Commission believes there is no compelling reason to delay the listing and trading of options based on the Index. Accordingly, because the Index substantially complies with the generic listing standards, and the investor protection concerns have been addressed, the Commission finds good cause exists for granting accelerated approval to the proposed rule change and Amendment Nos. 1 and 2 thereto.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[31] that the proposed rule change, SR–Phlx–98–07, and Amendment Nos. 1 and 2 thereto, are hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[32]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–11164 Filed 4–27–98; 8:45 am]

BILLING CODE 8010–01–M

the Commission has approved narrow-based indexes with similar minimum component standards. *See e.g.*, Securities Exchange Act Release Nos. 38143 (Jan. 8, 1997), 62 FR 2411 (Jan. 16, 1997) (permitted American Stock Exchange's ''Tobacco Index'' to initially consist of nine securities and thereafter consist of no fewer than nine securities); 37198 (May 10, 1996), 61 FR 25251 (May 20, 1996) (permitted Chicago Board Options Exchange's ''PC Index'' to initially consist of eight securities and thereafter consist of no fewer than eight securities); and 34345 (July 11, 1994), 59 FR 36245 (July 15, 1994) (permitted Exchange's ''Phone Index'' to initially consist of eight securities and thereafter consist of no fewer than eight securities).

[31] 15 U.S.C. 78s(b)(2).

[32] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39889; File No. SR–Phlx-97–51]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to the Allocation of Options Trades

April 20, 1998.

I. Introduction

On October 22, 1997, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend two Floor Procedure Advices (''Advices''): F–2, Allocation, Time Stamping, Matching and Access to Matched Trades; and F–12, Responsibility for Assigning Participation. The proposed rule change was published for comment in the **Federal Register** on December 10, 1997.[3] No comments were received on the proposal. This order approves the proposal.

II. Description of the Proposal

The Phlx proposes to amend the two Advices to provide that the seller or largest participant to an option transaction is responsible for allocating an executed trade.

A. Advice F–2

Currently, Advice F–2 states that it is the duty of the largest participant in an options transaction to both match and time stamp the order tickets involved. There is currently no specific provision for who allocates options trades among trade participants. The Phlx represents that the practice in most options crowds is that specialists announce trade splits by saying to the trading crowd, for example, ''You did 10, you did 5,'' etc. This practice may differ, especially where a specialist unit is not involved in a trade, or where a great deal of trading and quote activity renders specialists allocating trades impractical. In these situations, Floor Brokers have assisted in allocating trades, along with performing their duty to match and submit the trade and ensure the best execution of orders.[4] The purpose of the proposed rule change to paragraph (a) of Advice F–2 is to assign the responsibility of properly allocating option trades to the largest participant (or seller)[5] involved in the trade, which normally will be the Floor Broker who represents the original order in the trading crowd. The Exchange asserts that the amendment will promote the original intent of Advice F–2 (*i.e.*, the facilitation of prompt and accurate trade reporting).[6] Paragraphs (b) concerning ticket preservation and (c) concerning member access to matched trades, of Advice F–2, remain unchanged.

B. Advice F–12

The purpose of the proposed rule change to Advice F–12 is to extend its requirements regarding how trades are allocated to the equity/index options floor. Currently, Advice F–12 only applies to foreign currency options trading. Specifically, Advice F–12 currently requires that foreign currency option trade participants: (a) must confirm and immediately inform the largest participant of their contra-side participation; (b) should not leave the crowd absent such confirmation; (c) should not submit tickets absent participation; and (d) must handle disputes properly. The Exchange additionally proposes that Advice F–12 is proposed to be amended to only detain in the crowd actual trade participants and simplify ticket submission requirements.

The Phlx believes that the proposed amendments to Advice F–12 will bolster its effectiveness in controlling the trade allocation process. Under the proposed amendments, no one who has participated in the trade would be allowed to leave the crowd until the level of his/her participation in the trades has been confirmed by the largest participant. Previously, this obligation also applied to those who *believed they may have* participated in a trade. This change is intended to require only those who actually participated in a trade to remain in the trading crowd to confirm their participation in the trade. The Phlx states that the language concerning belief was difficult to administer and did not capture violations necessary to improve the post-trade process.

Further, Advice F–12 currently provides that no person in the crowd shall submit a ticket for matching on a trade when that person has or should have grounds to believe that he is not due participation in the trade. Thus, a violation of Advice F–12 currently may result from submitting a ticket where no participation is due, even though the participant believed he/she participated. The Phlx asserts that by deleting the reference to''belief,'' the proposal is designed to simplify trade ticket submission, and as a result, establish the practice that a person who did not participate in a trade should not submit a ticket.

C. Minor Rule Plan

Violation of the new responsibility under Advice F–2 will be subject to the existing fine schedule accompanying Advice F–2. Advice F–12 currently contains a fine schedule, which is proposed to apply to the entire options floor. The proposal thus amends the Exchange's minor rule violation enforcement and reporting plan (''minor rule plan''),[7] by amending the text of

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 39393 (December 3, 1997), 62 FR 65117 (December 10, 1997).

[4] *See* Phlx Rule 1063.

[5] The seller has the responsibility only when there are two parties to a trade. When there are multiple participants, the largest participant is responsible for allocating the trade.

[6] *See e.g.*, Securities Exchange Act Release No. 33512 (January 24, 1994) 59 FR 4759 (February 1, 1994).

[7] The Phlx's minor rule plan, codified in Phlx Rule 970, contains Advices, such as Advice F–2,

Continued

both Advices, as well as by extending the application of Advice F–12 to the equity/index options floor.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).[8] Specifically, the Commission believes that the proposal is consistent with: the Section 6(b)(5)[9] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest; the Section 6(b)(6)[10] requirement that the rules of an exchange provide that its members be appropriately disciplined for violations of an exchange's rules and the Act; and the Section 6(b)(7)[11] requirement that the rules of an exchange provide a fair procedure for the disciplining of members.[12]

A. Advice F–2

Trade allocation includes the determination, based on existing rules, policies and practices, as to who is considered to be on a bid/offer, who participates in a trade and for what size. The Commission believes that permitting the largest participant, which normally will be the Floor Broker who represents the original order in the trading crowd, to allocate trade participation should render the process more efficient and therefore accelerate execution reporting.

As previously stated, existing Exchange rules do not clearly address the process of, or parties responsible for, ensuring proper options trade allocation. The Commission understands that Floor Brokers historically have assisted in options trade allocation, along with their duties to match and time stamp the trade and ensure the best execution of orders.[13] The Commission believes that is reasonable to assign the responsibility of trade allocation to the same individual that currently matches and time stamps the trade, namely the largest participant (or seller) to the trade. In this way, one person is performing all three functions. The Commission finds that extending this responsibility to the largest participant (or seller)[14] is a reasonable extension of the current requirements of Advice F–2.

B. Advice F–12

First, the Commission believes that the extension of Advice F–12 to equity/index options trading should improve the certainty of trade allocation and maintain order during the allocation process. The Commission also believes that such an extension is consistent with the original intent of Advice F–12 to facilitate the orderly separation of the option floor, especially for trades involving a number of market participants.[15]

Second, under the proposed amendments, no one who has participated in the trade would be allowed to leave the crowd until the level of his/her participation in the trade has been confirmed by the largest participant. Previously, this obligation also applied to those who *believed they may have* participated in a trade. As cited by the Commission in the original approval of Advice F–12, it is reasonable to require each participant to a large trade to take steps to ensure that the other parties to the transaction are aware of his or her participation.[16] The Commission believes the proposed amendment is consistent with this goal because it continues to facilitate the prompt determination of participation levels by removing confusion as to who actually participated in a trade.

Third, as previously stated, Advice F–12 also currently provides that no person in the crowd shall submit a ticket for matching on a trade when that person has or should have grounds to believe that he is not due participation in the trade. The Phlx asserts that by deleting the reference to ''belief,'' the proposal is designed to simplify trade ticket submissions, and as a result, establish the practice that a person who did not participate in a trade should not submit a ticket. As previously stated, the original approval of Advice F–12 noted that it is reasonable to require trade participants to notify other parties of their participation levels and to resolve those levels at such time.[17] The Commission believes the proposed amendments are consistent with those goals because they continue to facilitate the prompt determination of participation levels.

C. Minor Rule Plan

The Exchange has represented that the proposed amendments to Advices F–2 and F–12 will be enforced under Phlx Rule 970, the minor rule plan. The Commission believes that an exchange's ability to effectively enforce compliance by its members and member organizations with Commission and Exchange rules is central to its self-regulatory function. The inclusion of a rule in an exchange's minor rule violation plan, therefore, should not be interpreted to mean that it is not an important rule. On the contrary, the Commission recognizes that the inclusion of minor violations of particular rules under a minor rule violation plan may make the exchange's disciplinary system more efficient in prosecuting more egregious or repeated violations of these rules, thereby furthering its mandate to protect investors and the public interest.

The Commission believes that amending the minor rule plan by changing the text of both Advices, as well as extending the application of Advice F–12 to the equity/index options floor, is consistent with the Act. The purpose of the minor rule plan is to provide a response to a violation of the Exchange's rules when a meaningful sanction is needed but when initiation of a disciplinary proceeding pursuant to Phlx Rule 960.2[18] is not suitable because such a proceeding would be more costly and time-consuming than would be warranted given the nature of the violation. Exchange Rule 970 provides for an appropriate response to minor violations of certain Exchange rules while preserving the due process rights of the party accused through specified required procedures.[19]

---

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.

[8] 15 U.S.C. 78f(b).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78f(b)(6).

[11] 15 U.S.C. 78f(b)(7).

[12] In approving this proposed rule change, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[13] *See* Phlx Rule 1063.

[14] *See* note 3, *supra.*

[15] Securities Exchange Act Release No. 29580 (August 16, 1991) 56 FR 41876 (August 23, 1991).

[16] *Id.*

[17] *Id.*

[18] Phlx Rule 960.2 governs the initiation of disciplinary proceedings by the Exchange for violations within the disciplinary jurisdiction of the Exchange.

[19] The minor rule plan permits any person to contest the Exchange's imposition of a fine through submission of a written answer, at which time: (1) the matter will be dismissed, (2) the alleged violator will pay the original fine or contest the matter before a hearing panel, (3) the fine will be modified and the alleged violator will pay the modified fine or contest the matter before a hearing panel or (4) the matter will become the subject of a formal disciplinary action and the issuance of a complaint will be authorized pursuant to Exchange Rule 960.2.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[20] that the proposed rule change (SR–Phlx–97–51) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[21]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–11166 Filed 4–27–98; 8:45 am]

BILLING CODE 8010–01–M

[20] 15 U.S.C. 78s(b)(2).

[21] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39399; File No. SR–SCCP–98–01]

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to an Increase in the Number of Directors

April 21, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 31, 1998, the Stock Clearing Corporation of Philadelphia (''SCCP'') filed with the Securities and Exchange Commission (''Commission''), as amended on April 16, 1998 and April 21, 1998, the proposed rule change as described in Items I and II below, which items have been prepared primarily by SCCP. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

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

The proposed rule change involves an amendment to SCCP's by-laws and to Section 6 of its articles of incorporation to increase the number of directors on its board from between 5 and 9 to between 5 and 23.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, SCCP 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. SCCP has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.[2]

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The proposed rule change will amend SCCP's by-laws and articles of incorporation to increase the permitted size of the board from between 5 and 9 directors to between 5 and 23 directors. According to SCCP, all other provisions of the by-laws prescribing the composition of the board will remain unchanged. SCCP believes that this rule change is desirable due to the interest of the Board of Governors of the Philadelphia Stock Exchange (''Phlx'') to more fully participate in the operation and control of SCCP.

SCCP also believes that a larger board will provide greater diversity and add policy making expertise to the process. In addition, SCCP believes that an SCCP board comprised of members from Phlx will allow greater coordination in scheduling meetings involving members from both the boards.[3]

SCCP believes that the proposed rule change provides for the fair representation of shareholders and participants in the selection of SCCP's directors and in the administration of SCCP's affairs and therefore that it is consistent with Section 17A(b)(3)(C) of the Act and the rules and regulations thereunder applicable to SCCP.[4]

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

SCCP 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

SCCP has not solicited and does not intend to solicit comments on this proposed rule change SCCP has not received any unsolicited written comments from participants or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Section 17A(b)(3)(C) provides that the rules of a clearing agency must provide for the fair representation of its shareholders or members and participants in the selection of directors. The Commission believes that the increase in the size of SCCP's board is consistent with the Act's fair representation requirements because the resized board should allow the board to more accurately reflect the controlling interest of the Phlx and its Board of Governors while still providing for fair representation of SCCP's participants.

SCCP has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing in order that this increase be implemented at the meeting of the Phlx's board of directors scheduled for April 22, 1998. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of notice because such approval will allow the Phlx to increase SCCP's board size at its April 22, 1998, meeting.

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 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 in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of SCCP. All submissions should refer to File No. SR–SCCP–98–01 and should be submitted by May 19, 1998.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[5] that the proposed rule change (File No. SR–SCCP–98–01) be and hereby is approved.

[1] 15 U.S.C. 78s(b)(1).

[2] The Commission has modified the text of the summaries prepared by SCCP.

[3] Telephone conversation between Edith Hallahan, Counsel, SCCP, and Greg Dumark, Attorney, Division of Market Regulation, Commission (April 20, 1998).

[4] 15 U.S.C. 78q–1(b)(3)(C).

[5] 15 U.S.C. 78s(b)(2).