

guaranteeing them a minimum right of participation in the other side of any trade they bring to the market if they are prepared to match or improve the BBO.

The Exchange believes that by providing investors with the flexibility to request quotes for options that expire as early as the day following the day they are issued, and by encouraging members to submit requests for quotes in FLEX Equity Options and to commit capital to CBOE's FLEX Equity Option market, the proposed rule change furthers the objectives of Section 6(b)(5) of the Securities Exchange Act of 1934 to remove impediments to and perfect the mechanism of a free and open market in securities, 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. 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 such 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 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 Section, 450 Fifth Street NW., Washington, DC 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-96-20 and should be submitted by April 29, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37054; File No. SR-CHX-96-10]

Self-Regulatory Organizations; The Chicago Stock Exchange Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Clearing Support and Other Fees

April 1, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934¹ ("Act"), notice is hereby given that on February 29, 1996, the Chicago Stock Exchange, Incorporated ("CHX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-CHX-96-10) as described in Items I, II, and III below, which items have been prepared primarily by the CHX. The CHX supplemented the filing on March 18, 1996, to clarify and to provide additional detail to the original filing.² 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 CHX proposes to amend its Membership Dues and Fees Schedule by deleting the P&L System report fee and by adding new clearing support fees which pertain to certain additional services that the CHX will provide to its floor members and member organizations as a result of Midwest

Clearing Corporation's ("MCC") withdrawal from the securities clearing business.³

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

In its filing with the Commission, CHX 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. CHX has prepared summaries, set forth in section (A), (B), and (C) below, of the most significant aspects of such statements.⁴

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

The primary purpose of the proposed rule change is to delete from the CHX's Membership Dues and Fees schedule the P&L System report fees and to institute new clearing support fees. The new fees will be charged in connection with certain additional services that the CHX will provide to floor members and member organizations as a result of the MCC's withdrawal from the securities clearing business. The clearing support fees are applicable to all members and member organizations that have entered into an agency agreement with the CHX pursuant to Article XXI, Rule 13 of the CHX's rules. The agency agreements will authorize the CHX to perform various functions on behalf of such a member, including, among other things, (i) drawing upon and depositing to such member's bank account, (ii) borrowing of securities and providing reports and records for such member, and (iii) performing special cashiering functions for such member. The two categories of clearing support fees are account fees and CUSIP fees, which will compensate the CHX for its time and effort in providing these agency services.

Account fees include a fee for (i) a master account, (ii) each additional master account, and (iii) each sub-account. Each firm that enters into an agency agreement must establish a master account and a sub-account. In addition, firms may have additional master accounts or sub-accounts. The interest in maintaining more than one

² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from George T. Simon Foley & Lardner [counsel to CHX], to Glenn Barrentine, Senior Attorney, Division of Market Regulation, Commission (March 25, 1995).

³ For a discussion of MCC's withdrawal from the securities clearing business, refer to Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 [File No. SR-MCC-95-04] (order approving proposed rule change).

⁴ The Commission has modified the text of the summaries prepared by CHX.

master account has been expressed to the CHX by its member firms that have several joint ventures on the floor of the CHX. Such members have requested additional master accounts so that they can segregate their pay and collect figures, dividends, and reorganization processing with respect to each entity on the exchange floor. In addition, in response to the request of member firms that have more than one registered co-specialist trading for them, CHX members will be able to maintain more than one sub-account so that they may maintain a sub-account for each of their co-specialists. This will enable such firms to receive separate purchase and sale reports and profit and loss reports for each co-specialist while also receiving reports of aggregate figures at the master account level.

CUSIP fees are divided into three categories: (i) the specialist CUSIP fee, (ii) the market maker CUSIP fee, and (iii) the floor broker as principal fee. The CHX will charge a floor broker that trades as principal and has entered into an agency agreement a certain monthly fee for each CUSIP in which such floor broker trades as principal. Likewise, a market maker that enters into an agency agreement will be charged a monthly fee for each CUSIP in which it is registered as a market maker. The CHX will charge a specialist that has entered into an agency agreement a monthly fee for each CUSIP in which it is registered as a specialist. For a specialist, the amount of the fee per CUSIP will vary depending on the number of trades that the specialist has in a particular CUSIP in given month. Thus, the amount of the per CUSIP fee for specialists will be discounted for CUSIPs in which trading is below certain thresholds.

The different CUSIP fees for each of the three categories are based upon the difference in expected account activity and the different expenses that the CHX will incur in servicing accounts for market makers, specialists, and floor brokers as principal. For example, because the CHX expects specialists to have the most activity per CUSIP, resulting in the greatest amount of staff time expended to produce reports and to provide the services contemplated by the agency agreement, specialists have the highest CUSIP fee.

The CHX also proposes to add a new self-regulatory organization ("SRO") fee that is applicable to all CHX members and member organizations. This fee relates to the additional costs that the CHX will incur in performing SRO obligations, such as capturing certain surveillance information and producing surveillance reports. Prior to MCC's withdrawal from the securities clearing

business, the CHX received certain surveillance information from and utilized the expertise of MCC at no cost.

The text of the proposed rule change is as follows:

CHICAGO STOCK EXCHANGE, INCORPORATED, MEMBERSHIP DUES AND FEES, ADDITIONS ARE Underlined ; Deletions [Bracketed]

| | |
|---|--|
| (o) [MSE P&L System Reports] | \$125 per account per month, and 20 cents per trade] |
| <i>Clearing Support Fees:</i> | |
| <i>(1) Account Fees:</i> | |
| <i>First Master Account Fee.</i> | <i>\$500 per month</i> |
| <i>Additional Master Account Fee.</i> | <i>\$300 per month</i> |
| <i>Sub-Account Fees .</i> | <i>\$100 per account per month</i> |
| <i>(2) CUSIP Fees:</i> | |
| <i>Specialist CUSIP Fee.</i> | <i>\$50 per CUSIP per month</i> |
| <i>Market Maker CUSIP Fee.</i> | <i>\$10 per CUSIP per month</i> |
| <i>Floor Broker as Principal.</i> | <i>\$2 per CUSIP per month</i> |
| <i>(minimum clearing support fee is \$600 per month)</i> | |
| <i>Discounts:</i> | |
| <i>The above Specialist CUSIP Fee will be subject to the following discounts:</i> | |
| <i>If between 20 and 200 trades occur in a particular CUSIP in a given month, the Specialist CUSIP Fee for that CUSIP shall be \$40 for that month.</i> | |
| <i>If less than 20 trades occur in a particular CUSIP in a given month, the Specialist CUSIP Fee for that CUSIP shall be \$20. for the month.</i> | |
| <i>(p) (Reserved)</i> | |
| <i>(q) Self-Regulatory Organization Fee</i> | <i>\$100 per month and member organization per month</i> |

The CHX believes the proposed rule change is consistent with Section 6(b)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and persons using its facilities.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The CHX does not believe that the proposed rule change will impose a burden on competition.

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

No written comments were solicited or received by the CHX.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii)⁵ of the Act and pursuant to Rule 19b-4(e)(2)⁶ promulgated thereunder because the proposal establishes or changes a due, fee, or other charge imposed by the CHX. At any time within sixty days of the filing of such 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. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, D.C. 20549. Copies of the submissions, 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 NW., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the CHX. All submissions should refer to file number SR-CHX-96-10 and should be submitted by April 29, 1996.

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

Margaret H. McFarland,

Deputy Secretary.

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⁵ 15 U.S.C. 78s(b)(3)(A)(ii) (1988).

⁶ 17 CFR 240.19b-4(e)(2) (1994).