

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 Room, located at the above address. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-PCX-97-46 and should be submitted by August 12, 1998.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR-PCX-97-46) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40193; File No. SR-PCX-98-21]

Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Fines for Disruptive Action on the Options Floor

July 10, 1998.

I. Introduction

On April 16, 1998, the Pacific Exchange, Inc. ("PCX" or "Exchange"), filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder² to increase fines for disruptive action involving physical contact between members while on the options floor. Notice of the filing was published in the **Federal Register** on

June 10, 1998.³ No comments were received. This order approves the proposal.

II. Description of the Proposal

The Exchange is proposing to increase its recommended fines under the Minor Rule Plan ("MRP")⁴ for disruptive action involving physical contact between members while on the options floor. These fines are currently set at \$500, \$1,000 and \$2,500 for first, second and third violations, respectively, during a running two-year period. The Exchange is proposing to increase these fines to \$1,500, \$3,000 and \$5,000, respectively.⁵ The purpose of the rule change is to deter future incidents of disruptive conduct involving physical contact on the PCX options floor. The Exchange notes that there has been a moderate increase recently in the number of such cases, and the Exchange intends for the proposed rule change to reverse that trend.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder, and, in particular with the requirements of Section 6(b)(6) of the Act.⁶ Section 6(b)(6) of the Act requires that the rules of the Exchange provide that its

³ Securities Exchange Act Release No. 40063 (June 3, 1998), 63 FR 31823.

⁴ Rule 19d-1(c)(2) under the Act authorizes national securities exchanges to adopt minor rule violation plans for the summary discipline and abbreviated reporting of minor rule violations by exchange members and member organizations. See Securities Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984) (order approving amendments to paragraph 9(c)(2) of Rule 19d-1 under the Act). Pursuant to PCX Rule 10.13, the Exchange may impose a fine on any member or member organization for any violation of an Exchange rule that has been deemed to be minor in nature and approved by the Commission for inclusion in the MRP. PCX Rule 10.13(h)-(j) sets forth the specific Exchange rules deemed to be minor in nature.

⁵ As noted in PCX Rule 10.13(e), pursuant to Securities Exchange Act Release No. 30958, any person or organization found in violation of a minor rule under the MRP is not required to report such violation on SEC Form BD, provided that the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person or organization has not sought an adjudication, including a hearing, or otherwise exhausted the administrative remedies available with respect to the matter. Accordingly, any fine imposed in excess of \$2,500 will be subject to reporting of SEC Form BD in addition to the immediate, rather than periodic, reporting a requirement of Section 19(d)(1) of the Act. See Securities Exchange Act Release No. 30280 (January 22, 1992), 57 FR 3452 (noting that fines in excess of \$2,500, assessed under New York Stock Exchange, Inc. ("NYSE") Rule 476A, are not considered pursuant to the NYSE's minor rule violation plan and are thus subject to the current reporting requirements of Section 19(d)(1) of the Act).

⁶ 15 Proposed Rule Change 78f(b)(6).

members be appropriately disciplined for violations of the Act, the rules and regulations thereunder, and the Exchange's rules. The Commission believes that the proposed fines will serve as a stronger deterrent to disruptive behavior, thereby promoting fair and orderly markets on the options floor and protecting investors and the public interest. The Commission also notes that the proposed fine schedule is graduated to account for repeat offenders and that the Exchange may commence a formal disciplinary proceeding under Exchange Rule 10.3 if it determines that a violation otherwise covered by the MRP is not minor in nature. Accordingly, the Commission believes that the proposed fines will result in appropriate discipline.

IV. Conclusions

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (SR-PCX-98-21) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40208; File No. SR-Phlx-97-63]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval of Proposed Rule Change and Amendment No. 1 Thereto and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 to Proposed Rule Change To Adopt a New Method of Calculating Initial and Maintenance Margin Requirements for Foreign Currency Options

July 15, 1998.

I. Introduction

On December 22, 1997, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("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 that would adopt a new method of

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.