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

The purpose of the proposal is to implement procedures in response to a situation currently confronting the Exchange whereby a well-known securities analyst presents over cable television, at the same time each day, an exclusive report of his analysis of a specific identified company or companies, often involving conjecture concerning a future transaction or development with respect to the company or companies. According to the Exchange, each day's broadcast often causes an immediate and significant impact on the market price of the stock(s) identified in the report. This permits certain viewers of the televised report, utilizing high speed computers, to transmit options orders to buy or sell options covering the stock(s) in question (depending on whether the report is ''bullish'' or ''bearish'') through RAES before either the price of the stock(s) in the primary market or the prices of options governing the stock(s) in RAES have had time to adjust. The Exchange states that the result is an abuse of the RAES system, in as much as, for a short period of time, persons entering computerized options orders in RAES are able to obtain automatic executions at prices that are no longer current, simply because there has not been sufficient time to adjust prices in RAES. According to the CBOE, the ability of certain persons to "game" the system in this way operates to the disadvantage of CBOE market makers who are obligated under Exchange rules to take the other side of the orders.

In response to this situation, the CBOE's Market Performance Committee, which consists of floor officials who are authorized under CBOE Rule 6.6 to take such action as is deemed necessary to maintain a fair and orderly market in response to unusual market conditions, has determined that the market in options of the class or classes covering the stock that is the subject of the televised report will be declared "fast" for a short period of time each day, commencing at the time the analyst's report is aired, at which time RAES will be deactivated temporarily by the Exchange's control room in the affected class or classes of options. RAES will be reactivated at the post with the consent of two floor officials as soon as stock prices in the primary market and options prices in RAES have adjusted, which is likely to occur within one or two minutes following the report. CBOE members will be notified of both the

deactivation of RAES in particular classes of options and its reactivation by means of (1) a message to members that will print at each post on the trading floor, and (2) a message over the Exchange's TextNet system, which has terminals at various places around the Exchange floor.

The Exchange believes that this policy will help to encourage more active market maker participation in RAES without harming the intended beneficiaries of RAES, *i.e.*, public customers who submit small orders. In addition, the CBOE notes that even for the few minutes when RAES is deactivated, the trading crowd will continue to have the responsibility to fill customer orders according to CBOE rules, including the firm quote rule.

The CBOE believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The CBOE does not believe that the proposed rule change will impose any 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 after the 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 reason 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 NW. 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 at 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 above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by October 26, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. 2

Margaret H. McFarland, *Deputy Secretary.*

[FR Doc. 95-24797 Filed 10-4-95; 8:45 am] BILLING CODE 8010-01-M

[Release No. 34–36303; File No. SR–NASD– 95–29]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change to the Corporate Financing Rule at Article III, Section 44 of the Rules of Fair Practice Regarding Rights of First Refusal

September 29, 1995.

I. Introduction

On June 1, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") 1 and Rule 19b-4 thereunder.² The rule change amends the Rules of Fair Practice to: (a) Reduce the duration of the right of first refusal from five years to three years; (b) limit a member to one opportunity to waive or terminate a right of first refusal in consideration of any payment or fee; (c) limit the amount of such waiver/ termination payments; and (d) specify

^{2 17} CFR 200.30-3(a)(12) (1994).

^{1 15} U.S.C. 78s(b)(1) (1988).

^{2 17} CFR 240.19b-4 (1994).