

would be considered contested, and would require a majority for a quorum.

The Exchange notes that, in certain uncontested elections, it has taken a considerable amount of time to obtain a quorum under the current majority requirement. As a result, significant Exchange staff time and resources were expended in order to obtain a quorum. The Exchange believes that the proposed rule change, as amended, will maximize the use of Exchange resources and provide an incentive for members to vote earlier.

2. Statutory Basis

The Exchange believes that reducing the quorum required in uncontested elections to one-third of the members entitled to vote will improve the efficiency of the CBOE election process as well as the allocation of CBOE resources. As such, the Exchange believes that the Constitution proposal is consistent with and furthers the objectives of Section 6(b)(5) of the Act⁶ in that it is designed 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 to protect investors and the public interest.

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

The CBOE does not believe that the proposed rule change, as amended, 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 membership voted on the quorum reduction at the Annual Election Meeting held on December 11, 1996. The proposed rule change was approved by the CBOE membership by a vote of 637 for, 73 against and 15 abstained.

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:

A. By order approve such proposed rule change, or

B. 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. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. SR-CBOE-97-24 and should be submitted by July 7, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38725; File No. SR-CBOE-97-21]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Membership Application Submission Deadlines

June 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 15, 1997, the Chicago Board Options Exchange, Incorporated ("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 CBOE proposes to amend CBOE Rule 3.9 to give the Exchange's Membership Committee the authority to establish deadlines for the submission of each type of membership application, which in no event will exceed 90 days prior to the date that the application will be considered for approval.

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, 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 parts of such statements.

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

CBOE Rule 3.9(a) currently requires every individual or organization applying to become an Exchange member and every individual applying to become a nominee of an Exchange member organization to file an application with the Exchange's Membership Department no later than the first business day of the month during which the application will be considered by the Exchange's Membership Committee. The Membership Committee generally meets once a month. The Membership Committee's present practice is to hold this meeting on the Thursday of the third week of the month. Depending on the particular month, the current membership application submission deadline can provide the Exchange with as few as 10 business days to process a membership application prior to the Membership Committee's consideration of the application at its monthly meeting.

The Exchange has found that the current application submission deadline makes it extremely difficult for the Exchange to complete the processing of certain types of membership

⁶ 15 U.S.C. 78f(b)(5).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

applications in time for consideration by the Membership Committee at its monthly meeting. For example, the processing of membership applications submitted by new membership applicants involves a number of time-consuming components. Among other things, such an application cannot be acted upon until: (1) the Membership Department receives from an outside investigative service an investigative report concerning the applicant; (2) the applicant's name has been posted on the Exchange's Bulletin Board for 14 calendar days; (3) the Membership Department has reviewed the application materials and the contents of the investigative report; (4) a File Review Subcommittee of the Membership Committee has reviewed the application materials and the investigative report; and (5) the Membership Department has received from the applicant any clarifications or additional information requested from the applicant concerning the application materials or investigative report. Similarly, it is also time-consuming for the Exchange to process applications of member organizations requesting approval from the Membership Committee to transact business with the public pursuant to CBOE Rule 9.1 or to act as an order service firm pursuant to CBOE Rule 6.77.

On the other hand, the Exchange is typically able to process other types of membership applications more quickly. For example, the application of an existing member to change his or her membership status is less involved and does not involve an investigation by an outside investigative service. The same is true of an application of a former individual member who is reapplying for membership within 6 months after his or her membership termination date.

The purpose of the proposed rule change is to eliminate the current general membership application submission deadline, and instead, to provide in Rule 3.9(a) that the Membership Committee shall establish separate submission deadlines for each type of membership application. This will permit the Membership Committee to tailor a particular submission deadline to the type of membership application involved and to periodically shorten or lengthen the deadline, if appropriate, to correlate it with the amount of time that the Exchange is generally taking to process that type of application. The Membership

Committee will disseminate these submission deadlines to the Exchange's membership in a regulatory circular that will be published in the Exchange's Regulatory Bulletin and will include the circular in the membership information packets that the Membership Department provides to prospective membership applicants. However, in no event will the Membership Committee be permitted to establish a submission deadline for any type of membership application which is in excess of 90 days prior to the date that such an application will be considered for approval. Additionally, the Membership Committee will not alter any membership application submission deadline without first giving at least 60 days prior notice in the form of a regulatory circular that a new deadline will be going into effect.

Once the Membership Committee has established the submission deadline for a particular type of membership application, each such membership application will be required to be submitted to the Membership Department in accordance with the deadline in order to be eligible to be considered for approval.

Finally, it should be noted that this rule change is not intended to limit the Membership Committee's ability to table its consideration of a membership application in accordance with Rule 3.9(c)(1) or Rule 3.9(e) in order to obtain additional information concerning an applicant or pursuant to CBOE Rule 3.4(d) when an applicant is subject to an investigation being conducted by a self-regulatory organization or government agency involving the applicant's fitness for membership.

The proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Sections 6(b)(5) and 6(b)(7) in particular, in that it is designed to protect investors and the public interest and to provide a fair procedure for the consideration of Exchange membership applications by ensuring that the Exchange has adequate time in which to review membership applications.

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

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

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 CBOE consents, the Commission will:

(A) By order approve such proposed rule change; or

(B) 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. 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 the CBOE. All submissions should refer to File No. SR-CBOE-97-21 and should be submitted by July 7, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²

Jonathan G. Katz,
Secretary.

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² 17 CFR 200.30-3(a)(12)(1991).