

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

Nasdaq does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

Written comments were neither solicited nor 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 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 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 proposal 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. 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. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-98-79 and should be submitted by January 7, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40779; File No. SR-OCC-98-13]

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Clarifying Adjustment and Settlement Procedures for Currency Related Options Relating to the Euro**

December 10, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on October 28, 1998, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by OCC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The purpose of the proposed rule change is to clarify OCC's adjustment and settlement procedures for currency related options in anticipation of the European Union conversion to the euro, which is scheduled to be effective January 1, 1999.

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.<sup>2</sup>

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

<sup>2</sup> The Commission has modified parts of these statements.

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

On January 1, 1999, the European Union is scheduled to introduce the euro which will replace the national currencies of the eleven countries which currently qualify for inclusion in European Monetary Union. On January 1, 1999, these eleven countries will begin to use the euro along with their existing currencies ("legacy currencies"). At that point, the legacy currencies will become units of the euro and will continue to constitute legal tender in their respective countries of origin until 2002. In 2002, the legacy currencies will cease to be units of the euro, and the euro will be the sole medium of exchange of the participating member states.

The legacy currencies include four that are trading currencies or underlying currencies in the Philadelphia Stock Exchange's ("PHLX") currency options market. They are the French franc, German mark, Italian lira, and Spanish peseta. On January 1, 1999, the European currency unit ("ECU") will be converted on a one-to-one basis into the euro, and the current PHLX ECU option contract will be adjusted to call for delivery of euros.

PHLX has advised OCC that effective January 1, 1999, it will also begin to trade currency options with the euro as the underlying or trading currency. PHLX also has indicated that it will permit additional contracts with legacy currencies as the underlying or trading currency to be listed for a limited period after January 1, 1999. Current open interest in legacy currency contracts will extend to July 1999.

OCC will continue to identify all existing legacy contracts in reports and in settlement instructions. OCC will continue to effect its settlements in legacy currency but will allow members to elect to delivery either legacy currency or the euro equivalent to meet settlement obligations. Each legacy currency will have a fixed conversion to the euro. Because OCC will continue to deliver legacy currency, members that wish to receive euros will be required to notify their agent banks to convert legacy currency into euros. Banks will be required to convert legacy currency into euros, and vice versa, at no cost to members.

OCC's by-laws currently provide for adjustments of the terms of outstanding options if the country of origin of the trading currency or the underlying currency (i) issues a new currency intended to replace its existing currency

<sup>6</sup> 17 CFR 200.30-3(a)(12).

or (ii) alters the exchange rate or exchange characteristics of its currency. Euros, however, will not be issued by the countries of origin of the currencies that they replace.

The proposed rule change clarifies that when a trading currency or an underlying currency is replaced, affected options may be adjusted whether or not the replacement currency is issued by the country of origin of the replaced currency. Similarly, the rule change clarifies that when a currency's exchange rate or exchange characteristics are officially altered, affected options may be adjusted whether or not the alteration is made by the currency's country of origin.

The proposed rule change also amends OCC's by-laws and rules applicable to the settlement of currency related options to accommodate the introduction of the euro. As described above, OCC will continue to use legacy currencies during the euro transition period. The proposed rule change authorizes members to deliver euros in lieu of the legacy currencies during the transition period specified by the European Union provided that the euros are delivered to the OCC agency bank that would have received the specified legacy currency. OCC's agent banks will determine if the amount of euros delivered is equivalent (based on the official conversion rate) to the amount of legacy currency called for in OCC's settlement instruction. OCC will not permit members to net obligations to deliver euros under any new euro-denominated contracts against obligations to receive legacy currencies or vice versa as such netting would be inconsistent with OCC's credit arrangements.

OCC's rules currently provide that Belgium is the country of origin for delivery of ECUs unless OCC specifies otherwise. The proposed rule change similarly specifies Germany as the country of origin for delivery of the euros unless OCC otherwise directs. OCC is also authorized to elect to receive euros through a multi-currency account outside the specified country of origin.

OCC believes that the proposed rule change is consistent with the requirements of Section 17A because it clarifies OCC's authority to adjust outstanding foreign currency options in the event that the European Union converts to the euro and to prescribe the procedures for settlement in euros.<sup>3</sup>

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

OCC 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*

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

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

Section 17A(b)(3)(F)<sup>4</sup> requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that OCC's rule change is consistent with OCC's obligations under Section 17A(b)(3)(F) because it clarifies the adjustment and settlement procedures applicable to currency-related options in anticipation of the European Union's scheduled conversion to the euro. This clarification of procedures should help increase the number of transactions which settle promptly and on a timely basis during the euro transition period.

OCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. Because the European Union is scheduled to introduce the euro on January 1, 1999, the Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing.

**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. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the File No. SR-OCC-98-13 and should be submitted by January 7, 1999.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-98-13) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40757; File No. SR-Phlx-98-39]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to an Increase in Position and Exercise Limits for Narrow-Based Index Options**

December 7, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 3, 1998, 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 self-regulatory organization. Phlx filed an amendment to the proposed rule change on September 28, 1998.<sup>3</sup> The Commission is publishing this notice to solicit

<sup>5</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Letter to Michael Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, from Nandita Yagnik, Attorney, Phlx, dated September 25, 1998 ("Amendment No. 1"). Amendment No. 1 clarified that the Exchange intended to propose a tripling of the current position and exercise limits for narrow-based index options, not a doubling of the limits as stated in the original filing.

<sup>3</sup> 15 U.S.C. 78q-1.

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).