

(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 in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the file number SR-DTC-95-15 and should be submitted by November 27, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 36435; File No. SR-GSCC-95-04]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Modifying GSCC's By-laws to Provide Indemnification Protection for Members of Committees

October 30, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 25, 1995, Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-95-04) as described in Items I, II, and III below, which items have been prepared primarily by GSCC. 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 purpose of the proposed rule change is to amend GSCC's by-laws to provide indemnification protection for members of committees established by GSCC's Board of Directors who are not officers or directors of GSCC.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

The proposed filing seeks to amend GSCC's by-laws to provide indemnification protection for members of committees established by GSCC's Board of Directors who are not officers or directors of GSCC. Article IV, Section 4.1, of GSCC's by-laws currently requires, among other things, that GSCC indemnify to the full extent permitted by law a present or past director or officer of GSCC who is made a party to any action or proceeding, whether civil or criminal, by reason of the fact that such person is or was a director or officer of GSCC.

The indemnification obligation does not extend to members of committees established by GSCC's Board of Directors if the members of the committees are not directors or officers of GSCC. Thus, for example, the indemnification protection in GSCC's by-laws does not cover most of the members of GSCC's Risk Management Committee who are senior credit officers of GSCC member firms.

In order to ensure that GSCC can obtain the services of qualified individuals on committees established by its Board of Directors and to ensure that such individuals freely are able to provide guidance to GSCC's Board of

Directors and to GSCC management, GSCC believes it appropriate to provide members of such Board-established committees with indemnification protection comparable to the protection currently given to GSCC's directors and officers. This indemnification will facilitate GSCC's ability to obtain directors and officers liability insurance that covers committee members who are not GSCC directors or officers.

GSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will help ensure that GSCC obtains the services of qualified individuals on its Board-established committees.

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

GSCC does not believe that the proposed rule will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Comments on the proposed rule change have not yet been solicited. GSCC members will be notified of the rule filing and comments will be solicited by an important notice. GSCC will notify the Commission of any written comments received by GSCC.

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

Within thirty-five 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 ninety 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 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

⁷ 17 CFR 200.30-3(a) (12) (1994).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² The Commission has modified the text of the summaries prepared by GSCC.

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 Section, 450 Fifth Street NW., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to the file number SR-GSCC-95-04 and should be submitted by November 27, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36440; File No. SR-CHX-95-19]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change Relating to the Chicago Match

October 31, 1995.

I. Introduction

On July 27, 1995, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Article XXXVII of the Exchange's Rules to increase the number of daily matches in the Chicago Match to two. On August 22, 1995, the CHX submitted Amendment No. 1 to the proposed rule change.³

The proposed rule change, including Amendment No. 1, was published for comment in Securities Exchange Act Release No. 36139 (August 23, 1995), 60

FR 45196 (August 30, 1995). No comments were received on the proposal.

II. Background and Description of the Proposal

On November 30, 1994, the Commission approved a proposed rule of the Exchange that created the Chicago Match, an institutional trading system that integrates an electronic order match system with a facility for brokering trades.⁴ The Chicago Match electronically crosses orders entered by users during regular trading hours for securities that are listed on the CHX or for which the CHX has unlisted trading privileges.⁵ Orders that are matched electronically will be priced at the market price, which is equal to the midpoint between the Consolidated Best Bid and Offer, at a random time within a pre-determined ten minute period and will be executed at that time. Currently, the Chicago Match rules permit only one match to occur per trading day.⁶

The proposed rule change amends the Chicago Match rules to accommodate two matches per trading day.⁷ As before, the matches will occur mid-day during the Exchange's primary trading session.

III. Discussion

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 In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an

⁴ Securities Exchange Act Release No. 35030 (November 30, 1994), 59 FR 63141 ("Original Approval Order").

⁵ Users may be CHX members or non-members. When a non-member, however, is given access to Chicago match, it must enter into several agreements to ensure that a member has responsibility and control over the non-member's activities.

⁶ See Securities Exchange Act Release No. 35923 (June 30, 1995), 60 FR 35756 (approving an amendment to the Chicago Match that lowered the disclosure threshold for display of orders from 10,000, 5,000 or 2,000 shares depending on the security involved to 500 shares so that more orders in the Chicago Match would be displayed).

⁷ There will be two announced ten minute periods for matching of orders. Orders that are entered by users prior to the first ten-minute period will participate in the first match of the day and orders that are entered by users after the first ten-minute period, but before the second ten-minute period will participate in the second match of the day. Orders that are not matched during the first match of the day will not automatically participate in the second match. Conversation between David Rusoff, Foley, & Lardner, and Jennifer S. Choi, Division of Market Regulation, SEC, on October 31, 1995.

⁸ 15 U.S.C. 78f(b).

exchange be 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, in general, to protect investors and the public.

The Commission historically has encouraged the creation of new electronic trading systems such as the Chicago Match that may contribute to increased execution alternatives available to investors. At the same time, the Commission requires that these exchange trading systems be consistent with the investor protection and fair and orderly market standards contained in the Act. In the Original Approval Order, the Commission found that the Chicago Match was consistent with these objectives. Nevertheless, in the Original Approval Order, the Commission raised concerns over the issue of non-member access to the Exchange. The Commission, however, found that several factors, including the fact that CHX matches will occur only once a day, served to assure sufficient control by CHX members over the activities of non-members to satisfy the requirements of the Act. The Commission also noted that any proposal increasing the number of matches would have to be considered and approved by the Commission.

After careful review, the Commission believes that the amended Chicago Match is consistent with the investor protection and fair and orderly market standards contained in the Act for the same reasons that are set forth in the Original Approval Order. The limited increase to two matches per trading day will continue to assure that CHX members have adequate controls over non-members to satisfy the requirements of the Act.⁹ At the same time, the Commission believes that the additional match each day will benefit investors by providing them with an additional execution opportunity. In this context, the additional match will provide more flexibility to investors and allow them to utilize the Chicago Match one more time during the trading day in response to changing market conditions.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-CHX-95-19),

⁹ The CHX has indicated that it may wish to add more matches, upon Commission approval. The CHX would have to submit a proposal pursuant to Section 19(b)(2) of the Act to add additional matches during the trading day.

¹⁰ 15 U.S.C. 78s(b)(2).

³ 17 CFR 200.30-3(a)(12) (1994).

¹ U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from David T. Rusoff, Attorney, Foley & Lardner, to Elisa Metzger, Attorney, SEC, dated August 22, 1995. In Amendment No. 1 to the proposed rule change, the Exchange clarifies that there will be two matches per day, which will occur midday during the Exchange's primary trading session. Moreover, the Exchange defines the term "Cross Window" to mean up to two ten minute intervals during the Primary Trading Session.