perfect the mechanisms of a free and open market.[12]

CBOE is proposing to eliminate certain Interpretations from Rule 5.5 that restrict circumstances under which the Exchange may establish strike prices and add new strikes in equity options series open for trading. CBOE proposes to amend its rules so that it may initially open three strike prices regardless of how close the underlying stock price is to the initial strike prices, and to add new series within the Exchange believes that doing so is necessary. The Commission believes that CBOE's proposals to amend to procedures for opening trading in series of equity options will provide additional flexibility in listing new series and strikes and will bring CBOE's policies and procedures in line with those of the other exchanges. The Commission believes that such consistency with the policies and procedures of the other exchanges should enhance CBOE's ability to compete in multiply-listed options.

The Commission believes that CBOE has adequately addressed the affect of the proposal on its existing systems capacity. CBOE and OPRA have carefully reviewed the likely effects of additional listings generated by the proposed rule change. Based on their representations, the Commission understands that the anticipated additional options series listings are within OPRA's capacity. Similarly, under CBOE's current delisting procedures, which include the Monthly Series Delisting Program and the Requested Strike Price Delisting Program, [13] CBOE regularly delists inactive option series. CBOE also works with the trading crowds to eliminate inactive series that are not captured by the regular delisting parameters. The Commission believes that CBOE's current delisting standards will aid in keeping the number of option series to a minimum while providing an optimal range of available strike prices.

The Commission believes that CBOE's proposal to adopt a near-term options expiration rule is appropriate and consistent with the industry standard. CBOE has been following such standards since 1989, and has received no complaints regarding the practice. [14]

[12] In approving the proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[13] *See* supra footnote 5.

[14] On June 14, 1989, the Commission approved, on a permanent basis, a new-term options expiration pilot program proposed by all of the options exchanges. *See* supra note 7.

By adopting a rule modeled after NYSE Rule 703, CBOE is merely clarifying its current method of sequential expiration and ensuring consistency with existing industry standards.

Finally, the Commission believes that the reorganization of Rules 5.4, 5.5, 5.6, and 5.7 is appropriate because such changes will result in clarification to the Exchange, members and customers as to which option series are permitted to be opened for trading and under which rules to refer for guidance.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission believes it is appropriate to approve the proposed rule change on an accelerated basis to allow the Exchange to implement more flexible standards for the listing of strikes and series. Recent significant price movements of certain stocks underlying CBOE-listed options has presented the CBOE with instances where there existed demonstrated customer interest to list additional option strike prices that currently are violative of existing CBOE rules. In a number of these instances, listing of the new strikes has been permitted on competing options exchanges. The Commission believes it is appropriate to address this regulatory disparity without further delay. Good cause for accelerated approval is further supported by the Commission's conclusion that CBOE's proposal mirrors the rules and procedures of other options exchanges governing the opening of trading in series of equity options, and the adoption of a near-term options expiration rule. Accordingly, the proposal does not raise any novel or unique regulatory issues. For these reasons, the Commission believes the proposed rule change is appropriate and consistent with Sections 19(b)(2)(and 6(b)(5) of the Act, and therefore, is approving the proposed rule change on an accelerated basis.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[15] that the proposed rule change (File No. SR–CBOE–97–23) be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. [16]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–16575 Filed 6–24–97; 8:45 am]

BILLING CODE 8010–01–M

[15] 15 U.S.C. 78s(b)(2).

[16] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38744; File No. SR–NYSE–97–20]

Self-Regulatory Organizations; Notice of Filing and Order Granting Temporary Accelerated Approval of a Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Trading Differentials for Equity Securities

June 18, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on June 16, 1997, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization (''SRO''). The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval on a temporary basis to the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to Exchange Rules 62, 95.30, 118, 127, and 440B to provide flexibility in determining minimum trading variations. The Exchange is proposing to implement these rule changes on a temporary accelerated basis.

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

[1] 15 U.S.C. 78s(b)(1).

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

1. Purpose

Exchange Rule 62 currently provides fixed minimum trading variations for stocks traded on the Exchange. For example, the rule currently states that ''Bids or offers in stocks above one dollar per share shall not be made at a less variation than ⅛ of one dollar per share.'' In order to provide greater flexibility to adjust trading variations as may be appropriate, the Exchange is proposing to amend Rule 62 so that the minimum trading variation may be changed from time to time.

This increased flexibility would allow the Exchange to determine trading variations on an expedited basis, without undergoing the delays inherent in the regulatory approval process. This would put the Exchange in a comparable regulatory position with respect to minimum trading variations with other exchanges that are able to change variations at any time.

In addition, the amendment to Rule 62 will provide flexibility so that the Exchange could permit its members to trade at increments smaller than NYSE-established trade variations in order to match other markets' bids or offers for the purpose of preventing Intermarket Trading System (''ITS'') trade-throughs. For example, assume that the established minimum trading variation is one-sixteenth of a dollar, and the best bid on the Exchange for a particular stock is 10, but there is a bid for that stock on the ITS at 10 1⁄32. The Exchange specialist, or broker in the Crowd with a ''not held'' order, could execute a marketable limit order or market order to sell at 10 1⁄32 in order to match the ITS bid. However, the specialist could not accept an order with a limit of 10 1⁄32 because it is not the minimum variation at which trading is effected on the Exchange.

The Exchange initially intends to set a minimum variation of one-sixteenth of one dollar.

In addition to Rule 62, several other Exchange rules incorporate specific references to minimum trading variations. These rules, *viz.*, Rule 95.30, Rule 118, Rule 127, and Rule 440B, would be amended to remove references to specific minimum trading variations of one-eighth of one dollar.

The Exchange intends to implement the proposed rule change on a temporary accelerated basis for a 90-day period, during which the Commission will consider the Exchange's request for permanent approval of the proposed rule change.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)[2] of the Act in general and furthers the objectives of Section 6(b)(5)[3] in particular in that it is designed to remove impediments to and perfect the mechanism of a free and open market, to promote just and equitable principles of trade and, in general, to protect investors and the public interest.

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

The Exchange believes the proposed rule change will not impose 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

The Exchange has neither solicited nor received written comments.

III. 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 at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR–NYSE–97–20 and should be submitted by July 16, 1997.

IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

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 and Section 11A of the Act.[4]

Recently, there has been a movement within the industry to reduce the minimum trading and quotation increments imposed by the various SROs. Both the American Stock Exchange (''Amex'') and The Nasdaq Stock Market (''Nasdaq'') have recently reduced their minimum increments.[5] In addition, several third market makers have begun quoting securities in increments smaller than the primary markets. The proposed rule change will allow the NYSE the flexibility it needs to address this development and remain competitive with these markets. Nevertheless, the Commission notes that any further change in the minimum increments constitutes (1) a change in a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the NYSE, or (2) a change in an existing order-entry or trading system of an SRO, or (3) both. Therefore, the Exchange is still obligated to file such proposed changes with the Commission.[6]

The Commission also believes the proposed rule change will likely enhance the quality of the market for the affected NYSE-listed securities. The Exchange currently only allows quotes in eighths for equity securities that are above $1.00, sixteenths for equity securities that are below $1.00 but above $0.50, and thirty-seconds in stocks below $0.50.[7] Allowing the NYSE to quote all securities in finer increments will facilitate quote competition.[8] This

[2] 15 U.S.C. 78f(b).

[3] 15 U.S.C. 78f(b)(5).

[4] 15 U.S.C. 78f(b) and 78k–1. In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. *Id.* section 78c(f).

[5] Securities Exchange Act Release No. 38571 (May 5, 1997) (approving Amex proposal to reduce the minimum trading increment from ⅛ to 1⁄16 for Amex-listed equity securities priced at or above $10.00); Securities Exchange Act Release No. 38678 (May 27, 1997), 62 FR 30363 (June 6, 1997) (approving a proposed rule change by Nasdaq to reduce the minimum quotation increment from ⅛ to 1⁄16 for Nasdaq-listed securities whose bid price is equal to or greater than $10.00).

[6] These changes, however, may become effective upon filing if they meet certain statutory requirements. *See* 15 U.S.C. 78s(b)(3)(A)(i) and 17 CFR 240.19b–4(e).

[7] NYSE Rule 62.

[8] The rule change is consistent with the recommendation of the Division of Market Regulation (''Division'') in its Market 2000 Study, in which the Division noted that the ⅛ minimum variation can cause artificially wide spreads and hinder quote competition by preventing offers to buy or sell at prices inside the prevailing quote. *See*

Continued

should help produce more accurate pricing of such securities and can result in tighter quotations.[9] In addition, if the quoted markets are improved by reducing the minimum increment, the change could result in added benefits to the market such as reduced transaction costs.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register.**[10] The proposal provides the NYSE with the ability to quickly modify its trading increment to meet changing market conditions. This will enable the NYSE to quote competitively with other markets. Waiting the full statutory review period for the proposed rule change could place the NYSE at a significant competitive disadvantage to other markets. At the same time, the proposal is effective for only ninety days. This will provide the Commission with a sufficient period to receive and assess comments on the NYSE's proposal before it is adopted on a permanent basis.[11] Therefore, the Commission believes it is consistent with Section 6(b)(5) and Section 19(b)(2) of the Act to grant accelerated approval on a temporary basis to the proposed rule change.[12]

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[13] that the proposed rule change (SR–NYSE–97–20) is hereby approved on an accelerated basis through September 16, 1997.

SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments* 18–19 (Jan. 1994).

[9] A study that analyzed the reduction in the minimum tick size from 1⁄8 to 1⁄16 for securities listed on the Amex priced between $1.00 and $5.00 found that, in general, the spreads for those securities decreased significantly while trading activity and market depth were relatively unaffected. *See* Hee-Joon Ahn, Charles Q. Chao, and Hyuk Choe, *Tick Size, Spread, and Volume,* 5 J. Fin. Intermediation 2 (1996).

[10] A prior proposal by another exchange to reduce its minimum fractional change was published for the full statutory comment period without any comments being received by the Commission. Securities Exchange Act Release No. 38571 (May 5, 1997) (approving a proposed rule change by the Amex to reduce the minimum trading differential from 1⁄8 to 1⁄16 for equity securities priced at or above $10.00).

[11] The Exchange has submitted a companion filing that requests permanent approval of the procedures described herein. *See* Securities Exchange Act Release No. 34–38745 (June 18, 1997) (publishing notice of File No. SR–NYSE–97–21).

[12] 15 U.S.C. 78f(b)(5) and 78s(b)(2).

[13] 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[14]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–16574 Filed 6–24–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38745; File No. SR–NYSE–97–21]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Trading Differentials for Equity Securities

June 18, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), [1] notice is hereby given that on June 16, 1997, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''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 proposed rule change consists of amendments to Exchange Rules 62, 95.30, 118, 127 and 440B to provide flexibility in determining minimum trading variations.[2]

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.

[14] 17 C.F.R. 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] This proposal seeks permanent approval of the procedures contained in File No. SR–NYSE–97–20. Securities Exchange Act Release No. 34–38744 (June 18, 1997) (granting temporary accelerated approval).

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

1. Purpose

Exchange Rule 62 currently provides fixed minimum trading variations for stocks traded on the Exchange. For example, the rule currently states that ''Bids or offers in stocks above one dollar per share shall not be made at a less variation than 1⁄8 of one dollar per share.'' In order to provide greater flexibility to adjust trading variations as may be appropriate, the Exchange is proposing to amend Rule 62 so that the minimum trading variation may be changed from time to time.

This increased flexibility would allow the Exchange to determine trading variations on an expedited basis, without undergoing the delays inherent in the regulatory approval process. This would put the Exchange in a comparable regulatory position with respect to minimum trading variations with other exchanges which are able to change variations at any time.

In addition, the amendment to Rule 62 will provide flexibility so that the Exchange could permit its members to trade at increments smaller than NYSE-established trade variations in order to match other markets' bids or offers for the purpose of preventing Intermarket Trading System (''ITS'') trade-throughs. For example, assume that the established minimum trading variation is one-sixteenth of a dollar, and the best bid on the Exchange for a particular stock is 10, but there is a bid for that stock on the ITS AT 10 1⁄32. The Exchange specialist, or broker in the Crowd with a ''not held'' order, could execute a marketable limit order or market order to sell at 10 1⁄32 in order to match the ITS bid. However, the specialist could not accept an order with a limit of 10 1⁄32 since it is not the minimum variation at which trading is effected on the Exchange.

The Exchange intends initially to set a minimum variation of one-sixteenth of one dollar.

In addition to Rule 62, several other Exchange rules incorporate specific references to minimum trading variations. These rules, *viz.*, Rule 95.30, Rule 118, Rule 127, and Rule 440B, would be amended to remove references to specific minimum trading variations of one-eighth of one dollar.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section