

**SECURITIES AND EXCHANGE  
COMMISSION**

[Release No. 34-39963; File No. SR-CBOE-98-16]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Exchange Fees**

May 6, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on April 22, 1998, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE.<sup>3</sup> 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 is proposing to change its Order Book Official ("book") rate schedule for index options. 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 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 change the book fee schedule applicable to index options. The Exchange recently changed the book fees for equity options.<sup>4</sup> The book fees are billed at the end of each month and so this change will be reflected in the bills for all May transactions. These fees changes are being implemented by the Exchange pursuant to CBOE Rule 2.22. Under the new schedule, index option book execution services will be capped at a rate of \$1.25 per contract. The current rate schedule for index options assess various charges for book executions depending on the premium and the order size. The current schedule for index options is as follows:

Premium <sup>5</sup>	First ten contracts	Eleven and above
Accommodation Liquidations .....	\$0.10	\$0.10
Cabinet trades .....	0.10	0.10
Under \$0.50 .....	0.35	0.28
\$0.50-1 .....	0.525	0.455
1-2 .....	0.63	0.525
2-4 .....	0.77	0.63
4-8 .....	1.05	0.91
8-14 .....	1.40	1.05
14-20 .....	1.75	1.295
20 and above .....	2.10	1.61

The new schedule will be as follows:

Premium	First ten contracts	Eleven and above
Accommodation Liquidations .....	\$0.10	\$0.10
Cabinet trades .....	0.10	0.10
Under \$0.50 .....	0.35	0.28
\$0.50-1 .....	0.525	0.455
1-2 .....	0.63	0.525
2-4 .....	0.77	0.63
4-8 .....	1.05	0.91
8-14 .....	1.25	1.05
14 and above .....	1.25	1.25

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

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

<sup>3</sup> The proposed rule change required a technical amendment to clarify the fee schedule. Telephone conversation between Timothy Thompson, Senior Attorney, CBOE, and Karl Varner, Staff Attorney, SEC, on April 29, 1998.

<sup>4</sup> Securities Exchange Act Release No. 39618 (February 4, 1998), 63 FR 7019 (February 11, 1998) [File No. SR-CBOE-98-01] (changing the book fee rate for equity options to \$0.45 per contract).

<sup>5</sup> Premium equals the option price in dollars, calculated on a per-share basis for equity option contracts, and calculated on a per-unit basis for

index option contracts. The ranges set forth include their lower bounds.

Accommodation liquidations and cabinet trades are off-market trades at a price of \$1 per option contract.

The definitions were clarified during a telephone conversation between Timothy Thompson, Senior Attorney, CBOE, and Karl Varner, Staff Attorney, SEC, on May 5, 1998.

\* \* \* \* \*

As with the previous schedule, cabinet trades/accommodation liquidations, as described in CBOE Rules 6.54 and 21.15, will continue to be charged \$0.10 per contract. In addition, as in the previous schedule, no execution fee will be assessed for market orders for any index option sent to the book prior to the opening and executed during opening rotation. Also, as before, no execution fee will be assessed for limit orders in options on the Standard & Poor's 100 Index sent to the book prior to the opening and executed during opening rotation. The new fee schedule should reduce the overall Order Book Official book fees paid by all Exchange members. The Exchange believes that the reduction in the book fees will allow the Exchange to compete more effectively for business in these types of products.

The proposed rule change is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>7</sup> 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*

The Exchange believes that the proposed rule change will not result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Comments were neither solicited nor received.

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

The proposed rule change establishes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective immediately upon filing with the Commission, pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>8</sup> and subparagraph (e)(2) of Rule 19b-4<sup>9</sup> thereunder. 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, including whether the proposed rule change is consistent with the Act.<sup>10</sup> 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 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 Exchange. All submissions should refer to File No. SR-CBOE-98-16 and should be submitted by June 3, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39965; International Series Release No. 1133; File No. SR-CBOE-98-17]

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change, and Amendment No. 1 Thereto, by the Chicago Board Options Exchange, Incorporated Relating To Listing and Trading Warrants on a Narrow-Based Index**

May 6, 1998.

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 23, 1998, the Chicago Board Options

Exchange, incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. The Exchange also submitted an amendment to the filing dated April 30, 1998.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change and Amendment No. 1 from interested persons.

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

The CBOE proposes to list and trade warrants on an equal dollar-weighted, narrow-based index ("Index"), comprised of 15 to 20 actively traded common stocks, no more than four of which will be foreign issued and traded. The remaining stocks will be listed on the American Stock Exchange, Incorporated ("Amex"), New York Stock Exchange, Incorporated ("NYSE") or through the facilities of the National Association of Securities Dealers Automated Quotation ("Nasdaq") system and are reported national market system securities ("Nasdaq/NMS"). 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 represented that it did not receive any comments on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below and is set forth in Sections A, B and C below.

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

##### **1. Purpose**

The Exchange is permitted to list and trade stock index warrants under CBOE Rule 31.5E. The Exchange now is proposing to list and trade cash-settled,

<sup>3</sup> See Letter from Stephanie C. Mullins, Attorney, CBOE to Marianne H. Duffy, Special Counsel, Division of Market Regulation, SEC, dated April 30, 1998 ("Amendment No. 1"). Amendment No. 1 clarifies, among other things, that the Index, as defined above, is narrow-based and will comply with the generic narrow-based margin requirements (CBOE Rule 30.53) and position limited requirements (CBOE Rule 30.35) of the Exchange.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(4).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>9</sup> 17 CFR 240.19b-4(e)(2).

<sup>10</sup> In reviewing this proposal, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>11</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.