

may route its own order, rather than a customer order, to another market if the specialist's own order fully reflects the terms of the customer limit order, the order is displayed (or executed) by the other market, consistent with the Limit Order Display Rule, and any execution, in whole or in part, is passed on to the customer limit order. An exchange specialist order for less than the full size of the customer limit order would not be deemed to reflect the terms of the customer limit order. As a result, sending such an order to another market or market maker for display would not satisfy the Limit Order Display Rule. Using a market order not for the full size of the customer limit order would be permissible, however, if the customer had authorized the exchange specialist to use discretion in determining whether to display the order, or had requested that only the number of shares represented by the market order be displayed, consistent with the exception contained in the Limit Order Display Rule for customer consent.¹⁴

In addition to summarizing and incorporating interpretive guidance issued by the Commission staff, the Exchange also has interpreted the Commission Limit Order Display Rule as exempting Exchange solely listed issues.¹⁵ While the Commission has never explicitly recognized this exemption from the Limited Order Display Rule, the Commission believes that, under the current circumstances, this interpretation is reasonable. The Commission notes that any interpretive guidance issued by the Commission staff is subject to modification at any time if the Commission or its staff determines that such action is necessary or appropriate. The Commission emphasizes that the Exchange specialists must comply with the Commission's rules and interpretations, notwithstanding the incorporation of prior Commission staff guidance in the Exchange's rule.

The Commission believes that the Exchange's proposal is consistent with Section 6 of the Act.¹⁶ Specifically, the Commission believes the proposal is consistent with Section 6(b)(5) of the Act,¹⁷ which requires an exchange to have rules 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. In particular, the Commission believes that by incorporating the Commission's Limit Order Display Rule and the Commission staff's interpretive guidance regarding that rule into the Exchange's own rule the proposal should facilitate compliance with the Limit Order Display Rule by Exchange members by raising member awareness of the Commission rule and how the rule applies to Exchange members.

The Exchange has requested that the Commission approve the proposal prior to the thirtieth day after the date of publication of notice of the proposal in the **Federal Register**. Because the Commission believes the proposal clarifies and restates Commission requirements that already apply to all Exchange members and may facilitate compliance by making the rules and guidance more accessible to Exchange members, the Commission finds good cause for approving the proposed rule change (SR-BSE-98-05) prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁸ that the proposed rule change be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 98-24095 Filed 9-8-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40383; File No. SR-CBOE-98-36]

Self-Regulatory Organization; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Exchange Fees

August 31, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder,

notice is hereby given that on August 19, 1998, 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 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 Exchange is proposing to make changes to its fee schedule relating to the Manual Book Entry fee and satellite television 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 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

The purpose of the proposed rule change is (i) to rescind, as of July 1, 1998, the Manual Book Entry fee, and (ii) to impose a monthly maintenance fee and installation fee for satellite television. These fee changes are being implemented by the Exchange pursuant to CBOE Rule 2.22.

The Exchange proposes to rescind, as of July 1, 1998, the Manual Book Entry fee, which initially was proposed in SR-CBOE-98-31, effective July 1, 1998. The Exchange now proposes to rescind the fee because there would have to be substantial systems enhancements in order to implement the fee, which would take much longer than expected, and the costs to Exchange and member firm staff would be significant compared to the expected revenue from the fee. As a result of this rescission, no members will be charged this fee, including any fee that would otherwise have been billed at the end of July for July activities.

The Exchange proposes to add two new fees relating to satellite television. The Exchange recently has approved the installation of satellite television in

¹⁴ See Letter to Richard Grasso, *supra* note 8 and rule 11Ac1-4(c)(2) under the Act.

¹⁵ The Exchange reasoned that because the BSE solely listed issues are not reported pursuant to an effective transaction reporting plan, they are not reported securities as defined in Rule 11Ac1-1(a)(20) under the Act.

¹⁶ In reviewing this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78f.

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ 15 U.S.C. 78s(b)(2).

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

booths for members who desire this service. The Exchange proposes to impose a one time satellite television installation fee of \$500, and a monthly maintenance fee of \$35.

The proposed rule change is consistent with Section 6(b) of the Act³ in general, and further the objectives of Section 6(b)(4) of the Act⁴ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other changes among CBOE members.

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.

The CBOE 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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁵ and subparagraph (e)(2) of Rule 19b-4 thereunder.⁶ 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.⁷

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, NW, 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 such filing also will be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-98-36 and should be submitted by September 30, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-24096 Filed 9-8-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40384; File No. SR-CHX-98-12]

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 Joint Back Office Arrangements

August 31, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 28, 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 amend Interpretation .01 to CHX Article VI, Rule 3, "Training and Examination Requirements," and CHX Article X,

Rule 3, "Initial Margin Rule." The CHX also proposes to adopt new CHX Rule 3A, "Joint Back Office Participants," to CHX Article XI, "Financial Responsibility and Reporting Requirements." This proposal establishes examination, margin, and net capital requirements for joint back office ("JBO") participants and clearing firms.

The text of the proposed rule change is attached as Exhibit A.

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 proposal. 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 Exchange proposes to amend Interpretation .01 to CHX Article VI, Rule 3 and CHX Article X, Rule 3, and to adopt new CHX Rule 3A to CHX Article XI to establish examination, margin and net capital requirements for JBO participants and clearing firms. JBO arrangements permit a participating broker-dealer to be deemed to be self-clearing for margin purposes and entitled to good faith credit.

In recent amendments to Regulation T,³ the FRB placed its reliance on the authority of self-regulatory organizations ("SROs") to ensure the reasonableness of JBO arrangements.⁴ When the provision permitting JBO arrangements was first adopted, the FRB assumed there would be a reasonable relationship between the good faith credit extended to a JBO participant and its ownership interest in the clearing firm. Consequently, the FRB did not establish any explicit requirement for the amount of ownership each participant should have in the JBO. Because Regulation T does not provide an ownership standard,⁵ however, good

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² On July 16, 1998, the CHX amended its proposal to replace incorrect references to Section 220.11 of Regulation T, "Credit by Brokers and Dealers," of the Board of Governors of the Federal Reserve System ("FRB") with reference to Section 220.7 of Regulation T. See Letter from David T. Rusoff, Foley & Lardner, to Yvonne Fraticelli, Attorney, Division of Market Regulation ("Division"), SEC, dated July 16, 1998 ("Amendment No. 1").

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(4).

⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

⁶ 17 CFR 240.19b-4(e)(2).

⁷ In reviewing this proposal, the Commission considered its impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

³ 12 CFR 220. Regulation T is administered by the FRB pursuant to Section 7 of the Act.

⁴ See FRB Docket No. R-0722 (April 26, 1996), 61 FR 20386 (May 6, 1996).

⁵ According to the CHX, Section 220.7(c) of Regulation T only requires that a JBO clearing firm