

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(4), (8), (9)(A) and (10) and 17 CFR 200.402(a)(4), (8), (9)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Hunt, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the closed meeting scheduled for Tuesday, April 7, 1998, will be:

Institution and settlement of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: March 31, 1998.

**Jonathan G. Katz,**

Secretary.

[FR Doc. 98-9026 Filed 4-2-98; 9:25 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39809; File No. SR-CBOE-98-10]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by Chicago Board Options Exchange, Incorporated Related to Fees for Applicants for Membership and Existing Members Who Are Subject to a Statutory Disqualification

March 26, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> notice is hereby given that on March 10, 1998, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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 adopt two new fees applicable to persons subject to a statutory disqualification under the Act on whose behalf the Exchange is obligated to file notice with the SEC pursuant to Rule 19h-1 under the Act.<sup>2</sup>

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, 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 to adopt two new fees that are intended to defray some of the expenses incurred by the Exchange in connection with applicants for membership and existing members who are subject to a statutory disqualification. The first new fee applies to any person who submits an application to the Exchange seeking to become a member or an associated person of a member or to continue as a member or in association with a member notwithstanding a statutory disqualification. The second new fee applies to any person who has been approved for membership or association with a member notwithstanding a statutory disqualification, and who subsequently seeks a change in status that, if approved, would require another filing to be made pursuant to Rule 19h-1(c) under the Act.<sup>3</sup> These two new fees would be in addition to any other Exchange membership fees that might be applicable.

Pursuant to Rule 19h-1 under the Act, the Exchange must file a notice with the Commission if the Exchange proposes to continue in or to admit into membership or association with a member any person subject to a statutory disqualification. Evaluating the circumstances of the statutory

disqualification and the appropriateness of permitting the member or associated person to continue in or be admitted to membership or association with a member, and filing this notice with the Commission, requires effort and time by the Exchange staff and thus creates an expense for the Exchange. The Exchange believes it is appropriate for the applicant, member, or person associated with a member who is subject to a statutory disqualification to pay a fee that will offset at least a portion of these expenses. The Exchange believes that a fee in the amount of \$2,500 is appropriate for this purpose.

After the Rule 19h-1 notice process has been completed and the necessary approvals have been obtained, if the member or associated person wants to change the status previously approved and the Exchange approves of this change, then the Exchange typically must file an amended or additional notice with the Commission pursuant to Rule 19h-1(c). Once again the Exchange will incur the time and expense of complying with Rule 19h-1 on behalf of the member or associated person. The Exchange believes it is appropriate for the member or associated person who makes an application that, if approved, will make it necessary for the Exchange to undertake the filing of an amended 19h-1(c) notice to pay a fee to offset these expenses at least in part.

Therefore, the proposed rule change would authorize the Exchange to charge a fee of \$1,500 to any member or associated person on whose behalf the Exchange has filed a Rule 19h-1 filing that has been approved by the Commission who applies for a change in status that will require the Exchange to file an amended or additional Rule 19h-1(c) filing if the Exchange approves the requested change in status.

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

##### 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.

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

<sup>2</sup> 17 CFR 240.19h-1.

<sup>3</sup> 17 CFR 240.19h-1(c).

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

The proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act, and subparagraph (e) of Rule 19b-4 thereunder, in that it is designated by the Exchange as establishing a due, fee, or other charge. 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 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 CBOE. All submissions should refer to the file number in the caption above and should be submitted by April 28, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-8923 Filed 4-3-98; 8:45 am]

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39803; File No. SR-CHX-97-32]

#### Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Acceptance of Oversized Orders in the MAX System

March 25, 1998.

#### I. Introduction

On December 9, 1997, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Act of 1934 ("Act"),<sup>1</sup> a proposed rule change which was subsequently amended on January 9, 1998. The proposed rule change to amend the Exchange's rules relating to the entry and acceptance of oversized orders received through the MAX System was published for comment in the **Federal Register** on February 11, 1998.<sup>2</sup> No comments were received on the proposal. For the reasons discussed below, the Commission is approving the proposed rule change.

#### II. Description of the Proposal

Under the Exchange's BEST Rule, Exchange specialists are required to guarantee executions of all agency<sup>3</sup> market and limit orders for Dual Trading System issues<sup>4</sup> from 100 shares up to and including 2099 shares. Subject to the requirements of the short sale rule, market orders must be executed on the basis of the Intermarket Trading System's ("ITS") best bid or offer ("BBO"). Limit order must be executed at their limit price or better when: (1) the ITS BBO at the limit price has been exhausted in the primary market; (2) there has been a price penetration of the limit in the primary market (generally known as a trade-through of a CHX limit order); or (3) the issue is trading at the limit price on the primary market unless it can be

demonstrated that the order would not have been executed if it had been transmitted to the primary market<sup>5</sup> or the broker and specialist agree to a specific volume related to, or other criteria for, requiring an execution.

As stated above, the Exchange's MAX System provides for the automatic execution of orders that are eligible for execution under the Exchange's BEST Rule and certain other orders.<sup>6</sup> The MAX System has two size parameters which must be designated by the specialist on a stock-by-stock basis. For Dual Trading System issues, the specialist must set the auto-execution threshold at 1099 shares or greater and the auto-acceptance threshold at 2099 shares or greater. In no event may the auto-acceptance threshold be less than the auto-execution threshold. If the order-entry firm sends an order through MAX that is less than or equal to the auto-execution threshold, the order is executed automatically, unless an exception applies. If the order-entry firm sends an order through MAX that is less than the auto-acceptance threshold but greater than the auto-execution threshold, the order is not available for automatic execution but is designated in the open order book. A specialist may manually execute any portion of the order; the difference must remain as an open order.

Under the current MAX rules, if the order-entry firm sends an order through the MAX System that is greater than the specialist's auto-acceptance threshold, a specialist may cancel the order within three minutes of it being entered into MAX. If not canceled by the specialist, the order is designated as an open order.<sup>7</sup> The Exchange proposed to change the way that these oversized orders are handled.

First, the Exchange proposed to amend Rule 37(b)(1) of Article XX to

<sup>5</sup> The CHX specialist has the burden to demonstrate that the order would not have been executed had it been routed to the primary market. The Commission notes that this is often accomplished by sending a "marker" order to the primary market. See also CHX Article XX, Rule 37(b)(12).

<sup>6</sup> A MAX order that fits under the BEST parameters must be executed pursuant to BEST Rules via the MAX system. If the order is outside the BEST parameters, the BEST Rules do not apply, but MAX system handling rules do apply.

<sup>7</sup> Under current rules, if an oversized market or limit order is received by the specialist, he must either reject the order immediately or immediately display it in accordance with CHX rules and the Commission's Order Execution Rules (Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290 (Sept. 12, 1996)). If the order is displayed, the specialist must check with the order entry broker to determine the validity of the oversized order. During the three minute period, the specialist can cancel the order and return it to the order entry firm, but until it is canceled the displayed order is eligible for execution.

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

<sup>2</sup> Securities Exchange Act Release No. 39615 (February 3, 1998).

<sup>3</sup> The term "agency order" means an order for the account of a customer, but does not include professional orders as defined in CHX, Art. XXX, Rule 2, interpretation and policy. 04. That Rule defines a "professional order" as any order for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest.

<sup>4</sup> Dual Trading System Issues are issues that are traded on the CHX, either through listing on the CHX or pursuant to unlisted trading privileges, and are also listed on either the New York Stock Exchange or American Stock Exchange.

<sup>4</sup> 17 CFR 200.30-3(a)(12).