imposed by the various SROs.[4] As derivative securities, the prices of options are determined in reference to the prices of the underlying securities. Consequently, the Exchange believes that where practicable, the Exchange should have minimum increments comparable to those applicable to the securities underlying CBOE options.

The proposed rule change would give the Exchange the flexibility to follow the suit of the principal exchanges for the underlying securities without having to continually update its rules but at the same time would give the Exchange the flexibility it needs to deviate from the minimum increments established by the principal markets for the underlying securities in the event that the CBOE's systems were not immediately able to handle such increments. The Exchange, therefore, believes the quality of the market for CBOE options will be enhanced by allowing for more accurate pricing of CBOE options.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b)(5) of the Act[5] 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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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 either solicited or received.

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

Within 35 days of the 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 the 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–CBOE–97–49 and should be submitted by December 22, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–31388 Filed 11–28–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39342; File No. SR–CHX–97–29]

Self-Regulatory Organizations; Notice of Filing of and Order Granting Accelerated Approval to Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to a Policy of the Specialist Assignment and Evaluation Committee

November 21, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on October 27, 1997, 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 and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval to the proposed rule change.

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

The Exchange proposes to amend Article XXX, Rule 1, Interpretation and policy .01 to amend the current one-year pilot program concerning a policy of the Exchange's Committee on Specialist Assignment and Evaluation (''CSAE'') relating to the time periods for which a co-specialist must trade a security before deregistering as the specialist for the security. This change would be in effect for the remainder of the current one-year pilot program.

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 self-regulatory organization 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 self-regulatory organization 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 September 8, 1997, the Commission approved a rule change on a one year pilot basis relating to the time periods for which a co-specialist must trade a security before deregistering as the specialist for the security.[2] The pilot program currently expires on September, 1998. The purpose of the proposed rule change is to make a slight modification to this pilot program.

The Exchange's CSAE is responsible for, among other things, appointing specialists and co-specialists and conducting deregistration proceedings

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[4] See Exchange Act Rel. No. 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (Commission order approving a change in the minimum increment to 1/16th for securities listed on the American Stock Exchange); Exchange Act Rel. No. 38678 (May 27, 1997), 62 FR 30363 (June 3, 1997) (Commission order approving a change in the minimum increment to 1/16th for Nasdaq-listed securities); and Exchange Act Rel. No. 38897 (Aug. 1, 1997), 62 FR 42847 (Aug. 8, 1997) (Commission order approving a change in the minimum increment to 1/16th for NYSE listed-securities).

[5] 15 U.S.C. 78f(b).

[6] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] See Securities Exchange Act Release No. 39028 (September 8, 1997), 62 FR 48329.

in accordance with Article XXX of the Exchange's rules.[3] Seven circumstances may lead to the need for assignment or reassignment of a security.[4] One such circumstance is by specialist request.

Currently, the CSAE will initiate a reassignment proceeding if it believes that such action is called for. Using this standard, the CSAE's policy under the current one year pilot program is as follows:

For a security that was awarded to a co-specialist in competition, such co-specialist is required to trade the security awarded in competition for one year before being able to deregister in the security if no other specialist will be assigned to the security after posting. Two-years must elapse before an intra-firm transfer of the issue (i.e., a transfer of the issue to another co-specialist in the same specialist unit) is normally permitted without posting.

For a security that was awarded to a co-specialist without competition, such co-specialist is required to trade the security awarded without competition for a three month period before being able to deregister in the security if no other specialist will be assigned to the security after posting. A six-month time period must elapse before an intra-firm transfer is normally permitted.

At this time, the Exchange believes that one aspect of the new policy should be amended and one aspect should be clarified. Specifically, the Exchange believes that the requirement that six months elapse before permitting an intra-firm transfer of an issue that was awarded without competition is too onerous. Instead, the Exchange believes that, where the security was awarded without competition, there should be no minimum time period before the intra-firm transfer will be considered by the CSAE without posting. Because the security was awarded without competition from any competing applicant from another specialist unit, no one would be disadvantaged if the security is transferred to another co-specialist in the same specialist unit without waiting for six months to elapse, provided the transfer is to a qualified co-specialist, which determination shall be made by the CSAE.

Without this change, a specialist unit might be tempted to return the security to the cabinet (which can be done after only three months) and having another co-specialist in the same unit apply to take it back out, or, for less profitable issues, not apply for the security in the first place. This change will further the Exchange's goal of increasing the depth and liquidity of the market by encouraging specialists to apply for issues that might otherwise remain in the cabinet.

Second, the Exchange would like to clarify the intra-firm transfer policy when a security is awarded with competition. While the two-year period is appropriate for permitting an intra-firm transfer without posting, the Exchange believes that a specialist unit should be given an opportunity for an intra-firm transfer after one year. As a result, for securities awarded with competition, after one year has elapsed, the CSAE will consider requests for an intra-firm transfer if the security is posted, in order to permit other specialist units and co-specialists to apply to trade the issue.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act[5] in that it is designed to promote just and equitable principles of trade, to remove impediments and to 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 a burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No comments were solicited or received.

III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the Exchange. All submissions should refer to file number SR–CHX–97–29 and should be submitted by [insert date 21 days from the date of publication].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission has carefully reviewed CHX's proposed rule change and has concluded, for the reasons set forth below, that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, the requirements of Sections 6(b)(5) in that it is designed to prevent fraudulent, manipulative acts and practices and to promote just and equitable principles of trade, and to remove impediments to and protect the mechanism of a free and open market and to protect investors and the public interest.[6]

The Commission finds that the amended policy, as proposed, should result in a reasonable balance between the interests of consistency and continuity with respect to the trading of an issue by a particular specialist and that of a specialist in having the flexibility to deregister in an unprofitable issue. Under the pilot program as approved in September, for a security that was awarded in competition, a co-specialist wishing to transfer that issue to another co-specialist in the firm before the two years had elapsed might find it easier to deregister after one year and have another co-specialist in the specialist unit apply for the issue again. Similarly, for a security that was awarded without competition, a co-specialist would deregister within three months to allow another co-specialist in the firm to apply for the security again rather than have to wait the full six months. The change will remove the need for deregistration prior to making an intra-firm transfer.

Overall, the Commission concludes that the proposed changes are minor but may encourage CHX specialists to register in additional securities that might otherwise remain in the cabinet. This, in turn, could add to the depth

[3] CHX Rules, Article IV, Rule 4.

[4] CHX Rules, Article XXX, Rule 1, Interpretation and Policy .01.

[5] 15 U.S.C. 78f(b)(5).

[6] In approving this rule, the Commission notes that is has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

and liquidity of the market for such additionally listed securities.

Finally, the Commission notes that the proposed change to the pilot program does not alter the notification requirement to order entry firms, and the effective date of a specialist's deregistration.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication notice thereof in the **Federal Register**. This will permit the changes to be in effect for as much of the pilot program as possible thereby allowing CHX to better assess the effects of these changes to be assessed prior to the expiration of the pilot. In addition, the rule change that implemented the pilot program was published in the **Federal Register** for the full comment period and no comments were received. Accordingly, the Commission believes that it is consistent with Sections 6 and 19(b) of the Act [7] to accelerate approval of the proposed rule change.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[8] that the proposed rule change (SR–CHX–97–29) is hereby approved on an accelerated basis.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–31394 Filed 11–28–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39346; File No. SR–NASD–97–79]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to Fees and Hearing Session Deposits for the Arbitration of Claims by Public Investors, Members and Associated Persons

November 21, 1997.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 29, 1997,[1] the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') 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 self-regulatory organization. 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

NASD Regulation is proposing to amend Rules IM–10104, 10205 and 10332 of the NASD's Code of Arbitration Procedure (''Code'') to increase the arbitrator honoraria and the arbitration filing fees and hearing session deposits for intra-industry and public investor arbitrations administered by NASD Regulation. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

IM–10104. Arbitrator's Honorarium

All persons [serving on panels of arbitrators pursuant to Rule 10104 of] *selected to serve as arbitrators pursuant to* the Association's Code of Arbitration Procedure shall be paid an honorarium for each hearing session *(including a prehearing conference)* in which they participate [while in the performance of said duties].

The honorarium shall be $[150]*200* for [a single] *each hearing* session [, $225 for a double session], $50 for travel to a canceled hearing, and $[50]*75* per day additional honorarium to the chairperson of the panel. The honorarium for a case not requiring a hearing [is $75 per case] *shall be $125.*

10205. Schedule of Fees for Industry and Clearing Controversies

(a) At the time of filing a Claim, Counterclaim, Third Party Claim, or Cross-Claim in an industry or clearing controversy which is required to be submitted to arbitration before the Association as set forth in Rule 10201, above, a party *who is a member* shall pay a non-refundable filing fee and shall remit a hearing session deposit to the Association in the amounts stated in paragraph (k) unless such fee or deposit is specifically waived by the Director of Arbitration. *A party who is an associated person shall pay a non-refundable filing fee and shall pay a hearing session deposit in the amounts specified for customer claimants in Rule 10332. If the associated person is a joint claimant with a member, the member shall pay a non-refundable filing fee and shall pay a hearing session deposit in the amounts specified in paragraph (k) of this Rule.* Where multiple hearing sessions are required, the arbitrator(s) may require any of the parties to make additional hearing deposits for each additional hearing session. In no event shall the amount deposited by all parties per hearing session exceed the amount of the largest initial hearing deposit made by any party under the paragraph (k) below.

(b) No change.

(c) No change.

(d) No change.

(e) If the dispute, claim, or controversy does not involve, disclose, or specify a money claim, the non-refundable filing fee assessed *on a party who is a member* shall be $500. If the dispute, claim, or controversy does not involve, disclose, or specify a money claim, the hearing session deposit to be remitted by a party shall be *$1000* [$600]. These amounts may be adjusted by the Director of Arbitration or the panel of arbitrators may require *the maximum amount specified in the schedule* [$1,000].

(f) No change.

(g) No change.

(h) No change.

(i) If an eligible matter is submitted for arbitration as a large and complex case, under the procedures set forth in Rule 10334, or under procedures agreed upon by the parties, following the Administrative Conference specified in Rule 10334(b), the fees and deposits for such matter shall be those set forth in the schedule of fees for claims over *$10,000,000* [$5,000,000].

(j) No change.

(k) Schedule of Fees

[7] 15 U.S.C. 78f and 78s(b)(2).

[8] 15 U.S.C. 78s(b)(2).

[9] 17 CAR 200.30–3(a)(12).

[1] The NASD submitted Amendment No. 1 to the proposed rule filing on November 14, 1997, the substance of which is incorporated into this notice and the proposed rule filing. *See* letter from John M. Ramsay, Deputy General Counsel, NASD Regulation, to Katherine A. England, Assistant Director, Market Regulation, Commission, dated November 12, 1997 (''Amendment No. 1'').