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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,⁶ in general, and furthers the objectives of Section 6(b)(4) of the Act⁷ 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 Act⁸ and subparagraph (e)(2) of Rule 19b-4⁹ 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.¹⁰ 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.¹¹

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"),¹ and Rule 19b-4 thereunder,² 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, 1998.³ 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,

³ 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.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(4).

⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

⁹ 17 CFR 240.19b-4(e)(2).

¹⁰ 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).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

stock index warrants linked to the Index. At the time of listing and trading, the warrants will meet all of the generic criteria for stock index warrants as set forth in Exchange Rule 31.5E.

Rule 31.5E requires, among other things, that: (1) the issuer has a tangible net worth in excess of \$250,000,000 and otherwise substantially exceeds earnings requirements in Rule 31.5(A) or meet the alternate guidelines in paragraph (4) of Rule 31.5E; (2) the term of the warrants shall be for a period ranging from one to five years from date of issuance; (3) the minimum public distribution of such issues shall be 1,000,000 warrants, together with a minimum of 400 public holders, and have an aggregate market value of \$4,000,000; and (4) foreign country securities or American Depositary Receipts that are not subject to a comprehensive surveillance agreement and have less than 50% of their global trading volume in dollar value in the United States, shall not, in the aggregate, represent more than 20% of the weight of an index, unless such index is otherwise approved for warrant or option trading.

Index Design and Stock Selection Criteria. The Exchange represents that the Index will be categorized as narrow-based. The stocks to be included in the Index will be selected by a member firm of the Exchange and will be announced at or as close as possible to the time of the offering, and included in the Issuer's offering materials. The component stocks in the Index will meet the following criteria prior to trading of the warrants: (1) minimum market capitalization of \$150 million, except that two component stocks may have a market capitalization of not less than \$50 million; (2) trading volume during each of the six months prior to the offering of the warrants of not less than one million shares, except that two of the component securities may have a trading volume during each of the six months prior to the offering of the warrants of not less than 500,000 shares; (3) at least 80 percent of the component stocks will meet the then current criteria for standardized options trading set forth in CBOE Rule 5.3 and; (4) at least 80% of the Index components will be listed on the Amex, NYSE, or will be Nasdaq/NMS securities.

Calculation and Dissemination of the Index Value. The Index will be calculated using an equal dollar-weighting methodology designed to ensure that each of the component securities is represented in an approximately equal dollar amount in the Index. To create the Index, a portfolio of equity securities will be established by a member firm of the

Exchange representing an investment of \$10,000 in each component security (rounded to the nearest whole share). The value of the Index will equal the market value of the sum of the assigned number of shares of each of the component securities divided by an Index divisor. The Index divisor initially will be set to provide a benchmark value of 100 at the time that the warrants are priced for sales to the investing public.

The number of shares of each component stock in the Index will remain fixed except in the event of certain types of corporate actions such as the payment of a dividend (other than an ordinary cash dividend), a stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, or similar event with respect to the component securities. The number of shares of each component security also may be adjusted, if necessary, in the event of a merger, consolidation, dissolution, or liquidation of an issuer or in certain other events such as the distribution of property by an issuer to shareholders, the expropriation or nationalization of a foreign issuer, or the imposition of certain foreign taxes on shareholders of a foreign issuer. Shares of a component security may be replaced (or supplemented) with another security only under certain circumstances, such as in the event of a merger or consolidation, the conversion of a component security into another class of security, the termination of a depositary receipt program, or the spin-off of a subsidiary.⁴ If the security remains in the Index, the number of shares of the security may be adjusted to the nearest whole share to maintain the component's relative weight in the Index at the level immediately prior to the corporate action. In all cases, the divisor will be adjusted, if necessary, to ensure continuity of the value of the Index.

Prices for any non-U.S. traded stock included in the Index will be based upon prevailing prices for such stock(s) at their primary exchange(s). Primary and backup pricing sources will be used to obtain prices for such stocks. All non-U.S. traded stocks will be valued in U.S. dollars using each country's cross-rate to the U.S. dollar. Bloomberg's composite New York rates, or comparable rates, quoted at 2:00 p.m. Chicago time the previous day, will be used to convert any non-U.S. traded stock price from the respective countries

to U.S. dollars. If there are several quotes, the first quoted rate in that minute will be used to calculate the Index. In the event that there is no Bloomberg exchange rate for a country's currency at 2:00 p.m. the previous day, stocks will be valued at the first U.S. dollar cross-rate quoted before 2:00 p.m. Chicago time the previous day.

The value of the Index will be calculated and disseminated by CBOE every 15 seconds.

Index Warrant Trading (Exercise and Settlement). The warrants will be direct obligations of their issuer, subject to cash settlement in U.S. dollars and will be exercisable throughout their life (i.e., American-Style) or exercisable at expiration (i.e., European-Style). Upon exercise (or at the warrant expiration date in the case of warrants with European-Style exercise), the holder of a Warrant structured as a "put" will receive payment in U.S. dollars to the extent that the value of the Index has declined below a pre-stated cash settlement value. Conversely, upon exercise (or at the warrant expiration date in the case of warrants with European-Style exercise), the holder of a Warrant structured as a "call" will receive payment in U.S. dollars to the extent that the value of the Index has increased above the pre-stated cash settlement value. Warrants that are "out-of-the-money" at the time of expiration will expire worthless.

Warrant Listing Standards and Customer Safeguards. Sales practice rules applicable to the trading of index warrants are provided for in Exchange Rule 30.50 and to the extent provided by Rule 30.52 they are also contained in Chapter IX of the Exchange's Rules. Rule 30.50 governs, among other things, communications with the public. Rule 30.52 subjects the transaction of customer business in stock index warrants to many of the requirements of Chapter IX of the Exchange's rules dealing with public customer business, including suitability. For example, no member organization may accept an order from a customer to purchase a stock index warrant unless that customer's account has been approved for options transactions. The same suitability and use of discretion provisions that are applicable to transactions in options will be equally applicable to the warrants pursuant to CBOE rules. The listing and trading of index warrants on the Index will be subject to these guidelines and rules.

Other Applicable Exchange Rules. As previously stated, the CBOE represents that the Index will be categorized as narrow-based. As such, the generic

⁴No attempt will be made to find a replacement stock or to otherwise compensate for a stock which is extinguished due to bankruptcy or similar circumstances.

narrow-based standards regarding margin requirements provided for under Exchange Rules 30.53 and 12.3 will apply. The applicable generic narrow-based position and exercise limits will be determined pursuant to Exchange Rule 30.35.

2. Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act⁵ in general, and furthers the objectives of Section 6(b)(5)⁶ in particular, in that it will permit trading in warrants based on the Index pursuant to Exchange rules designed to prevent fraudulent and manipulative acts and practices, 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 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. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, and Amendment No. 1 thereto, is consistent with the Act. 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 number SR-CBOE-98-17 and should be submitted by June 3, 1998.

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. 34-39973; File No. SR-NYSE-98-12]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the New York Stock Exchange, Inc. Relating To Changes in Bond Listing Procedures and Practices

May 7, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 15, 1998, the New York Stock Exchange, Inc. ("NYSE" 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 NYSE. On April 30, 1998, the NYSE submitted to the Commission Amendment No. 1 to the proposed rule change.² 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 amend its Listed Company Manual to make certain changes regarding the listing requirements for debt securities and other debt security practices.

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 NYSE 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 NYSE 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 Exchange proposes to make certain changes to its rules, standards and procedures relating to debt securities. The changes are designed to facilitate the process for listing debt securities on the Exchange and to update certain rules and policies to conform to today's practices.

(a) *Interest Payments.* Paragraph 204.18 (Interest Payments) of the Listed Company Manual requires an issuer or its paying agent to notify the Exchange whenever it makes an interest payment. The obligation can be satisfied through the use of confirmation cards where that is appropriate. It also requires the issuer to notify the press and the Exchange whenever it does not meet its interest obligations. The Exchange proposes to delete the obligation to inform the Exchange of interest payments, whether by confirmation cards or otherwise.

Instead, the Exchange feels that reliance upon an issuer's obligation to report its failure to meet a payment obligation adequately protects the holders of debt securities. The Exchange is also proposing to add to the end of Paragraph 204.18 a cross-reference to 202.00, which reminds issuers that they are required to disclose material information (including the inability to meet payment obligations).

The Exchange believes that the issuer's obligation to report immediately to the press and the Exchange a failure to meet an interest payment or any unusual circumstance or condition relating to its ability to meet an interest payment makes the practice of mailing and collecting interest payment confirmation cards an administrative burden that is not necessary to the proper monitoring and surveillance of debt securities.

(b) *Multiple Facsimile Signatures.* Paragraph 501.06 (Bond Signatures) requires bonds to be executed, either manually or by facsimile machine, by two of the issuer's officers. Whether the issuer uses one facsimile signature (and one manual signature) or two facsimile signatures, the Exchange currently requires the issuer to submit an opinion

⁵ 15 U.S.C. 78f.

⁶ 15 U.S.C. 78f(b)(5).

⁷ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1).

² In Amendment No. 1, the Exchange made technical corrections to the proposed rule change and clarified the purpose of the proposal. See Letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Michael Walinskas, Deputy Associate Director, Division of Market Supervision, dated April 29, 1998 ("Amendment No. 1").