

member is not otherwise required to report its short stock positions to either the National Association of Securities Dealers, Inc. (the "NASD") or to a stock exchange as a result of being a member of such organization. The short stock positions would be required to be furnished to either a stock exchange or to the NASD, as the Exchange may designate. The form, manner, and time of such report shall be specified by the appropriate exchange or the NASD.

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 self-regulatory organization 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 self-regulatory organization 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 assure that all broker-dealers who clear stock report their short stock positions to the appropriate regulatory authority, whether it be the NASD or an exchange on which the security is listed or of which the broker-dealer is a member. Reports of short stock interest are an important tool of regulators in monitoring activity in stocks and in detecting possible cases of insider trading or manipulation. Further, some members' customers use the publicly reported short interest information when making investment decisions.

Although the CBOE does not list or trade stock, it is the DEA for at least one member who clears stock transactions. Under current rules of the other self-regulatory organizations, the member is not required to report its short stock positions.² Consequently, in an effort to assure that no broker-dealer can avoid the responsibility to report short stock

interest, the CBOE is adding interpretation .02 to its Rule 15.1, Maintenance, Retention and Furnishing of Books, Records and Other Information. This interpretation would require members for which the CBOE is the DEA to report short stock positions to either a stock exchange or to the NASD, as the CBOE may designate. The specifics of the reporting would be dictated by the entity to which the report would be sent. Because the CBOE does not have as great an interest in reviewing the short stock data as the exchange on which the stock is listed and because there is currently only one member who would be required to report its short stock positions under this interpretation, the CBOE believes it is more practical to have another self-regulatory organization receive the short interest report.

The CBOE will enter into an agreement with any self-regulatory organization that is to receive a short interest report of our member, specifying that entity's agreement to receive this report. That organization will then use the data, along with the short interest data it receives from its members, for appropriate regulatory purposes.

2. Statutory Basis

The CBOE believes that the proposed rule change is consistent with Section 6 of the Act in general and Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote fair and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed rule change provides for the public disclosure and dissemination of short interest data which is not currently disclosed, thereby augmenting market transparency for the subject securities and enabling investors to make more informed investment decisions. As mentioned above, the proposed rule also assists regulatory efforts in discovering manipulation.

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

No written comments were solicited or received with respect to the proposed rule change.

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 the 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. 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 at 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 the CBOE. All submissions should refer to File No. SR-CBOE-94-55 and should be submitted by February 10, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

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² CBOE is the DEA for Gill and Co. which is not a member of the NASD or the New York Stock Exchange, both of which have comprehensive short stock reporting rules. Gill and Co. clears stock transactions at the Midwest Clearing Corporation.