

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

1. Purpose

Current PCX rules state that the duty of the Options Appointment Committee is to recommend to the Board of Governors the appointment, assignment, retention, reassignment, transfer, and taking leave of the privileges to deal in and trade options to, by, and among members on the Options Trading Floor.⁴ The Options Appointment Committee is also responsible for appointing Market Makers and appointing and approving Lead Market Makers ("LMMs").⁵ The Options Appointment Committee may relieve LMMs of their appointments, designate interim LMMs, and make determinations pertaining to LMM-related issues not within the jurisdiction of any other standing committee. The Exchange proposes to eliminate the Options Appointment Committee and to transfer all of its authority and duties to the Options Allocation Committee, in order to centralize the PCX rules relating to the approval, evaluation, allocation to, and appointment of LMMs.

Specifically, the Exchange proposes to change all references to the "Options Appointment Committee" in PCX Rule 11.10(a), to the "Options Allocation Committee" and to transfer the language of PCX Rule 11.10(a), relating to the current duties of the Options Appointment Committee, to the Options Allocation Committee under new proposed PCX Rule 11.10(b)(2). The Exchange also proposes to renumber PCX Rule 11.10(b) as 11.10(a) and PCX Rule 11.10(c) as 11.10(b)(1). The Exchange believes that these changes will make the application of the transfer of all authority and duties from the Options Appointment Committee to the Options Allocation Committee consistent throughout the text of PCX Rule 11.

The Exchange also proposes to change the references to the "Options Appointment Committee" in PCX Rules 6.35; 6.37; Commentary .08; 6.82(a)(1) and (3); 6.82(b)(1) and (2); 6.82(f)(3); 6.82(g)(1); and 6.82(h)(1) to the "Options Allocation Committee." The Exchange believes that these changes will make all rules referencing or relating to the Options Appointment Committee consistent with that committee's elimination and the delegation of its duties and powers to the Options Allocation Committee.

2. Statutory Purpose

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Act,⁶ in general, and further the objectives of Section 6(b)(5),⁷ in particular, in that they are designed to promote just and equitable principles of trade, to enhance competition and to protect investors and the public interest.

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 not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received written comments with respect to the proposed rule change.

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

Within 35 days of the date of 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 Amex consents, the Commission will:

- A. by order approve the proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

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. 20549-0609. Copies of the submissions, 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 persons, 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. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-00-08 and should be submitted by October 25, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43343; File No. SR-Phlx-00-80]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Waive Transaction and Comparison Fees on Customer Equity Option Orders.

September 26, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 1, 2000, 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 Phlx. 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 Phlx proposes to amend its schedule of dues, fees and charges to waive all comparison and transaction charges for customers trading equity options. The proposed fee is effective on September 1, 2000.

The text of the proposed rule change is available at the Phlx and the Commission.

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁴ See PCX Rules 6.35, 6.37, 6.82, 11.10(c).

⁵ See PCX Rules 6.35 and 6.82.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

II. Self-Regulatory Organization's Statements Regarding the Purpose of, and the 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

1. Purpose

The purpose of the proposed rule change is to amend the Phlx fee schedule to waive and eliminate all comparison and transaction charges to customers connected with the trading of equity options.³

Currently, the Phlx imposes both comparison and transaction fees on all equity option trades, which vary in amount depending on whether a transaction involves a Registered Options Trader ("ROT"), a firm, a specialist or a customer. Customer orders electronically executed through the Phlx's Automated Options Market (AUTOM) system are entirely exempt from both comparison and transaction fees. Customer block orders (in certain size categories) are entitled to transaction fee discounts up to 25% of the normal charge. Under the proposed rule change all charges to ROTs, firms and specialists will remain unchanged.

The Phlx estimates that annual cost savings for customers will approximate \$4.5 million based upon year-to-date results through July, 2000. These proposed fee adjustments are necessary in order to make the Phlx's fees more competitive with equivalent fees charged by other exchanges and to either maintain or enhance the volume of equity option orders placed with the Phlx. These downward adjustments in fee levels will also encourage the use of options by the investing public and promote competition and efficiencies among exchanges.

Recently, the American Stock Exchange,⁴ Chicago Board Options

Exchange⁵ and the Pacific Exchange⁶ have all changed their respective rules to eliminate similar equity option fees.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act⁷ in general and furthers the objectives of Section 6(b)(4) of the Act,⁸ in particular, because it provides for the equitable allocation of reasonable dues, fees and other charges among its Members and others utilizing the Phlx.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Phlx 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

The Phlx has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change establishes or changes a due, fee or charge imposed by the Phlx and, therefore, has become effective upon filing pursuant to Rule 19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(2) thereunder.¹⁰ 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 purpose of the Act.

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.

⁵ See Securities Exchange Act Release No. 42850 (May 30, 2000), 65 FR 36187 (June 7, 2000) (rescinding transaction and trade match fees for customer equity option orders routed through its electronic order routing system).

⁶ See Securities Exchange Act Release No. 43115 (August 3, 2000), 65 FR 49280 (August 11, 2000) (eliminating both the fee for all manual executions of customer option orders and the ticket data entry fee applicable to all customer option orders). See also Securities Exchange Act Release No. 43020 (July 10, 2000), 65 FR 44558 (July 18, 2000) (eliminating of all transaction charges for all forms of electronic executions of customer orders and all on-line comparison charges for all customer executions).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(2).

Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 Room. 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-00-80 and should be submitted by October 25, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43339; File No. SR-PHLX-97-46]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 2 to the Proposed Rule Change Amending Article V, Section 5-5 and Article XXII, Section 22-1 of the Exchange's By-Laws

September 25, 2000.

I. Introduction

On February 11, 1998,¹ 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")² and Rule 19b-4 thereunder,³ a proposed rule change to amend the Exchange's By-

¹¹ 17 CFR 240.30-2(a)(12).

¹ The Phlx had originally submitted the filing on December 10, 1997; however, at that time, the filing was incomplete. At the Commission's request the Phlx made a complete filing on February 11, 1998.

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

³ See Phlx Options Rule 1051.

⁴ See Securities Exchange Act Release No. 42675 (April 13, 2000), 65 FR 21223 (April 20, 2000) (eliminating all transaction, clearance and floor brokerage fees for all customer equity option orders).