

confidential information to another party without authorization.

New Subsection 55(f) sets forth the goal of mediation—to explore and come to a good faith settlement of an outstanding dispute without resort to adversarial adjudication. This Subsection also permits parties to negotiate directly outside the mediation process.

New Subsection 55(g) provides that mediation is intended to be private and confidential. This Subsection obligates the parties and the mediator not to disclose or otherwise communicate anything disclosed during the mediation in any other proceeding, unless authorized by all other parties to the mediation. The Subsection permits disclosure if compelled by law, which provides for situations when a party is subpoenaed or when there are regulatory requirements, such as the disclosures required in Form U-4 or under Article IV, Section 5 of the Rules of Fair Practice.<sup>13</sup> This Subsection also provides expressly that the fact that a mediation occurred is not confidential.

New Subsection 55(g) also makes clear that the confidentiality provisions will not operate to shield from disclosure documentary or other information that the Association or any other regulatory authority would be entitled to obtain or examine in the exercise of its regulatory responsibilities. Accordingly, the fact that documentary or other information had been disclosed during the course of a mediation would not render it confidential or shield it from disclosure to the NASD or an opposing party in civil litigation where it otherwise would be available to these parties.

In addition, the Subsection bars the mediator from disclosing one party's confidential information to another party without authorization, which memorializes a standard practice of mediators.

The Commission finds that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act<sup>14</sup> because the rule change will protect investors and the public interest by providing a voluntary alternative to adversarial adjudication of disputes that may result in lower-cost, quicker resolution of disputes. The proposed rule change approved today provides a forum for a non-binding discussion by all interested parties, and a form of dispute resolution that can be more effective than direct negotiations and

that increases the likelihood of early settlement of a dispute at cost savings.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that File No. SR-NASD-95-25 be, and hereby is, approved, effective August 1, 1995.

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. 34-36000; File No. SR-CHX-95-16)]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Trading Floor Dress Code**

July 20, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 6, 1995, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change, and amended such proposed rule change on July 12, 1995,<sup>2</sup> 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 proposes to add interpretation and policy .03 to Rule 3 of Article XII of the Exchange's rules relating to the Exchange's dress code.

**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**

Article XII, Rule 3, interpretation and policy .01, provides that violations of the Exchange's dress code are Class B violations of the exchange's decorum rules.<sup>3</sup> The CHX dress code, which has been in existence for many years, is not codified in the Exchange's rules. The purpose of the proposed rule change is to incorporate the existing CHX dress code into the Exchange's rules as a formal interpretation and policy.

**2. Statutory Basis**

The proposed rule change is consistent with Section 6(b)(5) of the Act<sup>4</sup> 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. The proposed rule change also is consistent with Section 6(b)(6) of the Act<sup>5</sup> in that it will assist the Exchange in appropriately disciplining its members and persons associated with its members for violations of the rules of the Exchange.

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

The Exchange believes the proposed rule change will impose no burden on competition.

**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 comments on the proposed rule change.

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

The foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange and, therefore, has become

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Amendment No. 1 corrected a citation in the original filing to one of the Exchange's rules and referenced Section 6(b)(6) of the Act as a statutory basis for the proposed rule change. See letter from David T. Rusoff, Esq., Foley & Lardner, to Glen Barrentine, Senior Counsel, Division of Market Regulation, SEC (July 11, 1995).

<sup>3</sup> Chicago Stock Ex. Guide (CCH) ¶1613 (Sept. 1994). A member whose violative conduct is classified as a Class B offense may be fined summarily an amount not to exceed \$100.

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> 15 U.S.C. 78f(b)(6).

<sup>13</sup> NASD Manual, Rules of Fair Practice, Art. IV, Sec. 5 (CCH) ¶2205.

<sup>14</sup> 15 U.S.C. 78o-3.