

trading purposes. If reclassified as narrow-based, Amendment No. 3 establishes procedures for reducing position limits which, the Commission notes, are consistent with existing procedures for reducing narrow-based index option position limits.

Accordingly, the Commission believes there is good cause, consistent with Sections 6(b)(5) and 19(b)(2) of the Act, to approve the Amendments on an accelerated basis.

III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the Amendments. 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 Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by June 7, 1996.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,³¹ that the proposed rule change (SR-CBOE-96-09) is approved, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-12385 Filed 5-16-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37201; File No. SR-CBOE-96-24]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to as of Add Submissions

May 10, 1996.

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 April 15, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" 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 CBOE proposes to terminate its fee program for members who, for more than a prescribed percentage of transactions, submit trade information pursuant to CBOE Rule 6.51 after the date on which the trade is executed. (These post-trade date submissions are commonly referred to as "as of adds.") In conjunction with the foregoing, the Exchange also proposes to revise the structure of its as of add summary fine program. The text of the proposed rule change is available at the Office of the Secretary, CBOE 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, CBOE 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 CBOE 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

CBOE Rule 6.51 requires, among other things, that (i) a participant in each transaction to be designated by the Exchange shall immediately report the transaction to the Exchange and (ii) each business day, each Clearing Member shall file with the Exchange trade

information covering each Exchange transaction made by it or on its behalf during the business day.

On October 1, 1993, the Exchange instituted an as of add fee program to collect fees from members who, for more than a prescribed percentage of transactions, submit trade information pursuant to Rule 6.51 after the date on which the trade is executed. This program is set forth in CBOE Rule 2.26 and currently functions in the following manner. Each individual member is assessed a \$10.00 fee for each as of add submitted by the member during a given month that is in excess of 2.4% of the member's trade submissions during that month. Similarly, each Clearing Member is assessed a \$3.00 fee for each as of add submitted by the Clearing Member during a given month that is in excess of 1.2% of the Clearing Member's trade submissions during that month. In addition, the total fee under the program that may be assessed against a member in a given month are capped at \$500 for individual members and at \$1,000 for Clearing Members.

The reason the Exchange implemented the as of add fee program was to allocate the costs borne by the Exchange in processing as of add submissions to those members most responsible for generating those costs and thereby to encourage the submission of information with respect to a trade on the date the trade is executed by creating an economic incentive to submit the information on that day. During the first year of the program, the percentage of as of add submissions declined by 10% even though the Exchange experienced a 37% increase in trading volume. Based on past experience, the Exchange estimates that had the program not been in effect during that time period, the percentage of as of add submissions would have doubled. Since November, 1994, however, the percentage of as of add submissions has remained relatively constant. Therefore, although the program has clearly been effective in reducing the percentage of as of add submissions, it no longer appears to be causing a reduction in the rate of those submissions.

Accordingly, the Exchange is proposing to terminate the as of add fee program and to seek further reductions in the percentage of as of add submissions by revising the structure of the Exchange's as of add summary fine program.

The Exchange instituted its as of add summary fine program on February 1, 1995. The program is a part of the Exchange's minor rule violation plan and is set forth in CBOE Rule

³¹ 15 U.S.C. 78s(b)(2) (1988).

³² 17 CFR § 200.30-3(a)(12) (1994).

17.50(g)(7). Under the program, any individual member whose monthly percentage of as of add submissions exceeds 7.2% for two consecutive months or any Clearing Member whose monthly percentage of as of add submissions exceeds 3.6% for two consecutive months is subject to a fine of \$250 for the first offense, \$500 for the second offense, and \$1,000 for each subsequent offense occurring during any 12 month period.

The Exchange is proposing to revise the structure of the as of add summary fine program in four primary respects in order to encourage further changes in as of add behavior, and to the extent the Exchange collects fines under the program, to help the Exchange defray the additional costs it incurs in processing as of add submissions.

First, the Exchange is proposing to replace the current as of add summary fine schedule for individual members. The proposed fine schedule would be stricter in two respects: (i) action against an individual member under the fine schedule would be triggered when the member exceeds the maximum allowable as of add submission percentage in a given month instead of when the member exceeds that percentage in two consecutive months as is the case under the current fine schedule and (ii) the maximum allowable as of add submission percentage under the fine schedule would be reduced from its current level of 7.2% to 5%. Specifically, the current fine schedule for individual members would be replaced with the following fine schedule. Any individual member whose percentage of as of add submissions in any month exceeds 5% would receive a letter of information for the first offense, a letter of caution for the second offense, a \$500 fine for the third offense, a \$1,000 fine for the fourth offense, and would be referred to the Exchange's Business Conduct Committee for each subsequent offense occurring during any 12 month period. In addition, as is currently the case, the Exchange would retain the discretion to initiate a formal disciplinary proceeding against an individual member pursuant to Chapter XVII of the Exchange's rules in the event the Exchange determines that any violations of Rule 6.51 are not minor in nature.

Second, the current as of add summary fine schedule for Clearing Members would be deleted and going forward as of add summary fines would only be assessed against individual members. The Exchange believes that such a fine structure is appropriate because individual members have primary control over the timing of trade

submissions, and in the Exchange's experience, most as of adds are caused by delays and errors of individual members. Moreover, Clearing Members generally have a greater economic incentive than individual members to reduce as of adds because Clearing Members incur personnel and systems costs due to the extra work necessary to process as of adds whereas individual members do not incur such costs. Therefore, the Exchange believes that the most effective manner in which to achieve a reduction in the percentage of as of adds is to direct the as of add summary fine program toward individual members. Of course, notwithstanding the foregoing, the Exchange would still have the ability to initiate a formal disciplinary proceeding against a Clearing Member for violations of Rule 6.51.

Third, the Exchange is proposing to implement a verification procedure under Rule 17.50 pursuant to which any member who receives an as of add summary fine would be able to request verification of that fine by the Exchange. Under this procedure, the Exchange would attempt to serve any member who incurs an as of add summary fine with a disciplinary notice on or before the 10th day of the month immediately following the month in which the fine is incurred. The member would then have until the 25th day of the month in which the disciplinary notice is served to request verification. After the Exchange's verification process is completed, it would notify the member in writing of the Exchange's determination, and if the member so desired, the member could appeal the fine within 30 days after the date of such notice in accordance with the appeal procedures under Rule 17.50(d). In addition, any member who incurs an as of add summary fine and does not request verification would be able to appeal the fine under Rule 17.50(d) within 30 days after the Exchange's service of the disciplinary notice informing the member of the fine. The above-described verification procedures would function in the same general manner as the verification procedures that are currently in place under Rule 17.50 for fines imposed for failure to submit accurate trade information and for failure to submit trade information to the price reporter, and these procedures would serve to replace the current as of add verification procedures under Rule 2.26(c) which would be eliminated under the proposed rule change along with the remainder of Rule 2.26.

Finally, the current procedures set forth in Rule 2.26(d) which permit the Exchange to suspend the as of add fee

program would also be eliminated along with the remainder of Rule 2.26, and instead, would be restated in Rule 17.50 and made applicable to the as of add summary fine program. As is currently the case with respect to the as of add fee program, these procedures would permit the Exchange's Clearing Procedures Committee, with the approval of the President of the Exchange, or his designee, to suspend the as of add summary fine program for periods no greater than 7 calendar days, plus extensions, when unusual circumstances affect the ability of a significant number of members to submit trade information on a timely basis.

The Exchange proposes to implement the proposed rule change within 45 days after its approval by the commission. The purpose of this time interval is to give the Exchange the opportunity to inform members of the approval of the proposed rule change in the Exchange's Regulatory Bulletin before the rule change is put into effect. The Exchange will publish the effective date of the rule change in the Exchange's Regulatory Bulletin and will notify the Commission of the effective date by letter.

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b) (5) in particular, in that the Exchange believes the proposed rule change will serve to reduce the percentage of as of add submissions thereby benefiting both members and investors by increasing the efficiency with which Exchange transactions are processed and by reducing the risk exposure to members and investors that results from the existence of unresolved trades. Accordingly, the Exchange believes that the proposed rule change serves to promote just and equitable principles of trade, to remove impediments to and to perfect the mechanism of a free and open market and a national market system, 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 impose no inappropriate burden on competition.

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 on the proposed rule change.

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

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 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 the 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, 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-96-24 and should be submitted by June 7, 1996.

For the Commission, by the division of Market Regulation, pursuant to delegated authority.¹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-12388 Filed 5-16-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37204; File No. SR-CHX-96-13]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated, Relating to the Modification of the Hours of the Exchange's Primary Trading Session and the Establishment of a Post-Primary Trading Session

May 13, 1996.

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 April 9, 1996, the Chicago Stock Exchange, Incorporated ("CHX" 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. On May 10, 1996, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change.¹ 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 proposes to amend Rule 10(b) of Article IX, Rule 1 of Article XX, several interpretations and policies under Rule 37 of Article XX, and Rule 1 of Article XXI in order to modify the Exchange's trading hours for each traded security to track the trading hours of the security's primary market and to add a new Post-Primary Trading Session.

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

¹ See Letter from David Rusoff, Attorney, Foley & Lardner, to Ivette Lopez, Assistant Director, Division of Market Regulation, SEC, dated May 9, 1996 ("Amendment No. 1"). Amendment No. 1 added amendments to Article IX, Rule 10(b); Article XX, Rule 1; and Article XXI, Rule 1 to the proposed rule change. Amendment No. 1 also added two paragraphs to the end of Section II.A.1 of the original filing in order to describe the amendments to the proposed rule change contained in Amendment No. 1, and corrected the text of Exhibit A to the original filing. For a more detailed description of Amendment No. 1, see text accompanying notes 6-8.

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.

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

1. Purpose

Currently, the Exchange's Primary Trading Session runs from 8:30 a.m. to 3 p.m., central time, Monday through Friday. One purpose of the proposed rule change is to amend Article XX, Rule 10(b) to conform the Exchange's Primary Trading Session hours for each traded security to the trading hours during which the security is traded on its primary market. If a security's primary market is the CHS, the trading hours will be from 8:30 a.m. to 3:30 p.m., central time.²

The proposed rule change would also add a Post-Primary Trading Session ("PPS") on the trading floor.³ The PPS for orders and securities designated as eligible for the PPS would be for one-half hour after the close of the regular trading session on the security's primary market. Securities in which the CHX is the primary market will not be eligible for the PPS.

Only orders designated as eligible for the PPS would be eligible for execution during the PPS.⁴ Market, limit and contingent order types currently acceptable would be accepted for PPS if so designated. In this regard, GTX orders would only be accepted if specifically designated as PPS-eligible. The Exchange's MAX System will not be available as an automated execution system or as an automated routing system during the PPS. As a result, order sending firms must contact a floor

² Trading in the Chicago Basket, currently conducted on the Floor of the Exchange from 8:30 a.m. to 3:15 p.m., central time, will be unaffected by the proposed rule change.

³ The CHX represents that ITS will be available for both inbound and outbound trades during the PPS to the extent that other market centers (e.g., the Pacific Stock Exchange, Incorporated and the Philadelphia Stock Exchange, Inc.) are open for trading. The CHX also represents the PPS will be surveilled in the same manner and using the same techniques as those used to surveil the Primary Trading Session. To facilitate the surveillance of the PPS, CHX's surveillance staff will remain on-site during the PPS and for any necessary additional time period after the close of the PPS. See Letter from David T. Rusoff, Attorney, Foley & Lardner, to Ivette Lopez, Assistant Director, Division of Market Regulation, SEC, dated May 9, 1996 ("ITS/Surveillance Letter").

⁴ The Exchange will require order tickets of PPS-eligible orders to include an "E" designator, which will indicate that the order is eligible for execution during the PPS. See ITS/Surveillance Letter, *supra* note 3.

¹ 17 CFR 200.30-3(a) (12).