

requirements of Section 6(b).<sup>7</sup> The Commission believes that the proposed rule change is consistent with the Section 6(b)(4) requirements that the rules of an exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuer and other persons using its facilities. Moreover, the Commission believes the proposal is consistent with the Section 6(b)(5) 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 the public interest. The Commission also believes the proposal is consistent with the Section 6(b)(8) requirements that the rules of the exchange do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Commission believes that the proposal, which was designed to encourage routing order flow to the Exchange, is consistent with the requirements of the Act because the proposed rule change is adequately circumscribed by the limitation on the aggregate amount of credit that could be received and does not make executions off the Exchange prohibitively expensive. The Commission, however, will continue to review carefully all proposed rule changes, especially those governing fees and credits on fees, for consistency with, among other things, the requirements of Sections 6(b)(4), 6(b)(5), and 6(b)(8).

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-BSE-95-04) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35666; File No. SR-CBOE-95-21]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Chicago Board Options Exchange, Inc., Relating to Parents of Member Organizations**

May 3, 1995.

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 April 18, 1995, the Chicago Board Options Exchange, Inc. (“CBOE” 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 self-regulatory organization. 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 CBOE proposes to rescind Rule 3.7, which requires the Exchange’s Board to approve each country under whose laws non-U.S. parents of member organizations are organized. The CBOE also proposes to move from Rule 3.7 to Rule 3.5(a) the requirement that parents of member organizations must furnish certain information to the Exchange upon request.

The text of the proposed rule change is available at the Office of the Secretary, CBOE and at 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, CBOE 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 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 purpose of the proposed rule change is to eliminate the requirement that the Exchange’s Board of Directors must approve each country under whose laws non-U.S. parents of member organizations are organized. The Exchange believes this requirement is not necessary for the effective regulation of its members and their parent organizations, if any. To the contrary, elimination of this requirement will facilitate the Exchange’s review of membership applications submitted by member organizations that have non-U.S. parents, as well as its review of transactions that would result in the

transfer of control of an existing member organization to a foreign parent.

The Exchange has never adopted any standards to govern the Board’s approval of individual countries for purposes of Rule 3.7, and would find it problematic to do so. However, since parents of member organizations are “associated persons” for purposes of Exchange Rules, as that term is defined in Rule 1.1(qq), the Exchange has and will continue to have adequate regulatory jurisdiction over U.S. and foreign parents of member organizations. For example, Rule 3.5 subjects associated persons to the Constitution and Rules of the Exchange and the Clearing Corporation, and requires associated persons to provide information to the Exchange with respect to their relationship and dealings with the member and to permit the Exchange to examine their relevant books and records. In addition, as part of this filing, CBOE proposes to move to Rule 3.5 the requirement currently contained in Rule 3.7 obligating persons who control member organizations to furnish to the Exchange any information reasonably related to their securities business that the Exchange may request. The Exchange’s authority over parents of member organizations is further enlarged by Rule 17.1, which subjects persons associated with members to the disciplinary jurisdiction of the Exchange.

**2. Statutory Basis**

In light of this broad grant of regulatory authority over persons who control member organizations as described above, and the fact that members themselves are subject to comprehensive regulation under the rules of the Exchange and both federal and state securities laws, the Exchange has concluded that the requirement is consistent with Section 6(b) of the Securities Exchange Act of 1934 in general, and furthers the objectives of Section 6(b)(2) in particular, by eliminating restrictions on who may be associated with a member of the Exchange without diminishing the protection of investors and the public interest.

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

The Exchange believes the proposed rule change will impose no burden on competition.

<sup>7</sup> 15 U.S.C. 78f(b) (1988 & Supp. v 1993).

<sup>8</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1994).

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has neither solicited nor received written comments on the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 35 days of the 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. 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 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 CBOE. All submissions should refer to File No. SR-CBOE-95-21 and should be submitted by May 31, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>1</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35668; File No. SR-CSE-95-05]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Cincinnati Stock Exchange, Inc., Relating to National Securities Trading System Fees**

May 3, 1995.

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 April 24, 1995, 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 self-regulatory organization. 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 hereby amends Rule 11.10 regarding fees imposed by the Exchange. The text of the proposed rule change is as follows [new text is italicized; deleted text is bracketed]:

Rule 11.10 NATIONAL SECURITIES TRADING SYSTEM FEES

G. PROPRIETARY (principal) TRANSACTIONS

1. Designated Dealers will be charged \$0.0075 per share (\$0.75/100 shares) for principal transactions unless acting as Dealer of the Day, a Preferencing Dealer or a Contributing Dealer *except, ITS Transactions will be billed \$0.0050 per share on outbound trades and \$0.0000 per share on inbound trades subject to paragraph 5 below.* (Billable shares shall not exceed 650,000 shares times the number of trading days in any given month.)

2. Designated Dealers acting as "Dealer of the Day" will be charged \$0.005 per share (\$0.50/100 shares) for principal transactions.

3. Contributing Dealers will be charged \$0.02 per share (\$2.00/100 shares) for principal transactions.

4. Members executing principal transactions in securities for which they are not registered as a Designated or Contributing Dealer will be charged \$0.02 per share (\$2.00/100 shares).

5. Designated Dealers (DD) shall have the following minimum average per share charge applied to their aggregate monthly DD transactions using the DD's average volume per trading day:

Designated dealer's average share volume per day	Per share minimum charge
[1 to 1,350,000] .....	[\$0.0046]

Designated dealer's average share volume per day	Per share minimum charge
[1,350,000] 1 to 2,000,000 .....	[\$0.0040] \$0.0038
2,000,001 and higher .....	\$0.0030

**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

The Exchange has determined to adjust its inter-market transaction fees as they relate to Designated Dealers<sup>1</sup> to reflect costs for similar trading on other markets. The fee changes impact Designated Dealer trades (other than those transacted as Dealer of the Day,<sup>2</sup> Preferencing Dealer<sup>3</sup> or Contributing Dealer<sup>4</sup> and place the Exchange's fees in

<sup>1</sup> A Designated Dealer is a proprietary member who maintains a minimum net capital of at least the greater of \$100,000 or the amount required under Rule 15c3-1 of the Act, and who has been approved by the Exchange's Securities Committee to perform market functions by entering bids and offers for securities designated by the Securities Committee to be traded in the CSE's National Securities Trading System ("designated issue") into that System. See CSE Rule 11.9(a)(3).

<sup>2</sup> The CSE's Rules provide that if there are two or more Designated Dealers in a designated issue, unless the Exchange's Securities Committee has approved one member as a primary Designated Dealer, the guarantee obligations under the Rules rotate among such Designated Dealers on a daily basis. See CSE Rule 11.9(c)(iv).

<sup>3</sup> A Preferencing Dealer is an Approved Dealer who enters principal bids and offers into the National Securities Trading System for execution against public agency orders that such Approved Dealer is representing as agent pursuant to CSE Rule 11.9(u). An Approved Dealer is a Designated Dealer, a Contributing Dealer, or a specialist or market maker registered as such with another exchange with respect to any designated issue. See CSE Rule 11.9(a)(2).

<sup>4</sup> A Contributing Dealer is a proprietary member who maintains a minimum net capital of at least the greater of \$50,000 or the amount required under Rule 15c3-1 of the Act, is registered with the Exchange with respect to one or more designated

Continued

<sup>1</sup> 17 CFR 200.30-3(a)(12) (1994).