limit order to buy.

(b) *Sell Stop Limit Orders.* A sell stop limit order shall only be entered at a price below the current primary market bid and shall become a limit order when a round-lot transaction takes place in the primary market at or below the stop price. The order shall then be filled in the manner prescribed for handling a limit order to sell.

(b) *Nasdaq/NM Issues:*

A "stop" or "stop limit" order to buy shall only be entered at a price above the then-current best offer disseminated pursuant to SEC Rule 11Ac1-1 (the "National Best Offer"). A "stop" or "stop limit" order to sell shall only be entered at a price below the then-current best bid disseminated pursuant to SEC Rule 11Ac1-1 (the "National Best Bid"). Once entered, a stop or stop limit order may not be executed until the price of the order is equal to (1) the National Best Offer in the case of a buy order or (2) the National Best Bid in the case of a sell order, at which time the member or member organization that accepted the order shall be obligated to use its best efforts to obtain the best available price to fill such order.

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 regarding 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

The primary purpose of the proposed rule change is to add a provision to the Exchange's Rules relating to "stop" orders, thereby clarifying that the existing Rule 28 of Article XX relates solely to "stopped" orders.⁴ Under the

⁴ A "stopped" order is an order that is accepted by a member and guaranteed a fill at a specific price, usually the price at the time the order is

⁸ 17 CFR 200.30-3(a)(12).

proposed Rule 28A, "stop" or "stop limit" orders for Dual Trading System issues will only be permitted to be entered at a price above (for buy orders) or below (for sell orders) the then-current offer or bid, respectively, in the primary market. Stop or stop limit orders for Nasdaq/NM Issues will only be permitted to be entered at a price above (for buy orders) or below (for sell orders) the then-current National Best Offer or National Best Bid, respectively.

As set forth in the proposed Rule 28A, a specialist's obligations with respect to incoming "stop" and "stop limit" orders are distinct from liabilities relating to "stopped" orders, which under Rule 28 are guaranteed execution at a specified price and size.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act⁵ in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public 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 Regarding the Proposed Rule Change Received From Members, Participants or Others

No written comments were either solicited or received.

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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 Exchange consents, the Commission will:

(A) by order approve the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

received, unless the member can achieve price improvement for the customer. Telephone conversation between Paul O'Kelly, Executive Vice President, CHX, and Marc McKayle, Attorney, Division of Market Regulation, Commission on September 30, 1999. Also see CHX Rule 28 of Article XX.

⁵ 15 U.S.C. 78f(b)(5).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the foregoing is consistent with the Act. Persons making written submissions should file copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 Room. 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-CHX-99-14 and should be submitted by October 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41947; File No. SR-CHX-99-15]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Membership Dues and Fees

September 29, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 14, 1999, the Chicago Stock Exchange, Inc. ("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

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 proposes to amend its membership dues and fees schedule. Specifically, the portion of the CHX fee schedule governing transaction fees would be amended to provide for application of a \$.0025 per share transaction fee to all agency orders transacted by CHX floor brokers in NASDAQ/NMS Securities, up to a maximum of \$100 per side. Additionally, the CHX fee schedule would be amended to increase the current earned credit available to floor brokers by a factor of three and to provide a new credit based on Consolidated Tape Association revenue generated by each floor broker.³ The rule changes will be reflected in the October, 1999 invoices transmitted by the Exchange to its members. The text of the proposed rule change is available upon request from the Commission or the CHX.

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

The proposed rule change amends the CHX schedule of membership dues and fees in three ways to provide new transaction fees and enhanced credits for CHX floor brokers. First, the portion of the CHX fee schedule governing transaction fees is amended to provide

³ The proposed language with regards to tape credits reads as follows: "Tape Credits. Total monthly fees owed by a floor broker to the Exchange will also be reduced (but to no less than zero) by the application of a Tape Credit. 'Tape Credit' means 35% of monthly CHX tape revenue from the Consolidated Tape Association generated by a particular floor broker. To the extent that CHX tape revenue is subject to a year end adjustment, Tape Credits may be adjusted accordingly."