

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

No written comments were either solicited or received.

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 self-regulatory organization 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 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 Section, 450 Fifth Street NW., Washington, DC 20549. 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-PSE-95-16 and should be submitted by August 8, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35957; International Series Release No. 827 File No. SR-Phlx-95-44]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Enhanced Specialist Participation in 3D Foreign Currency Options

July 12, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on July 3, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Exchange Rule 1014(h) and Floor Procedure Advice ("Advice") B-7 (Time Priority of Bids/Offers in Foreign Currency Options) regarding the enhanced parity participation for the specialist ("Enhanced Split") in the dollar denominated delivery ("3D") cash-spot deutsche mark foreign currency option ("FCO") contract.¹ Specifically, the Exchange proposes to correct certain language pertaining to the Enhanced Split contained in Rule 1014(h) and to incorporate the procedures applicable to the Enhanced Split, as amended, into advice B-7. In addition, violations of the Enhanced Split would become subject to fines administered pursuant to the Exchange's minor rule violation enforcement and reporting plan.²

¹ 3D FCOs are cash-settled, European-style, cash-spot FCO contracts on the German mark that were originally approved to trade in one-week and two-week expirations. See Securities Exchange Act Release No. 33732 (March 8, 1994), 59 FR 52337 (March 15, 1994). The Exchange subsequently obtained Commission approval to also list 3D FCOs with longer-term expirations. See Securities Exchange Act Release No. 35756 (May 24, 1995), 60 FR 28638 (June 1, 1995).

² The Minor Rule Plan, codified in Phlx Rule 970, contains floor procedure advices with accompanying fine schedules. Rule 19d-1(c)(2) under the Act authorized national securities exchanges to adopt minor rule violation plans for summary discipline and abbreviated reporting and Rule 19d-1(c)(1) under the Act required prompt filing with the Commission of any final disciplinary actions. Minor Rule Plan violations not exceeding \$2,500, however, are deemed not final, thereby permitting periodic, as opposed to immediate reporting.

The Enhanced Split provisions in Rule 1014 currently provide that for all orders in excess of 500 contracts, the 3D FCO specialist is entitled to receive 50% of the first 500 contracts in any trade in which the 3D FCO specialist and one or more crowd participants are on parity, with the remaining 50% of the first 500 contracts allocated on a pro rata basis among the other crowd participants on parity. All contracts in excess of the first 500 contracts are split pro rata among the 3D FCO specialist and the other crowd participants on parity.

The Exchange represents that Rule 1014(h) was intended to apply to all 3D FCO orders, not just those in excess of 500 contracts.³ Accordingly, the Exchange proposes to amend Rule 1014(h) to clarify that the Enhanced Split is activated by parity situations where parties compete to fill orders of any size, rather than the current language that states that the Enhanced Split only applies where the "trade involves 500 or more contracts."

In addition to amending Rule 1014(h), the Exchange also proposes to amend Advice B-7 to incorporate the provisions applicable to the 3D FCO Enhanced Split, as amended, and to make violations of the Enhanced Split subject to fines administered pursuant to the Exchange's Minor Rule Plan.⁴

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

II. Self-Regulatory Organization's Statement of and 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. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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 Statutory Basis for, the Proposed Rule Change

In 1994, the Commission approved the Enhanced Split for the 3D FCO specialist.⁵ The Exchange represents that the approved language in Rule 1014(h) erroneously limits the provision to situations where more than 500

³ See Securities Exchange Act Release No. 35177 (December 29, 1994), 60 FR 2419 (January 9, 1995) ("Exchange Act Release No. 35177").

⁴ See *supra* note 2.

⁵ See Exchange Act Release No. 35177, *supra* note 3.