

	Premium ³	First ten contracts	Eleven and above
20 and above		2.10	1.61

As with the previous schedule, the charge for cabinet trades/accommodation liquidations, as described in CBOE Rules 6.54 and 21.15, will continue to be \$0.10 per contract. In addition, as in the previous schedule, no execution fee will be assessed market orders sent to the book prior to the opening and executed during opening rotation. The new fee schedule should reduce the overall Order Book Official fees ("book fees") paid by all Exchange members. The Exchange believes that the reduction in the book fees will allow the Exchange to compete more effectively for transactions in equity options.

The Proposed rule change is consistent with Section 6 of the Act,⁴ in general, and furthers the objectives of Section 6(b)(4) of the Act⁵ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among CBOE members.

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

Because the foregoing proposed rule change establishes or changes a due, fee,

³ "Premium" equals the option price in dollars, calculated on a per-share basis for equity option contracts, and calculated on a per-unit basis for index option contracts. The ranges set forth include their lower bounds.

For options on the Standard & Poor's 100 Stock Index (OEX), there is no charge for "market" and "limit" orders placed with the Order Book Official prior to the opening and executed during opening rotation. For other options, this rule applies to "market orders" but not "limit orders."

Accommodation liquidations and cabinet trades are off-market trades at a price of \$1 per option contract.

The definitions were clarified during a telephone conversation between Timothy Thompson, Senior Attorney, CBOE, and Joshua Kans, Attorney, Division of Market Regulation, Commission, January 22, 1998.

⁴ 15 U.S.C. 78f.

⁵ U.S.C. 78f(b)(4).

or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁶ and subparagraph (e)(2) of rule 19b-4⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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, 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 Room, 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-98-01 and should be submitted by March 4, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(e)(2).

⁸ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39615; File No. SR-CHX-97-32]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 by The Chicago Stock Exchange, Incorporated Relating to Oversized MAX Orders

February 3, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 9, 1997, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change. On January 9, 1998, the Exchange submitted to the Commission Amendment No. 1 to the proposal. The proposed rule change, as amended, is described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Article XX, Rule 37(b)(1) and proposes to add interpretation and policy .06 thereunder relating to the entry and acceptance of oversized orders in the Exchange's Midwest Automated Execution System ("MAX System").² Below is the text of the proposed rule change. Proposed new language is italicized; deletions are in brackets.

Article XX Rule 37

(b)(1) Size. The MAX System has two size parameters which must be designated by the specialist on a stock-by-stock basis. The first parameter, the auto-execution threshold, must be set at 1099 shares (the default size) or greater for Dual Trading System issues. The second parameter, the auto-acceptance threshold, must be set at 2099 shares (the system default) or greater for Dual

¹ 15 U.S.C. § 78s(b)(1).

² The MAX System provides an automated delivery and, in certain cases, execution facility for orders that are eligible for execution under the Exchange's BEST Rule, Art. XX, Rule 37(a), and certain other orders. See CHX Manual, Art. XX, Rule 37(b).

Trading System issues. In NASDAQ/NM Securities, the auto-execution and auto-acceptance parameters must be set at 1000 shares or greater. In no event may the auto-acceptance threshold be less than the auto-execution threshold. If the order sending firm sends an agency market order through MAX that is greater than the Specialist's auto-acceptance threshold, a Specialist may cancel the order within [three minutes] *one minute* of its being entered into MAX. If not canceled by the Specialist, the order will be designated as an open order. If the order sending firm sends an agency market order through MAX that is less than the auto-acceptance threshold but greater than the auto-execution threshold, the order will not be available for automatic execution but will be designated in the open order book. A specialist may manually execute any portion of such order and the difference shall remain as an open order. If the order sending firm sends an agency market order through MAX that is less than or equal to the auto-execution threshold, such order will be automatically executed in accordance with paragraph (b)(6) and (7) of this Rule.

* * * **Interpretations and Policies**

.06 Oversized MAX Orders.

As stated in paragraph (b)(1) of this Rule, if an agency order is sent through MAX that is greater than the specialist's auto-acceptance threshold, the specialist shall follow the procedures set out below in a timely manner, but in no event great than one minute, until the order has either been definitively accepted or canceled:

1. *If the oversized order is a limit order and the limit price is equal to or better than the specialist's quote, the order must be immediately reflected in the specialist's quote in accordance with Rule 7 of this Article XX.*

2. *The oversized order must receive post protection until its final status is determined.*

3. *A specialist must notify the order sending firm's MAX floor broker representative if the specialist determines to cancel the order.*

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

As described more fully below, the purpose of the proposed rule change is to amend CHX rules relating to the entry and acceptance of oversized orders received through the MAX System. Under the Exchange's BEST Rule, Exchange specialists are required to guarantee executions of all agency³ market and limit orders for Dual Trading System issues⁴ from 100 shares up to and including 2099 shares. Subject to the requirements of the short sale rule, market orders must be executed on the basis of the Intermarket Trading System's ("ITS") best bid or offer ("BBO"). Limit orders must be executed at their limit price or better when: (1) The ITS BBO at the limit price has been exhausted in the primary market; (2) there has been a price penetration of the limit in the primary market (generally known as a trade-through of a CHX limit order); or (3) the issue is trading at the limit price on the primary market unless it can be demonstrated that the order would not have been executed if it had been transmitted to the primary market or the broker and specialist agree to a specific volume related to, or other criteria for, requiring an execution.

As stated above, the Exchange's MAX System provides for the automatic execution of orders that are eligible for execution under the Exchange's BEST Rule and certain other orders.⁵ The MAX System has two size parameters which must be designated by the specialist on a stock-by-stock basis. For Dual Trading System issues, the specialist must set the auto-execution threshold at 1099 shares or greater and

³The term "agency order" means an order for the account of a customer, but does not include professional orders as defined in CHX, Art. XXX, Rule 2, interpretation and policy .04. That Rule defines a "professional order" as any order for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest. *Id.*

⁴Dual Trading System Issues are issues that are traded on the CHX, either through listing on the CHX or pursuant to unlisted trading privileges, and are also listed on either the New York Stock Exchange or American Stock Exchange.

⁵A MAX order that fits under the BEST parameters must be executed pursuant to BEST Rules via the MAX system. If the order is outside the BEST parameters, the BEST Rules do not apply, but MAX system handling rules do apply.

the auto-acceptance threshold at 2099 shares or greater. In no event may the auto-acceptance threshold be less than the auto-execution threshold. If the order-entry firm sends an order through MAX that is less than or equal to the auto-execution threshold, the order is executed automatically, unless an exception applies. If the order-entry firm sends an order through MAX that is less than the auto-acceptance threshold but greater than the auto-execution threshold, the order is not available for automatic execution but is designated in the open order book. A specialist may manually execute any portion of the order; the difference must remain as an open order. Under the current MAX rules, if the order-entry firm sends an order through the MAX System that is greater than the specialist's auto-acceptance threshold, a specialist may cancel the order within three minutes of it being entered into MAX. If not canceled by the specialist, the order is designated as an open order.⁶

The Exchange proposes to change the way that these oversized orders are handled. First, the Exchange proposes to amend Rule 37(b)(1) of Article XX to change the amount of time in which the specialist can cancel the oversized order. Rather than the current three minute window, the Exchange proposes to reduce this time period to one minute. If the specialist has not canceled the order in the one minute period, the order will be designated as an open order.

Second, the Exchange proposes to add interpretation and policy .06 to Rule 37 to specifically describe how oversized orders are to be handled during the one minute period in which the specialist can cancel the order. The interpretation will provide that if the oversized order is an agency limit order, the order must immediately be reflected in the specialist's quote in accordance with CHX rules.⁷ Additionally, during the one minute window, the order must receive post protection. This means that while the BEST Rule will not apply

⁶Under current rules, if an oversized market or limit order is received by the specialist, he must either reject the order immediately or immediately display it in accordance with CHX rules and the Commission's Order Execution Rules (Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290 (Sept. 12, 1996)). If the order is displayed, the specialist must check with the order entry broker to determine the validity of the oversized order. During the three minute period, the specialist can cancel the order and return it to the order entry firm, but until it is canceled the displayed order is eligible for execution.

⁷Article XX, Rule 7 of the CHX rules requires every limit order that is priced at or better than the specialist's quote to be included in the specialist's quote, subject to certain exceptions.

during this period, the specialist must allow the order to interact with other orders received by the specialist at the post, using the same priority and precedence rules that apply to other orders received at the post.

Finally, during the one minute window, the specialist must notify the order sending firm's MAX floor broker representative if the specialist determines to cancel the order. The reduction of the three minute window to one minute is appropriate because it will reduce the time period in which the order sending firm will be uncertain as to the ultimate status of the order. The imposition of specific duties on the specialist during the one minute window is appropriate in order to both make sure that the order is not disadvantaged during the one minute period and to give the specialist an opportunity to verify with the MAX floor broker representative that the order is accurate and correct.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act⁸ 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 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 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 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 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, 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 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-CHX-97-32 and should be submitted by March 4, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39623; File No. SR-DCC-97-10]

Self-Regulatory Organizations; Delta Clearing Corp.; Notice of Filing of Proposed Rule Change Relating to the Clearing of Repurchase Agreement Instrument Transactions

February 5, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 31, 1997, Delta Clearing Corp. ("DCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DCC. 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

The proposed rule change will revise DCC's rules to authorize DCC to clear and to settle repurchase agreement instrument transactions ("RAIT").

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DCC 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. DCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

A RAIT is a transaction pursuant to which the counterparties agree to pay each other interest on an agreed upon amount ("notional amount")³ for the agreed term of the RAIT. One counterparty ("selling member") will pay interest that is based on the market rate of interest for a repurchase agreement ("repo") with treasury securities as the underlying collateral and that is adjusted on a daily basis throughout the term of the transaction ("floating rate"). The other counterparty ("purchasing member") will pay interest based on a rate of interest that remains constant throughout the term of the transaction ("fixed rate"). This proposed rule change will permit DCC to clear and to settle RAITs.

1. Structure of the Transaction

The parties will negotiate between themselves: (1) The notional amount, (2) the type of repo to be referenced for the floating rate, (3) the fixed rate, (4) the date the RAIT will start ("commencement date"), (5) the date the RAIT will end ("expiration date"), and (6) any premium that may be paid to one counterparty as consideration for entering into the transaction.

² The Commission has modified the text of the summaries prepared by DCC.

³ The notional amount must be \$1 million or a multiple thereof. The notional amount is used solely as reference and is not exchanged between the parties.

⁸ 15 U.S.C. 78f(b)(5).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).