

In addition, reflecting the increased utilization of the Internet as a distribution channel, OPRA is proposing to reduce the monthly \$1,500 Redistribution Fee payable by redistributors of OPRA data to a monthly fee of \$600 payable by those redistributors who utilize the Internet as their exclusive means of redistribution. By lowering this fee, OPRA hopes to encourage new entrants into the business of offering an Internet-based options market data service, thereby increasing the availability of such data at lower cost.

OPRA is proposing to increase the monthly port charge payable by providers of a dialup market data service from \$50 to \$75 per port. OPRA is also proposing to replace the monthly fee of \$5.00 per port payable by providers of a synthetic voice service with the regular device-based professional subscriber fee, treating each port as a separate device for purposes of the fee. At the same time, OPRA is proposing to reduce the usage-based fees that may be elected as alternatives to both of these port-based fees as well as to the device-based radio paging service fee. This will result in all three usage-based fees declining from a flat rate of \$.02 per "quote packet" (consisting of any one or more of the last sale price, the bid/ask and related information for a single series of options) to a tiered rate, under which the fee will remain at \$.02 per quote packet for the first two million quote packets in a single month, will decline to \$.015 for each of the next two million quote packets in the same month, and will decline further to \$.01 for each quote packet in excess of four million in the same month. The increase in port-based fees reflects recent developments in computer technology that now permit a single port to serve a greater number of simultaneous inquiries than when these port-based fees were first established. The reduction in usage-based fees reflects OPRA's effort to encourage greater utilization of this type of fee, which in the long run, as improved technology continues to erode the traditional "port" concept, will provide the most reasonable way to allocate OPRA's charges to persons who make use of the services to which these fees apply. In addition to reducing the level of the three usage-based fees as described above, OPRA is also proposing to enlarge the category of "historical" information inquiries, which are not taken into account in calculating usage-based fees. Currently, information derived from a given trading day becomes "historical," and

thus no longer fee-liable, upon the opening of trading on the next succeeding trading day. As proposed to be revised, information would become "historical" for purposes of usage-based fees after the close of trading on the same day in which the information was derived.

To the extent the proposed fee revisions are anticipated to result in increased net revenues from information fees, OPRA is proposing them in response to actual and anticipated increases in the costs of collecting, processing, consolidating, and disseminating options last sale and bid/ask information. This, in turn, reflects the continued enhancement and enlargement of systems and equipment necessary to provide the greater capacity and enhanced reliability and security of the OPRA system occasioned by the continuing expansion of the listed options business.

## II. Solicitation of Comments

Pursuant to Rule 11Aa3-2(c)(3),<sup>4</sup> because the amendment is concerned solely with changing fees charged on behalf of OPRA, the amendment is effective upon filing with the Commission. The Commission may summarily abrogate the amendment within 60 days of its filing and require refiling and approval of the amendment by Commission order pursuant to Rule 11Aa3-2(c)(2),<sup>5</sup> if it appears to the Commission that such action is necessary or appropriate in the public interest; for the protection of investors and the maintenance of fair and orderly markets; to remove impediments to, and perfect the mechanisms of, a National Market System; or otherwise in furtherance of the purposes of the Exchange Act.

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed plan amendment 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, and all written statements with respect to the proposed plan amendment that are filed with the Commission, and all written communications relating to the proposed plan amendment between the Commission and any person, other than those 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. Copies of the filing will also be available at the principal offices of OPRA. All submissions should refer to File No. SR-OPRA-98-03 and should be submitted by January 12, 1999.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-33813 Filed 12-21-98; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40794; File No. SR-CBOE-98-49]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Related to Trading and Listing Options on the Dow Jones Equity REIT Index

December 15, 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 November 5, 1998 the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") a 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 amend certain of its rules to provide for the listing and trading of options on the Dow Jones Equity Real Estate Investment Trust Index ("Index"), a broad-based index. Options on the Index will be cash-settled and will have European-style exercise provisions. The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

<sup>6</sup> 17 CFR 200.30-3(a)(29).

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

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

<sup>4</sup> 17 CFR 240.11Aa3-2.

<sup>5</sup> 17 CFR 240.11Aa3-2(c)(2).

## 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

#### (a) Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled, European-style, A.M.-settled stock index options on the Dow Jones Equity Real Estate Investment Trust (REIT) Index. The Index is a capitalization-weighted index currently composed of 116 equity REITs.

**Index Design.** The Index has been designed to measure the performance of REITs that comprise 95% of the market capitalization of the equity REIT investable universe. The equity REIT investable universe includes equity REITs that are listed on the New York Stock Exchange ("NYSE"), the American Stock Exchange ("AMEX") and the NASDAQ National Market, and are subject to a screening process that: (1) eliminates REITs that have more than 10 no-trading days over the past quarter; (2) eliminates REITs that comprise the bottom 1% of the aggregate REIT market capitalization; and (3) eliminates REITs that comprise the bottom 0.01% of the average dollar-trading volume. All of the component REITs are "reported securities," as that term is defined in Rule 11Aa3-1 under the Act. The Index is a capitalization-weighted index with each REIT affecting the Index in proportion to its market capitalization. All but one REIT in the Index is eligible for options trading.

On October 20, 1998, the 116 equity REITs ranged in capitalization from \$207 million to \$6.13 billion. The largest REIT accounted for 5.08% of the total weighting of the Index, while the smallest accounted for 0.17%. The total capitalization of the REITs in the Index was \$120.4 billion. The average capitalization was \$1.04 billion, and the median capitalization was \$655 million.

As of October 20, 1998, the Index components represented eleven distinct

property classifications: office property (21.01%), apartments (19.31%), shopping centers (12.27%), hotels/restaurants (9.33%), regional malls (9.17%), diversified (8.56%), warehouses/industrial (7.53%), healthcare (5.35%), self-storage (4.99%), manufactured homes (1.65%) and outlet centers (0.83%). In addition, the Index components are diversified by geographical region, representing real estate investments throughout much of the United States.

**Calculation.** The methodology used to calculate the value of the Index is similar to the methodology used to calculate the value of other well-known broad-based indices. The level of the Index reflects the total market value of the component REITs relative to a particular base period. The Index base date is January 2, 1990, when the Index value was set to 100. The Index had a closing value of 131.44 on October 19, 1998. The daily calculation of the Index is computed by dividing the total market value of the companies in the Index by the Index divisor. The divisor keeps the Index comparable over time and is adjusted periodically to maintain the Index. The values of the Index will be calculated by Dow Jones or its designee and disseminated at 15-second intervals during regular CBOE trading hours to market information vendors via the Options Price Reporting Authority ("OPRA").

**Maintenance.** Dow Jones or its designee is responsible for the maintenance of the Index. Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends (other than an ordinary cash dividend), and stock price adjustments due to company restructuring or spin-offs. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the Index. Other corporate actions, such as share issuances or component changes, may change the market value of the Index and require an index divisor adjustment as well.

The Index is reviewed on a quarterly basis by adding or deleting REITs using end-of-quarter market capitalization values. If any component REIT fails to meet the targeted threshold or the investable universe cutoff rules, it will be deleted from the Index. Non-component REITs that become eligible for inclusion are added, largest to smallest, until the 95% threshold is attained. In order to preserve the continuity of the Index, the actual threshold may be slightly higher or

lower than the targeted 95%. An annual review is performed to update any changes in an issue's investment structure and/or property type. As a result of these periodic reviews, over time the number of component securities in the Index may change. The Exchange will notify the Commission if the number of securities in the Index drops by 40 or more.

In addition, the Exchange will notify the Commission if any of the following occurs: 10% or more of the weight of the Index is represented by REITs having a market value less than \$75 million; less than 80% of the Index is represented by component REITs that are eligible for options trading; 10% or more of the weight of the Index is represented by component REITs trading less than 20,000 shares per day; the largest component REIT accounts for more than 15% of the weight of the Index or the largest five components in the aggregate account for more than 50% of the weight of the Index.

**Index Option Trading.** In addition to regular Index options, the Exchange may provide for the listing of long-term index option series ("LEAPs") and reduced-value LEAPs on the Index. For reduced-value LEAPs, the underlying value would be computed at one-tenth of the Index level. The current and closing index value of any such reduced-value LEAP will, after such initial computation, be rounded to the nearest one-hundredth.

Strike prices will be set to bracket the Index in 2½ point increments for strikes below 200 and 5 point increments above 200. The minimum tick size for series trading below \$3 will be ¼th and for series above \$3 the minimum tick will be ⅛th. The trading hours for options on the Index will be from 8:30 a.m. to 3:02 p.m. (Chicago time).

**Exercise and Settlement.** The proposed options on the Index will expire on the Saturday following the third Friday of the expiration month. Trading in the expiring contract month will normally cease at 3:02 p.m. (Chicago time) on the business day preceding the last day of trading in the component securities of the Index (ordinarily the Thursday before expiration Saturday, unless there is an intervening holiday). The exercise settlement value of the Index at option expiration will be calculated by Dow Jones or its designee based on the opening prices of the component securities on the business day prior to expiration. If a REIT fails to open for trading, the last available price of the REIT will be used in the calculation of the Index, as is done for currently listed indexes. When the last trading day is

moved because of Exchange holidays (such as when the CBOE is closed on the Friday before expiration), the last trading day for expiring options will be Wednesday and the exercise settlement value of Index options at expiration will be determined at the opening of regular Thursday trading.

**Surveillance.** The Exchange will use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading on options and LEAPs on the Index. For surveillance purposes, the Exchange will complete access to information regarding activity in the under securities.

**Position Limits.** The Exchange proposes to establish position limits for options on the Index at 250,000 contracts on either side of the market. These limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices.

**Exchange Rules Applicable.** As modified herein, the Rules in Chapter XXIV will be applicable to the Index options. Broad-based margin rules will apply to the Index. In addition, the Index will have a broad-based index hedge exemption of 625,000 contracts.

**Disclaimer Language.** CBOE is proposing to amend Rule 24.14 in order to include specific reference to Dow Jones & Company, Inc., as being entitled to the benefit of the disclaimer of liability in respect of the Index. CBOE believes it has the necessary systems capacity to support new series that would result from the introduction of the Index options. CBOE also has been assured that the OPRA also has the capacity to support the new series.

#### (b) Basis

The proposed rule change is consistent with Section 6(b) of the Act<sup>3</sup> in general and furthers the objectives of Section 6(b)(5)<sup>4</sup> in particular in that it will permit trading in options based on the Dow Jones Equity REIT Index pursuant to rules designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and thereby will provide investors with the ability to invest in options based on an additional index.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

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. Date 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 self-regulatory organization 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, 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 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. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. SR-CBOE-98-49 and should be submitted by January 12, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

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

[FR Doc. 98-33815 Filed 12-21-98; 8:45 am]

**BILLING CODE 8010-01-M**

#### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40786; File No. SR-CBOE-98-98-51]

#### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Inc., To Enhance the Exchange's Order Routing System**

December 14, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4(e)(6) thereunder,<sup>2</sup> notice is hereby given that on November 13, 1998,<sup>3</sup> the Chicago Board Options Exchange, Inc. ("CBOE") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, and II, and III below, which Items have been prepared by 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**

CBOE is proposing to allow firm and broker-dealer orders to be routed to the Public Automated Routing ("PAR") workstations across the floor. 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, CBOE included statements concerning the propose 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. CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

<sup>2</sup> 17 CFR 240.19b-4(e)(6).

<sup>3</sup> On December 11, 1998, the CBOE submitted Amendment No. 1 to the proposed rule change, which clarifies certain defined terms in the notice and makes certain textual changes. See letter from Timothy Thompson, Director, Regulatory Affairs, CBOE, to Anita Cassas, Attorney, Division of Market Regulation, Commission, dated December 11, 1998.

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> 17 CFR 200.30-3(a)(12).