

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 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. The CHX 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

The CHX proposes to add interpretation .02 to Article VI, Rule 3 of the CHX's rules to establish examination requirements for securities traders not located on the floor of the Exchange.

Article VI, Rule 3 of the Exchange's rules permits the CHX to adopt appropriate examination requirements. Pursuant to this rule, the CHX has adopted examination requirements for various persons on the CHX floor, such as floor brokers, market makers, and co-specialists. These examination requirements are specified in interpretation .01 to CHX Article VI, Rule 3. No similar examination requirement currently exists for persons that conduct trading activities off the floor. The purpose of the proposed rule change is to add examination requirements for off-floor securities traders and certain other associated persons of members who are not covered by the current requirements.

Specifically, the CHX seeks to require associated persons of members for which the Exchange is the DEA that engage in proprietary or agency trading of equities, preferred securities or convertible debt securities, including, but not limited to, persons who execute such trades or make trading decisions with respect to such trades, and who are not subject to the currently existing examination requirements ("Securities Traders"), to successfully complete the Series 7 examination.

According to the CHX, the proposal, which is not based on the specific rule filing of any other exchange, will bring the CHX's examination requirements in line with those of the major securities exchanges and enhance the consistency of exam requirements across the exchanges.

The new exam requirement for Securities Traders will be phased in over a six-month period. Associated persons who currently fit the definition of Securities Traders will have to register to take the Series 7 exam within 30 days of the Exchange's publication of the order approving the effectiveness of this requirement in a Notice to Members and must promptly notify the Exchange that they have so registered. Securities Traders will have six months from the date of such Notice to Members in which to pass the Series 7 exam. Securities Traders who become associated with members after notice of this requirement is published by the CHX in a Notice to Members must successfully complete the Series 7 exam before conducting securities trading activities for which an exam is required under the new interpretation.

2. Statutory Basis

The CHX believes that the proposed rule change is consistent with Section 6 of the Act, in general, and furthers the objectives of Section 6(c)(3)(A) and Section 6(c)(3)(B),⁵ in particular, in that it is designed to prescribe appropriate standards of training, experience, and competence for brokers and dealers in order to protect investors and the public. The CHX believes that the proposed rule change also is consistent with Section 6(b)(5) of the Act, in general, in that it is designed to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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

The CHX believes that no burden will be placed on competition as a result of the proposed rule change.

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.

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 by order approve such proposed rule change, or 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. 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 number SR-CHX-98-04 and should be submitted by April 1, 1998.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39720; File No. SR-CSE-97-13]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 by The Cincinnati Stock Exchange, Inc. Relating to Market Order Exposure Requirements

March 4, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,¹ notice is hereby given that on November 13, 1997, The Cincinnati Stock Exchange, Inc. ("CSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change relating to market order exposure requirements. On February 25, 1998, the CSE filed

⁶ 17 CFR 200.30-3(a)(12)

¹ 15 U.S.C. § 78s(b)(1).

⁵ See Amendment No. 1, *supra* note 2.

Amendment No. 1 to the proposed rule change.² The proposal, as amended, is described in Items I and II below, which Items have been prepared by the CSE. 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 CSE proposes to amend Rule 11.9(u), Interpretation .01, concerning customer market order exposure requirements. Proposed new text is in italics; deleted text is in brackets.

Rule 11.9 National Securities Trading System

(a) through (u) No Change.

Interpretations and Policies

.01 [Price Improvement Opportunity] Market Order Exposure Requirement

Consistent with his or her agency responsibility to exercise due diligence, a member must comply with the following procedures which provide the opportunity for public agency buy/sell *market* orders to receive a price lower/higher than the disseminated national best offer/bid.

[(a) Market Order Exposure—] Except under unusual market conditions or if it is not in the best interests of the customer, when the spread between the national best bid and offer is greater than the minimum price variation, a member must either immediately execute the *market* order at an improved price or expose the *market* order on the Exchange for a minimum of [thirty] *fifteen* seconds in an attempt to improve the price.

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 statutory 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 sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

On June 17, 1997, the Exchange issued Regulatory Circular 97-07 which, among other things, clarified a Member's obligations under Rule 11.9 in light of the securities industry's move to finer trading increments (*i.e.*, $\frac{1}{16}$ point). The Exchange has now determined, based on its experience with specialists quoting and trading in finer increments, that exposing a market order for thirty seconds creates additional risks to the specialists. The Exchange believes that a fifteen second exposure will balance the risks to specialists and the need to provide customers a meaningful opportunity for price improvement.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general,³ and furthers the objectives of Section 6(b)(5)⁴ in particular. The proposed rule change is designed to balance certain risks to specialists thereby promoting just and equitable principles of trade. In addition, the proposal will provide customers an opportunity for price improvement thereby furthering the mechanism of a free and open market and a national market system.

B. 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

Comments were neither solicited nor received in connection with 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, 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. Copies of such filings will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to the File No. SR-CSE-97-13 and should be submitted by April 1, 1998.

For the Commission by the Division of Market Regulation, pursuant to the delegated authority.⁵

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39719; File No. SR-PCX-98-08]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Assessment for New Facilities

March 4, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 9, 1998, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory

² See letter from Adam W. Gurwitz, Vice President Legal and Corporate Secretary, CSE, to Richard Strasser, Assistant Director, Division of Market Regulation, Commission, dated February 25, 1998.

³ 15 U.S.C. § 78f.

⁴ 15 U.S.C. § 78f(b)(5).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.