

Washington, D.C. 20549-0609. 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 CBOE. All submissions should refer to File No. SR-CBOE-98-50 and should be submitted by June 3, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41374; File No. SR-CBOE-99-16]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to the Listing and Trading of Generic Narrow-Based Index Options Under Rule 19b-4(e)

May 5, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 15, 1999, 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 Exchange. The filing was amended on April 28, 1999.<sup>3</sup> The proposed rule change has been filed by the CBOE as a "non-controversial" rule change under Rule 19b-4(f)(6)<sup>4</sup> under the Act. The Commission is publishing this notice to

solicit comments on the proposed rule change, as amended, from interested persons.

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

CBOE is proposing to amend Rule 24.2, *Designation of the Index*, to provide for the listing and trading of narrow-based stock index options pursuant to new Rule 19b-4(e) under the Act.<sup>5</sup> The text of the proposed rule change follows. Proposed new language is in *italics*; proposed deletions are in brackets:

\* \* \* \* \*

## CHAPTER XXIV

### Index Options

\* \* \* \* \*

### Designation of the Index

Rule 24.2 (a) The component securities of an index underlying an index option contract need not meet the requirements of Rule 5.3. *Except as set forth in subparagraph (b) below*, [T]he listing of a class of index options on a new underlying index will be treated by the Exchange as a proposed rule change subject to filing with and approval by the Securities and Exchange Commission ("Commission") under Section 19(b) of the Exchange Act.

(b) [A rule change proposing the listing of a class of index options on a new underlying narrow-based index may be designated by the Exchange as constituting a stated policy, practice or interpretation with respect to the administration of this Rule 24.2 within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act, thereby qualifying the rule change for effectiveness upon filing with the Commission, if the Exchange prefiles with the Commission a draft copy of the rule change not less than one week before it is filed, and if the Exchange proposes to commence trading in the subject class of index options not earlier than 30 days after the date of filing, and] *Notwithstanding paragraph (a) above, the Exchange may trade options on narrow-based index options pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:*

(1)-(12) No change.

(c) No change.

\* \* \* \* \*

<sup>5</sup> 17 CFR 240.19b-4(e).

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

In its filing with the Commission, 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 Exchange 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 CBOE is proposing to amend Rule 24.2, *Designation of the Index*, to provide for the listing and trading of narrow-based stock index options pursuant to new Rule 19b-4(e) under the Act. Certainly, CBOE Rule 24.2 permits the Exchange to list and trade options on narrow-based indexes thirty days after a filing describing the index option is made under Section 19(b)(3)(A) of the Act, provided that the index meets the generic listing criteria set forth in Rule 24.2(b). The recent Commission release adopting new Rule 19b-4(e) ("New Products Release"),<sup>6</sup> however, no longer requires a Section 19(b)(3)(A) filing and subsequent waiting period so long as the exchange relying on the new Rule has generic listing criteria approved by the Commission and meets certain other requirements.

The New Products Release indicated that products meeting the listing criteria approved by the Commission in its 1994 Generic Narrow-Based Index Options approval order<sup>7</sup> (as set forth in CBOE Rule 24.2) qualified for filing under new Rule 19b-4(e), so long as an exchange eliminated the Section 19(b)(3)(A) rule filing requirement from its existing rules.<sup>8</sup> The Exchange is, therefore, proposing to eliminate the Section 19(b)(3)(A) rule filing requirement in Rule 24.2 and instead incorporate the provisions of new Rule 19b-4(e). The Exchange represents that it will use new Rule 19b-4(e) in accordance with the

<sup>6</sup> See *Amendment to Rule Filing Requirements for Self-Regulatory Organizations Regarding New Derivative Securities Products*, Securities Exchange Act Release No. 40761 (December 8, 1998), 63 FR 70952 (December 22, 1998).

<sup>7</sup> See, *Securities Exchange Act Release No. 34157* (June 3, 1994), 59 FR 30062 (June 10, 1994).

<sup>8</sup> See, *New Products Release* at note 89.

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See letter from Timothy H. Thompson, Director, Regulatory Affairs, CBOE, to Michael Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, dated April 20, 1999.

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

terms and conditions set forth in the order approving that rule.

## 2. Statutory Basis

The Exchange believes that this proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act<sup>9</sup> in that it would remove impediments to and perfect the mechanism of a free and open market in a manner consistent with the protection of investors and the public interest.

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

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

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder<sup>11</sup> because the proposed rule change (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) by its terms, does not become operative for 30 days from the date of filing, or such shorter time that the Commission may designate if consistent with the protection of investors and the public interest; and (4) CBOE provided the Commission with written notice of its intent to file the proposed rule change at least five days prior to the filing date. At any time within 60 days of the filing of such 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.

The Exchange has requested that the rule change be accelerated to become operative immediately to ensure that the Exchange not be disadvantaged in the listing of new index option products vis-a-vis the American Stock Exchange

("Amex"). Amex filed a similar rule change with the Commission that became operative as of March 11, 1999. Additionally, the Exchange notes that the public has had ample notice of the Commission's New Products Release, which describes the kind of rule change effected by the Exchange in the instant proposal. The Commission finds that accelerating the operative date of the rule change as proposed furthers the aims of the New Products Release and is consistent with the protection of investors and the public interest, and thus designated the date hereof as the operative date.

## 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. 20549-0609. 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 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 CBOE. All submissions should refer to File No. SR-CBOE-99-16, and should be submitted by June 3, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41376; File No. SR-CBOE-99-14]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Listing Criteria for Warrants

May 6, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 6, 1999, 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 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 its Rule 31.5.E to add an alternative set of distribution criteria for broad-based stock index warrants. The text of the proposed rule change follows. *Italics* indicate material to be added.

\* \* \* \* \*

Chicago Board Options Exchange, Inc.  
Rules

\* \* \*

CHAPTER XXXI  
Criteria for Original Listing  
\* \* \*

Rule 31.5 Criteria for Eligibility of Securities

\* \* \*

E. Currency, Currency Index and Stock Index Warrants

\* \* \*

(2) Public Distribution. *The Exchange may list warrants that meet either of the two alternative sets of criteria below.*

#### (i) Alternative 1

Warrants outstanding ..	1,000,000
Principal amount/aggregate market value	\$4,000,000
Number of public holders .....	400

#### (ii) Alternative 2

Warrants outstanding ..	2,000,000
Principal amount/aggregate market value	\$12,000,000

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

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6). In reviewing this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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