

the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by June 8, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35710; File No. SR-Phlx-95-14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Extension of Market Maker Margin Treatment to Certain Market Maker Orders Entered From Off the Trading Floor

May 12, 1995.

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 1, 1995, Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange subsequently filed Amendment No. 1 on April 3, 1995.³ The Commission is publishing this notice to solicit comments on the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange proposes to require Phlx ROTs to execute at least 75% of their quarterly trades in assigned options for purposes of receiving market maker margin treatment for off-floor orders. The Exchange originally proposed to require an ROT to trade at least 50% of his quarterly contract volume in assigned options. In addition, Amendment No. 1 states that Phlx proposes to delete the fine schedules under the minor rule plan originally proposed to address violations of the heightened trading requirements, because violations of this program are to be reviewed directly by the Business Conduct Committee and are not to be treated as minor rule plan violations. Finally, Phlx proposes to clarify that the phrase "may exempt one or more classes of options from this calculation" in Commentary .01 to Phlx Rule 1014, is intended to mean that certain options may not be eligible for off-floor market maker treatment, consistent with the approved provisions of the other exchanges. See Letter from Gerald O'Connell, First Vice President, Phlx, to Michael Walinskas, Branch Chief, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulation"), Commission, dated March 29, 1995 ("Amendment No. 1").

proposed rule change from interested persons.

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

The Exchange, pursuant to Rule 19b-4 of the Act, proposes to amend Phlx Rule 1014, Commentary .01, to extend market maker margin treatment to opening orders entered by Phlx Registered Options Traders ("ROTs") from off the Exchange floor, provided that the greater of 1,000 contracts or 80% of ROT's total transactions on the Exchange in a calendar quarter are executed in person, and not through the use of orders. Phlx ROTs would also be required to execute at least 75% of their quarterly contract volume in assigned options.⁴ In addition, the proposal requires that all off-floor orders for which an ROT receives market maker treatment be consistent with such ROT's duty to maintain fair and orderly markets, and, in general, be effected for the purposes of hedging, reducing risk of, or rebalancing open positions of the ROT.

Corresponding amendments to five Floor Procedure Advices ("Advices"), which are administered pursuant to the Exchange's minor rule violation enforcement and reporting plan,⁵ are also proposed: B-3, Trading Requirements; B-4, Phlx ROTs Entering Orders from On-Floor and Off-Floor for Execution of the Exchange; B-8, Use of Floor Brokers; B-12, Phlx ROTs and Specialist Entering Orders for Execution on Other Exchanges in Multiply Traded Options; and C-3, Handling Orders of Phlx ROTs and Other Registered Options Market Makers.

First, a new paragraph (b) to Advice B-3, with a separate fine schedule for violations, would contain the heightened trading requirement to receive limited market maker margin treatment for off-floor orders. Violations of Advice B-3(b) would not be subject to a minor rule plan citation and fine, but would be reviewed directly by the

⁴ See Amendment No. 1, *supra* note 3.

⁵ The Phlx's minor rule violation enforcement and reporting plan ("minor rule plan"), codified in Phlx Rule 970, contains floor procedure advices with accompanying fine schedules. Rule 19d-1(c)(2) authorizes national securities exchanges to adopt minor rule violation plans for summary discipline and abbreviated reporting; Rule 19d-1(c)(1) requires prompt filing with the Commission of any final disciplinary actions. However, minor rule violations not exceeding \$2,500 are deemed not final, thereby permitting periodic, as opposed to immediate reporting. Although the Exchange is proposing to amend several advices, only Advice C-3 will contain a minor rule plan fine; hence, the Exchange hereby proposes to amend its minor rule plan by incorporating the proposed changes to Advice C-3.

Exchange's Business Conduct Committee pursuant to Phlx Rule 960 governing disciplinary proceedings.

In addition, an exception from the general prohibition against placing off-floor orders in market maker accounts would be added to Advice B-4 to permit the proposed treatment for off-floor orders. In order to incorporate this proposal into the Floor Procedure Advice handbook, Advice B-4 would generally parallel the proposed provision in Commentary .01. In addition, Advice B-4 would require an ROT to disclose to a Floor Broker, among other things, that he is entering an off-floor order for his market maker account. Entering an off-floor order in violation of the proposed new paragraph in Advice B-4 would be subject to full disciplinary proceedings and reviewed by the Exchange's Business Conduct Committee.

Advice B-8 is proposed to be amended by limiting its application to the use of floor brokers while an ROT is on the trading floor. Otherwise, an ROT entering an order from off-floor could not comply with the requirement to initial the order ticket.

Advice B-12 governs Phlx traders entering orders in multiply traded options onto another exchange, currently requiring such orders to be entered while the trader is on the Phlx floor. Because off-floor orders for a market maker account will become permissible, Advice B-12 is proposed to be amended to permit the entry of off-floor orders for execution on another exchange in multiply traded options. Such orders, entered pursuant to Rule 1014, Commentary .01, must otherwise comply with the requirements of Advice B-12, including "clearing the Phlx crowd."

Lastly, Advice C-3 would be amended to require Floor Brokers to mark an order ticket with the letter "P" if an ROT indicates that an off-floor order is to be entered into his market maker account. Fines for violations of Advice C-3 would be administered pursuant to the Exchange's minor rule plan. This proposal would apply to ROTs on both the options floor (equity options and index options) as well as the foreign currency options floor. The text of the proposed rule change is available at the Office of the Secretary, the Exchange, and at 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 Exchange included statements concerning the purpose of and basis for

the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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

Generally, a trade for the account of a specialist or ROT receives market maker, or good faith, margin,⁶ as well as favorable capital treatment,⁷ due to the affirmative and negative market making obligations⁸ imposed on such floor traders by Exchange and Commission rules. Further, Rule 1014, Commentary .01 states that ROTs are considered "specialists" for the purposes of the Act and the rules thereunder, which includes capital and margin rules, respecting option transactions initiated and effected by the ROT on the floor in the capacity of an ROT. Accordingly, transactions initiated on-floor by Phlx ROTs receive this favorable margin treatment. Off-floor opening⁹ market maker transactions currently may not qualify for favorable margin treatment under Exchange rules, even if such orders are entered to adjust or hedge the risk of an ROT's positions resulting from on-floor market making activity.

The purpose of the proposed rule change is to extend market maker margin treatment to certain off-floor orders in all Phlx options. A new provision in Rule 1014, Commentary .01 is required, as well as amendments to various advices impacted by the proposal.

The Exchange believes that because an ROT cannot effectively adjust his positions, or hedge and otherwise reduce the risk of his opening transactions, from off the Phlx trading floor without incurring a significant economic penalty, such ROTs must either be physically present on the Exchange floor or face significant risks of adverse market movements when they must necessarily be absent from the trading floor.¹⁰ Because of these costs and risks, the Exchange believes that Phlx ROTs may be prevented from effectively discharging their market

making obligations and may be exposed to unacceptable levels of risk.

Accordingly, the proposed rule change is intended to accommodate the occasional needs of ROTs to adjust or hedge positions in their market maker accounts at times when they are not physically present on the trading floor. The Phlx believes the proposed rule change does so without diluting the requirement that such ROT's trading activity must nevertheless fulfill their market making obligations, including contributing to the maintenance of a fair and orderly market on the Exchange.

Phlx Rule 1014, Commentary .03 and Floor Procedure Advice ("Advice") B-3 currently require ROTs to effect at least 50% of their quarterly contract volume in assigned options. Further, ROTs are required to execute in person and not through the use of orders the greater of 1,000 contracts or 50% of their quarterly contract volume, pursuant to Advice B-3 and Rule 1014(b), Commentary .13. At this time, the Exchange is proposing to amend Rule 1014 to allow ROTs who meet a more stringent in-person, and in-assigned options requirement to receive market maker margin and capital treatment for opening off-floor orders. This proposal does not affect the above-referenced requirement that, notwithstanding an ROT's desire to qualify for favorable margin treatment for off-floor trading, an ROT remains obligated pursuant to Advice B-3 to trade (1) in-person, and not through the use of orders, the greater of 1,000 contracts or 50% of their total transactions each quarter, and (2) at least 50% of their quarterly contract volume in assigned options.

Under the proposal, Phlx ROTs would receive market maker margin treatment for orders entered from off-floor in limited circumstances. Such ROTs would be required to execute in person, and not through the use of orders, the greater of 1,000 contracts or 80% of such ROT's total transactions that quarter. In addition, such off-floor orders must be effected for the purpose of hedging, reducing risk of, rebalancing or liquidating open positions of the ROT. Phlx ROTs would also be required to execute at least 75% of his quarterly contract volume in assigned options.¹¹ The Exchange notes that ROTs who fail to comply with the proposed requirements in Rule 1014, Commentary .01, shall be subject to disciplinary proceedings under Phlx Rule 960.

In addition to the proposed amendment to Commentary .01 of Rule 1014, the Exchange proposes to amend five Phlx floor procedure advices to

cover such off-floor market maker orders. First, new paragraph (b) of Advice B-3 would effectuate the proposed provisions of Commentary .01 by referencing the heightened trading requirement in order to receive favorable margin treatment for off-floor orders. Accordingly, entering an off-floor order for a market maker account without compliance with the "1,000 contracts or 80%" requirement shall result in a Rule 960 disciplinary proceeding, which is separate from any violation of Advice B-3(a), which is administered pursuant to the Exchange's minor rule plan.

Second, Advice B-4 is proposed to be amended to create an exception to the prohibition against entering off-floor orders into a market maker account. Generally, Advice B-4 would restate the provisions of Commentary .01 to Rule 1014 that an ROT who has executed the greater of 1,000 contracts or 80% of his total transactions in a calendar quarter in person may enter opening transactions from off the floor on limited occasions for his market maker account if such transactions are for the purpose of hedging, reducing risk of, rebalancing, or liquidating open positions.

Third, by amending the title of Advice B-8, the Phlx intends to limit its effect to situations where an ROT uses a Floor Broker while the ROT is on the Phlx Floor. Because ROTs cannot currently enter off-floor opening orders into a market maker account, the language of this advice presumes that the ROT is on the floor, and, hence, able to comply with the requirements of initialing the order ticket. Because this proposal would permit entering opening orders from off-floor and because an ROT who is off-floor cannot initial and time stamp a ticket, Advice B-8 would now expressly apply, as reflected in the new title, only to on-floor situations. Nevertheless, the requirement that an ROT state whether an order is opening or closing appears in Advice B-4, and the Floor Broker must time stamp the order pursuant to Advice C-2. Thus, off-floor orders should be appropriately designated and handled, despite the inapplicability of Advice B-8.

Fourth, Advice B-12 is proposed to be amended to clarify the margin treatment of orders sent to another exchange in a multiply traded option. Although such orders must currently be initiated from the Phlx floor and must clear the Phlx crowd, the proposed changes would permit off-floor orders to be sent to another exchange. Such orders must nevertheless clear the Phlx crowd. The purpose of this change is to treat orders in multiply traded options, whether

⁶ Regulation T of the Federal Reserve Board, Section 220.12.

⁷ SEC Rule 15c3-1(b)(1).

⁸ See e.g., Phlx Rule 1014 (a) and (c).

⁹ Closing transactions do not give rise to issues of margin and capital treatment, because such positions merely reduce or eliminate existing positions.

¹⁰ Certain off-floor orders may be considered on-floor orders. see Phlx Rule 1014, Commentary .08.

¹¹ See Amendment No. 1, *supra* note 3.

originating from on or off-floor, the same way for margin purposes, extending limited market maker treatment.

Lastly, Advice C-3 is proposed to be amended to incorporate this extension of specialist margin treatment into the advice enumerating Floor Broker responsibilities. Specifically, Floor Brokers would be required to mark floor tickets where an ROT has indicated that the order is for his market maker account with the letter "P". A fine for violations would be administered pursuant to the Exchange's minor rule plan. The Exchange believes that this should assist its surveillance efforts respecting market maker margin for off-floor orders.

The Phlx believes that the proposed rule change is consistent with Section 6 of the Act in general, and in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest. Specifically, the Phlx believes that the proposal should increase the extent to which ROT trades contribute to liquidity and to the maintenance of the fair and orderly market on the Exchange by providing for a greater degree of in-person trading by ROTs and by enabling such ROTs to better manage the risk of their market making activities. Likewise, the Phlx believes that the corresponding amendments to Phlx advices are intended to incorporate specialist margin treatment for off-floor orders into the provisions governing trading requirements, ROTs entering orders, and Floor Broker responsibilities, consistent with Section 6(b)(5).

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

The Exchange does not believe that the proposed rule change will impose any 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

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 Phlx 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., 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 at the Commission's Public Reference Section, 450 Fifth Street NW., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-95-14 and should be submitted by June 8, 1995.

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

[FR Doc. 95-12259 Filed 5-17-95; 8:45 am]
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[File No. 1-11254]

Issuer Delisting; Notice of Application to Withdraw From Listing and Registration; (Vermont Pure Holdings, Ltd., Common Stock, \$.001 Par Value)

May 12, 1995.

Vermont Pure Holdings, Ltd. ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the Boston Stock Exchange, Inc. ("BSE").

The reasons alleged in the application for withdrawing this Security from listing and registration on the Boston Stock Exchange, Inc. ("BSE").

¹² 17 CFR 200.30-3(a)(12).

The reasons alleged in the application for withdrawing this Security from listing and registration include the following:

According to the Company, the Company originally decided to list the Security on the BSE in connection with the initial public offering by the Company of the Security. The decision to list on the BSE at that time was based on the Company's desire to expedite the formation of an active public market for the Security. However, the Board of Directors has determined that the Company should now withdraw its Security from listing on the BSE. This decision is based on the limited and sporadic trading activity of the Security on the BSE since the date the Security was first listed. The Company's primary trading market has been and continues to be the Nasdaq SmallCap Market. The Company believes that the benefits of remaining listed on the BSE do not outweigh the costs involved in maintaining such listing, since the Nasdaq SmallCap Market represents the primary trading market for the Security.

Any interested person may, on or before June 5, 1995 submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
Secretary.

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DEPARTMENT OF STATE

[Public Notice 2209]

United States International Telecommunications Advisory Committee; Standardization Sector (ITAC-T) Study Group; Meeting Notice

The Department of State announces that the United States International Telecommunications Advisory Committee Standardization Sector (ITAC-T) Study Group (formerly the USNC) will meet on June 6, 1995, 9:30 a.m. to 3 p.m., room 1207 at the U.S.