

The proposed rule change and Amendment No. 1 were published for comment in Securities Exchange Act Release No. 36432 (Oct. 27, 1995), 60 FR 55873 (Nov. 3, 1995). No comments were received on the proposal.

Currently, Interpretation .01 to CHX Rule 23, Article XX, requires a CHX specialist to refrain from interfering with a floor-brokered agency cross⁵ of 10,000 shares or greater that is to be effected at a price between the disseminated Exchange market.⁶ The exchange proposes to amend this rule to require a CHX specialist to refrain from interfering with all floor-brokered agency crosses, *regardless of size*, at a cross price between the disseminated Exchange market. Under the Exchange's proposal, the specialist will continue to be obligated to satisfy all orders on the book with priority at the cross price.⁷ Moreover, the proposed rule change will continue to permit the specialist to participate at the cross price if the specialist is willing to provide one side of the cross with a better price or if the member presenting the cross previously solicited the specialist's assistance in consummating any part of the transaction.

The Exchange believes that the proposed rule change will increase the possibility of immediate execution for agency crosses on the Exchange, which in turn will improve the Exchange's ability to compete for order flow and enhance the depth and liquidity of the Exchange market. Moreover, the Exchange believes that the proposed rule change strikes an appropriate balance between the competing needs of various customer orders represented for execution on the Exchange and the proprietary trading operations of Exchange members and member organizations, including specialists.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder

applicable to a national securities exchange, and, in particular, with the requirements of section 6(b)⁸ and Section 11(a).⁹ The Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest. The Commission also believes that the proposed rule change is not inconsistent with the traditional auction market principle of customer priority as embodied in Section 11(a) of the Act.

The Commission believes that the proposed rule change should further competition among the exchanges,¹⁰ as well as between the exchanges and other markets, and should increase the opportunities for the efficient execution of cross transactions without operating in a manner inconsistent with traditional auction market principles. The proposal only restricts specialists from interfering with crosses between the disseminated Exchange market under certain circumstances and continues to allow another member, including an order for the principal account of a member, to break up the cross.

The Commission believes that the proposal is not inconsistent with the auction market principles of time and price priority. As before, a member effecting a cross transaction at the prevailing bid or offer will continue to be required to obtain priority over all existing limit orders at that price and specialists will continue to be required to fill limit orders at the cross price, which have not been displayed in the quote. Moreover, the Commission believes that the proposal does not alter the safeguards provided in the current rule, which ensure that public customers are not disadvantaged. For example, the Commission notes that the proposed rule change does not change the opportunity for customer orders to receive price improvement: the specialist will continue to be allowed to participate at a better price.

Finally, the Commission does not believe that the proposed rule change will significantly reduce order interaction on the floor of the Exchange. Only a CHX specialist who does not have a displayed bid or offer at the cross price must refrain from participating in

a cross transaction at that price. The proposed rule change does not affect the ability of specialists to participate at a better price or the ability of other interest in the trading crowd to participate. The Commission does not expect the proposed rule change to substantially impair price discovery or market liquidity.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹¹ that the proposed rule change (SR-CHX-95-24) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Jonathan G. Katz,

Secretary.

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Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Revised Listing Standards for Equity-Linked Debt Securities

December 13, 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 November 29, 1995, the New York Stock Exchange, Inc. ("Amex" 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 NYSE proposes to amend its listing standards for Equity-Linked Debt Securities ("ELDS"). These listing standards are contained in Para. 703.21 of its Listed Company Manual. The amendments would allow the Exchange to list ELDS on securities, as described below, that have a market capitalization of \$1.5 billion or \$500 million, if such securities have annual trading volume of 10 million and 15 million shares, respectively.

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

October 13, 1995. Amendment No. 1 corrected the text of Exhibit A to the filing, which sets forth the text of the proposed rule change, by adding a sentence that had been inadvertently omitted from Exhibit A as initially filed.

⁵ For purposes of this rule, an "agency cross" is defined as a cross where neither the order to buy or sell is for the account of any member or member organization.

⁶ See Securities Exchange Act Release No. 33708 (Mar. 3, 1994), 59 FR 11339 (File No. SR-MSE-93-05) (approving a proposed rule change to require that the CHX specialist refrain from interfering with a floor-brokered agency cross of 10,000 share or more at a cross price between the disseminated Exchange market).

⁷ This requirement is to ensure that in situations where a limit order on the book has not been displayed in the quote, the specialist would be obligated to satisfy such limit orders with priority at the cross price.

⁸ 15 U.S.C. § 78f(b).

⁹ 15 U.S.C. § 78k(a).

¹⁰ Several exchanges have similar rules prohibiting specialists from interfering with agency crosses when the cross is at a price inside the disseminated exchange market without regard to size. See, e.g., Pacific Stock Exchange Rule 5.14(b) and Philadelphia Stock Exchange Rule 126.

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR 200.30-3(a)(12).