

index futures. In particular, FLEX options will never expire on any "Expiration Friday" because the expiration date of a FLEX option may not occur on a day that is on, or within, two business days of the expiration date of a Non-FLEX option. The Commission believes that this should reduce the possibility that the exercise of FLEX options at expiration will cause any additional pressure on the market for underlying securities at the same time that Non-FLEX options expire.

Nevertheless, because the position limits for FLEX index options on the DJTA are much higher than those currently proposed for the corresponding non-FLEX Index (*i.e.*, 4 times the existing 15,000 contract limits) options and open interest in one or more FLEX option series could grow to significant levels, it is possible that FLEX options on the DJTA might have an impact on the securities markets for the securities underlying FLEX options. The Commission expects the Exchange to monitor the actual effect of FLEX options on the DJTA once trading commences and take prompt action (including timely communication with the self-regulatory organizations responsible for oversight of trading in the underlying securities) should any unusual market effects develop.

F. Accelerated Approval of Amendment No. 1

The Commission finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. Amendment No. 1, does not raise any novel issues. It merely states that the Exchange will notify the Commission in the event that the Index fails to meet a set of maintenance standards that are substantially similar to existing maintenance standards for narrow-based indices. These representations are nearly identical in all material respects to those made by the Exchange in connection with similar proposals to list options on stock indexes. In addition, Amendment No. 1 sets position limits for FLEX options at 4 times the limits applicable for industry index options and includes an attached letter from Dow Jones & Company describing their procedures for replacing Index components and outlining their conflict of interest policy. The Commission believes, therefore, that Amendment No. 1 further strengthens and clarifies the proposal, and raises no new regulatory issues. Further, the Commission notes that the original proposal was published for the full 21-day comment period and

no comments were received by the Commission. Accordingly, the Commission believes it is consistent with Sections 19(b)(2) and 6(b)(5) of the Act to approve Amendment No. 1 to the Exchange's proposal on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1. 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 will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to File No. SR-CBOE-97-27 and should be submitted by October 2, 1997.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁴⁰ that the proposed rule change (SR-CBOE-97-27) is approved, as amended. In addition, for purposes of trading FLEX options on the Index, the Commission also finds, pursuant to Rule 9b-1 under the Act, that such options are standardized options for purposes of the options disclosure framework established under Rule 9b-1.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-24132 Filed 9-10-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39019; File No. SR-NASD-97-41]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Definition of Branch Office

September 4, 1997.

I. Introduction

On June 17, 1997,¹ the National Association of Securities Dealers, Inc. ("NASD" or "Association") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ a proposed rule change to amend Rule 3010 of the NASD's Conduct Rules to create another exception to the definition of branch office. A notice of the proposed rule change appeared in the **Federal Register** on July 2, 1997.⁴ The Commission received two comment letters endorsing the proposed rule change.⁵ The Commission is approving the proposed rule change.

II. Description of the Proposal

The definition of a branch office, found in NASD Rule 3010, includes any location identified by any means to the public or customers as a location at which the member conducts an investment banking or securities business, subject to several exceptions.⁶ If a business location of a member meets the definition of a branch office, such office must be identified to the NASD through the filing of a Schedule E to

¹ The NASD granted an extension of the time for Commission action on this rule filing until thirty-five days after NASD Regulation filed an amendment advising of the action of the NASD Board of Governors. Letter from Craig L. Landauer, Associate General Counsel, NASD Regulation, Inc., to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated June 24, 1997. The NASD Board of Governors reviewed this proposed rule change on June 26, 1997. Letter from Craig L. Landauer, Associate General Counsel, NASD Regulation, Inc., to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated June 27, 1997.

² 15 U.S.C. § 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ Securities Exchange Act Release No. 38781 (June 26, 1997), 62 FR 35870.

⁵ Letter from Allen W. Croessmann, President, BankBoston Investor Services, to Jonathan G. Katz, Secretary, SEC, dated July 22, 1997 and Letter from Joseph P. Savage, Assistant Counsel, Investment Company Institute, to Jonathan G. Katz, Secretary, SEC, dated July 22, 1997.

⁶ See NASD Rule 3010(g)(2).

⁴⁰ 15 U.S.C. 78s(b)(2).

⁴¹ 17 CFR 200.30-3(a) (12) and (51).

Form BD and such location is subject to an annual NASD fee of \$75.00.

Rule 3010 does not address the circumstance in which a business location is used exclusively for appointments from time to time between registered representatives and customers. This issue may arise under networking arrangements between NASD members and banks. In this context, registered representatives of the member may periodically schedule appointments with bank customers at a bank location where the NASD member conducts no securities activities. Under the Interagency Statement on Retail Sales of Non-deposit Investment Products, banks are required to use signage at the place of the appointment to identify the NASD member that employ the registered person.⁷ Thus, the presence of this signage at the place of appointment could be interpreted as the member or its agent designating the location as a branch office for which branch office registration requirements would apply. Thus, the NASD has created another exception to the definition of branch office to address this type of situation.

The proposed amendment adds language to paragraph (g) of Rule 3010 to exempt from the definition of branch office certain locations where a person conducts business for the member firm occasionally and exclusively by appointment for the convenience of customers, and where the member maintains no other tangible presence. To be consistent with other provisions of Rule 3010, the persons conducting business at such locations would be required to provide each customer with the address and telephone number of the branch office or office of supervisory jurisdiction of the firm from which the person who is conducting the meeting is supervised.

III. Discussion

The Commission believes the proposed rule change is consistent with the Act and rules and regulations promulgated thereunder. Specifically, the Commission believes that approval of the proposed rule change is consistent with Section 15A(b)(6)⁸ of

the Act.⁹ Pursuant to Section 15A(b)(6), the proposed rule change permits member firms and their representatives to be flexible when scheduling appointments at a location convenient to their customers without being assessed an additional branch office registration fee. However, the Commission reiterates that member firms, pursuant to NASD Rules, are required to monitor and supervise representatives and their activity, whether they conduct business in a branch or non-branch office. The status of a location as a branch or non-branch office is not relevant to the duty to supervise.¹⁰

IV. Conclusion

For the above reasons, the Commission believes that the proposed rule change is consistent with the provisions of the Act, and in particular with Section 15A(b)(6).

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (SR-NASD-97-41) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-24133 Filed 9-10-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39024; File No. SR-NASD-97-52]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Approval to Proposed Rule Change Relating to Extension of the Large and Complex Case Rule and Making Application of the Rule Voluntary

September 5, 1997.

I. Introduction

On July 22, 1997,¹ the National Association of Securities Dealers, Inc.

⁹ The Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. § 78c(f).

¹⁰ The NASD plans to issue a Notice to Members to clarify member firms' supervisory responsibilities concerning non-branch offices.

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR 200.30-3(a)(12).

¹ The NASD filed Amendment No. 1 to the proposed rule change on July 25, 1997, the substance of which was incorporated into the notice. See letter from Elliott R. Curzon, Assistant General Counsel, NASDR, to Katherine A. England, Assistant Director, Market Regulation, Commission, dated July 25, 1997 ("Amendment No. 1").

("NASD" or "Association") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ a proposed rule change to amend Rule 10334 of the NASD's Code of Arbitration Procedure ("Code") to extend the effectiveness of Rule 10334 to August 1, 2002, and to make application of Rule 10334 voluntary.

Notice of the proposed rule change, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 38879 (July 28, 1997), 62 FR 41454 (August 1, 1997). No comments were received on the proposal. This order approve the proposed rule change.

II. Description

Rule 10334 provides special procedures for large and complex cases.⁴ Any claim where the amount in controversy is \$1 million or more, or where all parties agree, is eligible for disposition under the procedures.

Currently, Rule 10334 requires that the parties in any eligible case participate in an administrative conference with a member of the staff of the Office of Dispute Resolution ("Office"). The purpose of the conference is to permit the parties and staff to develop a plan for administering the case, including planning for discovery and narrowing the issues to be decided at the hearing. Application of all other provisions of the Rule to a case is completely voluntary.

Rule 10334 was developed to meet the special needs of parties in large and complex cases, including the need for arbitrators with particular experience and the need in some cases for additional discovery, including the availability of depositions. NASD Regulation's experience in the two years that Rule 10334 has been effective is that few parties use the procedures. From May 2, 1995 until January 28, 1997, 880 cases were eligible for treatment under Rule 10334. Parties agreed to proceed under Rule 10334, however, in only 43 cases.

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ The rule, in pilot form, became effective for one year on May 2, 1995, was extended to August 1, 1996, extended again until August 1, 1997, and temporarily extended until approval of this rule proposals. See Securities Exchange Act Release Nos. 35314 (February 1, 1995), 60 FR 7241 (February 7, 1995) (original approval of pilot program); 37154 (April 30, 1996), 61 FR 20301 (May 6, 1996) (temporary extension until August 1, 1996); 37513 (August 1, 1996), 61 FR 41438 (August 8, 1996) (extension until August 1, 1997); and 38879 (July 28, 1997), 62 FR 41454 (August 1, 1997) (temporary extension).

⁷ Board of Governors of the Federal Reserve System *et al.*, Interagency Statement on Retail Sales of Non-deposit Investment Products, p. 10 (February 15, 1994).

⁸ Section 15A(b)(6) requires the Commission to determine that a registered national securities association's rules are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and national market system; and are not designed to permit unfair discrimination among customers, issuers, brokers, or dealers.