SUPPLEMENTARY INFORMATION: Section 4011 of the Employee Retirement Income Security Act of 1974 requires plan administrators of certain underfunded single-employer pension plans to provide an annual notice to plan participants and beneficiaries of the plan's funding status and the limits on the PBGC's guarantee.

The PBGC's regulation implementing this provision (29 CFR Part 4011) prescribes which plans are subject to the notice requirement, who is entitled to receive the notice, and the time, form, and manner of issuance of the notice. The notice provides recipients with meaningful, understandable, and timely information that will help them become better informed about their plans and assist them in their financial planning.

The collection of information under the regulation has been approved by OMB under control number 1212–0050 through September 30, 1998. The PBGC intends to request that OMB extend its approval for another three years. 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 OMB control number.

The PBGC estimates that an average of 3,500 plans per year will respond to this collection of information. The PBGC further estimates that the average annual burden of this collection of information is 1.97 hours and $74 per plan, with an average total annual burden of 6,904 hours and $258,900.

The PBGC is soliciting public comments to—

- evaluate whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- evaluate the accuracy of the agency's estimate of the burden of the collection of information, including the validity of the methodology and assumptions used;
- enhance the quality, utility, and clarity of the information to be collected; and
- minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of responses.

Issued in Washington, DC, this 27th day of April, 1998.

David M. Strauss,

Executive Director, Pension Benefit Guaranty Corporation.

[FR Doc. 98–11711 Filed 5–1–98; 8:45 am]

BILLING CODE 7708–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39923; File No. SR–CBOE–97–50]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1 and 2 to Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to ''Go Along'' Orders

April 27, 1998.

Introduction

On September 25, 1997,[1] 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'')[2] and Rule 19b–4 thereunder,[3] a proposed rule change to issue a regulatory circular which would establish the representation of ''go along'' orders on the floor of the Exchange as a violation of just and equitable principles of trade pursuant to Exchange Rule 4.1.

The proposed rule change, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 39261 (October 20, 1997) 62 FR 55663 (October 27, 1998). One comment letter was receive in response to the proposal.[4] The Exchange subsequently filed Amendment Nos. 1 and 2 to the proposed rule change on January 20, 1998 and February 10, 1998, respectively.[5]

II. Background and Description

The purpose of the proposed rule change is to prohibit floor brokers from representing or executing ''go along'' orders (as further described below) on the floor of the Exchange. The Exchange will consider the representation or execution of such orders an act inconsistent with just and equitable principles of trade pursuant to Exchange Rule 4.1. The Exchange proposes to set forth the prohibition against the representation of ''go along'' orders in a regulatory circular describing the types of conduct which would be considered to be violative of just and equitable principles of trade. The proposed regulatory circular will state the following:

Definition of ''Go Along'' Orders

A ''go along'' order, or a ''not held with the crowd'' order, is an order that instructs a floor broker to bid or offer (as appropriate for the type of order) on a contract only (i) when a particular market-makers in the trading crowd are bidding or offering on the contract and (ii) at the price or prices established by such market-makers in the trading crowd. The prohibition of ''go along'' orders does not limit a floor broker's use of discretion in representing an order on behalf of a customer. Instead, the prohibition is intended to prohibit a floor broker from accepting a specific instruction to trade in a manner that mimics the trading behavior of one or more market-makers.

Generally, customers submitting ''go along'' orders to floor brokers will specify whether the order is to buy or sell, the number of contracts, the series, and the strike price. Typically, the floor broker will be instructed to buy when

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[1] The Exchange originally submitted this proposal as SR–CBOE–96–67 on November 11, 1996, and withdrew it at the request of the Commission on February 18, 1997.

[2] 15 U.S.C. 78s(b)(1).

[3] 17 CFR 240.19b–4.

[4] See letter and attachment from Trent Cutler, TSC Partners, L.P., to Jonathan Katz, Secretary, Commission, dated January 7, 1998.

[5] Amendment No. 1 clarifies the definition of ''go-along'' orders in the regulatory circular that the Exchange expects to issue to its members. Amendment No. 1 deletes ''generally'' from the first sentence of the circular entitled ''Definition of Go Along Orders.'' In addition, Amendment No. 1 clarifies the definition by explaining there are two elements that an instruction to a floor broker must meet before those instructions make an order a ''go along'' order. First, the floor broker must be instructed to bid or offer when one or more participant in the trading crowd are bidding or offering. Second, the floor broker must be instructed to bid or offer at the price established by the other participants in the trading crowd. Furthermore, the Exchange is proposing to add a sentence to make clear that the prohibition against ''go along'' orders is not intended to prohibit a floor broker from properly exercising discretion in the representation of an order. Amendment No. 2 further clarifies the definition of ''go along'' order to state that the floor broker must be instructed to bid (offer) on a contract only when particular market-makers in the trading crowd are bidding (offering) on that contract, that the floor broker must be instructed to bid (offer) at the prices established by such market-makers in the trading crowd. Amendment No. 2 also amends the last sentence the last sentence of the first paragraph of the definition section to state that the prohibition against ''go along'' orders prevents a floor broker from accepting a specific instruction to trade ''in a manner that mimics the trading behavior of one or more market makers.'' See letters from Timothy H. Thompson, Senior Attorney, CBOE, to Michael Walinskas, Senior Special Counsel, Market Regulation, Commission, dated January 16, 1998 (''Amendment No. 1'') and February 9, 1998 (''Amendment No. 2'').

the majority of the market-makers participating on a trade are buying or to sell the majority of the market-makers participating on a trade are selling. Similarly, a floor broker may be instructed to buy when a particular market-maker (or combination of market-makers) is buying (selling) on a trade. ''Go along'' orders can be entered from off the floor of the Exchange and can be concealed at the complete discretion of the customer. CBOE represents that ''go along'' orders often are placed by market-making firms as a side business, by upstairs broker-dealers who want to participate in ''market making,'' and by specialists on other exchanges, who are attempting to receive the benefits of market-making without assuming the affirmative obligations to provide markets. These orders are entered in both multiply-traded and singly listed option classes.

Rationale for the Prohibition

The CBOE believes that the proliferation of ''go along'' orders interferes with the risk-reward trade-off of Exchange market-making. ''Go along'' order participants, according to CBOE, generally are professional traders that are attempting to accept the rewards of market making without accepting any of the risks. In addition, CBOE does not believe these orders provide any incremental liquidity or price discovery because market participants entering ''go along'' orders are merely trading at a price and size at which market-makers are willing to trade. ''Go along'' order participants, as customers, however, are not obliged to fulfill the affirmative market-making obligations of market-makers and their activity is not necessarily subject to Commission or Exchange oversight.

III. Summary of Comments

The Commission received one comment letter opposing the proposed rule change from members of the Pacific Exchange, Inc. (''PCX'').[6] The commenters argue that the proposed rule change, by prohibiting orders ''that don't match the trading crowd as long as the broker has discretion'' makes this a rule restricting discretionary orders, which is much broader than a rule restricting ''go along'' orders. The commenters state that the rule is attempting to reduce competitive forces on the trading floor, which would reduce liquidity and pricing efficiency for all market participants, which, in turn damages the Exchange's long-term competitive position.

IV. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b)(5)[7] that the rules of the Exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.[8]

The Commission finds that it is reasonable for CBOE to prohibit floor brokers from accepting ''go along'' orders. CBOE has determined that the use of ''go along'' orders is an abusive trading practice whereby professional traders, including market-makers, attempt to mimic the trading pattern of particular market-makers. More specifically, CBOE believes that the proliferation of ''go along'' order use could seriously threaten its market-maker system, by reducing market-maker trading opportunities. ''Go along'' orders often obtain parity with the bid/offer of the market-maker(s) they are designed to trade along with, thereby diluting market-maker participation in these affected trades. In essence, traders submitting ''go along'' orders are attempting to achieve the same time and place advantage held by market-makers on the floor. However, market-makers, in return for their time and place advantage, are subject to affirmative and negative market-making obligations.[9] While it is certainly possible that market-makers on CBOE's floor can mimic the trading behavior of other market-makers, they are required to make an active market while present in a particular trading crowd.[10] Customers submitting ''go along'' orders, by contrast, have no market-making responsibilities, and therefore, should not be afforded benefits derived from the special time and place benefits that are unique to market-makers.

Notwithstanding the appropriate basis for prohibiting ''go along'' orders, restrictions on abusive trading practices must be carefully crafted so as not to restrict trading beyond that necessary to curb the identified abuse.[11] In this regard, the Commission emphasizes that CBOE's proposed restriction is narrowly tailored to apply only in the specific instance where a customer instructs a floor broker to bid (or offer) on a contract when particular market-makers are bidding or offering, at the price or prices established by such market-makers. The prohibition against ''go along'' orders does not limit any category of market participant from access to CBOE markets and does not impair market participants from effecting legitimate trading strategies, including obtaining the best available price. The proposed rule change also does not prohibit a floor broker from accepting an order that directs him or her to buy (or sell) along with the trend of the crowd. If given such instructions, a floor broker may, in his or her own expert judgment, trade in a manner that mimics the behavior of one or more market-makers.

The comment letter objected to original language in the definition of ''go along'' order that stated ''Such an order is prohibited even if the bid or offer does not match exactly the price established by the other participants in the trading crowd as long as the customer has given the broker discretion to determine what to bid or offer based upon the prices established by the other participants.'' The Commission notes that the Exchange has eliminated this provision. The Commission also notes, as discussed more fully above, that the prohibition of ''go along'' orders does not limit a floor broker's discretion, but instead prohibits a customer from giving a floor broker specific instructions to trade in a particular manner.

The Commission finds good cause to approve Amendment Nos. 1 and 2 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Amendment Nos. 1 and 2 both clarify the definition of ''go along'' order to narrowly outline the boundaries of the restriction and to ensure that the prohibition against ''go

[6] See supra note 3.

[7] 15 U.S.C. 78f(b)(5).

[8] 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).

[9] See CBOE Rules 8.7; 8.15 (Lead Market-Makers and Supplemental Market-Makers); and 8.16 (RAES Eligibility in Option Classes Other Than DJX). See also Securities Exchange Act Release Nos. 28021 (May 16, 1990), 55 FR 21131 (May 22, 1990) (''* * * the Commission notes that the position of options market makers on the floor provides them substantial time and place advantages over other market participants.'') and 21008 (June 1, 1984), 49 FR 23721 (June 7, 1984) (''In return for assuming these obligations to the marketplace, market makers are permitted to trade on the floor of the exchange, thus being provided significant ''time and place'' as well as margin credit (''exempt credit'') advantages over other market participants.'').

[10] CBOE Rule 8.7(b) and phone conversation between Timothy H. Thompson, Senior Attorney, CBOE, and Michael Walinskas, Deputy Associate Director, Market Regulation, Commission, on April 24, 1998.

[11] *Cf.* Amex intra-day trading restriction. See Securities Exchange Act Release No. 34363 (July 13, 1994), 59 FR 36808 (July 19, 1994).

along'' orders does not prohibit a floor broker from properly exercising discretion in the representation of an order or prevent market participants from effecting legitimate trading strategies. In addition, the proposed rule change was published for the full comment period and Amendment Nos. 1 and 2 do not substantively change the proposal. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment Nos. 1 and 2 to the proposal on an accelerated basis.

Interested persons are invited to submit written data, views, and arguments concerning Amendment Nos. 1 and 2 to the rule proposal, including whether Amendment Nos. 1 and 2 are 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 also will be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–CBOE–97–50 and should be submitted by May 26, 1998.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR–CBOE–97–50), including Amendment Nos. 1 and 2, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Jonathan G. Katz,

Secretary.

[FR Doc. 98–11746 Filed 5–1–98; 8:45 am]

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[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39925; File No. SR–CBOE–97–67]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated, Relating to Substantive Revisions of the Exchange's Rules Governing Margin Regulation

April 27, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on December 29, 1997, the Chicago Board Options Exchange, Incorporated (''Exchange'' or ''CBOE'') 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 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 substantive changes to its rules concerning margin requirements. The revisions would: (i) Expand the types of short positions that would be considered ''covered'' in a cash account, specifically, certain short positions that are components of limited-risk spread strategies (*e.g.*, butterfly and box spreads); (ii) allow a bank-issued escrow agreement to serve as cover in lieu of cash for certain spread positions held in a cash account; (iii) recognize butterfly and box spreads as strategies for purposes of margin treatment and establish appropriate margin requirements; (iv) recognize various strategies involving stocks (or other underlying instruments) paired with long options, and provide for lower maintenance margin requirements on such hedged stock positions; (v) permit the extension of credit on certain long term options and certain long box spreads; (vi) consolidate in one chapter, the various margin requirements that presently are dispersed throughout the Exchange's rules; (vii) revise other Exchange rules impacted by the proposal; and (viii) update and improve, as necessary, current margin rules.

The text of the proposed rule change is available at the Office of the Secretary, the Exchange, and at the Commission.

[1] 15 U.S.C. 78s(b)(1).

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 Exchange 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 Exchange 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 Exchange proposes to make revisions to its rules governing margin regulation that would: (i) Expand the types of short positions that would be considered ''covered'' in a cash account, specifically, certain short positions that are components of limited-risk spread strategies (*e.g.*, butterfly and box spreads); (ii) allow a bank-issued escrow agreement to serve as cover in lieu of cash for certain spread positions held in a cash account; (iii) recognize butterfly and box spreads as strategies for purposes of margin treatment and establish appropriate margin requirements; (iv) recognize various strategies involving stocks (or other underlying instruments) paired with long options, and provide for lower maintenance margin requirements on such hedged stock positions; (v) permit the extension of credit on certain long term options and certain long box spreads; (vi) consolidate in one chapter, the various margin requirements that presently are dispersed throughout the Exchange's rules; (vii) revise other Exchange rules impacted by the proposal; and (viii) update and improve, as necessary, current margin rules.

Previously, the margin requirements governing options were set forth in Regulation T, ''Credit by Brokers and Dealers.'' [2] However, recent amendments to Regulation T that became effective June 1, 1997, modified or deleted certain margin requirements regarding options transactions in favor of rules to be adopted by the option self-regulatory organizations (''OSROs''),

[2] 12 CFR 220 *et seq.* The Board of Governors of the Federal Reserve System issued Regulation T pursuant to the Act.