

substitution of shares of Kemper Money Market Portfolio for shares of shares of Short-Term Bond Portfolio; (3) Southland Life seeks approval for the substitution of shares of Fidelity VIP Money Market Portfolio for shares of Short-Term Bond Portfolio; and (4) Western Reserve seeks approval for the substitution of shares of Janus Aspen Money Market Portfolio for shares of Short-Term Bond Portfolio.

2. Section 26(b) of the Act requires the depositor of a registered unit investment trust holding the securities of a single issuer to receive Commission approval before substituting the securities held by the trust. Section 26(b) also states that the Commission shall issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

3. Applicants state that each Insurance Company has reserved the right to substitute shares of another open-end management investment company in the Contracts and disclosed this reserved right in the prospectuses or statements of additional information for the Contracts.

4. Applicants note that, with regard to each of the proposed substitutions, the corresponding sub-accounts would become invested in substantially larger funds that those in which each sub-account is currently invested, and that the expenses of each of the Money Market Funds are lower than those of Short-Term Bond Portfolio, even with the current expense limitation in place for Short-Term Bond Portfolio. Applicants state, moreover, that the current expense limitation for Short-Term Bond Portfolio may be terminated upon 90 days' notice to the Trustees of JAS, and there is no assurance this arrangement will continue in the future.

5. Applicants also maintain that the Money Market Funds are an appropriate substitute investment vehicle with regard to Contract owner interests held in Short-Term Bond Portfolio. Short-Term Bond Portfolio was designed to serve as a short-term investment option for Contract owners who desire income and protection of all or portion of Contract values from risks associated with investments in an equity fund or longer term bond fund. Applicants represent that the Money Market Funds are entirely consistent with these objectives as they generally seek to provide the highest level of income consistent with preservation of principal. In light of this, Applicants believe Contract owners that have allocated values to Short-Term Bond Portfolio will find the Money Market Funds to be a suitable

alternative for purposes of short-term investments.

6. Applicants maintain that the purposes, terms and conditions of the substitutions are consistent with the principles and purposes of Section 26(b) and do not entail any of the abuses that Section 26(b) is designed to prevent. Applicants note that each of the Contracts provides each Contract owner with the right to exercise his or her own judgment and transfer account values into other allocation options. Moreover, each Contract will offer Contract owners the opportunity to transfer amounts out of the sub-account corresponding to Short-Term Bond Portfolio into any of the remaining sub-accounts without cost or other disadvantage.

Conclusion

Applicants submit that, for all of the reasons summarized above, the proposed substitutions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Jonathan Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40287; File No. SR-CBOE-98-26]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Quarterly Closing Rotations

July 31, 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 June 16, 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. 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 add an interpretation to Rule 6.2 to provide for a closing rotation in Exchange-traded

options on the last trading day of each calendar quarter. The text of the proposed rule change follows. (Italicizing indicates material to be added.)

Trading Rotations

Rule 6.2

No change.

* * * Interpretations and Policies:

.01-.04 No change.

.05A *closing rotation shall be employed for each series of options traded on the Exchange on the last business day of each calendar quarter. Unless otherwise directed by Floor Officials or the appropriate Floor Procedure Committee the only orders which may participate in the closing rotation are those that are received before the normal close of the trading day, i.e., generally 3:02 p.m. for equity and narrow-based index options and 3:15 p.m. for broad-based index options. The Exchange's Retail Automatic Execution System ("RAES") will not be available during the closing rotation. The appropriate Floor Procedure Committee may determine not to hold a closing rotation for a particular class of options for a calendar quarter, in which case prior notice will be provided to the Exchange's membership. The Order Book Official, with the approval of two Floor Officials, may deviate from the rotation policy or procedures for quarterly closing rotations as provided for in this Rule.*

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

1. Purpose

The CBOE is proposing to add Interpretation .05 under Rule 6.2 that would provide for a closing rotation to be held in options traded on the CBOE floor on the last trading day of each calendar quarter. Also, the Exchange is setting forth the procedures to be

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

followed in holding these closing rotations. As with other trading rotations that are provided for currently under Rule 6.2, the Order Book Official, with the approval of two Floor Officials, may deviate from these procedures in handling a closing rotation. In addition, the appropriate Floor Procedure Committee may determine not to hold a closing rotation for a particular class of options for a calendar quarter, in which case prior notice will be provided to the Exchange's membership.

The Exchange has noticed recently that on the last trading day of each calendar quarter there is increased order flow in Exchange-traded options and in the underlying securities, particularly at the end of that trading day. Many large money managers adjust their positions at the end of the calendar quarter because of tax considerations and reporting requirements. As a result of this activity in both the underlying and options markets at the end of the calendar quarter, the last sale print for many stocks is often delayed, sometimes much beyond the close of the options market. To account for late prints and increased order flow at the end of the day, the Exchange believes it is important to provide for a closing rotation in Exchange-traded options at the end of each calendar quarter. These rotations will allow Exchange members to adjust the options prices in line with the prices of the underlying securities; thus, avoiding potential capital and/or margin deficiencies for traders with hedged positions involving the options and the underlying securities. The closing rotation will also give investors and other interested parties more accurate closing prices for CBOE options on these high volume days. Although the Exchange has the authority now under Rule 6.2 to call for closing rotations any time the circumstances warrant, it determined to add this interpretation to the Rule so Floor Officials do not have to make the determination of whether to order a closing rotation each quarter in many different options classes. Also, by adding this Interpretation to its Rules it will give member firms and customers advance notice of the Exchange's intention of holding closing rotations on these four days each year so they can act accordingly.

For quarterly closing rotations, unless otherwise directed by Floor Officials or the appropriate Floor Procedures Committee, the only orders that may participate in the closing rotation are those that are received before the normal close of the trading day, i.e., generally 3:02 p.m. for equity and narrow-based index options and 3:15

p.m. or broad-based index options. The Exchange's Retail Automatic Execution System ("RAES")³ will not be available during the closing rotation.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b)(5) of the Act⁴ in that it is designed to promote just and equitable principles of trade 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 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 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, including whether the proposal 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 Exchange.

All submissions should refer to File No. SR-CBOE-98-26 and should be submitted by August 31, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40300; File No. SR-DTC-98-15]

Self-Regulatory Organizations; The Depository Trust Company; Notice of a Proposed Rule Change to Incorporate the Rules and Procedures of Participants Trust Company, To Increase the Size of the Board of Directors, and To Amend the Rules Regarding the Use of the Participants Fund

August 3, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 13, 1998, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") and on July 30, 1998, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

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

Under the proposed rule change, in connection with the proposed merger of Participants Trust Company ("PTC") and DTC,² DTC will incorporate the rules and procedures of PTC into its rules and procedures and will increase the size of its Board of Directors. DTC is also proposing to amend its rules

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

³ RAES is the Exchange's automatic execution system for small public customer market or marketable limit orders.

⁴ 15 U.S.C. 78f(b).

² For a description of the proposed merger, refer to Securities Exchange Act Release No. 40121 (June 24, 1998), 63 FR 35631 [File Nos. SR-DTC-98-12, SR-PTC-98-02] (notice of proposed rule change relating to proposed merger between DTC and PTC).