

are deemed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest. As a result, the CHX believes imposing the Withdrawal of Capital Rule on member firms for which the Exchange is not the DEA, if the member's DEA does not have a comparable rule, only fosters unnecessary and duplicative regulation.<sup>3</sup> The text of the proposed rule change is as follows:

Deletions are [bracketed].

## ARTICLE II

### Member Firms

#### Subordination of Claims

Rule 6. (a) No change in text.

(b) Withdrawal of Capital—The partnership articles of each member firm for which this Exchange is the Designated Examining Authority [or of a member firm subject to examination by another self-regulatory organization not having a comparable rule] shall contain provisions that without prior written approval of the Exchange the capital contribution of any partner may not be withdrawn on less than six months' written notice of withdrawal given no sooner than six months after such contribution was first made. Each member firm shall promptly notify the Exchange of the receipt of any notice of withdrawal of any part of a partner's capital contribution or if any withdrawal is not made because prohibited under the provisions of Securities and Exchange Commission Rule 15c3-1 (see 15c3-1(e)).

#### 2. Statutory Basis

The proposed rule change is consistent with Section 6 of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>5</sup> in particular, in that it is designed to perfect the mechanisms 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 Exchange does not believe that the proposed rule change will impose any burden on competition.

<sup>3</sup> The New York Stock Exchange and the American Stock Exchange have rules regarding withdrawal of capital. The other exchanges do not. Telephone conversations between Patricia L. Levy, General Counsel, CHX, and Katherine A. England, Assistant Director, Division of Market Regulation, Commission (July 17, 1998).

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

<sup>5</sup> 15 U.S.C. 78f(b)(5).

#### *(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**

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 Exchange 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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, SEC, 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 CHX. All submissions should refer to File No. SR-CHX-98-18 and should be submitted by August 25, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>6</sup> 17 CFR 200.30-3(a)(12).

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40270; File No. SR-CHX-98-19]

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by The Chicago Stock Exchange, Inc. Relating to the Qualification by Market Makers for Exempt Credit**

July 28, 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 July 2, 1998, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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 amend an interpretation to Article XXXIV, Rule 16 of the CHX Rules relating to registered market makers' eligibility to receive exempt credit.

#### **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 modify an interpretation regarding the use of exempt credit by market makers. Interpretation .01 to Article XXXIV, Rule 16 sets forth certain requirements that must be met for market makers to be eligible to receive exempt credit for financing their market maker transactions. One requirement for

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1994).

<sup>2</sup> 17 CFR 240.19b-4 (1997).

receiving exempt credit for a particular issue is that 50% of the quarterly share volume in that issue recorded in a market maker account must result from transactions consummated on the Exchange or sent from the Exchange floor for execution in another market via ITS.<sup>3</sup>

The Exchange seeks to include in the Interpretation the consequences for failing to meet the fifty percent requirement. The proposed rule change would suspend a market maker's eligibility to receive exempt credit in the calendar quarter immediately following the calendar quarter in which a violation occurred for all issues in which the fifty percent requirement was not met (a "non-qualifying issue").<sup>4</sup>

At the beginning of every calendar quarter, the Exchange will notify market makers who fail to meet the 50% test for a particular issue or issues during the previous quarter. Market makers who are so notified by the Exchange must notify their lender in writing, with a copy to the Exchange, within three trading days of receiving such notification from the Exchange, that they are not entitled to exempt credit for non-qualifying issues for the remainder of the current quarter. If the lender is unable to distinguish between issues or is unable to verify that exempt credit is not being granted in non-qualifying issues, such market makers must transfer, within three trading days of the date the lender receives notification, all non-qualifying issues in their V-account to an account not entitled to exempt credit and confirm with the Exchange that such action has been taken. Market makers who are not using exempt credit must notify the Exchange of such in writing within three trading days of receiving notification and ask their lender to verify the same with the Exchange.

Once an issue becomes a non-qualifying issue for a market maker, the issue will remain a non-qualifying issue for one calendar quarter. At the end of that quarter, the market maker would be permitted to seek exempt credit for the issue beginning the following quarter (assuming the market maker complies with all of the other requirements in interpretation .01). If the market maker again fails to meet the 50% requirement

for that issue, the issue will again become a non-qualifying issue.

A market maker the exhibits chronic non-compliance with the 50% threshold may be subject to disciplinary action by the Exchange. The text of the proposed rule change is as follows:

Additions are *italicized*; deletions [bracketed].

#### ARTICLE XXXIV

##### Registered Market Makers—Equity Floor Regulatory Status

RULE 16. No text change.

\* \* \* Interpretations and Policies:

##### .01 Utilization of Exempt Credit.

Exchange Members registered as equity market makers are members registered as specialists for purposes of the Securities Exchange Act of 1934 and as such are entitled to obtain exempt credit for financing their market maker transactions. Members and/or prospective members who are anticipating becoming registered as equity market makers as well as those clearing firms who are or will be carrying the accounts of market makers should be aware of the following interpretation relative to the use of such credit:

1. Only those transactions initiated on the Exchange Floor qualify as market maker transactions. This restriction prohibits the use of exempt credit where market maker orders are routed to the Floor from locations off the Floor.

2. Fifty per cent (50%) of the quarterly share volume in *each* [an] issue in a market maker account must result from transactions which are either consummated on the Exchange or sent from the Exchange Floor for execution in another market via ITS in order for the market maker to be entitled to exempt credit for such issue. *Members who do not meet this 50% volume threshold for a particular issue in a calendar quarter will not be entitled to exempt credit for such issue for the following calendar quarter.*

3. Only those positions which have been established as a direct result of bonafide equity market maker activity qualify for exempt credit treatment. This restriction precludes exempt credit financing based on an equity market maker registration for positions resulting from options exercises and assignments.

4. *Members who are notified by the Exchange that they are not entitled to exempt credit for a particular issue (because they failed to meet the 50% threshold for that issue in the previous calendar quarter as outlined in paragraph 2 above) must notify their lender in writing, within three trading*

*days of receiving such notification, that they are not entitled to exempt credit for those specific issues ("non-qualifying issues") both on existing positions and new transactions, for the remainder of the current calendar quarter. A copy of the notification letter sent to the lender must also be sent concurrently to the Exchange. If the lender is unable to distinguish between issues or verify that exempt credit is not being granted in non-qualifying issues, then, within three trading days of the date the lender receives notification, such Members must transfer, to a customer account or to an account not entitled to exempt credit, all non-qualifying issues in their V-account and confirm with the Exchange that such action has been taken. If such Members are not utilizing exempt credit, they must send the Exchange a letter to that effect, within three trading days of receiving notification that they are not entitled to exempt credit for a particular issue, and request their lender to verify the same with the Exchange.*

#### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act<sup>5</sup> 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 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

Within 35 days of the date 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 funding or (ii) as to which the Exchange consents, the Commission will:

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

<sup>5</sup> 15 U.S.C. 78f(b)(5).

<sup>3</sup> Securities Exchange Act Release No. 40016 (May 20, 1998), 63 FR 29276 (May 28, 1998) and Securities Exchange Act Release No. 40152, (July 1, 1998), 63 FR 37159 (July 9, 1998) (clarifying the prior approval order).

<sup>4</sup> In the event that a member registers as a market maker at any time during a calendar quarter, the fifty percent requirement would apply from the date of registration to the end of that quarter.

(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, 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. 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 CHX. All submissions should refer to File No. SR-CHX-98-19 and should be submitted by August 25, 1998.

For the Commission, the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SOCIAL SECURITY ADMINISTRATION

### Information Collection Activities

This notice lists information collection packages that will require submission to the Office of Management and Budget (OMB), as well as information collection packages submitted to OMB for clearance, in compliance with Pub. L. 104-13 effective October 1, 1995, The Paperwork Reduction Act of 1995.

#### Information Collection Activities: Proposed Collection Requests and Comment Requests

I. The information collection(s) listed below require(s) extension(s) of the current OMB approval(s) or are proposed new collection(s):

1. Manchaca Ruling Compliance Survey—0960-NEW. In accordance with the terms of the United States District

Court ruling on *MANCHACA et al. v. Chater*, the Social Security Administration (SSA) must inform social security and supplemental security income (SSI) applicants/recipients about benefits under the food stamp program and make available food stamp applications to these individuals. SSA is also required to complete food stamp applications for SSI applicants/recipients when all members of the individual's household are receiving SSI benefits. The terms of the settlement agreement include a provision that SSA is to conduct a study in the State of Texas, locus of the class action litigation, to determine the Agency's effectiveness in promoting the goals of joint processing and the extent of the Agency's compliance with food stamp procedures. As part of the study, SSA will survey a random sample of social security and SSI applicants/recipients to determine public understanding of SSA's role in the food stamp process. The study will determine the level of the respondent's awareness of food stamp processing in SSA field offices in Texas, and the degree to which field offices have complied with the food stamp application procedures. The information will be included in a report which will be provided to the Commissioner of SSA, the court and the plaintiffs.

*Number of Respondents:* 450.

*Frequency of Response:* 1.

*Average Burden Per Response:* 15 minutes.

*Estimated Annual Burden:* 112.5 hours.

2. Verification of Identity of Internet Requestors of Information from SSA Records—0960-NEW. SSA has established a process for verifying the identity of individual's who use the Internet to request information from SSA records. The electronic screens request specific information which will allow the public to establish their identity with SSA. These screens must be completed in order for the requestor to use certain Internet applications, such as a Request for a Personal Earnings and Benefit Estimate Statement, a Request for a Replacement Benefit Statement (SSA-1099/SSA-1042S), etc. SSA will use the information to verify the requester's identity by comparing it to the information already in SSA's records. The respondents are members of the public who request information from SSA through the Internet.

*Number of Respondents:* 540,000.

*Frequency of Response:* 1.

*Average Burden Per Response:* 3.5 minutes.

*Estimated Annual Burden:* 31,500 hours.

3. Electronic Request for Benefit Verification Information—SSA provides verification of benefits, when requested, to individuals receiving social security or SSI benefits. In order to provide to the public an easy and convenient means of requesting benefit information, SSA has developed an electronic request form which will allow persons to request the information through the Internet. The information collected on the electronic screens will be used by SSA to process the request for a benefit verification statement. To ensure appropriate confidentiality, the statement will be mailed to the recipient/beneficiary address shown in SSA's records. The respondents are social security or SSI recipient/beneficiaries who request benefit verification information using the Internet.

*Number of Respondents:* 133,920.

*Frequency of Response:* 1.

*Average Burden Per Response:* 1/2 minute.

*Estimated Annual Burden:* 1,116 hours.

4. Information Collections Conducted by State Disability Determination Services (DDS) on Behalf of SSA—0960-0555. The State DDS's collect certain information to administer SSA's disability program. The information collected is as follows: (1) Medical evidence requirements (MER)—DDSs use MER information to determine a person's physical and/or mental status prior to making a disability determination; (2) CE providers—DDSs use the CE provider information to verify a medical provider's credentials and license before hiring them to conduct consultative exams; (3) consultative exams (CE)—DDSs use CE information to make disability determinations when the claimant's own medical sources cannot or will not provide the information; DDSs use the information obtained from claimants under the CE process to obtain release of medical information to personal physicians and to confirm scheduled CE appointments; (4) activities of daily living—this information, together with medical evidence, are part of the evidentiary documentation used by the DDS's in evaluating a person's disability, and (5) pain information—this information is used by the DDSs to assess the effects of symptoms on functionality for determining disability. The respondents are medical providers and disability claimants.

<sup>6</sup> 17 CFR 200.30-3(a)(12).