participate in RAES in either OEX or DJX. Under one of these requirements, the market maker must execute at least seventy-five percent of his market maker contracts for the preceding calendar month in the option class in which the market maker is participating on RAES. This requirement precludes a market maker who qualifies to participate in RAES in either OEX or DJX from qualifying to participate in the other class. The Exchange believes the seventy-five percent requirement is so high that it serves as a disincentive for a market maker on one side of the common structure in which OEX or DJX are traded to move to the other side of the structure to trade the other option product for fear that the market maker will no longer qualify for RAES in his primary trading area. Although OEX and DJX are technically traded at two separate trading posts, the market makers for each product are separated by a movable railing within the same physical structure. Because the traders in OEX and DJX stand right next to each other in the same physical structure, the Exchange believes they are in the best position to provide added liquidity and capital to the product by moving from one side of the trading structure to the other.[6] A market maker must be present in the particular trading crowd where the class is traded while he is participating in RAES for that class.

The CBOE proposes to amend CBOE Rule 24.17 by adding new sub-paragraph (b)(iv) to allow a market maker to participate in RAES in both OEX and DJX during the same calendar month by transacting at least seventy percent of his market-maker contracts for the preceding calendar month in: (1) OEX; (2) DJX; or (3) both OEX and DJX combined, and by transacting seventy-five percent of his contracts in OEX and DJX during the month in person. A market maker can particiapte in RAES in both OEX and DJX during the same calendar month as long as he meets one of the sets of criteria above and as long as the two products continue to be traded at the same physical trading location. The proposed rule change will make it easier for market makers to move from one trading pit to another to provide liquidity when market conditions warrant.

The Exchange proposes to implement this rule change at the beginning of the next calendar month after the Commission approves the proposal. The Exchange also proposes to delete current Interpretation .02 to CBOE Rule 24.17 because it is no longer relevant.

[6] The Exchange notes that in the equity posts on the floor, a market maker may participate in RAES in all classes traded at that post.

III. Discussion

The Commission finds that the proposed rule change is consistent with the Act[7] and, in particular, with Section 6(b) of the Act.[8] Specifically, the Commission believes that the proposal is consistent with the Section 6(b)(5)[9] 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 public interest.

The proposed rule change to the RAES eligibility standards is designed to ensure that there is adequate market maker participation at all times in OEX and DJX, by eliminating a disincentive for market makers to actively participate in RAES in both OEX and DJX. The Commission believes that the presence of an adequate number of market makers contributes to the maintenance of a fair and orderly market by helping to ensure that there is adequate liquidity for these important indexes, particularly in times of market stress. The Commission also believes the deletion of CBOE Rule 24.17, Interpretation .02, which limited the applicability of the rule until December 1, 1997, is appropriate since the specified date, December 1, 1997, has passed.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change, as amended, (SR–CBOE–98–20) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Jonathan G. Katz,

Secretary.

[FR Doc. 98–23313 Filed 8–28–98; 8:45 am]

BILLING CODE 8010–01–M

[7] In approving this rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[8] 15 U.S.C. 78f(b).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40356; File No. SR–CSE–98–02]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto, by The Cincinnati Stock Exchange, Inc., Relating to Regulatory Jurisdiction and Proceedings

August 24, 1998.

Pursuant to Section 19(b)(1) of the securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on July 7, 1998, 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 CSE. On July 31, 1998, the Exchange filed with the Commission Amendment No. 1 to the proposed rule change.[2] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to update and clarify its rules concerning disciplinary jurisdiction and practice. The text of the proposed rule change is available at the Office of the Secretary, CSE and 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 the CSE 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 CSE has prepared summaries, set forth in section A, B, and C below, of the most significant aspects of such statements.

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

[2] In Amendment No. 1, the Exchange added Section 6(b)(6) of the Act as a statutory basis for the proposed rule change. The Exchange also set forth the procedure, under proposed CSE Rule 8.3, to be utilized upon the rejection of a letter of consent by the Business Conduct Committee. Finally, the Exchange corrected grammatical errors in proposed CSE Rule 8.1(a). Letter from Adam Gurwitz, Vice President Legal, CSE, to Kelly McCormick, Attorney, Division of Market Regulation Commission, dated July 30, 1998 (''Amendment No. 1'').

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

1. Purpose

The Exchange proposes to clarify and codify its disciplinary jurisdiction and practices by amending and renumbering those rules found in Chapter VIII of the Exchange Rules. The proposed rule change codifies existing Exchange practice, and is not intended to expand the CSE's existing grant of regulatory jurisdiction.

The proposed rule change modifying CSE Rule 8.1 states the general nature of the Exchange's regulatory jurisdiction and authority and states that such jurisdiction extends to any violation of the Act, as amended, the rules and regulations promulgated thereunder, any provision of the Exchange's Articles of Incorporation, By-Laws or rules, any interpretation thereof, or any resolution or order of the Board of Trustees or appropriate Exchange committee. The provision indicates that any such violation may, after notice and an opportunity for a hearing, be addressed by expulsion, suspension, limitation of activities, functions and operations, fine, censure, suspension or bar from association with a member or any other fitting sanction.

This rule also clarifies that the Exchange's jurisdiction extends to individual Exchange members as well as member organizations, responsible parties and persons associated with members. The CSE may discipline individuals for violations committed by employees under their supervision or by member organizations. Conversely, a member organization may be disciplined for violations committed by individuals associated with such member organizations. These failures to supervise charges are essential to a self-regulatory organization's ability to ensure that its member organizations properly supervise individuals and are common in the industry. The Exchange has always had the ability to bring such charges under its general regulatory authority, and is now more clearly expressing that authority.

The Exchange has always had the ability to police abuses in its marketplace. This includes abuses by persons associated with members who subsequently leave the employ of those members. Thus, the proposed CSE Rule 8.1(b) codifies longstanding industry practice in stating that members and associated persons remain subject to the Exchange's disciplinary jurisdiction after termination of membership or association for violations that occurred prior to termination. Thus, members and associated persons may not avoid regulatory action simply by terminating their membership or association with a member. Proposed CSE Rule 8.1(c) notes that a summary suspension or other action taken under Chapter VII of the CSE's rules (suspension of member for insolvency or failure to perform on its contracts) shall not be deemed to be a disciplinary action under Chapter VII and the provisions of Chapter VIII shall not apply to such action. The proposed CSE Rule 8.2(c) clarifies that entities within the regulatory jurisdiction of the Exchange are required to furnish information that the Exchange may request in connection with any investigation, hearing or appeal. Failure to provide such information shall be considered a rule violation. Proposed CSE Rule 8.2(c) also states that a member or associated person is entitled to be represented by counsel, at his/her own expense, during any Exchange investigation, hearing or appeal.

The CSE has always permitted any member or associated person who is the subject of an Exchange investigation to submit a statement to the Exchange's Business Conduct Committee (''BCC'') explaining why no disciplinary action should be taken—a so-called ''Wells submission.'' Proposed CSE Rule 8.2(d) and CSE Rule 8.2(f) codify this procedural right and specifically permit a Wells submission to be made on videotape to facilitate such statements. In addition, proposed CSE Rule 8.3 codifies the Exchange's expedited proceedings procedure, through which a member or associated person may attempt to resolve a matter by negotiating a letter of consent with the Exchange staff. In the CSE's experience, such procedures can, in certain cases, facilitate a fair and equitable resolution to potential disciplinary matters. Moreover, proposed CSE Rule 8.8 clarifies additional procedures concerning an offer of settlement tendered by a respondent in connection with a statement of charges. Specifically, a respondent may submit a written statement in support of an offer of settlement and may make an additional oral presentation to the BCC if the Exchange staff will not recommend acceptance of such offer or if the BCC initially rejects the offer. A respondent would be limited to a maximum of 2 offers to balance a desire to facilitate settlement with a need to bring disciplinary proceedings to closure within a reasonable timeframe. Together, these additional procedures should help ensure fair disciplinary proceedings.

Proposed CSE Rule 8.10(d) would permit the Exchange President or Chairman to request review by the Exchange's Board of Trustees of any decision by the BCC not to initiate charges against a member or associated person. The Board could, at its discretion, order such a review. In this way, the CSE proposes to institute a system of checks and balances in the disciplinary process. Finally, the proposed Interpretation .01 of CSE Rule 8.11 sets forth the Exchange's policy concerning staff compliance with relevant laws and regulations, as well as the publication of disciplinary actions. The Exchange does not routinely release this type of information to the press. If circumstances warrant, however, the Exchange's Executive Committee may direct the Exchange staff to issue a press release or other statement to the press

2. Basis

The proposed rule change is consistent with Section 6(b) of the Act [3] in general, and furthers the objectives of Section 6(b)(5) [4] in particular in that it is designed to promote just and equitable principles of trade and 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. In addition, the proposed rule change furthers the objectives of Section 6(b)(6) [5] because it provides that members and persons associated with members shall be appropriately disciplined for violations of the Act, or the rules or regulations thereunder, or the rules of the Exchange.[6] Specifically, the proposed rule change will clarify the Exchange's regulatory jurisdiction and the conduct of disciplinary proceedings, and will thereby help ensure proper enforcement of its rules.

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

The CSE does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No comments were solicited or received in connection with the proposed rule change.

[3] 15 U.S.C. 78f.

[4] 15 U.S.C. 78f(b)(5).

[5] 15 U.S.C. 78f(b)(6).

[6] Amendment No. 1.

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 (1) 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 (2) 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, 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR–CSE–98–02 and should be submitted by September 21, 1998.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98–23315 Filed 8–28–98; 8:45 am]

BILLING CODE 8010–01–M

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40357; File Nos. SR–DTC–98–12, SR–PTC–98–02]

The Depository Trust Company; Participants Trust Company; Order Approving a Proposed Rule Change Relating to a Merger Between the Depository Trust Company and Participants Trust Company

August 24, 1998.

On May 29, 1998, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') and on June 2, 1998, Participants Trust Company (''PTC'') filed with the Commission proposed rule changes (File Nos. SR–DTC–98–12 and SR–PTC–98–02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposals was published in the **Federal Register** on June 30, 1998.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule changes.

I. Description

The rule changes relate to the arrangements for a merger between DTC and PTC. Under the arrangements for the proposed merger, PTC will merge with and into DTC, and DTC will make certain payments to PTC's shareholders. For at least two years after the effective date of the merger, DTC will provide the services currently offered by PTC in a separate division of DTC, called the MBS Division. The current rules and procedures of PTC with respect to dispository services, the processing of transactions in PTC-eligible securities, and the PTC participants fund will become part of the rules and procedures of DTC and will be applied to the business of the MBS Division.[3]

PTC's participants, most of which are also DTC participants, will continue to have access to the depository services now being offered through DTC's MBS Division.[4] In addition, DTC will offer PTC participants that are not DTC participants an opportunity to become participants of the MBS Division.

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

[2] Securities Exchange Act Release No. 40121 (June 24, 1998), 63 FR 30543.

[3] On July 13, 1998, DTC submitted a rule filing to the Commission [File No. SR–DTC–98–15] to amend its rules and procedures to provide for the MBS Division and to accommodate the application of PTC's current rules and procedures to the MBS Division's business.

[4] The Commission understands that the only PTC participants that are not DTC participants are Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and The Federal Reserve Bank of Cleveland.

II. Discussion

Section 17A(b)(3)(F) of the Act[5] requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency of for which it is responsible. The Commission believes that the proposed rule changes are consistent with DTC's and PTC's obligations under Section 17A(b)(3)(F). Because the rules and procedures of PTC, which previously have been approved by the Commission, will become the rules and procedures of DTC's MBS Division, the Commission believes that the arrangements for the merger between DTC and PTC should ensure that securities transactions that are currently processed through PTC will continue to be processed efficiently through DTC's MBS Division. In addition, the Commission believes that the arrangements for the merger provide for the orderly transfer or PTC's operations to DTC and therefore should assure the safeguarding of securities and funds which are in PTC's custody or control or for which it is responsible.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposals are consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule changes (File Nos. SR–DTC–98–12 and SR–PTC–98–02) be and hereby are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

Jonathan G. Katz,

Secretary.

[FR Doc. 98–23278 Filed 8–28–98; 8:45 am]

BILLING CODE 8010–01–M

[5] 15 U.S.C. 78q–1(b)(3)(F).

[6] 17 CFR 200.30–3(a)(12).