

have with respect to RAES trades.⁸ The Exchange believes this change will prevent market makers from becoming discouraged from participating on ROS and will save time spent by Exchange staff negotiating with participants on trades that occur on erroneous prints. At the same time, the Exchange believes the rule change will give Floor Officials the authority to determine which trades should be adjusted so that a fair and equitable result is achieved for all market participants, including those customers that might not have been filled on the opening but otherwise would have been filled had the class opened at the correct price.

Under the proposed rule change, the Exchange will notify its members as soon as practicable after the correction of an erroneous print on the underlying.⁹ In addition, the Exchange will indicate that this may result in the adjustment of opening trades that were either executed on ROS or should have been executed on ROS. Further, all adjustments will be made the day of the erroneous print correction.¹⁰

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1, including whether the amendment is consistent with the Act. Persons making written submissions should file six

⁸ CBOE Rule 6.8(a)(ii) states in part; "A trade execute on RAES at an erroneous quote should be treated as a trade reported at an erroneous price and adjusted to reflect the accurate market after receiving a Floor Official's approval."

⁹ According to the Exchange, either Exchange staff or the traders in the crowd where the particular options class is traded will know that the conditions have been met just as soon as the underlying market disseminates a corrected opening price, which usually occurs within a few minutes of the erroneous print's dissemination. The traders who trade the options have access to the underlying market's quotes and will receive a message that the opening print has been corrected. See Amendment No. 1, *supra* note 4.

¹⁰ According to the Exchange, it does not have an automated system to handle the adjusting of these trades so it could require a significant amount of staff time to determine exactly which trades may need to be adjusted. Where there have been only a very few affected trades, the Exchange represents that its staff may be able to provide Floor Officials with the necessary information to adjust the trades within a few minutes. In an opening where a large number of trades are affected, the Exchange believes that it may take a number of hours to sift through the various trades and determine how each should be adjusted. As a result, the Exchange proposes to provide prompt notice that the situation has occurred and that trades may be adjusted. In this way, any trader or customer that may be affected by the adjustment can take any appropriate action to adjust his or her position. Because the opening print and its correction will be known as soon as any notice is disseminated, traders and customers should be able to determine the likelihood of their trade being adjusted and what the adjustment is likely to be. See Amendment No. 1, *supra* note 4.

copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 CBOE. All submissions should refer to File No. SR-CBOE-99-20 and should be submitted by June 16, 2000.

IV. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act.¹¹ In particular, the Commission finds the proposal is consistent with Section 6(b)(5)¹² of the Act. Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade and to protect investors and the public interest.

The Commission believes that the proposed rule change promotes just and equitable principles of trade. In particular, the proposal allows two Floor Officials to adjust trades when ROS opens a class based on an erroneous opening print disseminated by the underlying market.¹³ In addition, the proposal would not only affect market makers, but also customers whose orders should or should not have been executed at opening. The Commission believes that procedures to correct erroneous trades in a timely manner are in the interest of all parties.

The Commission also believes the proposal includes adequate Exchange oversight and review procedures by requiring the concurrent approval of two Floor Officials before a trade can be adjusted. In addition, CBOE amended the proposal with Amendment No. 1 to include certain other procedural protections that limit the Exchange's and Floor Officials' discretion in adjusting trades. In particular,

¹¹ In addition, pursuant to Section 3(f) of the Act, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹² 15 U.S.C. 78f(b)(5).

¹³ Concurrent approval of both Floor Officials is necessary before a trade can be adjusted. See *supra* note 7.

Amendment No. 1 requires the Exchange to notify its members as soon as practicable about the possibility of a trade adjustment, limits the adjustment of trades to those that were or should have been executed at the opening, and requires that the Exchange make the adjustments on the day when the correction of the erroneous print occurred. The Commission believes these requirements should help protect investors who execute trades at the opening that are later adjusted.

The Commission finds good cause for approving Amendment No. 1 prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission believes that Amendment No. 1 strikes a reasonable balance between the need to correct erroneous trades and the need for adequate Exchange oversight over the process. Further, the Commission did not receive any comments on the original proposal, which did not contain the protections that were incorporated into the proposal through Amendment No. 1.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-CBOE-99-20), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42798; File No. SR-CBOE-00-19]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated To Make Certain Changes to Its Fee Schedule

May 18, 2000.

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 April 26, 2000, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 CBOE proposes to rescind certain customer equity options fees. The text of the proposed rule change is available at the CBOE and the Commission.

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 CBOE 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 CBOE 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 purpose of the proposed rule change is to rescind certain customer equity option fees. These fee changes are being implemented by the Exchange pursuant to CBOE Rule 2.22 and will be in effect as of May 1, 2000.

Specifically, the CBOE proposes to rescind transaction fees for manually executed equity options orders for public customers. The CBOE also proposes to eliminate the trade match fee for manually executed equity options orders for public customers.³ Finally, the CBOE proposes to eliminate the floor brokerage fee assessed to floor brokers for execution of equity options orders of public customers. The Exchange believes this fee change would generate significant savings for its customers.

2. Statutory Basis

The CBOE believes that the proposed rule change would be consistent with the provisions of Section 6(b) of the Act⁴ in general and would further the

objectives of Section 6(b)(4)⁵ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Exchange members.

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

The CBOE does not believe that the proposed rule change would result in any burden on competition.

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 Act⁶ and subparagraph (f)(2) of Rule 19b-4⁷ thereunder. At any time within 60 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 purpose 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 submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. 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 Exchange. All submissions should refer to File No. SR-CBOE-00-19 and should be submitted by June 16, 2000.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42801; File No. SR-NASD-00-08]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to Margin Rule Amendments for Non-Equity Securities and Exempt Accounts

May 19, 2000.

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 March 3, 2000, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, NASD Regulation, Inc. ("NASD Regulation") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation. 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

NASD Regulation is proposing to amend Rule 2520 to revise the margin requirements relating to non-equity securities and exempt accounts. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

2520. Margin Requirements

(a) Definitions

For purposes of this paragraph, the following terms shall have the meanings specified below:

(a)(1) through (a)(3) No change

(4) The term "designated account" means the account of: [a bank, trust company, insurance company,

³ The Exchange recently has rescinded transaction fees and trade match fees for public customer equity options orders routed through the Exchange's electronic Order Routing System. See File No. SR-CBOE-00-06.

⁴ 17 U.S.C. 78f(b).

⁵ 17 U.S.C. 78f(b)(4).

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

⁷ 17 CFR 240.19b-4(f)(2).

⁸ 17 CFR 200.30-3(a)(12).

¹⁵ U.S.C. 78s(b)(1).

²⁷ CFR 240.19b-4.