

more efficient linkage with the CHX because of the impact CHX quotes have on their proprietary execution systems. In particular, because many firms operate systems that guarantee executions based on the best bid or offer on Nasdaq, which includes CHX quotes, these firms want to be able to readily access CHX quotes when the CHX is alone at the inside price. In addition, among other things, more efficient access to CHX quotes will serve to avoid locked and crossed markets. In sum, the NASD believes its proposal will serve to promote intermarket competition, enhance the price discovery process for Nasdaq securities, and dramatically improve the access of Nasdaq market makers to the CHX floor and vice versa.

Accordingly, Nasdaq and the NASD believe that the proposed rule change is consistent with Sections 15A(b)(6) and 11A(a)(1)(C) of the Act. Among other things, Section 15A(b)(6) requires that the rules of a national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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 interest. Section 11A(a)(1)(C) provides that it is in the public interest to, among other things, assure the economically efficient execution of securities transactions and the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities. Specifically, by improving the access of Nasdaq market makers and UTP specialists to each others' quotes, the proposed rule change will serve to enhance intermarket competition, the best execution of investors' orders, and the price discovery process for Nasdaq securities. Moreover, Nasdaq and the NASD believe the proposed rule change will serve to benefit small investors because it will help to minimize the length of time that SOES will reject orders when a UTP exchange is alone at the best bid or offer on Nasdaq. Finally, Nasdaq and the NASD believe that providing UTP exchanges access to SelectNet is responsive to the Commission's request that Nasdaq and the exchanges create an electronic linkage between Nasdaq market makers and exchange specialists.⁵

⁵ See Securities Exchange Act Release No. 37772 (October 1, 1996).

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

The NASD believes that the proposed rule change will not result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Comments were neither solicited nor received.

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

The proposed rule change has become effective immediately pursuant to Section 19(b)(3)(A)(i) of the Act and subparagraph (e) of Securities Exchange Act Rule 19b-4 because, consistent with the standards set forth in Rule 19b-4(e)(5), the proposal does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; or (3) have the effect of limiting the access to or availability of SelectNet. In particular, because no operational aspect to SelectNet is being modified by this proposal in any way other than an expansion of the scope of market participants that will have access to the SelectNet, Nasdaq and the NASD believe it is appropriate that the proposal has become effective upon filing pursuant to Rule 19b-4(e)(5). In fact, because of the intermarket access that will be fostered by the proposal, Nasdaq and the NASD believe the proposal will promote the protection of investors and enhance competition.

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, N.W., 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. Copies of such filing will also be available for inspection and copying at

the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by February 20, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

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BILLING CODE 8010-01-M

[Release No. 34-38205; File No. SR-NASD-96-42]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Approval to Proposed Rule Change Relating to Transfer of Limited Partnership Interests

January 24, 1997.

On November 15, 1996, NASD Regulation, Inc., ("NASD Regulation") 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 allow members under certain circumstances to petition the staff of NASD Regulation for permission to modify the standardized limited partnership transfer forms.

The proposed rule change was published for comment in the Federal Register on December 17, 1996.³ No comments were received on the proposal. This order approves the proposal.

Currently, all members of the National Association of Securities Dealers, Inc. ("NASD") are required to use standardized transfer, registration confirmation, and distribution allocation forms ("Forms") when transferring any limited partnership security.⁴ After use of the Forms became mandatory, transfer agents, member firms, and securities attorneys raised a number of questions concerning the applicability of the Forms to certain types of transfers. For example, it was suggested that the distribution

⁶ 17 CFR 200.30-3(a)(12) (1989).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 38042 (Dec. 11, 1996), 61 FR 6633 (Dec. 17, 1996).

Subsequently, NASD Regulation extended the time period for Commission action until January 31, 1997. Letter from John Ramsay, Deputy General Counsel, NASD Regulation, to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated January 21, 1997.

⁴ See Securities Exchange Act Release No. 36783 (Jan. 29, 1996), 61 FR 3955 (Feb. 2, 1996).

allocation form be modified to provide additional options for specific treatment of capital transactions, capital distributions, sale or refinancing proceeds, special distributions, liquidating distributions, and distributions with respect to terminating transactions. In another case, an NASD member stated that modifications to both the transfer and distribution allocation forms were necessary to satisfy certain conditions of purchase imposed by its limited partnership secondary transaction department. In addition, although the Forms were intended to be used for all purchases, sales, exchanges, and transfers of limited partnership interests, many member firms have developed standard one page documents for transfers that are "not for consideration," such as transfers related to a change of trustee or custodian or transfers resulting from death, divorce, or gift. These previously developed documents fulfill the same purpose as the new Standardized Transfer Forms, *i.e.*, permitting a fast and efficient transfer of the security.

Finally, other miscellaneous issues have been raised in connection with the use of the Forms, including a request to meet a requirement that each investor demonstrate U.S. citizenship.

To address this recurring situation, NASD Regulation has proposed a rule change that would add a new paragraph to NASD Rule 11580 that authorizes NASD Regulation's Corporate Financing Department, in response to a member's written request, to issue a waiver from the requirement to use the Forms for good cause shown. This waiver would allow the requesting member to modify the Forms as requested to meet legal or regulatory requirements or to otherwise facilitate the transfer of the limited partnership interests.

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 association, and, in particular, with the requirements of Section 15A.⁵ Specifically, the Commission believes the proposal is consistent with the Section 15A(b)(6) requirements that the rules of an association be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to, and facilitating transactions in securities, to prevent fraudulent and manipulative acts and practices, and, in

general, to protect investors and the public interest.⁶

The Commission recognizes that there may be instances where the current standardized forms may need to be modified to expedite the transfer of limited partnership interests due to the variety of partnership products available. Therefore, the Commission believes the proposed rule change will allow NASD Regulation staff to provide the flexibility sometimes necessary to facilitate a more efficient transfer of limited partnership interests in particular cases where a rigid "form over substance" requirement might hinder the transfer process.

Nevertheless, to ensure the proposed rule change will not unnecessarily reduce or eliminate the benefits of utilizing standardized forms, the Commission emphasizes that waivers allowing members to modify the Forms should be issued only under limited circumstances. They will be issued when needed to allow members to meet legal or regulatory requirements not sufficiently addressed in the Forms or to otherwise facilitate the transfer of limited partnership interests. In applying this standard, it is important that waivers not be issued to allow members to substitute their own forms or to make wholesale changes to the Forms, unless otherwise noted.⁷

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-NASD-96-42) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-2256 Filed 1-29-97; 8:45 am]

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[Release No. 34-38203; File No. SR-PSE-96-46]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Stock Exchange, Inc. Relating to Foreign Broker-Dealers

January 24, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

⁶ 15 U.S.C. 78o(b)(6). In finding that the proposed rule change is in the public interest, the Commission, consistent with Section 3(f) of the Act, has taken into consideration the extent to which the proposal promotes efficiency. 15 U.S.C. 78c(f).

⁷ An overly liberal application of this exemptive authority by NASD Regulation staff would eliminate the benefits sought by the NASD when it proposed the use of standardized forms.

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).

("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 16, 1996, the Pacific Stock Exchange, Inc. ("PSE" 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 PSE. 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 is proposing to amend its rules to specify that the term "broker/dealer," as used in PSE Rules 6.52(a), 6.86 and 6.87, includes foreign broker/dealers. The Exchange is also proposing to adopt a definition of the term "foreign broker/dealer."

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

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 Exchange 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 PSE 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

Purpose

PSE Rules 6.52(a), 6.86 and 6.87, relating to option transactions, currently distinguish between orders for broker/dealers and orders for non-broker/dealers. Under these rules, only non-broker/dealer customer orders are eligible to be placed on the public limit order book,¹ to be entered for automatic execution,² or to be eligible for a

¹ Rule 6.52(a) provides in part that "[o]nly non-broker/dealer customer orders may be placed with an Order Book Official pursuant to this Rule." *Cf.* SEC Rule 11Ac1-4(a)(6) (equity "customer limit orders" that must be displayed pursuant to Rule 11Ac1-4 include those that are "not for the account of either a broker or dealer") (effective January 20, 1997).

² Rule 6.87(a) provides: "Only non-broker/dealer customer orders are eligible for execution on the

⁵ 15 U.S.C. 78o-3.