

promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

*B. Self-Regulatory Organizations' Statement on Burden on Competition*

The Exchanges believe that the proposed rule changes will impose no burden on competition.

*C. Self-Regulatory Organizations' Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others*

No written comments were solicited or received with respect to the proposed rule changes.

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

Within 35 days of the 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 self-regulatory organization 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.

The Exchanges have also requested that the Commission find good cause, pursuant to Section 19(b)(2) of the Act,<sup>24</sup> for approving the extension of the 2½ Point Strike Price Pilot Program for a six-month period ending on January 15, 1999, or until the Commission approves the request to expand the program and approve it permanently, whichever occurs first, on an accelerated basis prior to the thirtieth day after publication in the **Federal Register**.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule changes, as amended, are 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 submissions, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission and all written communications relating to the

proposed rule changes 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal offices of the Exchanges. All submissions should refer to File Nos. SR-AMEX-98-21, SR-CBOE-98-29, SR-PCX-98-31, and SR-PHLX-98-26 and should be submitted by August 14, 1998.

**V. Commission Findings and Order Granting Partial Accelerated Approval of the Proposed Rule Changes**

The Commission finds that the proposed rule changes, as amended, relating to the extension of the 2½ Point Strike Price Pilot Program for six-months or until the Commission approves the Exchanges' proposal to make the program permanent, whichever occurs first, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange,<sup>25</sup> and, in particular, Section 6(b)(5) of the Act.<sup>26</sup> Specifically, the Commission believes that the proposed six-month extension of the pilot program providing for the listing of 2½ point strike price intervals in selected equity options will continue to provide investors with more flexibility in the trading of equity options with a strike price greater than \$25 but less than \$50, while allowing the Commission adequate time to consider the Exchanges' proposal seeking expansion and permanent approval of the program.

The Commission finds good cause for granting the Exchanges' request for a six-month extension of the 2½ Point Strike Price Pilot Program prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. As mentioned above, the Exchanges submitted separate reports to the Commission that include data and written analysis regarding the operation of the pilot program as required in the 2½ Strike Price Extension Order. The Commission notes that the Exchanges have not reported any significant problems with the pilot program since its inception and that the Exchanges will continue to monitor the pilot program to ensure that

no problems arise. In particular, the Exchanges will continue to monitor the impact of the program on their systems capacity. The Commission believes extending the pilot program on an accelerated basis will provide the investing public with the added flexibility provided by 2½ point strike prices on an uninterrupted basis. Finally, although the pilot has been in place since 1995, the Commission has received no adverse comments concerning the operation of the pilot program. Therefore, the Commission believes good cause exists to approve the extension of the pilot program until January 15, 1999, or until the Commission approves the Exchanges' proposal seeking to expand the program and to have it approved permanently, on an accelerated basis. Accordingly, the Commission believes that granting accelerated approval of the requested extension is appropriate and consistent with Sections 6(b)(5) and 19(b)(2) of the Act.<sup>27</sup>

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>28</sup> that the extension of the 2½ Point Strike Price Pilot Program proposed by the Exchanges (File Nos. SR-AMEX-98-21, SR-CBOE-98-29, SR-PCX-98-31, and SR-PHLX-98-26), as amended, is approved until January 15, 1999, or until the Commission approves the proposal seeking to expand the program and have it approved permanently, whichever occurs first, on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>29</sup>

**Jonathan G. Katz,**  
*Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40219; File No. SR-DTC-98-02]

**Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change to Implement the HUB Mailbox Service**

July 16, 1998.

On February 10, 1998, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-98-02) pursuant to

<sup>25</sup> In granting partial approval of the proposal, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>26</sup> 15 U.S.C. 78f(b)(5).

<sup>27</sup> 15 U.S.C. 78f(b)(5) and 78s(b)(2).

<sup>28</sup> 15 U.S.C. 78s(b)(2).

<sup>29</sup> 17 CFR 200.30-3(a)(12).

<sup>24</sup> 15 U.S.C. 78s(b)(2).

Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** On May 12, 1998.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

### I. Description

The rule change implements the HUB Mailbox service. The HUB Mailbox service will use the Institutional Delivery ("ID")<sup>3</sup> system's already-existing telecommunications facilities to allow investment managers and their custodians to exchange messages regarding: (1) securities purchases; (2) securities sales; (3) reconciliation data relating to securities positions and cash movements; and (4) other security-related transactions as agreed to by two or more HUB users. Occasionally, HUB users may also transmit trade data to recordkeeping vendors in situations where the custodial and accounting functions are performed by two different parties. All information will be entered in an ISITC<sup>4</sup> approved format initially, but other formats may be used later if agreed upon by two or more HUB users.<sup>5</sup>

To use the HUB Mailbox, investment managers and custodians will place

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 39955 (May 4, 1998), 63 FR 26237.

<sup>3</sup> For a complete description of the services provided by the ID system, refer to Securities Exchange Act Release Nos. 33466 (January 12, 1994), 59 FR 3139 [File No. SR-DTC-93-07] (order approving proposed rule change relating to the enhanced ID system); 34166 (June 6, 1994), 59 FR 31660 [File No. SR-DTC-94-01] (order approving proposed rule change to add a standing instruction database to the ID system institutional delivery system); 34199 (June 10, 1994) 59 FR 31660 [File No. SR-DTC-94-04] (order granting accelerated approval of a proposed rule change to implement the interactive capabilities and the electric mail features of the enhanced institutional delivery system); 36050 (August 2, 1995), 60 FR 41139 [File No. SR-DTC-95-10] (order approving proposed rule change implementing advice of confirm correction/cancellation feature and modifying the authorization/exception processing feature of the institutional delivery system); 39829 (April 6, 1998), 63 FR 17943 [File No. S7-10-98] (interpretation that a "matching" service that compares securities trade information from a broker-dealer's customer is a clearing agency function).

<sup>4</sup> ISITC (Industry Standardization for Institutional Trade Communication) is a global working committee of brokers, investment managers, custodians, and vendors which was established in 1991 and has developed standard message formats and operating protocols for transmitting information concerning security-related transactions.

<sup>5</sup> The notice of the proposed rule change, *supra* note 2, incorrectly stated that DTC developed the HUB Mailbox in cooperation with ISITC. It should have stated that DTC developed the HUB Mailbox service in cooperation with some ISITC members.

formatted records into bundles for each addressee with appropriately coded headers and trailers, and DTC will route the bundles to addressees' mailboxes for retrieval. Addressees will acknowledge receipt of bundles through their mailboxes. All mail messages, both delivered and undelivered, will be transferred at the end of each business day between 2:00 AM and 3:00 AM (ET) to a separate file which can be accessed directly on the next day. DTC will store mail messages for up to five days. The HUB Mailbox service will not do any processing other than to direct mail to appropriate mailboxes.

### II. Discussion

Section 17A(b)(3)(F) of the Act<sup>6</sup> requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. As discussed below, the Commission believes that DTC's proposed rule change is consistent with this obligation.

The Commission believes that the electronic mail features of the HUB Mailbox service will enable users to reduce their reliance on facsimile transmissions when communicating information such as the details concerning securities purchases, sales, reconciliation, and other security related information. The Commission believes that transmitting this information electronically is more efficient and accurate than the methods currently used and therefore should help promote the prompt and accurate clearance and settlement of securities transactions.

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with Section 17A of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-98-02) be and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Jonathan G. Katz,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40227; File No. SR-NASD-98-01]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendments Nos. 1, 2, and 3 by the National Association of Securities Dealers, Inc. Relating to the NASD's Rules Regarding Electronic Communications Networks, Locked and Crossed Markets, and a Member's Obligation to Provide Nasdaq With Certain Information

July 17, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 27, 1998, the National Association of Securities Dealers, Inc. ("NASD"), through its wholly owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change. The NASD filed Amendment No. 1 to the proposal on June 8, 1998,<sup>2</sup> Amendment No. 2 on June 30, 1998,<sup>3</sup> and Amendment No. 3 on July 16, 1998.<sup>4</sup> The proposed rule change, as amended, is described in Items I, II, and III below, which Items have been prepared by Nasdaq. 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

Nasdaq is submitting proposed rule changes to amend NASD Rule 4623, which will specify the manner in which orders having a reserved size that are entered into an electronic communications network ("ECN") must interact with SelectNet orders. Additionally, Nasdaq is proposing to amend NASD Rule 4613(e) by adding a provision regarding locked and crossed markets that occur at the open. Nasdaq also is proposing the adoption of NASD Rule 4625, which will set out the obligation of members participating in

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> See letter from Robert E. Aber, Senior Vice President and General Counsel, The Nasdaq Stock Market, Inc. to Katherine A. England, Assistant Director, Division of Market Regulation ("Division"), SEC, dated June 5, 1998.

<sup>3</sup> See letter from Robert E. Aber, Senior Vice President and General Counsel, The Nasdaq Stock Market, Inc. to Katherine A. England, Assistant Director, Division, SEC, dated June 29, 1998.

<sup>4</sup> See letter from Robert E. Aber, Senior Vice President and General Counsel, The Nasdaq Stock Market, Inc. to Richard Strasser, Assistant Director, Division, SEC, dated July 15, 1998.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> 17 CFR 200.30-3(a)(12).