

proposed amendment to Rule 24A.4(4)(iii).

The Exchange notes that the Exchange would issue a circular that (1) Describes the new rule; and (2) reminds all members and member firms of their continued responsibility to insure that FLEX Equity Options are utilized only by sophisticated investors with the necessary financial resources to sustain the possible losses arising from transactions in the requisite FLEX Equity Options class size.² The Exchange will submit surveillance procedures for the Commission's review prior to considering this proposal for approval, that will help to ensure that only such sophisticated investors are utilizing this product.

The Exchange believes by providing firms and their customers greater flexibility to trade FLEX Equity options by lowering from 100 to 25 the minimum number of contracts required for a closing transaction, for exercises, and for FLEX Quotes responsive to a Request for Quotes, the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Securities Exchange Act of 1934 by removing impediments to and perfecting the mechanism of a free and open market in securities and otherwise serving to protect investors and the public interest.

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

The CBOE does not believe that the proposed rule change will impose any burden on competition.

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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 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 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 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, 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. 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 the File No. SR-CBOE-97-10 and should be submitted by June 6, 1997.

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

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38605; File No. SR-CHX-97-7]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to SRO Fees

May 9, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ notice is hereby given that on May 1, 1997, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Section (q) of its Membership Dues and Fees Schedule.

Chicago Stock Exchange, Incorporated
Membership Dues and Fees

Additions are *italized*; deletions [bracketed].

(q) Self-Regulatory Organization Fee,² \$100 per member and member organization per month.

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 CHX 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 CHX 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

The purpose of the proposed rule change is to clarify the existing exemption from the Exchange's SRO fee. This fee helps recoup costs incurred by the Exchange in performing its self-regulatory function. Specifically, rather than exempting organizations that have no securities transaction revenue, the Exchange proposes to exempt memberships to which a nominee has not been assigned and which are not otherwise being used. In this regard, to qualify for this exemption, the owner of the membership cannot hold itself out as a CHX member to others by virtue of its ownership of that membership and cannot otherwise conduct business on the CHX on the basis of its ownership of that membership. This exemption is applied on a membership by membership basis and not on a member

² This fee shall not be applicable to [inactive organizations. An inactive organization is one which has no securities transaction revenue, as determined by annual FOCUS reports, as long as the organization continues to have no such revenue each month] *memberships to which a nominee has not been assigned and which are not otherwise being used.*

³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1) (1988).

² See CBOE Letter, *supra* note 1.

by member basis. As a result, if a person or entity owns more than one membership on the CHX, it is possible for that person or entity to qualify for the exemption for one membership (by not having a nominee and not otherwise using the membership), but not qualify for the exemption for another membership owned by that person or entity.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and persons using its facilities.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective on May 1, 1997, the date of receipt of this filing by the Commission, pursuant to Section 19(b)(3)(A)(ii) of the Act³ and paragraph (e) of Rule 19b-4⁴ thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange.

At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 Exchange. All submissions should refer to File No. CHX-97-7 and should be submitted by June 6, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38602; File No. SR-DTC-97-04]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Increase the Size of the Board of Directors

May 9, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 29, 1997, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-97-04) as described in Items I and II below, which items have been prepared primarily by DTC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval of the proposal.

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

The proposed rule change will amend DTC's organization certificate and by-laws to increase the maximum number of directors on DTC's board from fifteen to twenty and to increase the current membership of DTC's board from fifteen to seventeen directors.

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

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC 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

Currently, DTC's organization certificate and by-laws provide that DTC's board may consist of from five to fifteen directors. At its March meeting, DTC's board decided that National Securities Clearing Corporation ("NSCC") President David M. Kelly should join DTC's board and that William F. Jaenike, DTC's Chairman and Chief Executive Officer, should join NSCC's board and sit on that board's executive committee. In order to accommodate the addition of Mr. Kelly and to allow for possible limited future expansion of the board, at DTC's April 1, 1997, board meeting, the board approved an increase in the maximum number of directors from fifteen to twenty and an increase in the current membership of the board from fifteen to seventeen. The seventeenth director is expected to be a banker in order to maintain the balance of DTC board membership between representatives of banks and broker-dealers that has been in existence for many years. DTC has filed a letter application with the New York State Banking Department ("NYSBD") seeking approval for DTC to amend its organization certificate to allow for a maximum of twenty directors on DTC's board. In addition to filing an application with the NYSBD, DTC will be asking its shareholders to vote to approve the amendments to the organization certificate and the by-laws, to elect individuals to fill the newly created seats on DTC's board, and to approve the certificate of amendment.

DTC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F)³ of the Act and the rules and regulations thereunder in that the proposal should

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(e)(1991).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries submitted by DTC.

³ 15 U.S.C. 78q-1(b)(3)(F).