

IV. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change, SR-Phlx-00-39, be and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43407; File No. SR-Phlx-00-072]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Amending Rules 501, 505, and 506 Regarding Allocation and Specialist Appointment, as well as Rule 748, Supervision, To Reflect Current Circumstances on the Equity Foreign Currency Option and Option Trading Floors

October 3, 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 July 25, 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 Rules 501, 505, 506, and 748 to require certain information be provided to the Allocation, Evaluation and Securities Committee ("AES Committee") for approval and to require certain minimum staffing levels for specialist

units. Specifically, the Exchange proposes to amend Rule 501(b)(4) to require that option and foreign currency option specialist units provide detailed information on their application to become a specialist unit regarding their back-up arrangements with regard to financial and staffing support.

The proposal would add Rule 501(c) to require that individuals be approved by the AES Committee prior to acting as a specialist on behalf of a specialist unit. In addition, proposed Rule 501(c) would require that applications for individuals to act as specialist shall include any other special requirements that the AES Committee may require for approval. Proposed Rule 501(c) would also require that the AES Committee or its designee approve an individual prior to that individual moving from one specialist unit to another specialist unit.

The proposal would re-designate Rule 501(c) as Rule 501(d), which requires that to be approved and retain their specialist privileges, option and foreign currency option specialists must maintain the clearing arrangements and capital structure stated on their application. In addition, Rule 501(d) would require that changes regarding their back-up arrangements must be submitted to and approved by the AES Committee. The proposal would also amend Rule 501(d) to require option and foreign currency option specialists to maintain a minimum staffing level for each quarter turret of space on the trading floor.

The proposal would add Rule 501(e), which is similar to Rule 501(d), and would contain the same staffing requirements for equity specialists as are currently contained in Rule 501(c)(2).

The proposal would re-designate Rule 501(d) as Rule 501(f). The proposal would amend the language of 501(f) to state that once an applicant is approved by the AES Committee as a specialist unit, any material change in the capital or staff of the unit or any move by the head or assistant specialist must be reported in writing to the AES Committee within two days of the change.

The proposal would add Rule 501, Commentary .02, which states that for purposes of rule 748 on Supervision, individuals employed or associated with the back-up specialist will be considered engaging in a business activity of the specialist unit that they are assisting. Rule 748(b) would also be amended to refer to this situation.

The proposal would amend Rule 505 to require registrant specialist units to report material changes on the respective equity, option and foreign

currency option registration forms to the AES Committee.

The proposal would amend Rule 506 to codify expressly that AES Committee may require applicant specialist units to provide other information, including system order acceptance and execution levels, and guarantees on the application for a particular equity or option. The proposal would require that, should a specialist be allocated that equity or option, the specialist would be immediately required to notify the Exchange staff and submit for approval to the AES Committee or its designee in writing any change to the respective system acceptance and execution levels or any other material changes on that application.

The proposal would replace references to the Department of Securities in Rules 505 and 506 with references to the Exchange staff. The text of the proposed rule change is available at the Phlx and the Commission.

II. Self-Regulatory Organization's Statement of 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 section A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to provide the AES Committee with the appropriate information and a greater understanding of the specialist unit's operation when approving a prospective specialist unit for trading privileges, as well as approving the allocation, reallocation and transfer of equity, option, and foreign currency option books to specialist units. Specifically, proposed amendments to Rule 501(b)(4) regarding back-up arrangements for staffing and capital are intended to help ensure that specialist books will continue to trade on the floor in an efficient manner by requiring the specialist unit have sufficient staff to handle the high volume in busy markets and requiring the back-up specialist to

Section 10-9(b) (authorizing the Exchange's Audit Committee to conduct reviews of any alleged improper conduct and recommend appropriate action to the Board).

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

step in to act as a specialist, when the assigned specialist is unable to do so.

Proposed Rule 501(c) should increase the AES Committee's supervision over the individuals applying to be a specialist on the floor, which should in turn help to ensure that applicants have sufficient qualifications and experience to perform the duties of a specialist in active markets. In addition, proposed Rule 501(c) should also help to ensure that the AES Committee is notified in the event that an individual moves from one firm to another firm.

Proposed amendments to Rule 501(d) would require option and foreign currency option specialist units to have certain staffing levels per quarter turret of trading floor space, rather than for the entire specialist unit, to help to ensure adequate staffing coverage on the trading floors. The current rule does not sufficiently address these issues because it lacks detail on how the specialist staff is deployed, particularly when the specialist unit may have books located in different areas of the option or foreign currency option floor.

With respect to proposed amendments to Rule 506, the AES Committee may require additional information on the allocation application, such as system acceptance and execution levels. The Phlx believes that system acceptance and execution levels are important in attracting order flow to the Exchange and providing customers with efficient order delivery and execution. The Phlx believes that codifying expressly in Exchange rules the AES Committee's authority to require specialist units to state their system order acceptance and execution levels, as well as notifying the AES Committee of such changes, should help the AES Committee to accurately assess whether the specialist units have the ability to attract order flow to the Exchange and can keep that order flow with the maintenance of the delivery and execution levels stated in their application.

The proposal would require Rule 501, Commentary .02 and proposed amendments to Rule 748 to specifically delegate responsibility for supervision of back-up staff used by a specialist to the specialist utilizing the back-up staff. The Phlx believes that this is the most efficient method of holding a specialist unit accountable for the acts of staff under their direction, albeit such staff is not directly employed by that specialist unit.

The proposal would also require that equity, option and foreign currency option specialists notify the AES Committee of material changes in their registration and application forms for

specific securities as well as their applications to be a specialist unit.³ This should supply the Phlx and the AES Committee with the appropriate information to make determinations regarding the suitability of this specialist to perform in a particular security in accordance with the AES Committee's review procedures for specialist performance evaluations outlined in Rule 511.

2. Statutory Basis

The Phlx believes the proposed rule change is consistent with Section 6(b) of the Act⁴ in general, and in particular, with Section 6(b)(5) of the Act,⁵ in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, as well as to protect investors and the public interest by better assessing that specialist units have the appropriate staffing. In addition, the proposed amendments and rules should help to ensure that the AES Committee has suitable information to make well-reasoned decisions regarding allocation, reallocation, and transfer of specialist books as well as the approval and retention of high quality specialists on the trading floor.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such other 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 Phlx consents, the Commission will:

³ See *supra* text discussing proposed Rule 501(d) and (e), proposed Rule 506(e) and the proposed amendments to Rule 505, pp 2-3.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

(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, 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-00-72 and should be submitted by November 2, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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SOCIAL SECURITY ADMINISTRATION

Privacy Act of 1974, As Amended; Computer Matching Program (SSA/ Department of Labor (DOL))—Match Number 1003

AGENCY: Social Security Administration (SSA).

ACTION: Notice of computer matching program.

SUMMARY: In accordance with the provisions of the Privacy Act, as amended, this notice announces a computer matching program that SSA plans to conduct with DOL.

DATES: SSA will file a report of the subject matching program with the Committee on Governmental Affairs of the Senate, the Committee on Government Reform and Oversight of

⁶ 17 CFR 200.30-3(a)(12).