

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40857; File No. SR-CHX-98-28]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Filing of Certain Material by Listed Companies in the EDGAR System

December 29, 1998.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 25, 1998, the Chicago Stock Exchange, Incorporated ("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 CHX. 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 add Interpretation and Policy .01 to Exchange Rule 19 of Article XXVIII and Interpretation and Policy .04 to Exchange Rule 21 of Article XXVIII to permit listed companies to comply with their obligation to file certain reports and other materials with the Exchange by filing such material with the Commission through the Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") System.

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 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 streamline filing requirements for listed companies by permitting them to satisfy the requirement of filing certain CHX and Commission documents with the Exchange by filing such documents with the Commission in electronic format.

The Exchange's rules require listed companies to file with the Exchange copies of annual and certain interim reports, as well as certain other filings required by the Commission, such as registration statements and prospectuses, depending on whether the company is listed pursuant to Tier I or Tier II of the Exchange's listing rules. The Commission also requires listed companies to file copies of reports and registration statements required by the Commission with any national securities exchange on which their securities are listed. Listed companies currently file these materials with the Exchange in paper format, even if they file electronically with the Commission. Under the Commission's regulations, domestic registrants generally are required to file all material with the Commission through EDGAR.²

The proposed rule change provides that, with one exception, the EDGAR filing will satisfy the Exchange filing requirement.³ The Exchange will have immediate and complete access to all filings through a contractual relationship with a commercial vendor which provides real-time access to the EDGAR system.⁴ The relevant Exchange staff also has access to much of this

² 17 CFR 232.100.

³ Simultaneous with this filing, the Exchange submitted a request for a no-action letter (the "No-Action Letter"), on its own behalf, and behalf of its listed companies, seeking Commission staff concurrence in the view that a company's filing of a report or other material covered by this rule change through EDGAR will satisfy the company's obligation under the Commission's rules to file the material with the Exchange, and that the Exchange's receipt and retention of such document through EDGAR will satisfy the Exchange's obligations under Rule 17a-1 under the Act. Although the proposed rule change is effective upon filing, the Exchange will not implement the rule change until the Commission staff concurs with the relief requested in the No-Action Letter.

⁴ The Exchange represents that it has obtained real-time access to all filings made by Exchange-listed companies through a "Level 1" subscription with a commercial vendor. Telephone conversation between Patricia Levy, General Counsel, CHX, Karl Varner, Special Counsel, Division of Market Regulation, Commission and Sonia Patton, Attorney, Division of Market Regulation, Commission, on December 14, 1998.

information through the Commission's EDGAR site on the World Wide Web.

The Exchange will continue to require hard copy filings for material necessary to support a listing application. The Exchange currently accepts listing applications only in hard copy format. The Exchange will continue to require the exhibits and attachments to listing applications, including registration material filed with the Commission, to be filed in hard copy form. The proposed rule change does not affect companies, if any such companies exist, that do not use EDGAR and instead continue to file paper reports with the Commission.

2. Statutory Basis

The proposed rule change is consistent with section 6(b)(5) of the Act⁵ in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons regulating 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 Exchange 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 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 of the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A)(i) of the Act,⁶ and subparagraph (e) of Rule 19b-4 thereunder.⁷ The Exchange will not implement the proposed rule change until the Commission staff concurs with the relief requested in the No-Action Letter, *i.e.*, that a company's filing of a report or other material covered by this rule change through EDGAR will satisfy the company's obligation under the

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 78s(b)(3)(A)(i).

⁷ 17 CFR 240.19b-4

¹ 15 U.S.C. 78s(b)(1).

Commission's rules to file the material with the Exchange and that retention of such information in the EDGAR system will satisfy the Exchange's record retention requirements under Rule 17a-1 under the Act. 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.⁸

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. 522, will be available for inspection and copying at the Commission's Public Reference Room in Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to File No. SR-CHX-98-28 and should be submitted by January 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40838; File No. SR-CBOE-98-40]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by Chicago Board Options Exchange, Incorporated, Relating to Mandatory Year 2000 Testing

December 28, 1998.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 22, 1998, as amended on December 24, 1998,³ the Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the CBOE. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to approve the proposal and Amendment No. 1 thereto on an accelerated basis.

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

CBOE proposes to adopt new Rule 15.11, *Mandatory Year 2000 Testing*, that would require member firms to participate in computer system testing designed to prepare for the Year 2000 and to file reports with CBOE regarding Year 2000 testing.

The test of the proposed rule change is below. Proposed new language is italicized.

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Chapter XV

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Records, Reports and Audits

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Mandatory Year 2000 Testing

Rule 15.11

[This rule will expire automatically on January 1, 2001.]

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Timothy Thompson, Director-Regulatory Affairs, Legal Department, CBOE, to Michael Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, dated December 22, 1998 ("Amendment No. 1"). The original filing was not noticed in the **Federal Register**.

(a) *Point-to-Point Testing.* Each member that has an electronic interface with the Exchange shall participate in point-to-point testing with the Exchange of its computer systems designed to ascertain Year 2000 compatibility of those computer systems, in a manner and frequency as prescribed by the Exchange. A member that has its electronic interface through a service provider need not participate in point-to-point testing if, by a time designated by the Exchange, (i) the service provider conducts successful tests with the Exchange on behalf of the firms it serves, (ii) the member conducts successful point-to-point testing with the service provider and (iii) the Exchange agrees that further testing is not necessary.

(b) *Industry Wide Testing.* The Exchange may require certain of its members to participate in industry wide testing of computer systems for Year 2000 compatibility. The Exchange may require any member who will participate in industry wide testing to also participate in any tests necessary to ensure preparedness to participate in industry wide testing.

(c) *Reports.* Members participating in point-to-point testing (whether between the firm and the Exchange, between the firm and its service provider, or between the firm's service provider and the Exchange) or industry wide testing shall file reports with the Exchange concerning the required tests in the manner and frequency required by the Exchange. The Exchange may require reports before the testing is begun to ensure that the member or its service provider is prepared to participate in the tests.

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 III 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

(1) Purpose

On January 1, 2000, the internal date in computers throughout the world will

⁸ In reviewing this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁹ 17 CFR 200.30-3(a)(12).