



SECURITIES AND EXCHANGE COMMISSION

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SUMMARY OF RULE 394 DECISION

- I. Commission adopts Rule 19c-1 effective March 31, 1976, which provides:
 - A. Until January 2, 1977, exchanges may maintain certain restrictions on off-board agency transactions designed to protect public limit orders on the specialist's book
 1. Specifically, until January 2, 1977, exchanges may require that public limit orders on specialist's book be satisfied immediately before, simultaneously with or immediately after transaction with OTC third market maker or nonmember block positioner IF the limit orders are equal to or better in price than the proposed off-board transaction
 2. Commissioner Evans dissented on timing, believing that all restrictions on agency transactions off-board should be lifted immediately
 - B. On January 2, 1977,
 1. No exchange may prohibit member acting as agent (i.e., agency transactions) from effecting transactions in listed security on another exchange or over-the-counter (OTC) with a third market maker or nonmember block positioner
 2. Exchanges may prohibit members from executing agency transactions off the exchange except with third market makers or nonmember block positioners (e.g., crossing agency orders in house), although the Commission will continue to consider further liberalization of off-board restrictions on agency transactions

II. No present decision on off-board principal transactions; however:

- A. No later than March 1, 1977, Commission will reconsider its decision after receiving conclusions and counsel of National Market Advisory Board
- B. Progress toward implementation of national market system will be material in Commission's decision as to whether firm date for elimination of off-board restrictions on principal transactions is appropriate
- C. Despite anticompetitive effects of off-board rules and benefits Commission believes would flow from improved market maker competition, no present decision because of questions of timing and need to implement additional regulatory and technological changes to ensure competition in a fair and orderly manner.

III. Public limit orders should be protected by establishment of a composite specialist's book and Commission will ask self-regulatory organizations and securities information processors to submit plan for design, construction and operation of composite book

- A. For purposes of comment, composite book should have characteristics noted on pages 50-52 of release