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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act [6] and subparagraph (e)(2) of Rule 19b–4 thereunder.[7] At any time within 60 days of the filing of the 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, including whether the proposed rule change is consistent with the Act.[8] 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. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR–CBOE–98–42 and should be submitted by November 17, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[9]

[6] 15 U.S.C. 78s(b)(3)(A)(ii).

[7] 17 CFR 240.19b–4(e)(2).

[8] In reviewing this proposal, the Commission has considered its potential impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

[9] 17 CFR 200.30–3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–28643 Filed 10–26–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40568; File No. SR–CSE–98–02]

Self-Regulatory Organizations; Cincinnati Stock Exchange, Inc.; Order Approving Proposed Rule Change and Amendment No. 1 Relating to Regulatory Jurisdiction and Proceedings

October 19, 1998.

I. Introduction

On July 7, 1998, the Cincinnati Stock Exchange, Inc. (''CSE'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to update and clarify the Exchange's rules concerning disciplinary jurisdiction and practice. Amendment No. 1 was submitted to the Commission on July 30, 1998.[3] The proposed rule change was published for comment in the **Federal Register** on August 31, 1998.[4] The Commission received no comments on the proposal. This order approves the proposal, as amended.

II. Description of the Proposal

The CSE proposes to clarify and codify the Exchange's disciplinary jurisdiction by amending and renumbering the rules found in Chapter VIII of the Exchange Rules. According to the CSE, the proposed rule change is not intended to expand the Exchange's existing grant of regulatory jurisdiction, but rather to codify existing Exchange practices.[5]

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

[2] 17 CFR 240.19b–4.

[3] 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 clarified language 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'').

[4] Exchange Act Release No. 40356 (August 24, 1998) 63 FR 46259 (August 31, 1998).

[5] The proposal renumbers a number of existing rules to accommodate for the addition of new rules. The rule numbers referenced in this order correlate to the rules as proposed.

CSE Rule 8.1

Subsection (a) of proposed CSE Rule 8.1 provides for the Exchange's general regulatory jurisdiction and authority and states that the Exchange's 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, of any resolution or order of the Board of Trustees or appropriate Exchange committee (hereinafter collectively referred to as the ''Rules''). In addition, proposed CSE Rule 8.1(a) states that any violation of the Rules, 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.

Proposed CSE Rule 8.1(a) also clarifies that individual Exchange members as well as responsible parties or persons associated with a member organization may be charged with violations of the Rules committed by employees or member organizations. Similarly, member organizations may be charged with violations committed by individuals. This provision is designed to ensure adequate supervision by members of their employees. The Exchange also explained that discipline for the failure to supervise is common in the industry and the proposed rule change merely clarifies the Exchange's existing authority.

Proposed CSE Rule 8.1(b) provides that members and associated persons remain subject to the Exchange's disciplinary jurisdiction upon termination of membership or association for violations that occurred prior to such termination. The Exchange notes that this proposed subsection expresses long-standing industry practice and prevents members and associated persons from avoiding disciplinary actions simply by terminating their membership or association with a member.

Finally, CSE Rule 8.1(c) clarifies that summary suspensions or other actions taken pursuant to Chapter VII of the Exchange Rules are not considered disciplinary actions. Accordingly, the provisions of Chapter VIII are not applicable to such Chapter VII actions.

CSE Rule 8.2

Proposed CSE Rule 8.2, addressing complaints and investigations, adds new subsections (c) through (f). Subsection (c) sets forth that a member or person associated with a member has

an obligation to furnish information that the Exchange may request in connection with any investigation, hearing, or appeal. In addition, proposed CSE Rule 8.2(c) provides that a member or person associated with a member is entitled to be represented by counsel during such an investigation, proceeding, or inquiry. Proposed CSE Rule 8.2(e) provides that any failure to provide requested information is considered a violation of proposed CSE Rule 8.2.

Upon notice by the Exchange of an alleged violation of any of the Rules, the person who is suspected of the violation is entitled to submit a statement stating why no disciplinary action should be taken—a so-called ''Wells submission.'' Subsections (d) and (f) of proposed CSE Rule 8.2 provide for such a statement to be made either in writing or by videotape and submitted to the Business Conduct Committee (''BCC'').

Additional Changes

Proposed CSE Rule 8.3 provides for expedited proceedings. Pursuant to this rule, a member or person associated with a member may attempt to resolve a matter by negotiating a letter of consent. The Exchange explains that for certain cases such a procedure facilitates a fair and equitable resolution to potential disciplinary matters.

Settlement offers in response to a statement of charges are addressed in proposed CSE Rule 8.8. In subsection (b), the Exchange provides that a respondent may submit a written statement in support of a settlement offer. If the Exchange staff does not recommend acceptance of a settlement offer, the respondent may make an oral statement to the BCC addressing why the settlement offer should be accepted. Subsection (c) limits the number of written settlement offers that may be submitted to the BCC to a maximum of two. The Exchange believes the limitation balances the desire to facilitate settlements with a need to bring closure to disciplinary proceedings.

The Exchange also proposes CSE Rule 8.10(d), which addresses the review of decisions not to initiate charges. Pursuant to this new subsection, the Board of Trustees may review a decision not to initiate upon application by the President or the Chairman.

Finally, the proposed rule change adds new Interpretation .01 to proposed CSE Rule 8.11. This Interpretation states the Exchange's policy concerning staff compliance with the procedural requirements of the Rules. In addition, the Interpretation provides the policy concerning publication of disciplinary matters. The proposal explains that the CSE does not routinely release such information, but if circumstances warrant such a release, the Exchange's Executive Committee may direct release to the public by the staff.

III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[6] In particular, the Commission finds that the proposed rule change is consistent with the requirements of Sections 6(b)(1), 6(b)(5), 6(b)(6), and 6(b)(7) of the Act.[7]

Section 6(b)(1) of the Act[8] requires exchanges to possess the capacity to enforce compliance by their members and persons associated with members with the provisions of the Act, the rules and regulations thereunder and the rules of the Exchange. Proposed CSE Rule 8.1 helps provide such capacity by expressly stating the Exchange's disciplinary jurisdiction. Moreover, the rule notes the Exchange's authority to pursue, discipline, and sanction members and persons associated with members for violations of the Rules. Proposed CSE Rule 8.1 should further strengthen the Exchange's enforcement authority by holding employers responsible for violations committed by employees and by stating that the Exchange has continuing jurisdiction over terminated members or persons associated with members.

Proposed CSE Rule 8.2 (c) and (e) also enhance the CSE's enforcement capacity. By requiring the submission of information pertinent to disciplinary actions, this rule should help ensure that Exchange officials making disciplinary decisions have the facts necessary to enforce the Rules. In addition, the mechanism for Board of Trustees review of BCC decisions not to initiate charges contained in proposed CSE Rule 8.10(d) should ensure further oversight of the enforcement of the Rules.

The Commission also finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act[9] which provides, among other things, that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public. The proposed rule change clarifies and codifies the disciplinary jurisdiction of the Exchange, providing notice to members and persons associated with members that violations of the Rules can lead to disciplinary proceedings. Such notice should discourage fraudulent and manipulative acts and practices and result in the protection of investors and the public.

In addition, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(6) of the Act,[10] because it provides that members and persons associated with members shall be appropriately disciplined for violations of the Rules. For example, CSE Rule 8.1(a) expressly provides that the Exchange may appropriately discipline members or persons associated with members by expulsion, suspension, limitation of activities, functions and operations, fine, censure, suspension or bar from association with a member or any other fitting sanction.

The proposed rule change also is consistent with the fair disciplinary procedure requirements of Section 6(b)(7) of the Act.[11] The Commission finds that the proposed rule change is designed to improve the transparency, speed, and efficiency of the disciplinary process, thereby promoting a fair procedure for disciplining members and persons associated with members. Chapter VIII of the Exchange Rules increases transparency by setting forth the disciplinary process to be employed for disciplining members and persons associated with members. Moreover, proposed CSE Rule 8.3 and 8.8 specifically provide for the prompt resolution of charges. CSE Rule 8.3 offers a member or person associated with a member the opportunity to resolve a matter by negotiating a letter of consent. In addition, CSE Rule 8.8 furnishes the procedures to be employed for settlement offers. A member or person associated with a member may submit an offer of settlement in lieu of the disciplinary procedures. When a settlement offer is not accepted, limiting a member or person associated with a member to one additional settlement offer should give appropriate and fair closure to the disciplinary process.

Proposed CSE Rule 8.2 further ensures fair disciplinary procedures by notifying subjects of allegations made against them and by allowing members to submit either a written or video ''Wells submission'' in response to a notice of charges. This provision

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

[7] 15 U.S.C. 78f(b)(1); 15 U.S.C. 78f(b)(5); 15 U.S.C. 78f(b)(6); and 15 U.S.C. 78f(b)(7).

[8] 15 U.S.C. 78f(b)(1).

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

[10] 15 U.S.C. 78f(b)(6).

[11] 15 U.S.C. 78f(b)(7).

provides an efficient method for responding to a violation charge and for identifying where a disciplinary action may be inappropriate. CSE Rule 8.2 also expresses that a member or person associated with a member has the right to be represented by counsel during an investigation, proceeding or inquiry, thereby helping to ensure the fairness of the proceedings.

Finally, the proposed rule change promotes the fairness of disciplinary procedures in proposed Interpretation .01 to CSE Rule 8.11. Interpretation .01 to CSE Rule 8.11 emphasizes the Exchange's commitment to a fair disciplinary process. It states that the staff shall comply with all procedural requirements of the Rules. The interpretation also addresses public disclosure of disciplinary proceedings setting forth Exchange policy, providing for a fair procedure for determining if disclosure is appropriate.

Accordingly, the Commission believes the proposed rule change should protect those subject to the CSE's disciplinary process while ensuring the Exchange's enforcement of the Rules meant to protect investors.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR–CSE–98–02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–28644 Filed 10–26–98; 8:45 am]

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[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40579; File No. SR–DTC–98–7]

Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of Proposed Rule Change Adding a New Service Providing Pre-Issuance Messaging of Money Market Instruments Trade Details to Issuing and Paying Agents and Dealers

October 20, 1998.

On April 22, 1998, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–DTC–98–7) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on July 1, 1998.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change provides a mechanism for issuing and paying agents (''IPAs'') and dealers to communicate securities information, specifically Pre-Issuance Messaging (''PIM'') instructions, related to the issuance of money market instruments (''MMI''). Although the PIM service is designed to accommodate all types of MMIs, initially the PIM service will be utilized only for commercial paper (''CP''). The service will enable dealers and IPAs to communicate issuance instructions to one another prior to the IPAs' issuing CP by book-entry through DTC or through physical certificates outside DTC.

Under the rule change, IPAs and dealers can send PIM instructions to each other by using DTC as a conduit or central switch for the messages. PIM instructions will be sent electronically to DTC. DTC will not perform any processing on the instructions but will instead automatically route them to the recipient indicated in the sender's instructions.

PIM employs several levels of system security in addition to allowing IPAs and dealers to utilize their own passeword security per message if they wish. As each message sent requires an acknowledgment from the receiving party, it is unlikely that messages will be lost. Should a message be undeliverable for some reason, DTC will issue a notice to the message originator indicating the message could not be delivered. The originator will then have to reissue a new message. DTC will charge the sending party $.04 per message. There will be no charge to the message receiver. Each user of the PIM Service will enter into a PIM agreement with DTC.

II. Discussion

Section 17A(b)(3)(F) of the Act[3] requires that the rules of a clearing agency be designed to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission believes that PIM should enable dealers and IPAs to better communicate issuance instructions to one another prior to the IPAs' issuing CP by book entry through DTC or through physical certificates outside DTC. As a result, the rule change should help perfect the national clearance and settlement system. Therefore, the Commission believes that DTC's proposed rule change is consistent with its statutory obligation under Section 17A(b)(3)(F) of the Act.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with 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 change (File No. SR–DTC–98–7) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[4]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–28639 Filed 10–26–98; 8:45 am]

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

[2] Securities Exchange Act Release No. 40119 (June 24, 1998), 63 FR 36008.

[3] 15 U.S.C. 78q–1(b)(3)(F).

[4] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40578; File No. SR–NASD–98–47]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Integration of the Trade Acceptance and Reconciliation Service Into the Automated Confirmation Transaction Service

October 20, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on July 9, 1998, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association''), through its wholly-owned subsidiary, The Nasdaq Stock Market, Inc. (''Nasdaq''), 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 primarily by Nasdaq. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

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