

amendment pertains. The proposed rule change will continue to require that members and member organizations provide customers engaged in options transactions with all necessary risk disclosure documentation in compliance with the requirements of Rule 9b-1 of the Act.⁵

2. Statutory Basis

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 it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, and brokers or dealers.

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

The proposed rule change will impose no 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

Because the foregoing proposed rule change:

- (i) Does not significantly affect the protection of investors or the public interest;
- (ii) Does not impose any significant burden on competition; and
- (iii) Does not become operative for 30 days from March 19, 1998, the date on which it was filed, or such shorter time as the Commission may designate, and the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A)⁶ of the Act and Rule 19b-4(e)(6) thereunder.⁷

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change 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, including whether the proposed rule change is consistent with the Act. 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 Amex. All submissions should refer to the File No. SR-AMEX-98-13 and should be submitted by April 23, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39804; File No. SR-CHX-98-06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Registration Requirements

March 25, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 18, 1998, the Chicago Stock Exchange, Inc. ("CHX" 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 CHX.² 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 CHX proposes to replace the current text of CHX Article VI, "Restrictions and Requirements," Rule 2, "Registration and Approval of Member and Member Organization Personnel," with a new Article VI, Rule 2 that will clarify which associated persons are required to register with, or be acceptable to, the CHX.

Copies of the proposed rule change are available at the CHX 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 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 Section 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

CHX Article VI, Rule 2 governs the registration and approval of member and member organization personnel and other associated persons. The proposed rule change is intended to clarify those persons who are required to register with the Exchange and those persons associated with a member or member organization that must be acceptable to the CHX. In this regard, the CHX's proposal retains a provision currently found in CHX Article VI, Rule 2 which states that every other employee (in addition to registered persons) and persons associated with a member or member organization must also be acceptable to the Exchange.

² On March 18, 1998, the CHX amended its proposal to clarify the text of CHX Article VI, Rule 2. See Letter from Patricia L. Levy, Senior Vice President and General Counsel, CHX, to Katherine A. England, Division of Market Regulation ("Division"), Commission, dated March 17, 1998 ("Amendment No. 11"). Specifically, Amendment No. 1 revises the CHX's proposal to state that registered persons, as defined in CHX Article VI, Rule 2(b), must register with the CHX.

⁵ The Commission notes that the proposed rule is substantively similar to the rules of other exchanges regarding the distribution of amendments to an Options Disclosure Document. See CBOE Rule 9.15(a); PHLX Rule 1029(a).

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ CFR 240.19b-4(e)(6). In reviewing this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. § 78c(f).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

The proposed rule change creates a defined term, "registered persons," and requires that all persons within the definition register with the Exchange.³ Proposed CHX Article VI, Rule 2(b), "Definition of Registered Persons," defines the term "registered persons" as all persons associated with a member or member organization who are engaged or will be engaged in the securities business of a member or member organization, or the management of such securities business, including those persons whose functions include supervision, solicitation, conduct of business and training of other persons associated with the member or member organization for any of these functions.

In addition to the general definition, proposed CHX Article VI, Rule 2(b) also enumerates, without limitation, specific persons who are within the definition of registered persons. These persons include: (i) sole proprietors; (ii) officers; (iii) partners; (iv) principal stockholders (as defined in CHX Article II, Rule 4); (v) directors; (vi) branch office managers; (vii) nominees; (viii) representatives (including any persons performing the duties customarily performed by a salesperson or registered representative); (ix) persons whose functions include (a) underwriting, trading or sales of securities; (b) research or investment advice, other than general economic information or advice, with respect to the activities described in the preceding clause (a); and (c) activities other than those specifically mentioned that involve communication, directly or indirectly, with public investors in securities in connection with the activities described in the preceding clauses (a) and (b); and (x) persons listed on Schedule A, B, or C of a member's or member organization's Form BD.

Despite this broad definition of registered person, proposed CHX Article VI, Rule 2(c), "Persons Exempt from Registration," carves out an exception from registration for those persons associated with a member or member organization (i) whose functions are solely and exclusively ministerial; or (ii) who are not actively engaged in the securities business.⁴

With regard to independent contractors associates with members and member organizations, the CHX

notes that it has been the long-standing policy of the Commission to characterize and treat independent contractors whose actions are controlled by a member or member organization as employees for purposes of the Act.⁵ This characterization and treatment applies irrespective of whether such persons might be deemed employees in an unrelated statutory context (e.g., for purposes of IRS regulations). As such, an independent contractor, as well as any other person associated with a member or member organization, is required to register with the CHX if he or she falls within the definition of registered person.

The CHX also proposes to amend its rule by including in proposed CHX Article VI, Rule 2(d), "Other Registration Requirements," a provision prohibiting members from making application for the registration of any associated person where there is no intent to employ such person in the member's securities business.⁶ The CHX also proposes to amend Interpretation and Policy .01 to CHX Article VI, Rule 2 to state that revised Forms U-4 and BD must be forwarded promptly (i.e., within 30 days) whenever information on those forms becomes inaccurate or incomplete.

The CHX acknowledges that there may be additional CHX rules which are meant to apply to persons associated with the member or member organization without explicit reference thereto. The Exchange currently is considering amendments to those rules.

2. Statutory Basis

The CHX believes that the proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating securities transactions, 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.

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

The CHX believes that no burden will be placed on competition as a result of the proposed rule change.

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.

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 by order approve such proposed rule change, or 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, including whether the proposed rule change is consistent with the Act. Persons making written submission 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 CHX. All submissions should refer to File No. SR-CHX-98-06 and should be submitted by April 22, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

³ See Amendment No. 1, *supra* note 2.

⁴ Persons in this category may include, for example, senior officers in a division of a broker-dealer that does not participate in the member's securities business. Telephone conversation between Patricia L. Levy, Senior Vice President and General Counsel, CHX, and Yvonne Fraticelli, Attorney, Division, Commission, on March 13, 1998.

⁵ See Letter from Douglas Scarff, Director, Division, Commission, to Gordon S. Macklin, President, National Association of Securities Dealers, Inc., Dated June 18, 1982.

⁶ The current version of CHX Article VI, Rule 2 contains the other requirements listed in proposed CHX Article VI, Rule 2(d). In general, these provisions include the requirements that members: (1) terminate their relationship with an associated person for whom the CHX has withdrawn or withheld registration or approval; (2) obtain CHX approval before allowing a person subject to a statutory disqualification to become associated with the member; (3) take reasonable care to determine the existence of a statutory disqualification prior to employing an associated person; and (4) promptly notify the CHX if an associated person becomes subject to a statutory disqualification.

⁷ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39808; File No. SR-NYSE-98-09]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to the Trading of Bonds

March 26, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),¹ notice is hereby given that on March 13, 1998, the New York Stock Exchange, Inc. ("NYSE" 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 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 NYSE is proposing an interpretation of Rule 85 ("Cabinet Dealings"). Specifically, pursuant to paragraph (b) of that rule, the Exchange is proposing to make convertible bonds eligible for trading in its Automated Bond System ("ABS"). Following such eligibility, all listed bonds will trade in ABS and the NYSE will close its bond trading Floor effective June 1, 1998.

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

Exchange Rule 85(b) provides that the NYSE can designate "those bonds to be dealt in by use of cabinets. * * *" ABS, an automated trading system, is the "cabinet" trading system for bonds. Historically, only bonds that cannot convert into common stock have traded in ABS. Bonds convertible into common stock have not been designated as eligible for ABS; rather, they have traded on the bond Floor. Over time, trading activity has declined on the bond Floor, and it no longer is efficient to provide for the trading of convertible bonds on the Floor. Thus, to provide for more economic and efficient trading of bonds, this proposed rule change would make convertible bonds eligible for trading in ABS under Rule 85, allowing the Exchange to close the bond Floor. In addition, this will result in the availability of expanded quotation information in listed bonds. The Exchange has sufficient capacity in ABS to include these bonds in the system.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act,² in general, and furthers the objectives of Section 6(b)(5)³ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

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 a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁴ and subparagraph (e) of Rule 19b-4 thereunder.⁵ 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, including whether the proposed rule change is consistent with the Act. 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 Room, located at the above address. Copies of such filing also will be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-98-09 and should be submitted by April 23, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78f(b).

³ 15 U.S.C. 78f(b)(5).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4.

⁶ 17 CFR 200.30-3(a)(12).