

II. Self-Regulatory Organizations' 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 section (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

The purpose of this proposed rule change is to amend the membership fees imposed by the Exchange in two respects. These amendments will take effect on January 1, 1996.

First, the Exchange proposes to reduce from \$1,500 and \$500 the fee that it assesses member organizations that apply for Exchange approval to conduct a non-member customer business.

Second, the Exchange proposes to amend its Inactive Nominee Status Change Fee. Currently, the Exchange assesses member organizations a \$55 whenever an inactive nominee of a member organization becomes an active nominee of the member organization, regardless of when the Exchange's Membership Department is notified of that status change. As is more fully described below, in order to encourage member organizations to provide the Membership Department which advance notice of such status changes, the Exchange is proposing to make the amount of this fee depend on when the Membership Department receives notice of these status changes.

In order to consummate a nominee status change, a member organization is required to submit a Notification of Change in Nominee Status Form ("Notification Form") to the Membership Department setting forth, among other things, the designated effective date of the status change. If the Notification Form is submitted prior to the opening of trading on the designated effective date of the status change, the status change becomes effective upon the opening of trading on such designated effective date. If the Notification Form is submitted subsequent to the opening of trading on the designated effective date of the status change, the status changer becomes effective upon the submission

of the Notification Form. Upon the effectiveness of the status change, the person moving from inactive to active nominee status is granted trading privileges on the Exchange.

Although a nominee status change can become immediately effective (or can become effective within minutes) if notice of the status change is submitted to the Membership Department on its designated effective date, it taken time for the Membership Department to update the Exchange's membership records to reflect the status change. Specifically, the Membership Department must enter the status change information into the Exchange's membership database and must validate the acronym for the person moving from inactive to active nominee status in the Exchange's Trade Match System so that trades can be matched to the nominee by that System. Ordinarily, the Membership Department is able to quickly process nominee status changes and to validate the acronyms of nominee moving from inactive to active status before these nominees begin consummating trades on the Exchange. However, if the Membership Department receives notification of a number of nominee status changes either late in the day on the date prior to the designated effective date of such status changes and/or on the designated effective date of such status changes, it is more difficult for the Membership Department to process all of the changes before the newly activated nominees begin their trading activities. This can result in outrades being created because the Trade Match System is unable to match trades with the acronyms of those nominees whose status changes have not yet been processed, and these outrades then need to be corrected later in the day.

In order to encourage member organizations to provide the Membership Department with sufficient notice of nominee status changes so that the Membership Department has time to process such changes prior to the time that the newly activated nominees begin to trade, the Exchange is proposing the following three-tiered fee structure for nominee status changes: If a Notification Form is submitted before 4 p.m. on the date prior to the designated effective date of the status change, the fee is proposed to be \$40. If a Notification Form is submitted after 4 p.m. on the date prior to the designated effective date of the status change or before 8 a.m. on the designated effective date of the status change, the fee is proposed to be \$75. If a Notification Form is submitted after 8 a.m. on the designated effective

date of the status change, the fee is proposed to be \$150.

The CBOE represents that the proposed rule change is consistent with section 6 of the Act, in general, and furthers the objectives of Section 6(b)(4) of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other changes among CBOE members.

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 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) of the Act and subparagraph (e) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule changes, 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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, NW., Washington, DC 20549. Copies of such