

modified the program with respect to situations where a specialist is on parity with only one or two controlled accounts. As to the issue of investor protection, the Exchange believes that the provisions requiring specialists to assure that customers are not disadvantaged by the Enhanced Parity Split has been strictly enforced without incident. Moreover, the Exchange represents that it has not received any complaints, either orally or in writing, regarding the Enhanced Parity Split, in general, or from investors regarding inequitable splits, in particular.

The Phlx represents that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5),¹⁰ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices; to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest. Specifically, the Exchange represents that the proposal balances the competing interests of specialists and market makers while assisting specialists in making tight and liquid markets in their assigned options classes, and protects the public interest by requiring quarterly reviews and ensuring that customer orders are not disadvantaged by the Enhanced Parity Split.

(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

Because the foregoing proposed 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) the Exchange provided the Commission with notice of its intent to

file the proposed rule change, along with a brief description and the text of the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder.¹¹

A proposed rule change filed under Rule 19b-4(e)¹² does not become operative prior to thirty days after the date of filing or such shorter time as the Commission may designate if such action is consistent with the protection of investors and the public interest. The Phlx has requested, in order for the Pilot Program to continue in operation without interruption, that the Commission accelerate the implementation of the proposed rule change so that it may take effect prior to the thirty days specified under Rule 19b-4(e)(6). The Commission finds that the proposed rule change is consistent with the protection of investors and the public interest and therefore has determined to make the proposed rule change operative as of August 27, 1995.

Additionally, the Commission believes that the conditions stated in the original approval order for extending the Pilot Program have been satisfied.¹³ Specifically, the Phlx has stated that: (1) The previous amendments to the Pilot Program have served to assure that the Enhanced Parity Split is not unnecessarily restraining competition; (2) the Pilot Program contains sufficient safeguards to prevent customers from being disadvantaged by the application of the Enhanced Parity Split; and (3) no complaints have been received by the Phlx regarding the Pilot Program. As a result, the Commission believes that extending the Pilot Program for one year, until August 26, 1996, is appropriate and consistent with the Act.¹⁴

¹¹ 17 CFR 240.19b-4(e)(6) (1994).

¹² *Id.*

¹³ See *supra* note 1.

¹⁴ The Commission notes that in connection with any future request by the Exchange for the Commission to either further extend or permanently approve the Pilot Program, the Exchange will be required to submit to the Commission a report discussing (1) whether the Pilot Program has generated any evidence of any adverse effect on competition or investors, in particular, or the market for equity or index options, in general, (2) whether the Exchange has received any complaints, either written or otherwise, concerning the operation of the Pilot Program, and (3) whether the Exchange has taken any disciplinary action against, or commenced any investigations, examinations, or inquiries concerning the operation of the Pilot Program, as well as the outcome of any such matter. Any request for either a further extension or permanent approval of the Pilot Program, along with the above report, should be submitted to the Commission no later than June 1, 1996.

At any time within 60 days of the filing of the 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 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 at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 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-95-54 and should be submitted by September 18, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-21275 Filed 8-25-95; 8:45 am]

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[Release No. 34-36129; File No. SR-NASD-95-27]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change Relating to the Adjustment of Open Orders

August 22, 1995.

I. Introduction

On February 3, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities

¹⁵ 17 CFR 200.30-3(a)(12) (1994).

¹⁰ 15 U.S.C. 78f(b)(5) (1988).

Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The NASD seeks to amend Article III, Section 46 of the Rules of Fair Practice to provide that where the issuer of a security declares a cash dividend or other distribution of less than one cent (\$.01), members will not be required to adjust open orders for such securities.

Notice of the proposed rule change appeared in the **Federal Register** on June 28, 1995.³ No comments were received in response to the Commission release. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

Article III, Section 46 of the Rules of Fair Practice requires members holding open orders to proportionally reprice such orders according to the value of the dividend or distribution on the date the security is quoted ex-dividend, ex-rights, ex-distribution or ex-interest. According to the NASD, shortly after the rule became effective in September 1994, several member firms questioned the necessity of complying with Section 46 if a dividend or other distribution was less than one cent (\$.01).

The NASD has determined that where a dividend or other distribution of less than one cent (\$.01) has been declared, the costs associated with complying with Section 46 exceed the benefits. Specifically, the NASD concluded that the effect of such a small dividend or other distribution on the price of the security is *de minimis* and, therefore, the likelihood that unadjusted orders will result in poor executions for customers is remote. Accordingly, the NASD proposes to amend Section 46 to state that where a dividend or other distribution is less than one cent (\$.01), the price of the order shall not be adjusted.

III. Discussion

The Commission believes that the NASD's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD and, therefore, has determined to approve the rule change. Specifically, the Commission believes that the proposed rule change is consistent with the requirements of Section 15A(b)(6)⁴ of the Act in that it eliminates the costs and inefficiencies associated with mandating the repricing

of orders where the dividend or distribution is less than one cent (\$.01).

IV. Conclusion

For the reasons stated above, the Commission finds that the proposed rule change is consistent with the requirements of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR-NASD-95-27 be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-21274 Filed 8-25-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36127; File No. SR-PHLX-95-19]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to the Listing and Trading of DIVS, OWLS and RISKS

August 18, 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 8, 1995, the 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. On July 12, 1995, the PHLX filed Amendment No. 1 ("Amendment No. 1") to the proposal to address concerns raised by Commission staff.¹ The Commission is publishing this notice to solicit comments on the proposed rule change and Amendment No. 1 from interested persons.

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

The PHLX, pursuant to Rule 19b-4 of the Act, proposes to list for trading "DIVS" (Dividend Value of Stock), "OWLS" (Options With Limited Stock) and "RISKS" (Residual Interest in Stock) (collectively hereinafter referred to as the "Americus Derivatives"), which are new hybrid option products developed by Americus Stock Process

⁵ 17 CFR 200.30-3(a)(12).

¹ Letter from Shelle R. Weisbaum, Associate General Counsel, PHLX, to Sharon Lawson, Assistant Director, SEC, dated June 30, 1995.

² 17 CFR 240.19b-4 (1994).

³ Securities Exchange Act Release No. 35875 (June 21, 1995), 60 FR 33442 (June 28, 1995).

⁴ 15 U.S.C. 78o-3(b)(6).

Among the issues addressed in Amendment No. 1 are provisions relating to position reporting, sales practice rules, margin and issuance size.

Corp. ("ASPC"). It is contemplated that the Americus Derivatives will be issued and guaranteed by the Options Clearing Corporation ("OCC") and will allow the purchase or sale of any of three distinct optionable economic interests inherent in a share of common stock. The PHLX proposes to adopt the new Rule 1000D series to apply to the trading of these securities. 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 PHLX 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 PHLX 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

The PHLX proposes to list a new product developed by and licensed to it by ASPC that allows the purchase or sale of any of three distinct optionable economic interests inherent in a share of common stock. On January 3, 1995, the Exchange filed for approval to list and trade a product known as DIVS, ZIPS and SPECS ("DZ&S"). DZ&S provided, in part, for the pass-through of the voting rights of the underlying common stock to DZ&S holders.² The present filing proposes an alternative product that is similar in most respects to DZ&S except for the fact that the shareholder voting rights are not passed through to the holders of the proposed Americus Derivatives.

Each of the proposed new instruments, called DIVS, OWLS and RISKS, will be traded separately on the PHLX's equity options floor. The Exchange believes that, combined, the Americus Derivatives have all the characteristics of a share of the underlying common stock (except for voting rights) and that the ability to trade the Americus Derivatives as separate component instruments will provide novel hedge, arbitrage, speculation and investment opportunities.

² Securities Exchange Act Release 35400 (Feb. 21, 1995), 60 FR 10887 (Feb. 28, 1995).