

elect to list full-value, long-term index option series ("LEAPS®"), as provided in Exchange Rule 24.9, "Terms of Index Option Contracts." The Exchange also may provide for the listing of reduced-value LEAPS, for which the underlying value would be computed at one-tenth of the value of the Index. The current and closing Index value for any such reduced-value LEAP will be rounded to the nearest one-hundredth.

(e) *Exercise and Settlement of Option Contracts Based on the Index.* Options listed and traded on the Index will have European-style exercise features and will be "A.M.-Settled Index Options" within the meaning of the Exchange Rules in Chapter XXIV, "Index Options," including Exchange Rule 24.9, which is being amended to reference options based on the Index. Option contracts based on the Index will expire on the Saturday following the third Friday of the expiration month. Thus, the last day for trading in an expiring series will be the second business day preceding the expiration date, typically a Thursday.

(f) *Exchange Rules Applicable to the Trading of Index Option Contracts.* Except as modified in this proposed rule change, the Exchange Rules in Chapter XXIV will apply to options listed and traded on the Index. In addition, option contracts based on the Index will be subject to the position limit requirements of Exchange Rule 24.4A, "Position Limits for Industry Index Options."

The Exchange has represented that it possesses the necessary systems capacity to support new series that would result from the introduction of option contracts based on the Index. In addition, the Options Price Reporting Authority ("OPRA") informed the Exchange that additional traffic generated by options on the Index is within OPRA's capacity.<sup>9</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6 of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>11</sup> in particular, in that it will permit trading in option contracts based on the Index in accordance with rules designed to prevent fraudulent and manipulative acts and practices, and to promote just and equitable principles of trade.

<sup>9</sup> See Letter from Joseph P. Corrigan, Executive Director, OPRA, to William Speth, Exchange, dated November 20, 1997.

<sup>10</sup> 15 U.S.C. § 78f.

<sup>11</sup> 15 U.S.C. § 78f(b)(5).

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

The Exchange does not believe the proposed rule change will impose any 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 did not solicit or receive written comments with respect to the proposed rule change.

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

Because the proposed rule change complies with the requirements set forth in the Generic Index Approval Order,<sup>12</sup> it constitutes a stated policy, practice, or interpretation with respect to the administration of an existing Exchange rule, and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and subparagraph (e) of Rule 19b-4 thereunder.<sup>14</sup> Pursuant to the Generic Index Approval Order, the Exchange may not list Index options for trading prior to 30 days after December 8, 1997, the date the proposed rule change was filed with the Commission.

At any time within 60 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, NW., Washington, DC 20549. Copies of the submissions, 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 persons, 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, NW.,

<sup>12</sup> See note 3, *supra*.

<sup>13</sup> 15 U.S.C. § 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(e).

Washington, DC 20549. 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. SR-CBOE-97-63 and should be submitted by January 13, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39450; File No. SR-CHX-97-31]

## Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to a Rebate to Members of Dues and Certain Fees

December 15, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 11, 1997, the Chicago Stock Exchange, Inc. ("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.<sup>2</sup> 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 rebate to members (1) an amount equal to six months of membership dues and (2) an amount equal to twelve months of floor telephone booth and/or post space charges applicable to them, as set forth in the Exchange's Membership Dues and Fees Schedule.

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> See letter from J. Craig Long, Attorney, Foley & Lardner, to Katherine England, Assistant Director, Division of Market Regulation, Commission, dated December 10, 1997 ("Amendment No. 1"). The Exchange initially submitted the proposal on December 8, 1997. However, at the Commission's request, the Exchange filed Amendment No. 1 to the proposed rule change on December 11, 1997 to provide the reasoning for rebating the dues and fees.

## 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.

### 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 rebate to members an amount equal to six months of membership dues and an amount equal to twelve months of floor telephone booth and/or post space charges applicable to them because the Exchange has already adequately covered its costs for the year.

The Exchange's Finance Committee has determined that the proposed rebates would be consistent with the general guidelines adopted by the Committee with respect to the appropriate level of capital and retained earnings that the Exchange should possess at any given time. Furthermore, the Committee has focused on the Exchange's capitalization and determined that even after the proposed rebate, the Exchange will have ample capital and resources to continue to fulfill its proscribed duties in its capacity as a self-regulator and as a registered national securities exchange.<sup>3</sup>

#### 2. Statutory Basis

The Exchange represents that proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>5</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among the Exchange's members and other 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 impose

any 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

The foregoing rule change constitutes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>6</sup> and subparagraph (e) of Rule 19b-4 thereunder.<sup>7</sup>

At any time within 60 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, DC. 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. Copies of the filing also will be available for inspection and copying at the principal office of the Chicago Stock Exchange, Inc. All submissions should refer to File No. SR-CHX-97-31 and should be submitted by January 13, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39451; File No. SR-NASD-97-88]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Incorporated Relating to Process Fees on Members That Are Parties to Arbitration Proceedings

December 15, 1997.

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 December 11, 1997, the National Association of Securities Dealers, Incorporated ("NASD" or "Association") 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

NASD Regulation is proposing to amend Rule 10333 of the NASD's Code of Arbitration Procedure ("Code") to add a process fee on members that are parties to arbitration proceedings. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

#### 10333. Member Surcharge and Process Fees

(a) Each member [who is named as] *that is* a party to an arbitration proceeding, whether in a Claim, Counterclaim, Cross-claim or Third-Party Claim, shall be assessed a non-refundable surcharge pursuant to the schedule below when the Director of Arbitration perfects service of the claim naming the member on any party to the proceeding. For each associated person who is named, the surcharge shall be assessed against the member or members that employed the associated person at the time of the events which gave rise to the dispute, claim or controversy. No member shall be assessed more than a single surcharge in any arbitration proceeding. The surcharge shall not be [subject to reimbursement] *chargeable to any other party* under Rules 10332(c) and 10205(c) of the Code.

<sup>3</sup> See Amendment No. 1.

<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(4).

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4.

<sup>8</sup> 17 CFR 200.30-3(a)(12).