

text of the plan or amendment to the Secretary of the Commission, together with a statement of the purpose of such plan or amendment and, to the extent applicable, the documents and information required by Rule 11Aa3-2(b)(4) and (5). These record keeping requirements assist in Commission with monitoring SROs, national market system plans, and ensuring compliance with the rule.

There are nine SROs which are members of the Intermarket Trading System ("ITS"), the Consolidated Tape Association ("CTA"), the Consolidated Quote System ("CQS"), the Nasdaq Stock Market, Inc., ("Nasdaq"), or the Options Price Reporting Association ("OPRA"). Only ITS, CTA, CQS, Nasdaq, or OPRA submit filings pursuant to Rule 11Aa3-2 and only after an agreement is reached among member SROs. The staff estimates that there will be approximately six filings pursuant to Rule 11Aa3-2 is 33 annually. The total burden is approximately 20 hours annually, based upon past submissions. The average cost per hour is approximately \$50. Therefore, the total cost of compliance for SROs is \$10,000.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549.

Dated: December 7, 1997.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 98-42 Filed 1-2-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Extension:
Form SE, SEC File No. 270-289, OMB Control No. 3235-0327
Form ID, SEC File No. 270-291, OMB Control No. 3235-0328
Form ET, SEC File No. 270-290, OMB Control No. 3235-0329
Form TH, SEC File No. 270-377, OMB Control No. 3235-0425

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) the Securities and Exchange Commission ("Commission") is soliciting comments on the collections of information summarized below. The Commission plans to submit these existing collections of information to the Office of Management and Budget for extension and approval.

Form SE is used by registrants filing electronically on EDGAR to submit paper copies of exhibits to the Commission in order to identify them. Form SE results in an estimated total annual reporting burden of 200 hours.

Form ID is used by electronic filers to obtain or change an identification number. For ID results in an estimated total annual reporting burden of 1,050 hours.

Form ET is used by electronic filers to submit a filing to the Commission on magnetic tape or diskette. Form ET results in an estimated total annual reporting burden of 30 hours.

Form TH is used by electronic filers to file electronic documents in paper pursuant to a temporary hardship exemption. Form TH results in an estimated total annual reporting burden of 66 hours.

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given

to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, N.W. Washington, DC 20549.

Dated: December 23, 1997.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 98-47 Filed 1-2-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39489; File No. SR-CBOE-97-11]

Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1, 2, 3, and 4 to Proposed Rule Change To Increase OEX Position and Exercise Limits, To Increase OEX Firm Facilitation Exemption, and To Increase OEX Index Hedge Exemption

December 24, 1997.

I. Introduction

On February 26, 1997, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Exchange Rule 24.4 to increase the position and exercise limits for options on the Standard & Poor's ("S&P") 100 Stock Index ("OEX"), to increase the OEX firm facilitation exemption, and to increase the OEX index hedge exemption.

The proposed rule change appeared in the **Federal Register** on April 24, 1997.³ No comments were received on the proposal. On August 13, 1997, the CBOE submitted Amendment No. 1 to the proposed rule change.⁴ Amendment No.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 38525 (April 18, 1997) 62 FR 20046.

⁴ See Letter from Timothy Thompson, Senior Attorney, CBOE, to Sharon Lawson, Division of Market Regulation ("Division"), Commission, dated August 7, 1997 ("Amendment No. 1"). In Amendment No. 1, the CBOE proposes to: (1) clarify several aspects of the proposal; (2) amend Interpretation .03 to Rule 24.4 to provide the Exchange with greater flexibility in collecting

2 was submitted by the CBOE on November 18, 1997.⁵ On November 25, 1997, the CBOE submitted Amendment No. 3 to the proposed rule change.⁶ Amendment No. 4 was submitted by the CBOE on December 23, 1997.⁷ This order approves the CBOE's proposal. Also, Amendment Nos. 1, 2, 3, and 4 are approved on an accelerated basis.

II. Description of the Proposal

The CBOE proposes a number of revisions to Exchange Rule 24.4, the position limit rule for broad-based index options. Member firms have expressed to the CBOE their need for relief from the current OEX position and exercise limits, which, prior to the split of the underlying Index,⁸ had not increased since 1987.⁹ At that time, position limits were increased to 25,000 contracts with no more than 15,000 contracts in the near term series. As a result of the split of the underlying Index, position and exercise limits were doubled to 50,000 and 30,000 contracts, respectively, to permit market participants to maintain their existing level of investment in OEX options.¹⁰ For the reasons discussed below, the Exchange is proposing that the OEX position limits be raised to 150,000 contracts with no more than 100,000 contracts in the near term series.¹¹

Although OEX volume is less now than it was in 1987, according to the CBOE, OEX still enjoys larger average daily trading volume than any other index option and open interest has remained consistently high.¹² In addition, the Exchange believes that a significant reason why volume has declined in OEX in the last couple of years is because large customers and member firms have been unable to complete large volume transactions in OEX due to position limit constraints.

TABLE 1.—AVERAGE DAILY VOLUME DURING EXPIRATION WEEK AND OPEN INTEREST ON EXPIRATION FRIDAY

Month/year	OEX (Volume/open interest)
September 1992.	377,554 contracts/1 million.
September 1993.	332,467 contracts/1 million.
September 1994.	423,589 contracts/1.3 million.
March 1995.	521,891 contracts/1.4 million.
December 1995.	301,118 contracts/1.23 million.
July 1996	479,577 contracts/1.08 million.
December 1996.	314,949 contracts/1.2 million.

Institutions often use index-related derivative products to hedge the risks associated with holding diversified equity portfolios. Because of position limit concerns, the Exchange believes that many of these customers and firms use financially-equivalent index futures products to the competitive disadvantage of the options exchanges. The Exchange believes that restrictive position limits have hampered the ability of customers to utilize these options to their potential. The Exchange also believes the increase will afford the investing public, as well as CBOE members and member firms, a greater opportunity and more flexibility to use OEX options for their hedging needs.

At the same time, the CBOE does not believe that the higher limit will increase any potential for market disruption. Even with the increase, the at limit position as a percentage of the capitalization of the OEX will remain small.¹³ In addition, the Exchange notes that a number of equity options have a position limit of 25,000 contracts but have significantly less average trading volume than the OEX.

TABLE 2.—PERCENTAGE OF CAPITALIZATION REPRESENTED BY AN AT LIMIT POSITION

Position limit	Market value (650 index level)	OEX Capitalization (as of July 1996)	At limit position as a percentage of capitalization
15,000 contracts	\$975,000,000	2.1 trillion	0.046
25,000 contracts	1,625,000,000	2.1 trillion	0.077
50,000 contracts	3,250,000,000	2.1 trillion	0.15
75,000 contracts	4,875,000,000	2.1 trillion	0.23

hedging information relating to OEX, S&P 500 Index Option ("SPX") or any current or future index products; and (3) delete Interpretation .04 to Rule 24.4 relating to additional margin requirements.

⁵ See Letter from Timothy Thompson, Senior Attorney, CBOE, to Sharon Lawson, Division, Commission, dated November 14, 1997 ("Amendment No. 2"). In Amendment No. 2, the CBOE proposes to add a new Interpretation .04 to Rule 24.4, which consists of a slightly revised version of Interpretation .04 that the Exchange has proposed to delete in Amendment No. 1. Amendment No. 2 also revises the OEX reporting requirement procedures to reflect the requested increase in the standard OEX position limit to 150,000 contracts. See File Nos. SR-CBOE-97-11 and SR-CBOE-97-48.

⁶ See Letter from Patricia L. Cerny, Director, Department of Market Regulation, CBOE, to Sharon Lawson, Division, Commission, dated November 21, 1997 ("Amendment No. 3"). In Amendment No.

3, the CBOE proposes to double the requested increases in OEX position and exercise limits to 150,000 and 100,000 contracts, respectively, to reflect the Commission's recent approval of the CBOE's request to double the OEX position and exercise limits in connection with the split of the underlying Index. See Securities Exchange Act Release No. 39338 (November 19, 1997) (order approving File No. SR-CBOE-97-48).

⁷ See Letter from Timothy H. Thompson, Senior Attorney, CBOE, to Debbie Flynn, Division, Commission, dated December 17, 1997 ("Amendment No. 4"). In Amendment No. 4, the CBOE proposes to amend Interpretation .03 to Rule 24.4 by increasing to 65,000 contracts the "trigger" for OEX reporting requirements to correspond to the 65,000 trigger for margin requirements of Interpretation .04 to Rule 24.4 proposed in Amendment No. 2. The CBOE also proposes to add a sentence to Interpretation .03 to clarify that the Exchange may specify other index options subject

to the reporting requirements set forth in Interpretation .03 to Rule 24.4.

⁸ See *supra* note 6.

⁹ See Securities Exchange Act Release No. 24556 (June 5, 1987) 52 FR 22695 (June 15, 1987) (approval order increasing the position limits on the OEX from 15,000 contracts to 25,000 contracts) (File Nos. SR-CBOE-85-25 and SR-CBOE-87-26).

¹⁰ See *supra* note 6.

¹¹ The Exchange's original filing requested increases in position and exercise limits to 75,000 and 50,000 contracts, respectively. In Amendment No. 3, the CBOE amended its earlier proposal to reflect the Commission's recent approval of the CBOE's request to double OEX exercise and position limits in connection with the splitting of the Index underlying OEX options. See *supra* note 6.

¹² See Table 1.

¹³ See Table 2.

As a result of changing the base limit, the OEX firm facilitation exemption amount will change as well.¹⁴ Currently, according to Interpretation .06 of Exchange Rule 4.11, the firm facilitation exemption for a broad-based index (other than SPX) is two times the standard limit. Therefore, the OEX firm facilitation exemption will be 300,000 contracts if the OEX base limit proposal is approved.

The Exchange also proposes to increase the OEX index hedge exemption from 150,000 contracts¹⁵ to 300,000 contracts. The index hedge exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations, and policies. The index hedge exemption is applicable to the unhedged value of the qualified portfolio as determined by the calculation set forth in Interpretation .01 of Exchange Rule 24.4. The Exchange believes that, as with the increase in the base limit, the increase in the index hedge exemption will make OEX a more valuable tool for investors to hedge their portfolios.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of Section 6(b) of the Act¹⁶ and the rules and regulations thereunder applicable to a national securities exchange.¹⁷ Specifically, because the increased OEX index option standard limit and exemptions will enhance the depth and liquidity of the market for both members and investors in general, the Commission believes that this rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act¹⁸ in that it would remove impediments to and perfect the mechanism of a free and open market in a manner consistent with the protection of investors and the public interest.

¹⁴ Under the firm facilitation exemption, a member firm may apply to the CBOE to receive and maintain for its proprietary account an exemption from the applicable standard position limit in non-multiply-listed Exchange options for the purpose of facilitating, pursuant to the provisions of Exchange Rule 6.74(b), (a) orders for its own customer (one that will have the resulting position carried with the firm) or (b) orders received from or on behalf of a customer for execution only against the member firm's proprietary account.

¹⁵ The index hedge exemption for OEX options were doubled from 75,000 contracts to 150,000 contracts in connection with the recent reduction in value of the underlying Index. See *supra* note 6.

¹⁶ 15 U.S.C. 78f(b).

¹⁷ In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁸ 15 U.S.C. 78f(b)(5).

A. Increase OEX Position and Exercise Limits

Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise. These rules are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position. In particular, position and exercise limits are designed to minimize the potential for mini-manipulations¹⁹ and for corners or squeezes of the underlying market. In addition, such limits serve to reduce the possibility for disruption of the options market itself, especially in illiquid options classes.

The Commission has been careful to balance two competing concerns when considering an Exchange's position and exercise limits. First, the Commission has recognized that the limits must be sufficiently low to prevent investors from disrupting the underlying cash market. Second, at the same time, the Commission has realized that limits must not be established at levels that are so low as to discourage participation in the options market by institutions and other investors with substantial hedging needs or to prevent specialists and market-makers from adequately meeting their obligations to maintain a fair and orderly market.²⁰

The Commission believes that the proposed increase in OEX position limits to 150,000 contracts will expand the depth and liquidity of the OEX market without significantly increasing concerns regarding intermarket manipulations or disruptions of the options or the underlying securities. As previously noted by the Commission, markets with active and deep trading interest, as well as with broad public ownership, are more difficult to manipulate or disrupt than less active and deep markets with smaller public floats. In this regard, the OEX is a broad-based, capitalization-weighted index consisting of 100 actively-traded and liquid stocks.

Moreover, the CBOE has adopted important safeguards that will allow it to monitor large unhedged positions (those in excess of 65,000 contracts) in order to identify instances of potential

¹⁹ Mini-manipulation is an attempt to influence, over a relatively small range, the price movement in a stock to benefit a previously-established derivatives position.

²⁰ See H.R. Rep. No. IFC-3, 96th Cong., 1st Sess. at 189-91 (Comm. Print 1978).

risk²¹ and to assess additional margin or capital charges against the clearing firm, if necessary.²² In this regard, the CBOE states that in the event of a large unhedged, potentially risky position, the Exchange will notify the clearing firm and assess the circumstances of the transactions, along with the firm's view of the exposure of the account, whether the account is approved and suitable for the strategies used, and whether additional margin has been collected. The monitoring of unhedged or underhedged accounts in excess of 65,000 contracts in this manner should provide the CBOE with the information necessary to determine whether additional margin or capital charges should be imposed in light of the risks associated with a large underhedged OEX option position in accordance with Interpretation .04 to Exchange Rule 24.4.

Accordingly, given the size and breadth of the OEX, along with the new reporting requirement set forth in Interpretation .03 to Exchange Rule 24.4 and the new margin and clearing firm requirements set forth in Interpretation .04 to Exchange Rule 24.4, the Commission believes that increasing the

²¹ Pursuant to Interpretation .03 to Exchange Rule 24.4, each member or member organization, other than an Exchange market-maker, that maintains a position in excess of 65,000 option contracts in OEX on the same-side of the market on behalf of its own account or for the account of a customer will report information as to whether those positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form required by the Exchange's Department of Market Regulation. See Amendment No. 4, *supra* note 7.

The Commission notes that Amendment No. 4 also proposes to clarify that the Exchange may specify other index options that may be subject to the reporting requirements of Interpretation .03 to Rule 24.4, as well as the limit at which the reporting requirements may be triggered. The proposed language refers to those index options previously approved by the Commission for which no specific reporting requirements have been established and required by the Commission. See Telephone conversation between Timothy Thompson, Senior Attorney, CBOE, and Deborah Flynn, Attorney, Division, Commission, on December 23, 1997. The Commission notes that proposed reporting requirements for any new or existing index options for which the Exchange desires large position limits would be submitted for Commission approval pursuant to the requirements of Rule 19(b).

²² Under Interpretation 0.04 to Exchange Rule 24.4, whenever the Exchange determines that additional margin is warranted in light of the risks associated with an under-hedged SPX option position in excess of 45,000 contracts, or an under-hedged OEX option position in excess of 65,000 contracts, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, or the clearing firm carrying the account will be subject to capital charges to the extent of any margin deficiency resulting from the higher margin requirement. The Commission notes that Amendment No. 1 proposed to delete Interpretation .04, which was revised and reinstated in Amendment No. 2. See Amendment Nos. 1 and 2, *supra* notes 4-5.

OEX position limits to 150,000 contracts should not increase any manipulative concerns. Finally, the Exchange's surveillance program will continue to be applicable to the trading of OEX options and should detect and deter potential trading abuses arising from the increased position and exercise limits.

B. Increase OEX Firm Facilitation Exemption

The Commission believes that the proposed increase of the OEX firm facilitation exemption from 100,000 contracts to 300,000 contracts²³ will accommodate the needs of investors as well as market participants without substantially increasing concerns regarding the potential for manipulation and other trading abuses.²⁴ The Commission also believes that the proposed rule change will further enhance the potential depth and liquidity of the options market as well as the underlying markets by providing Exchange members greater flexibility in executing large customer orders.

The CBOE's existing safeguards that apply to the current facilitation exemption will continue to serve to minimize any potential disruption or manipulation concerns. First, the facilitation firm must receive approval from the Exchange's Exemption Committee prior to executing facilitating trades.²⁵ Second, a facilitation firm must, within five business days after the execution of a facilitation exemption order, hedge all exempt options positions that have not previously been liquidated, and furnish to the Exchange's Department of Market Regulation documentation reflecting the resulting hedging positions.²⁶ In meeting this requirement, the facilitation firm must liquidate and establish its customer's and its own options and stock positions or their equivalent in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes.²⁷ In addition, a facilitation firm is not permitted to use the facilitation exemption for the purpose of engaging in index arbitrage.²⁸ The Commission believes that these requirements will

help to ensure that the facilitation exemption will not have an undue market impact on the OEX options or on any underlying stock positions. Third, the facilitation firm is required to promptly provide to the Exchange any information or documents requested concerning the exempted options positions and the positions hedging them, as well as to notify promptly the Exchange of any material change in the exempted options position or the hedge.²⁹ Fourth, neither the member's nor the customer's order may be contingent on "all or none" or "fill or kill" instructions, and the orders may not be executed until Exchange Rule 6.74(b) (crossing order) procedures have been satisfied and crowd members have been given a reasonable time to participate in the trade.³⁰ Fifth, the facilitation firm may not increase the exempted option position once it is closed, unless approval from the CBOE is again received pursuant to a reapplication.³¹ Lastly, violation of any of these provisions, absent reasonable justification or excuse, will result in the withdrawal of the facilitation exemption and may form the basis for subsequent denial of an application for a facilitation exemption.³²

In summary, the Commission continues to believe that the safeguards built into the facilitation exemptive process will serve to minimize the potential for disruption and manipulation concerns, while at the same time benefiting market participants by allowing member firms greater flexibility to facilitate large customer orders. The Commission also believes that the CBOE has adequate surveillance procedures to surveil for compliance with the rule's requirements. Based on these reasons, the Commission believes that it is appropriate to increase the OEX firm facilitation exemption to 300,000 contracts.

C. Increase OEX Index Hedge Exemption

The Commission believes that the proposed increase of the OEX index hedge exemption from 150,000 contracts to 300,000 contracts is consistent with the Commission's approach to position and exercise limits and adequately balances the benefits derived from increased limits against concerns regarding the potential for market

disruptions and manipulations.³³ Specifically, because any OEX options position in excess of the outstanding OEX position limit must be fully hedged in conformity with one of the enumerated hedge positions,³⁴ market disruption concerns are reduced. Moreover, to the extent that an OEX options position is hedged with a qualified stock portfolio, it should be more difficult to profit from any intermarket manipulation. The Commission also notes that the rule will continue to require that the underlying options positions cannot exceed the unhedged value of the qualified portfolio. Accordingly, the Commission does not believe that the proposed increase of the index hedge exemption for OEX options will disrupt the options or equity markets or materially increase the possibility of manipulation in the underlying securities or options.

The CBOE's existing safeguards that apply to the current OEX index hedge exemption will continue to serve to minimize any potential disruption or manipulation concerns. The Commission notes that these safeguards and procedures will apply to the OEX index hedge exemption as well as to all other broad-based index hedge exemptions permitted under CBOE rules. First, the account in which exempted option positions are held must receive prior Exchange approval for the hedge exemption as well as specify the maximum number of contracts which may be exempt.³⁵ In addition, the hedge exemption account must promptly provide to the CBOE any information requested concerning the qualified portfolio, as well as promptly notify the Exchange of any material change in the qualified portfolio which materially affects the unhedged value of the qualified portfolio.³⁶

Second, positions included in a qualified portfolio which serve to secure an index hedge exemption may not also be used to secure any other position limit exemption granted by the Exchange, any other SRO, or any futures contract market.³⁷

Third, any member or member organization that maintains a broad-based index option position in such member's or member organization's own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, must promptly take the action necessary to

²³ Pursuant to the CBOE's rules, the firm facilitation exemption for a broad-based index (other than SPX) is two times the standard limit. See Interpretation .06(a) to Exchange Rule 4.11.

²⁴ The Commission notes that the OEX firm facilitation exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations, and policies.

²⁵ See Interpretation .06(a) to Exchange Rule 4.11.

²⁶ See Interpretation .06(d) to Exchange Rule 4.11.

²⁷ See Interpretation .06(e)(1) to Exchange Rule 4.11.

²⁸ *Id.*

²⁹ See Interpretations .06(b) and .06(e)(2) to Exchange Rule 4.11.

³⁰ See Interpretations .06(c)(1) and .06(c)(2) to Exchange Rule 4.11.

³¹ See Interpretation .06(e)(3) to Exchange Rule 4.11.

³² See Interpretation .06(f) to Exchange Rule 4.11.

³³ See Interpretation .01 to Exchange Rule 24.4.

³⁴ See Interpretation .01(f) to Exchange Rule 24.4.

³⁵ See Interpretation .01(a) to Exchange Rule 24.4.

³⁶ See Interpretations .02(a) and .01(g)(3) to Exchange Rule 24.4.

³⁷ See Interpretation .02(b) to Exchange Rule 24.4.

bring the position into compliance.³⁸ Failure to abide by this provision will be deemed to be a violation of Exchange Rules 4.11 and 24.4.³⁹

Lastly, violation of any of the provisions of Exchange Rule 24.4 and the interpretations and policies thereunder, absent reasonable justification or excuse, will result in the withdrawal of the index hedge exemption and may form the basis for subsequent denial of an application for an index hedge exemption.⁴⁰

Accordingly, the Commission continues to believe that the safeguards built into the index hedge exemptive process will serve to minimize the potential for disruption and manipulation, while at the same time benefiting market participants. The Commission also believes that the CBOE's surveillance procedures are sufficient to detect and deter trading abuses arising from the increased position and exercise limits associated with the increased index hedge exemption. Based on these reasons, the Commission believes that it is appropriate to increase OEX index hedge exemption to 300,000 contracts.⁴¹

The Commission finds good cause for approving proposed Amendment Nos. 1, 2, 3, and 4 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. The Commission notes that Amendment No. 1 further clarifies the rationale underlying the Exchange's filing seeking increases in the OEX position and exercise limits. Amendment No. 1 also provides updated reporting requirements submitted at the request of Commission staff. With the exception of the proposed deletion of Interpretation .04 to Exchange Rule 24.4, the Commission believes that Amendment No. 1 raises no new regulatory issues. Regarding Interpretation .04 to

Exchange Rule 24.4, the Commission notes that Amendment No. 2 restores this provision, in a slightly revised form, to the CBOE's rules. As Amendment No. 2 merely reinstates this provision and updates the CBOE's reporting requirements to reflect the CBOE's request to double the OEX position and exercise limits in connection with the "split" of the underlying Index, the Commission believes that Amendment No. 2 raises no issues of regulatory concern. The Commission notes that Amendment No. 3 simply modifies the OEX position and exercise limits sought by the CBOE to reflect the Commission's recent approval of the Exchange's "split" of the underlying Index.⁴² The Commission further notes that by increasing the "trigger" for reporting requirements from 45,000 contracts to 65,000 contracts, Amendment No. 4 merely provides consistency with the reporting requirement procedures and the margin requirement trigger level proposed in Amendment No. 2. Finally, the Commission notes that no comments were received on the publication of the original proposal and the increases being approved herein are equivalent on a dollar basis to those originally proposed. Accordingly, the Commission believes that there is good cause, consistent with Section 6(b)(5) of the Act,⁴³ to approve Amendment Nos. 1, 2, 3, and 4 to CBOE's proposed rule change on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 1, 2, 3, and 4. 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 the CBOE. All submissions

should refer to File No. SR-CBOE-97-11 and should be submitted by January 26, 1998.

V. Conclusion

For the foregoing reasons, the Commission finds that the CBOE's proposal, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁴⁴ that the proposed rule change (SR-CBOE-97-11), including Amendment Nos. 1, 2, 3, and 4, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴⁵

Jonathan G. Katz,
Secretary.

[FR Doc. 98-45 Filed 1-2-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39488; File No. SR-MSRB-97-11]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating To Fee for Copies of Form G-37/G-38 in Computer CD-ROM Format

December 23, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 16, 1997, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-97-11), to establish fees for copies of Form G-37/G-38 in computer CD-ROM format. The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. 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 Board is filing herewith a proposed rule change to establish a fee relating to the public dissemination, in computer CD-ROM format, of copies of Form G-37/G-38 submitted to the Board in each calendar quarter pursuant to

³⁸ See Interpretation .02(c) to Exchange Rule 24.4.

³⁹ *Id.*

⁴⁰ See Interpretation .02(d) to Exchange Rule 24.4. The hedge exemption account also must: (i) liquidate and establish options, stock positions or their equivalent, or other qualified portfolio products in an orderly fashion; (ii) not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; (iii) not initiate or liquidate a stock position or its equivalent with an equivalent index option position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index; and (iv) liquidate any options prior to, or contemporaneously with, a decrease in the hedge value of the qualified portfolio, which options would thereby be rendered excessive. See Interpretations .01(g)(1) and .01(g)(2) to Exchange Rule 24.4.

⁴¹ The Commission notes that the OEX index hedge exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations, and policies.

⁴² See note 6, *supra*.

⁴³ 15 U.S.C. 78f(b)(5).

⁴⁴ 15 U.S.C. 78s(b)(2).

⁴⁵ 17 CFR 200.30-3(a)(12).