

25, 1997, the Chicago Board Options Exchange, Incorporated ("CBOE 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 CBOE. 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 amend its Rule 6.53 ("Rule") governing the definition of stop orders to clarify that a stop order on the CBOE is triggered when the option contract reaches a specified price "on the CBOE floor." 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, the 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**

###### **1. Purpose**

The purpose of the proposed change is to amend the definition of a stop order to clarify that the stop order becomes triggered when the option contract reaches a specified price "on the CBOE floor."

Currently, paragraph (c)(iii) of Exchange Rule 6.53 defines a stop order as a contingency order to buy or sell when the market for a particular option contract reaches a specified price. The Rule does not specify, but has always been interpreted to mean, that the contingency to buy or sell is satisfied when the option contract is bid at or above the stop price (in the case of a buy order) or is offered at or below the stop price (in the case of a sell order) "on the floor of the CBOE." The proposed amendment will make it clear, therefore, that a stop order is not activated when

the bid or offer (as appropriate) reaches the stop limit on another exchange.

Unlike the equity markets, the option markets are not electronically linked to each other. Thus, options traders have no way of knowing whether a contract has reached a specified "stop" in another market place, as would an equity securities trader. Accordingly, there is no rule prohibiting trade-throughs in options market places as there is in the equity market places.

The CBOE believes that the proposed rule change will clarify the CBOE's responsibility in this regard, and will prevent any perception that CBOE members have a duty to execute stop orders when the "stop" price has not been reached on the CBOE floor.

###### **2. Statutory Basis**

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5) that an exchange have rules that are 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 protect 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. By clarifying the definition of a "stop order," the proposed rule change will more accurately describe the obligations of CBOE members with regard to stop orders executed on the Exchange. Therefore, the Exchange believes that amending the rule is consistent with, and furthers, the objectives of Section 6(b)(5) of the Act.

##### **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 number SR-CBOE-97-41 and should be submitted by October 17, 1997.

For the Commission by the Division of Market Regulation, pursuant to the delegated authority.<sup>3</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 97-25518 Filed 9-25-97; 8:45 am]

BILLING CODE 8010-01-M

#### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39105; File No. SR-CSE-97-07]

#### **Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Cincinnati Stock Exchange, Inc. Relating to Minor Rule Plan Violations**

September 22, 1997.

On August 5, 1997, The Cincinnati Stock Exchange, Incorporated ("CSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change pursuant to Section 19(b)(1)

<sup>3</sup> 17 CFR 200.30-3(a)(12).

of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder.<sup>3</sup> Notice of the proposed rule change, together with the substance of the proposal, was published in the **Federal Register**.<sup>4</sup> No comment letters were received. This order approves the proposed rule change, as amended.

## I. Background

Exchange Rule 8.14 provides the Minor Rule Violation Program ("Program") as an alternative disciplinary regime to violations of Exchange Rules that the Exchange determines are of a minor nature. The Program provides the Exchange with the ability, but not the obligation, to impose a fine, not to exceed \$2500, on any member the Exchange determines has violated a rule subject to the Program. Section (e) of Exchange Rule 8.14 requires the Exchange from time to time to prepare a list of minor rule violations. Adding a particular rule violation to the Program does not limit the Exchange's ability to treat violations of those rules through more formal disciplinary measures. The Program simply provides the Exchange with greater flexibility in addressing rule violations appropriately.

As part of its ongoing effort to improve its regulatory program, the Exchange has determined that certain rule violations should be added to the Program. The Program currently includes the requirements of Exchange Rules 4.1 and 4.2, concerning books and records, to submit trade data to the Exchange. The proposed rule change will clarify that a member also must provide financial and regulatory records in accordance with Rule 4.2 and Interpretations thereunder as well as trade-related information. The proposed rule change also will add Exchange Rule 11.9(c) to the Program. Exchange Rule 11.9(c) requires Designated Dealers, the Exchange's multiple, competing specialists, to maintain continuous quotations throughout the trading day.

## II. Discussion

The Commission finds that the proposed rule change is consistent with

Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(7) in particular because it provides a fair procedure for the disciplining of members and persons associated with members in that the proposed rule change will augment the Exchange's ability to police its market and will increase the Exchange's flexibility in responding to minor rule violations.<sup>5</sup> The Commission believes the proposed rule change will enable the Exchange to address appropriate minor rule violations promptly and efficiently through the minor rule procedures, without the need to initiate formal disciplinary proceedings.

Furthermore, the Commission believes that proposed rule change is consistent with Section 6(b)(5) in that it is designed to promote just and equitable principles of trade and 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 because the proposed rule change will help the Exchange ensure compliance with its quotation requirements and spread parameters, which will enhance the value of quotations made by the Exchange's multiple, competing specialists.

*It is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change, SR-CSE-97-07, be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-25606 Filed 9-25-97; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39103; File No. SR-MBSCC-97-5]

### Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing of a Proposed Rule Change Regarding Participant Liability for Transactions Submitted on Behalf of Nonparticipants

September 22, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> notice is hereby given that on

<sup>5</sup> The Commission has considered the effect of the proposed rule change on the promotion of efficiency, competition and capital formation. 15 U.S.C. 78(c).

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(i).

August 1, 1997, MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MBSCC-97-5) as described in Items I, II, and III below, which items have been prepared primarily by MBSCC. 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 will clarify that participants will be liable as principal for any contracts or other transactions submitted to MBSCC on behalf of entities that are not participants ("nonparticipants") and that nonparticipants will not be deemed to possess any rights or benefits of participants.

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

In its filing with the Commission, MBSCC 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. MBSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

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

Currently, MBSCC's rules state that participants that process any contracts or other transactions through MBSCC for other participants are liable as principal for such contracts or transactions. However, it has always been MBSCC's intention that participants be principally liable whether they submit a contract or transaction on behalf of other participants or nonparticipants. Thus, the proposed rule change will clarify that participants will be liable as principal for any contracts or other transactions processed, compared, settled, or carried out on behalf of nonparticipants. In addition, the proposed rule change states that such nonparticipants will not be deemed to possess any of the rights or benefits of participants.

<sup>2</sup> The Commission has modified the text of the summaries prepared by MBSCC.

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1994).

<sup>2</sup> 17 CFR 240.19b-4 (1997).

<sup>3</sup> The proposed rule change was originally submitted on June 24, 1997. The CSE subsequently submitted Amendment No. 1 which altered minor technical language in Item II. Letter from Adam W. Gurwitz, Vice President Legal and Secretary, CSE, to Karl J. Varner, Esq., SEC, dated August 4, 1997. This proposed rule change replaces SR-CSE-97-06, which has been withdrawn. Letter from Adam W. Gurwitz, Vice President Legal and Secretary, CSE, to Katherine England, Assistant Director, SEC, dated June 23, 1997.

<sup>4</sup> Securities Exchange Act Release No. 38922 (August 11, 1997), 62 FR 44024 (August 18, 1997).