

execution at the stopped price. Additionally, pursuant to Article XX, Rule 28, a stopped order constitutes a guarantee that the order will be executed at the stopped price or better. However, under existing rules, if the size of the order is greater than the size of the ITS BBO in existence when the order is received, there is merely no automatic execution of the order, the order does not have to be "stopped." Moreover, even if the order is "stopped" under Rule 28 only that portion of the order that is less than or equal to the size of the ITS BBO is stopped. The portion of the order that exceeds the ITS BBO is not stopped. As proposed, the entire size of the order (up to 599 shares) would be automatically stopped after the 30 second delay unless an exception applies.

This better guarantee can be illustrated by an example. Suppose the ITS BBO is \$20 bid, \$20 $\frac{1}{4}$ offered, 400 shares \times 10,000 shares. Suppose further that a 500 share agency market order to sell is entered into the MAX System. Under current CHX rules, the order would not be automatically executed. The specialist would be required to manually execute 400 shares at \$20. The remaining 100 shares would have to be executed at the next best prevailing price. If \$20 were out of range, there would also be no automatic execution. If the customer requested a stop, then a specialist would stop 400 shares of the order at \$20, *i.e.*, offer 400 shares at \$20 $\frac{1}{16}$ and guarantee an execution at no worse than \$20. The remaining 100 shares would be guaranteed an execution (pursuant to the BEST Rule), but not necessarily an execution at \$20. Under Rule 37(b)(10), as proposed to be amended, if the specialist did nothing, after 30 seconds, all 500 shares of the order would be stopped. Thus, the customer would be guaranteed an execution of no worse than \$20 for all 500 shares.

The Exchange believes that the 30 second delay between the time the order is entered and the time that the order is stopped is appropriate. The 30 seconds will give the specialist an opportunity to review the order to determine whether a stop is appropriate under the circumstances.

The "pending auto-stop" feature of the MAX System will operate from 8:45 a.m. until 2:57 p.m. Thus, only orders entered into the MAX System after 8:45 a.m. but before 2:57 p.m. will be eligible to be "pending auto-stop" orders.

In addition to adding the new "pending auto stop" order to the MAX System the CHX is proposing changes to the MAX System that would permit a specialist to manually "stop" a

marketable limit order, regardless of size.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange 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 written comments were either 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:

A. By order approve the 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 submissions, 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 Exchange. All submissions should refer to File No. SR-CHX-98-01 and should be submitted by June 2, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39946; File No. SR-DTC-98-03]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fees and Charges

May 4, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 20, 1998, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission"), as amended on March 6, 1998, the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

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

The proposed rule change will adjust the fees charged by DTC for various services provided.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B),

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

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 Change

The purpose of the proposed rule change is to adjust the fees charged for various services in order to align them with DTC's projected service costs for 1998.³ The adjusted fees are based upon a review of service costs conducted by DTC's Board of Directors. This fee change will be effective for services provided on and after April 1, 1998.⁴

DTC believes the 1998 fee schedule will yield \$5.0 million more in operating revenue annually than the present fee schedule would have yielded. DTC believes that the new fees will result in an average fee increase of 1.0% for participants based on their monthly bills from DTC for October, November, and December of 1997.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder because it provides for the equitable allocation of dues, fees, and other charges among DTC's participants and other parties that use DTC's services.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act.

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

Written comments from DTC participants or others have not been received on the proposed rule change. Participants and other users of DTC's services were informed that DTC's annual fees would likely increase by \$5.0 million or approximately 1.5% in a July 2, 1997, memorandum entitled "Preliminary Projections for 1997 Year-end General Refund and Anticipated 1998 Service Fees." DTC informed participants and other users of its services of the proposed fee revisions by

a memorandum dated February 5, 1998, entitled "1998 Revisions of DTC Service Fees." Because participants have supported cost based fees in the past and because the subject fee changes overall are modest, DTC did not consider necessary a formal period for participant comment this year.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii)⁶ of the Act and pursuant to Rule 19b-4(e)(2)⁷ promulgated thereunder because the proposal establishes or changes a due, fee, or other charge imposed by DTC. At any time within sixty days of the filing of such 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. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR-DTC-98-03 and should be submitted by June 2, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39960; File No. SR-DTC-97-17]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving a Proposed Rule Change Relating to a Modification of the Coupon Collection Service

May 5, 1998.

On August 7, 1997, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") and on December 22, 1997, amended a proposed rule change (File No. SR-DTC-97-17) 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 January 27, 1998.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

DTC currently operates a coupon collection service ("CCS"), which provides DTC participants with a method for collecting interest payable on coupons from municipal bearer bonds. The rule change modifies CCS to include the collection of interest payable on coupons from corporate bearer bonds.³

Currently, participants using CCS are required to deposit coupons in a standard sealed envelope or "shell," each of which may contain no more than 200 coupons for the same CUSIP number, series, and payable date. DTC submits the contents of the shells to the appropriate issuer or paying agent and credits the interest to the participant's account.⁴ With certain exceptions, DTC will process corporate bearer bond coupons through CCS the same way that it currently processes municipal bearer bond coupons.

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 39561 (January 20, 1998), 63 FR 3941.

³ Due to the additional processing and tracking of corporate bearer coupon deposits, DTC intends to file a proposed rule change with the Commission in the future to institute a surcharge for the handling of these deposits.

⁴ For a complete description of CCS, refer to Securities Exchange Act Release No. 35750 (January 22, 1996), 61 FR 2852 [File No. SR-DTC-95-18] (order approving proposed rule change).

² The Commission has modified the text of the summaries prepared by DTC.

³ The revised fee schedule is attached to DTC's rule filing and is available for copying at the Commission's public reference room.

⁴ The last full scale revision of DTC's fees occurred in 1995 although several revenue adjustments were made by DTC in early 1996.

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78s(b)(3)(A)(ii)

⁷ 17 CFR 240.19b-4(e)(2).

⁸ 17 CFR 200.30-3(a)(12).