

The Commission also believes that it is appropriate for the CBOE to add Interpretation .05 to Rule 6.3 to grant the authority to the senior person then in charge of the Exchange's Control Room to turn off RAES for a particular stock option if that senior person confirms that the Control Room has received a credible indication that trading in the underlying stock has been halted or suspended. The proposed rule change should protect investors and the public interest by enabling the senior person in charge of the Control Room to take prompt action in response to trading halts in underlying securities verified in the Control Room, before the "ST" or "H" symbol appears on the Class Display Screen, or the Post Director or Order Book Official has acted. The Commission notes that if information of an impending halt or suspension comes from the trading crowd or from a source other than authoritative information in the Control Room, the senior person in charge of the Control Room must first verify the information before turning off RAES.¹⁴

The Commission also finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 1 merely corrects a technical error in the proposed amendment to Rule 24.7. As filed, the proposed amendment showed "no change" to paragraph (c) of that rule. In fact, CBOE proposes to amend paragraph (c) to delete the reference to Rule 6.3A, because the rule change proposes the deletion of the latter rule in its entirety. Accordingly, the Commission believes it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 1 to the CBOE's proposal on an accelerated basis.

Additionally, the Commission finds good cause for approving Amendment No. 2 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. This amendment clarifies that when the senior person in charge of the Control Room receives a report from the trading crowd that trading in the underlying stock has been halted or suspended in the primary market, the report from the trading crowd must first be verified before turning off the RAES system with respect to the stock option. The Commission believes that this amendment clarifies the responsibilities of the senior person in charge of the Control Room when invoking this

interpretation and is substantially similar to the original proposal. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 2 to CBOE's proposed rule changes on an accelerated basis.

The Commission also finds good cause for approving Amendment No. 3 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 3 clarifies that, pursuant to Regulatory Circular RG93-58, two Floor Officials may permit trading to continue for more than 15 minutes after a failure of dissemination only with the concurrence of a senior Exchange official. The Commission believes that this amendment clarifies the scope of authority granted to the Floor Officials when invoking this provision and raises no new regulatory issues. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 3 to CBOE's proposed rule changes on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 1, 2 and 3. 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 in the Commission's Public Reference Section, 450 Fifth Street NW., Washington, D.C. 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-95-05 and should be submitted by June 28, 1995.

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule changes (File No. SR-CBOE-95-05), as amended, are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-13900 Filed 6-6-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35781; File No. SR-PHLX-95-29]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to an Increase in the Maximum AUTO-X Order Size for U.S. Top 100 Index Options

May 30, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on May 22, 1995, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") 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 the self-regulatory organization. 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

Currently, public customer market and marketable limit orders for up to 25 option contracts, as determined by the specialist, are eligible for execution through AUTO-X, the automatic execution feature of the PHLX's Automated Options Market ("AUTOM") system. The PHLX proposes to increase the maximum AUTO-X order size eligibility for public customer market and marketable limit orders in U.S. Top 100 Index ("TPX") options from 25 to 50 contracts.

The text of the proposed rule change is available at the Office of the Secretary, PHLX, 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 self-regulatory organization 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 self-regulatory organization has prepared summaries, set forth in sections (A), (B), and (C) below, of the

¹⁴ See *supra* note 11.

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(12).

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 the proposal is to increase the maximum AUTO-X order size eligibility for public customer market and marketable limit orders in TPX options from 25 to 50 contracts.

AUTO-X, the automatic execution feature of AUTOM, was approved by the Commission as part of the AUTOM pilot program in 1991.¹ AUTOM, which has operated on a pilot basis since 1988 and was most recently extended through December 31, 1995,² is an on-line system that allows electronic delivery of options orders from member firms directly to the appropriate specialist on the Exchange's trading floor. Currently, orders for up to 100 options contracts are eligible for AUTOM and public customer market and marketable limit orders for up to 25 contracts are eligible for AUTO-X.³ AUTO-X orders are

¹ See Securities Exchange Act Release No. 28978 (March 15, 1991), 56 FR 12050 (order approving File No. SR-PHLX-90-34).

² See Securities Exchange Act Release No. 35183 (December 30, 1994), 60 FR 2420 (January 9, 1995) (order approving File No. SR-PHLX-94-41). See also Securities Exchange Act Release Nos. 25540 (March 31, 1988), 53 FR 11390 (order approving AUTOM on a pilot basis); 25868 (June 30, 1988), 53 FR 25563 (order approving File No. SR-PHLX-88-22, extending pilot through December 31, 1988); 26354 (December 13, 1988), 53 FR 51185 (order approving File No. SR-PHLX-88-33, extending pilot program through June 30, 1989); 26522 (February 3, 1989), 54 FR 6465 (order approving File No. SR-PHLX-89-1, extending pilot through December 31, 1989); 27599 (January 9, 1990), 55 FR 1751 (order approving File No. SR-PHLX-89-03, extending pilot through June 30, 1990); 28625 (July 26, 1990), 55 FR 31274 (order approving File No. SR-PHLX-90-16, extending pilot through December 31, 1990); 28978 (March 15, 1991), 56 FR 12050 (order approving File No. SR-PHLX-90-34), extending pilot through December 31, 1991); 29662 (September 9, 1991), 56 FR 46816 (order approving File No. SR-PHLX-91-31, permitting AUTO-X orders up to 20 contracts in Duracell options only); 29782 (October 3, 1991), 56 FR 55146 (October 24, 1991) (order approving File No. SR-PHLX-91-33, permitting AUTO-X for up to 20 contracts for all strike prices and expiration months); 29837 (October 18, 1991), 56 FR 36496 (order approving File No. SR-PHLX-90-03, extending pilot through December 31, 1993); 32906 (September 15, 1993), 58 FR 15168 (order approving File No. SR-PHLX-92-38, permitting AUTO-X orders up to 25 contracts in all options); and 33405 (December 30, 1993), 59 FR 790 (order approving File No. SR-PHLX-93-57, extending pilot through December 31, 1994).

³ The Commission recently approved a PHLX proposal to codify the use of AUTOM and AUTO-X for index options. See Securities Exchange Act Release No. 34920 (October 31, 1994), 59 FR 5510 (November 7, 1994) (order approving File No. SR-PHLX-94-40). In addition, the Commission has approved a PHLX proposal to codify the Exchange's practice of accepting certain orders for AUTOM and AUTO-X. See Securities Exchange Act Release No.

executed automatically at the disseminated quotation price on the Exchange and reported to the originating firm. Orders that are not eligible for AUTO-X are handled manually by the specialist.

TPX options were approved recently for trading on the Exchange as broad-based index options.⁴ The PHLX now proposes to permit the use of AUTO-X for public customer market and marketable limit orders of up to 50 contracts in TPX options. The Exchange believes that the proposed expanded AUTO-X parameter should improve the AUTOM system by offering the benefits of AUTO-X to investors in TPX options who place a high premium on prompt and efficient automatic executions for 50-lot orders at the displayed price. The Exchange notes that the increase from a maximum of 25 to 50 contracts is in line with prior changes; for example, the Commission previously approved an AUTO-X increase for public customer orders from 10 to 20 contracts.⁵

According to the PHLX, the proposed expansion of the maximum AUTO-X order size should not impose significant burdens on the operation and capacity of the AUTOM system. Instead, the PHLX believes that increasing the number of public customer orders eligible for automatic execution, and thereby reducing manual processing, may enhance AUTOM's effectiveness. In addition, the Exchange notes that the Commission has previously approved the automatic execution of 50 contracts for a broad-based index.⁶

The PHLX believes that the proposal is consistent with Section 6(b) 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 prevent fraudulent and manipulative acts and practices, as well as to protect investors and the public interest by extending the benefits of AUTO-X to a larger number of public customer orders.

35601 (April 13, 1995), 60 FR 19616 (April 19, 1995) (order approving File No. SR-PHLX-95-18).

⁴ See Securities Exchange Act Release No. 35591 (April 11, 1995), 50 FR 19423 (April 18, 1995) (order approving File No. SR-PHLX-95-07).

⁵ See Securities Exchange Act Release No. 29837, *supra* note 2.

⁶ See Securities Exchange Act Release No. 33894 (April 11, 1994), 59 FR 18429 (April 18, 1994) (order approving File No. SR-Amex-93-32, permitting the use of Auto-Ex on the American Stock Exchange, Inc., for up to 50 contracts for public customer market and marketable limit orders in Hong Kong Index options).

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

The PHLX 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

Because the foregoing rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days after May 22, 1995, the date on which it was filed, and the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder. In particular, the Commission believes that the proposal does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition.

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 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, 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing

will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by June 28, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-13896 Filed 6-6-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35788; File No. SR-NASD-95-21]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Freely Tradeable Direct Participation Program Securities

May 31, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. § 78s(b)(1), notice is hereby given that on May 23, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 the NASD.¹ 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 NASD is herewith filing a proposed rule change to Article III, Section 34 of the Rules of Fair Practice. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

Direct Participation Programs

Sec. 34.

* * * * *

Suitability

(3)(A) A member or person associated with a member shall not underwrite or participate in a public offering of a direct participation program unless standards of suitability have been established by the program for participants therein and such standards are fully disclosed in the prospectus and are consistent with the provisions of subparagraph (B) of this section.

(B) In recommending to a participant the purchase, sale or exchange of an interest in a direct participation program, a member or person associated with a member shall:

(i) have reasonable grounds to believe, on the basis of information obtained from the participant concerning his investment objectives, other investments, financial situation and needs, and any other information known by the member or associated person, that:

a. the participant is or will be in a financial position appropriate to enable him to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program;

b. the participant has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity; and

c. the program is otherwise suitable for the participant; and

(ii) maintain in the files of the member documents disclosing the basis upon which the determination of suitability was reached as to each participant.

(C)[D] Notwithstanding the provisions of subparagraphs (A) and (B) hereof, no member shall execute any transaction in a direct participation program in a discretionary account without prior written approval of the transaction by the customer.

(D)[C] Subparagraphs 3(A) and 3(B), and, only in situations where the member is not affiliated with the direct participation program, Subparagraph 3(C), shall not apply to:

(i) a secondary public offering of or a secondary market transaction in a unit, depositary receipt, or other interest in a direct participation program for which quotations are displayed on Nasdaq or which is listed on a registered national securities exchange, or

(ii) an initial public offering of a unit, depositary receipt or other interest in a direct participation program for which an application for inclusion on Nasdaq or listing on a registered national securities exchange has been approved by Nasdaq or such exchange and the applicant makes a good-faith

representation that it believes such inclusion on Nasdaq or listing on an exchange will occur within a reasonable period of time following the formation of the program.

* * * * *

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 NASD 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 NASD 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

Article III, Section 34 of the Rules of Fair Practice regulates participation by members and persons associated with a member in direct participation programs and limited partnership rollup transactions ("DPP rule"). The DPP rule generally prohibits a member or a person associated with a member from participating in a public distribution of a direct participation program or a limited partnership rollup transaction unless the distribution or transaction conforms to certain suitability and disclosure requirements and standards of fairness and reasonableness.

Since the adoption of the DPP rule in 1982,² an increasing number of direct participation programs, such as master limited partnerships, have issued partnership units, depositary receipts for such units, or assignee units of limited partnership units that are freely tradeable in a manner generally analogous to common stock and are quoted on Nasdaq and listed on registered national stock exchanges. A direct participation program security is considered freely-tradeable under Section 34 if it is either (1) a secondary public offering of or a secondary market transaction in a direct participation program security for which quotations are displayed on Nasdaq or which is listed on a registered national securities exchange, or (2) a primary offering of a direct participation program for which

²The DPP rule was initially approved by the Commission as Appendix F to Article III, Section 34 on September 16, 1982 (Securities Exchange Act Release No. 19054); 47 FR 42226 (September 24, 1982).

⁷ 17 CFR 200.30-3(a)(12) (1994).

¹ The proposal was originally filed with the Commission on May 10, 1995. The NASD subsequently submitted Amendment No. 1 to the filing which amends Subsections (b)(3)(C) (i) and (ii) to Article III, Section 34 of the Rules of Fair Practice, by replacing the phrase "the NASDAQ System" in Subsections (i) and (ii) and the word "NASDAQ" in Subsection (ii) with the word "Nasdaq." Letter from Suzanne E. Rothwell, Associate General Counsel, NASD, to Mark P. Barracca, Branch Chief, Over-the-Counter Regulation, Division of Market Regulation, SEC, dated May 22, 1995.