

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, 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 the Exchange. All submissions should refer to the File No. SR-CBOE-97-29 and should be submitted by August 1, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-18226 Filed 7-10-97; 8:45 am]
BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38816; File No. SR-CHX-97-18]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Trading in Sixteenths

July 3, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 25, 1997 the Chicago Stock Exchange, Incorporated ("CHX" 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 proposes to amend Rule 37 (c) and (e) of Article XX of the Exchange's Rules. The text of the proposed rule change is as follows

(additions are *italicized*; deletions are [bracketed]):

Article XX

Rule 37

(c) No change in text of introductory paragraph.

(1) Pricing.

(i) Both buy and sell orders in markets quoted with [a minimum variation ($\frac{1}{8}$ spread)] *less than $\frac{1}{4}$ point spread* or orders which do not meet the criteria in (ii) or (iii) below will be executed based on the ITS BBO.

(ii) Buy orders in markets quoted with [more than an $\frac{1}{8}$ spread] *a $\frac{1}{4}$ point spread or wider* will be executed at a price $\frac{1}{8}$ point better than the ITS Best Offer if (i) an execution at the ITS Best Offer would create a double up tick based upon the last sale in the primary market or (2) an execution at the ITS Best Offer would result in a greater than a $\frac{1}{8}$ point price change from the last sale in the primary market.

(iii) Sell orders in markets quoted with [more than a $\frac{1}{8}$ spread] *a $\frac{1}{4}$ point spread or wider* will be executed at a price $\frac{1}{8}$ th point better than the ITS Best Bid if (i) an execution at the ITS Best Bid would create a double down tick based upon the last sale in the primary market or (2) an execution at the ITS Best Bid would result in a greater than $\frac{1}{8}$ th point price change from the last sale in the primary market.

For example, the execution price for a market buy order in a $\frac{1}{4}$ - $\frac{1}{2}$ quoted market is as follows:

No change in the text of the example.

(2)-(5) No change in text.

(d) No change in text.

(e) No change in text of introductory paragraph.

(1) Stopping. If an agency market order eligible for Enhanced SuperMAX would create either a double up tick (buy order) or double down tick (sell order) if the order was executed at the ITS BBO, the Exchanged SuperMAX program will "stop" the order. Once stopped, the order will not received an execution that is worse than the stopped price. Notwithstanding anything in the previous sentence to the contrary, agency market orders in markets quoted *in less than a $\frac{1}{4}$ point market* [with a minimum variation (usually $\frac{1}{8}$ spread)] will not be stopped. Orders not stopped will be immediately executed based upon the ITS BBO as the case may be.

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

As described below, the purpose of the proposed rule change is to describe the conditions under which the SuperMAX and Enhanced SuperMAX price improvement algorithms will apply, given the recent changes in the minimum trading increment.² The intent of the Exchange has been, and continues to be, to provide price improvement in a market with a spread of $\frac{1}{4}$ point or wider. The prior language used to describe this intent was "more than a $\frac{1}{8}$ th spread," and thereby assumed a minimum trading increment of $\frac{1}{8}$ th. The proposed rule change eliminates the need for any assumptions or interpretations regarding a minimum trading increment.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6³ in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.⁴

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

The Exchange believes the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

² See, e.g., Securities Exchange Act Release No. 38590 (May 9, 1997), 62 FR 26832 (May 15, 1997)(SR-CHX-97-08, changing the minimum variation for issues traded on the American Stock Exchange and the CHX to sixteenths); Securities Exchange Act Release No. 38717 (June 5, 1997), 62 FR 32134 (June 12, 1997)(SR-CHX-97-12, changing the minimum variation for issues traded on the New York Stock Exchange and CHX to sixteenths).

³ 15 U.S.C. § 78f(b).

⁴ *Id.* § 78f(b)(5).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

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

The foregoing rule change constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁵ and subparagraph (e) of Rule 19b-4 thereunder.⁶

At any time within sixty days of the filing of such proposed 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 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, 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 the CHX. All submissions should refer to File No. SR-CHX-97-18 and should be submitted by August 1, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-18227 Filed 7-10-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38796; File No. SR-DCC-97-02]

Self-Regulatory Organizations; Delta Clearing Corp.; Order Approving a Proposed Rule Change Relating to Multiple Brokers for Options Transactions

June 30, 1997.

On March 11, 1997, Delta Clearing Corp. ("Delta") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DCC-97-02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act").¹ Notice of the proposal was published in the **Federal Register** on May 13, 1997.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change modifies Delta's procedures for options trading ("Options Procedures") to allow brokers which have been approved by Delta pursuant to the conditions set forth in the Options Procedures to submit trade reports for options transactions on behalf of participants. Currently, Delta's Options Procedures provide that Delta may accept trade reports for options transactions only from one broker, Euro Broker Maxcor, Inc. ("Euro Broker").

Although the rule change allows Delta to designate certain options brokers as authorized to submit trades, such brokers will not be accorded the status of a "participant," and the Options Procedures make no provision for an authorized broker to maintain money or securities accounts at Delta. Accordingly, no provision has been made for margin requirements or liquidation of an authorized broker's accounts in the event of the broker's suspension. Nevertheless, the procedures identify the minimum requirements a brokers' broker must meet and the procedures Delta must follow in the event it determines to deny access to an authorized broker or

suspend an authorized broker's access to Delta's clearing system.³

The rule change amends Section 401 of the Options Procedures to provide for submission of trade reports by authorized brokers in the case of brokered transactions or by participants in the case of nonbrokered transactions. The rule change also amends Section 2002 of the procedures to provide that every authorized broker shall keep records showing the name of the participants to the transactions with respect to each transaction submitted by such authorized broker to be effected through Delta's clearing system.⁴

³ The conditions for designation as an authorized broker are set out in Section 2001 of the Options Procedures. The qualifications necessary for designation as an authorized broker include the following: (1) the broker must be properly registered with the Commission under Section 15(b) or 15C of the Exchange Act and be a member in good standing of the National Association of Securities Dealers, Inc.; (2) the broker must indicate an interest in brokering transactions to be cleared through Delta's clearing system and must have the operational capacity to do so; (3) the broker must review the requirements of Exchange Act Rule 17a-23 and must execute a certificate confirming its compliance therewith; (4) the broker must be in compliance with all net capital requirements; (5) the broker must maintain the books and records required to be maintained under the Options Procedures; (6) the broker must employ personnel and utilized procedures which are sufficient to discharge its obligations in a timely and efficient manner; and (7) absent special circumstances, neither the broker nor any associated persons shall be subject to a statutory disqualification.

⁴ The rule change also makes other sections of the Options Procedures apply to options brokers. These include:

(i) Section 206, requiring the delivery of financial reports and audits;

(ii) Section 208, setting forth the admission procedure for an applicant;

(iii) Section 209(a), requiring an authorized broker prior to admission as an authorized broker to execute an agreement agreeing to be bound by Delta's procedures;

(iv) Sections 209(b)(iv) and (v), pursuant to which an authorized broker agrees to permit inspection of its books and records (limited to the extent relating to transactions cleared through Delta's clearing system) and to indemnify Delta and its principals from default of misconduct by the authorized broker;

(v) Section 210(b), allowing an authorized broker to withdraw voluntarily by delivering written notice to Delta and Delta's clearing bank;

(vi) Sections 301 and 303, requiring among other things that the authorized broker maintain an office during business hours at which a representative of the authorized broker would be available to take all actions necessary for conducting business through the clearing system and maintain computer and communication equipment capable of supporting software provided by Delta enabling computer to computer communication of reports and other notices;

(vii) Article XII (Sections 1201, 1202, and 1208), providing for suspension of authorized brokers upon the terms set forth therein;

(viii) Article XV, applying the force majeure provisions to authorized brokers;

(ix) Article XVII, pursuant to which the authorized brokers agree to submit to the jurisdiction of the courts of the State of New York

⁵ *Id.* Section 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 38568 (May 2, 1997), 62 FR 26342.