

Agreement, Augusta Acquisition Corporation, a wholly owned subsidiary of AEP, intend to merge with and into CSW ("Merger") on the closing date. Under the Merger Agreement, among other things, AEP and CSW have each agreed to hold meetings of their shareholders to obtain the shareholder approvals required to effect the Merger.

AEP proposes to solicit proxies from its common shareholders to approve various matters in connection with the Merger at the annual AEP shareholders meeting, scheduled in late May 1998. The AEP shareholders will be asked to consider and approve a proposed amendment ("Proposed Amendment") to AEP's restated certificate of incorporation to increase the number of authorized shares of AEP common stock, provided that the total votes cast on the proposal represent a majority of the outstanding shares of AEP common stock, and the issuance of shares of AEP common stock. The Proposed Amendment will be effected, if approved by AEP's shareholders, regardless of whether the Merger is consummated. AEP states that the additional authorized shares of AEP common stock will enable it to respond to future business needs and opportunities. Specifically, shares of AEP common stock would be available for issuances in connection with possible investment opportunities, acquisitions of assets and other companies, or for other corporate purposes. Accordingly, AEP requests that an order authorizing the solicitation of proxies be issued as soon as practicable under rule 62(d).

CSW proposes to solicit proxies to approve the Merger by the affirmative vote of the holders of a majority of the outstanding shares of CSW common stock at the annual CSW shareholders meeting, scheduled in late May 1998. Accordingly, CSW requests that an order authorizing the solicitation of proxies be issued as soon as practicable under rule 62(d).

At a later date, AEP and CSW plan to file an application-declaration with this Commission requesting authority to consummate the Merger and related transactions including, but not limited to, the issuance of AEP common stock.

It appears to the Commission that AEP and CSW's joint declaration regarding the proposed solicitation of proxies should be permitted to become effective immediately.

It is ordered, under rule 62 under the Act, that the joint declaration regarding the proposed solicitation of proxies can become effective immediately, subject to the terms and conditions contained in rule 24 under the Act.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39874; File No. SR-CHX-98-04]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to Examination Requirements for Securities Traders

April 14, 1998.

I. Introduction

On February 18, 1998, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposal to require certain off-floor CHX members to successfully complete the Series 7 examination.³ The proposed rule change and Amendment No. 1⁴ to the proposal were published for comment in the **Federal Register** on March 11, 1998.⁵ No comments were received regarding the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

CHX Rule 3, "Training and Examination of Registrants," of Article VI, "Restrictions and Requirements," currently authorizes the CHX to establish examination requirements in connection with the registration of partners, officers, options principals, branch office managers, and registered representatives of members. Pursuant to CHX Article VI, Rule 3, the CHX has adopted examination requirements for various persons on the CHX floor, including floor brokers, market makers,

and co-specialists.⁶ However, the CHX has no examination requirement for persons who conduct trading activities off the CHX floor. The CHX proposes to add examination requirements for off-floor securities traders and certain other associated persons of members who are not covered by the CHX's current examination requirements.

Specifically, the CHX proposes to adopt Interpretation and Policy .02 to CHX Article VI, Rule 3, which will require associated persons of members for which the CHX is the Designated Examining Authority ("DEA") who execute, make trading decisions with respect to, or otherwise engage in proprietary or agency trading of equities, preferred securities or convertible debt securities to successfully complete the Series 7 Examination.⁷ Interpretation and Policy .02 will not apply to any associated person who is subject to the examination requirements of Interpretation and Policy .01 because he or she is physically located on the CHX floor.

The CHX's proposal also revises the text of CHX Article VI, Rule 3, to provide that the CHX may require that associated persons of members must successfully complete a training course or examination, or both, in connection with registration.

According to the CHX, the proposal will bring the CHX's examination requirements in line with those of the major securities exchanges and enhance the consistency of examination requirements across the exchanges.

The CHX will phase in the new examination requirement over a six-month period. Specifically, the CHX will require associated persons who currently are covered by Interpretation and Policy .02 to register to take the Series 7 examination within 30 days of the Exchange's publication in a Notice to Members of the order approving the effectiveness of the new examination requirement.⁸ Persons covered by

⁶ See CHX Article VI, Rule 3, Interpretation and Policy .01.

⁷ The proposal is limited to associated persons of members for which the CHX is the DEA because associated persons of members with a DEA other than the CHX already are subject to the examination requirements of the self-regulatory organization ("SRO") which is the DEA for the member firm. Telephone conversation between Patricia Levy, General Counsel, CHX, and Yvonne Fraticelli, Attorney, Office of Market Supervision ("OMS"), Division, Commission, on February 25, 1998.

⁸ Associated persons covered by Interpretation and Policy .02 who fail to register to take the Series 7 examination within 30 days of the CHX's Notice to Members must cease doing business. Telephone conversation between Patricia Levy, General Counsel, CHX, and Yvonne Fraticelli, Attorney, OMS, Division, Commission, on April 14, 1998.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Series 7 examination is a qualification examination for persons seeking registration as general securities representatives.

⁴ See Letter from Joseph M. Klauke, Foley & Lardner, to Yvonne Fraticelli, Division of Market Regulation ("Division"), Commission, dated March 3, 1993 ("Amendment No. 1"). In Amendment No. 1, the CHX corrected a legal reference in the CHX's discussion of the statutory basis for the proposed rule change. Specifically, Amendment No. 1 replaces a reference to Section 6(c)(3)(8) of the Act with a reference to Section 6(c)(3)(B) of the Act.

⁵ See Securities Exchange Act Release No. 39721 (March 4, 1998).

Interpretation and Policy .02, who must promptly notify the Exchange that they have registered to take the Series 7 examination, will have six months from the date of the CHX's Notice to Members to pass the Series 7 examination. Persons covered by Interpretation and Policy .02 who become associated with members after the CHX publishes notice of the examination requirement in a Notice to Members must successfully complete the Series 7 examination before conducting securities trading activities for which an examination is required under the Interpretation and Policy .02.

III. Discussion

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. Specifically, the Commission finds that the proposal is consistent with the requirements of Sections 15(b)(7), 6(b)(5), and 6(c)(3)(B) of the Act.⁹ Section 15(b)(7) states that a registered broker or dealer may not effect any transaction in, or induce the purchase or sale of, any security unless the broker or dealer meets certain standards of operational capability and all those associated with the broker or dealer meet certain standards of training, experience, competence, and such other qualifications as the Commission finds necessary or appropriate in the public interest or for the protection of investors. Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, 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.¹⁰ Section 6(c)(3)(B) provides that a national securities exchange may examine and verify the qualifications of an applicant to become a person associated with a member in accordance with procedures established by the rules of the exchange, and require any person associated with a member, or any class of such persons, to be registered with the exchange in accordance with procedures so established.

Interpretation and Policy .02 will require off-floor associated persons of members for which the CHX is the DEA who execute, make trading decisions with respect to, or otherwise engage in

proprietary or agency trading of equities, preferred securities, or convertible debt securities to successfully complete the Series 7 examination. The CHX's rules currently contain no examination requirement for persons covered by Interpretation and Policy .02. Interpretation and Policy .02 is designed to eliminate this gap in examination requirements and to make the CHX's examination requirements more consistent with the examination requirements of the other SROs.

The Commission believes that it is appropriate for the CHX to establish an examination requirement for associated persons covered by Interpretation and Policy .02. Specifically, the Commission believes that the CHX's proposal will help to ensure that only those associated persons covered by Interpretation and Policy .02 who have an understanding of the Act, will be able to solicit, purchase or sell securities for the accounts of customers. The Commission recognizes the importance to investors of efforts by the SROs to ensure that associated persons have appropriate levels of knowledge and expertise regarding applicable laws and regulations. By helping to establish this level of knowledge, the Commission believes that the CHX's proposal will help associated persons covered by Interpretation and Policy .02 carry out their responsibilities under the federal securities laws.

In addition, the Commission believes that it is reasonable and consistent with Section 6(c)(3)(B) of the Act for the CHX to amend CHX Article VI, Rule 3 to state that the CHX may establish examination requirements for members and associated persons.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (File No. SR-CHX-98-04), as amended, is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39872; File Nos. SR-MCC-98-01 and SR-MSTC-98-01]

Self-Regulatory Organizations; the Midwest Clearing Corporation; the Midwest Securities Trust Company; Notice of Filing of Proposed Rule Changes Relating to the Structure and Composition of the Board of Directors

April 14, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 9, 1998, the Midwest Clearing Corporation ("MCC") and the Midwest Securities Trust Company (MSTC) filed with the Securities and Exchange Commission ("Commission") and on February 25, 1998, amended the proposed rule changes, as described in Items I, II, and III below, which items have been prepared primarily by MCC and MSTC. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons.

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

The proposed rule changes will amend MCC's and MSTC's by-laws relating to the structure and composition of their board of directors.

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

In their filing with the Commission, MCC and MSTC included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments they received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. MCC and MSTC have prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

The proposed rule changes will amend MCC's and MSTC's by-laws in order to reflect the cessation of their securities clearing and depository

⁹ 15 U.S.C. 78o(b)(7), 78f(b)(5), and 78f(c)(3)(B) (1988).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.