The Commission needs the information because rule 20(c) requires it. The Commission uses this information to determine the existence of detriment to interests the Act is designed to protect. Compliance with the requirements to provide the information is mandatory. The information will not be kept confidential.

Rule 58 under the Act, allows registered holding companies and their subsidiaries to acquire energy-related and gas-related companies. Acquisitions are made without prior Commission approval under section 10 of the Act. However, within 60 days after the end of the first calendar quarter in which any exempt acquisition is made, and each calendar quarter thereafter, the registered holding company is required to file with the Commission a certificate of notification on Form U–9C–3 containing the information prescribed by that form. The 61 recordkeepers together incur about 976 annual burden hours to comply with these requirements (61 recordkeepers x 16 hours = 976 burden hours).

The Commission requests this information because rule 58 of the Act requires it. The Commission uses this information to determine the existence of detriment, regarding the acquisition of certain energy-related companies, to interests the Act is designed to protect. Rule 71 and Forms U–12(I)–A and U–12(I)–B implement subsection 12(I) of the Act, which makes it unlawful for an employee to prevent, advocate or oppose any matter affecting a registered holding company before Congress, the Commission or the FERC. The Commission estimates that the total annual reporting and recordkeeping burden is 167 hours (250 respondents x ½ hour = 167 burden hours).

The purpose of collecting the information is to determine the existence of detriment to interests the Act is designed to protect. The Commission uses the information to enable it to enforce the provisions of section 12(I) of the Act.

Rule 93 imposes recordkeeping and record maintenance requirements on mutual and subsidiary service companies of registered holding companies. Under the rule, the service companies must keep their accounts and records according to the Uniform System of Accounts, as provided in 17 CFR 256. Further, the companies must maintain those records in the manner and for the periods provided in 17 CFR 257. Rule 94 requires service companies to file annual financial reports on Form U–13–60, as provided in 17 CFR 259.313. The purpose of requiring the holding company to retain the records is to permit audit or verification by the Commission, or by state utility commissions, of transactions between the holding company or its otherwise unregulated subsidiaries, the subsidiary service companies and the regulated utility subsidiaries which the holding company controls or to establish investors’ rights. The Commission estimates that the total annual reporting and recordkeeping burden is 580 hours (40 respondents x 14.5 hours = 580 hours).

Compliance with the collection of information requirements of the rule is mandatory to obtain the benefit of reliance on the rule. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments regarding the above information should be directed to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10202, New Executive Office Building, Washington, DC 20503; and (ii) Michael E. Bartel, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549. Comments must be submitted to OMB within 30 days of this notice.

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving Proposed Rule Change Relating to RAES Eligibility Requirements for OEX and DJX Options


I. Introduction

On May 18, 1998, the Chicago Board Options Exchange, Inc. (“CBOE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 CBOE Rule 19b–4 for Eligibility in OEX and DJX, that would allow a market maker to participate in the CBOE’s Retail Automatic Execution System (“RAE$”)3 in options on the Standard & Poor’s 100 Index (“OEX”) and options on the Dow Jones Industrial Average (“DJX”)4 during the same calendar month by meeting the eligibility requirements for OEX alone, DJX alone, or eligibility requirements that consider the percentage of transactions and contracts a market maker transacted in OEX and DJX combined. On June 24, 1998, the CBOE filed Amendment No. 1 to the proposal.4 The proposed rule change and Amendment No. 1 were published for comment in the Federal Register on July 16, 1998.5 The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

Currently, CBOE Rule 24.17(b)(v) sets forth four eligibility requirements that a market maker must meet before he can...
participate in RAES in either OEX or DJX. Under one of these requirements, the market maker must execute at least seventy-five percent of his market maker contracts for the preceding calendar month in the option class in which the market maker is participating on RAES. This requirement precludes a market maker who qualifies to participate in RAES in either OEX or DJX from qualifying to participate in the other class. The Exchange believes the seventy-five percent requirement is so high that it serves as a disincentive for a market maker on one side of the common structure in which OEX or DJX are traded to move to the other side of the structure to trade the other option product for fear that the market maker will no longer qualify for RAES in his primary trading area. Although OEX and DJX are technically traded at two separate trading posts, the market makers for each product are separated by a movable railing within the same physical structure. Because the traders in OEX and DJX stand right next to each other in the same physical structure, the Exchange believes they are in the best position to provide added liquidity and capital to the product by moving from one side of the trading structure to the other. A market maker must be present in the particular trading crowd where the class is traded while he is participating in RAES for that class.

The CBOE proposes to amend CBOE Rule 24.17 by adding new subparagraph (b)(iv) to allow a market maker to participate in RAES in both OEX and DJX during the same calendar month by transacting at least seventy percent of his market-maker contracts for the preceding calendar month in: (1) OEX; (2) DJX; or (3) both OEX and DJX combined, and by transacting seventy-five percent of his contracts in OEX and DJX during the month in person. A market maker can participate in RAES in both OEX and DJX during the same calendar month as long as he meets one of the sets of criteria above and as long as the two products continue to be traded at the same physical trading location. The proposed rule change will make it easier for market makers to move from one trading pit to another to provide liquidity when market conditions warrant.

The Exchange proposes to implement this rule change at the beginning of the next calendar month after the Commission approves the proposal. The Exchange also proposes to delete current Interpretation .02 to CBOE Rule 24.17 because it is no longer relevant.

III. Discussion

The Commission finds that the proposed rule change is consistent with the Act 7 and, in particular, with Section 6(b) of the Act.8 Specifically, the Commission believes that the proposal is consistent with the Section 6(b)(5) 9 requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and public interest.

The proposed rule change to the RAES eligibility standards is designed to ensure that there is adequate market maker participation at all times in OEX and DJX, by eliminating a disincentive for market makers to actively participate in RAES in both OEX and DJX. The Commission believes that the presence of an adequate number of market makers contributes to the maintenance of a fair and orderly market by helping to ensure that there is adequate liquidity for these important indexes, particularly in times of market stress. The Commission also believes the deletion of CBOE Rule 24.17, Interpretation .02, which limited the applicability of the rule until December 1, 1997, is appropriate since the specified date, December 1, 1997, has passed.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,10 that the proposed rule change, as amended, (SR-CBOE-98-02) is approved.

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

Jonathan G. Katz, 
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40356; File No. SR-CSE-98-02]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto, By The Cincinnati Stock Exchange, Inc., Relating to Regulatory Jurisdiction and Proceedings


Pursuant to Section 19(b)(1) of the securities Exchange Act of 1934 ("Act"),1 notice is hereby given that on July 7, 1998, The Cincinnati Stock Exchange, Inc. ("CSE" or "Exchange") 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 by the CSE. On July 31, 1998, the Exchange filed with the Commission Amendment No. 1 to the proposed rule change.2 The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to update and clarify its rules concerning disciplinary jurisdiction and practice. The text of the proposed rule change is available at the Office of the Secretary, CSE and 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 CSE 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 CSE has prepared summaries, set forth in section A, B, and C below, of the most significant aspects of such statements.

2 In Amendment No. 1, the Exchange added Section 6(b)(6) of the Act as a statutory basis for the proposed rule change. The Exchange also set forth the procedure, under proposed CSE Rule 8.3, to be utilized upon the rejection of a letter of consent by the Business Conduct Committee. Finally, the Exchange corrected grammatical errors in proposed CSE Rule 8.1(a). Letter from Adam Gurwitz, Vice President Legal, CSE, to Kelly McCormick, Attorney, Division of Market Regulation Commission, dated July 30, 1998 ("Amendment No. 1").