

**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 by order approve such proposed rule change, or 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, NW., Washington, DC 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. 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-98-11 and should be submitted by June 18, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40021; File No. SR-CBOE-98-12]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Exchange Mandated Education Training

May 21, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,<sup>1</sup> notice is hereby given that on April 20, 1998, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the CBOE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval on the proposed rule change.

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

The CBOE proposes to add a provision of Exchange Rule 6.20 Admission to and Conduct on the Trading Floor, Member Education, to require that Exchange members and persons associated with Exchange members attend mandatory continuing education classes as directed by the Exchange. Proposed new language is in italics.

#### Chicago Board Options Exchange, Inc. Rules

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#### CHAPTER VI

#### Doing Business on the Exchange Floor

##### Section B: Member Activities on the Floor

Admission to and Conduct on the Trading Floor: *Member Education*  
Rule 6.20(a)—(c) No change.

(d) *Education Classes. Members and persons associated with members are required to attend such educational classes as the Exchange may require from time to time. Failure to attend Exchange mandated continuing educational classes may subject members and persons associated with members to sanctions pursuant to the Exchange's Minor Rule Violation provided in Exchange Rule 17.50. Any*

*action taken by Floor Officials thereunder shall not preclude further disciplinary action by the Business Conduct Committee under Chapter XVII of the Rules, except as otherwise provided in Rule 17.50.*

. . . Interpretations and Policies:  
.01-.09 No change.

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

In its filing with the Commission, CBOE included statements concerning the purpose of, and statutory 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 III below. The CBOE 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 is proposing to add a provision to Exchange Rule 6.20, Admission to and Conduct on the Trading Floor; Member Education, to require that Exchange members and persons associated with Exchange members attend mandatory continuing education classes as directed by the Exchange. The Exchange believes it is necessary from time to time to require mandatory participation in certain educational training classes by its members and persons associated with its members for a variety of reasons, including to promote professional behavior and decorum on the trading floor, or to explain the operation of new technology. For example, the Exchange intends to implement a harassment awareness training and ethics program for its members and persons associated with its members who are present on the trading floor.

Without this rule change, the Exchange would not have the ability to mandate attendance. The Exchange is also proposing to amend its Minor Rule Violation fine schedule pursuant to Exchange Rule 17.50(g)(6). Floor Officials are allowed, pursuant to Rule 17.50(g)(6), to fine members and associated persons for violations of trading conduct and decorum policies. For failure to attend an Exchange mandated continuing educational class, the Exchange proposes a fine of \$500 for a first offense, \$750 for a second offense

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

and \$1,000 for subsequent offenses. The Exchange believes the amount of the fines will be sufficient to ensure attendance. However, in the event members refuse to attend even after being assessed a fine, as with all Minor Rule violations, the Exchange has the discretion to refer violations to the Business Conduct Committee pursuant to Chapter XVII of the Exchange's Rules.

## 2. Statutory Basis

The proposed rule change will give the Exchange the ability to provide for a more professional and informed membership and is therefore consistent with and furthers the objectives of Section 6(b)(5) of the Act<sup>2</sup> in that it is 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 to protect investors and the public interest.

### *B. Self-Regulatory Organization's Statement on Burden on Competition*

CBOE 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. 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. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to the file

number (SR-CBOE-98-12) and should be submitted by June 18, 1998.

## IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the CBOE's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission finds that, consistent with Section 6(b)(5) of the Act,<sup>3</sup> requiring members and those associated with members to attend continuing education classes on such topics as professional conduct and the operation of new technology will both promote just and equitable principles of trade and benefit investors. Moreover, the Commission finds that mandating continuing education training for members and persons associated with members is consistent with the provisions of Section 6(c)(3)(B) of the Act, which makes it the responsibility of an exchange to prescribe standards of training, experience, and competence for persons associated with self-regulatory organization members.

The Commission therefor finds good cause for approving the proposed rule change prior to the thirtieth day after date of publication of notice of filing thereof in the **Federal Register**.<sup>4</sup>

*It is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> that the proposed rule change (SR-CBOE-98-12) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40016; File No. SR-CHX-98-5]

### Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to the Utilization of Exempt Credit by Market Makers

May 20, 1998.

## I. Introduction

On February 18, 1998, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> In the filing, the CHX proposed amendments to an interpretation to Article XXXIV, Rule 16 relating to registered market makers' utilization of exempt credit. Notice of the proposed rule change was published in the **Federal Register** on April 8, 1998.<sup>3</sup> The Commission received no comments on the proposal.

## II. Description of the Proposal

Interpretation .01 to Article XXXIV, Rule 16 notes that "[e]xchange members registered as equity market makers are members registered as specialists for purposes of [the Act] and as such they are entitled to obtain exempt credit for financing their market maker transactions."<sup>4</sup> The Interpretation also sets forth certain parameters that market makers must satisfy to obtain such exempt credit. The Interpretation specifies that 50% of the quarterly share volume that creates or increases a position in a market maker account must result from transactions consummated on the Exchange or sent from the Exchange floor for execution in another market via the Intermarket Trading System ("ITS"). The proposed rule change modifies this Interpretation by eliminating the reference to "creating or increasing a position," thereby including all transactions consummated

<sup>3</sup> 15 U.S.C. 78f(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade and, in general, to protect investors and the public interest.

<sup>4</sup> In approving this rule, the Commission notes that it has also considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 39822 (March 31, 1998), 63 FR 17248 (April 8, 1998).

<sup>4</sup> The Board of Governors of the Federal Reserve System is authorized, pursuant to Section 7 of the Act, to establish initial margin requirements and credit restrictions on margin financing. 12 CFR 220 and 221. Generally, Regulation T limits to 50% the amount of financing extended to or by a broker-dealer to finance a securities position. 12 CFR 220.18. Bona fide market making activity, however, may be exempt from these credit restrictions.

<sup>2</sup> 15 U.S.C. 78f(b)(5).