

must address inquiries to the head of the facility where the employee is employed. Inquiries must contain the employee's or applicant's full name, social security number, and facility where employed (or tested).

RECORD ACCESS PROCEDURES:

Requests for access must be made in accordance with the notification procedures above and the Postal Service Privacy Act regulations regarding access to records and verification of identity under 39 CFR 266.6.

CONTESTING RECORD PROCEDURES:

See Notification Procedures and Record Access Procedures above.

RECORD SOURCE CATEGORIES:

Postal Service employees, Postal Service medical staff, Postal Service designee testing facilities, substance abuse professionals, and designated contractors."

Stanley F. Mires,

Chief Counsel, Legislative.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-35987; File No. SR-BSE-95-12]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Boston Stock Exchange, Inc. Relating to Specialist Concentration

July 18, 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 19, 1995, the Boston Stock Exchange, Inc. ("BSE" 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 seeks to obtain permanent approval of its Specialist Concentration Policy.¹ This will permit

¹ On February 7, 1990, the Commission approved, on a six-month pilot basis ending August 7, 1990, a proposed rule change by the BSE to establish procedures for reviewing proposed combinations among specialist units on the Exchange. See Securities Exchange Act Release No. 27684

the Exchange's Executive Committee to review proposed combinations that, in the Exchange's view, may lead to undue concentration within the specialist community.

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 test 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 the proposed rule change is to seek permanent approval of the concentration policy, which establishes certain standards based on Consolidated Tape Association ("CTA") ranking² of specialist stocks for reviewing certain proposed mergers, acquisitions and other combinations between or among specialist units. The proposed policy would authorize the Executive Committee of the Board of Governors to review proposed combinations that, in the Exchange's view, may lead to undue concentration within the specialist community.

(February 7, 1990), 55 FR 5527 (approving File No. SR-BSE-89-05). The Commission later approved the renewal of the pilot program for additional one-year periods ending August 1, 1991, August 13, 1992, August 13, 1993, and August 13, 1994. See Securities Exchange Act Release Nos. 28327 (August 10, 1990), 55 FR 33794 (File No. SR-BSE-90-11); 29551 (August 13, 1991), 56 FR 41380 (File No. SR-BSE-91-06); 31037 (August 13, 1992), 57 FR 37854 (File No. SR-BSE-92-08); and 32753 (August 16, 1993), 58 FR 44707 (File No. SR-BSE-93-15).

² The CTA disseminates last sale transaction information for trades executed on any of the participant exchanges or the Nasdaq Stock Market. The current CTA participants include the New York Stock Exchange ("NYSE"), American Stock Exchange ("Amex"), Chicago Stock Exchange ("CHX"), Philadelphia Stock Exchange ("Phlx"), Pacific Stock Exchange ("PSE"), BSE, Chicago Board Options Exchange ("CBOE"), Cincinnati Stock Exchange ("CSE"), and the National Association of Securities Dealers ("NASD"). Each specialist stock is ranked according to the number of CTA trades in such stock. The ranking is based upon the average volume of trades and shares reported to CTA over the past four quarters. Conversation between Karen Aluisse, BSE, and Amy Bilbija, SEC, on July 12, 1995.

The Executive Committee will review any arrangement where previously separate specialist organizations would be operating under common control and would comprise:

- (a) 15% or more of the 100 most actively traded CTA stocks; or,
- (b) 15% or more of the second 100 most actively traded CTA stocks; or,
- (c) 20% or more of the third 100 most actively traded CTA stocks; or
- (d) 15% or more of all the CTA stocks eligible for trading on the BSE where the Free List contains fewer than 100 issues.³

The Executive Committee shall approve or disapprove the proposed combination based on its assessment of the following considerations:

(a) Specialist performance and market quality in the stocks subject to the proposed combination;

(b) The effects of the proposed combination in terms of the following criteria:

- (i) Strengthening the capital base of the resulting specialist organization;
- (ii) Minimizing both the potential for financial failure and the negative consequences of any such failure on the specialist system as a whole; and
- (iii) Maintaining or increasing operational efficiencies;

(c) Commitment to the Exchange market, focusing on whether the constituent specialist organizations engage in business activities that might detract from the resulting specialist organization's willingness or ability to act to strengthen the Exchange agency/auction market and its competitiveness in relation to other markets; and

(d) The effect of the proposed combination on overall concentration of specialist organizations.

With respect to the criteria relating to the "commitment to the Exchange market," the Executive Committee would look to a variety of factors that extend beyond compliance with the Exchange's requirements for providing sufficient capital, talent and order handling services. For example, the Committee would review and assess each constituent unit's past performance on the Exchange relating to such matters as:

- Acceptance and cooperation in the development, implementation and enhancement to the Boston Exchange Automated Communications and Order-routing Network ("BEACON");
- Efforts at resolving problems concerning customer orders;

³ The Free List is made up of securities that are not registered to certain specialists and can be traded by any specialist.