

broker, who places a written, time-stamped order ticket into the proper receptacle at the trading post.<sup>6</sup> An electronic order is routed to the Order Book Official when a member firm places an order through the Exchange's Member Firm Interface to the Pacific Options Exchange Trading System ("POETS"). The order is then electronically entered into the Order Book Official's book through the Auto-Book function of POETS. Orders entered electronically into the book that improve the disseminated quote are immediately displayed on the overhead screens on the trading floor and are disseminated to the public through the Options Price Reporting Authority ("OPRA").<sup>7</sup> However, orders entered manually must be entered into the POETS system before they can be displayed on the floor or disseminated through OPRA.<sup>8</sup>

PCX Rule 6.55 currently requires the Order Book Official to continuously display the best bid and offer "so far as practicable."<sup>9</sup> The Exchange believes that the practicality requirement is no longer appropriate. PCX Rule 6.55 was codified before orders could be entered electronically through POETS. Today, only a small percentage of options orders are routed to the Order Book Officials manually. Accordingly, the Exchange proposes to amend PCX Rule 6.55 to eliminate the practicability requirement for the display of options transactions and replace it with a requirement that all orders must be displayed "immediately." The proposed rule change defines the term "immediately" to mean as soon as practicable after receipt, which under normal market conditions means no later than 30 seconds.<sup>10</sup>

In modifying this rule, the Exchange is mindful of the importance of immediately displaying limit orders that represent the best bid and offer on the Exchange. Indeed, the Exchange notes that the Commission has recently emphasized the critical importance of improving industry practices relating to the display of limit orders.<sup>11</sup> In that

regard, the Exchange is modifying PCX Rule 6.55 to help further this important objective.<sup>12</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of section 6 of the Act,<sup>13</sup> in general, and further the objectives of section 6(b)(5) of the Act,<sup>14</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange believes that the proposed rule change will not impose any burden on competition that is 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 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 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 Exchange 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.

Examinations and Office of Economic Analysis, Commission (May 4, 2000).

<sup>12</sup> The Exchange represents that, currently, no PCX members operate any of the limit order books on the PCX Options Floor. Therefore, initially, the proposed change to PCX Rule 6.55 will apply only to PCX staff. However, the Exchange anticipates that in the future, PCX members may begin to operate limit order books on the options floor, and accordingly, the rule, as modified, will apply to members. See Securities Exchange Act Release No. 41595 (July 2, 1999), 64 FR 38064 (July 14, 1999) (order approving a PCX proposed rule change to permit PCX members to operate limit order books) (File No. SR-PCX-98-02).

<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(5).

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 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 Exchange. All submissions should refer to File No. SR-PCX-00-15 and should be submitted by December 12, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 00-29708 Filed 11-20-00; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43547; File No. SR-Phlx-00-95]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Registration Fees for Registered Representatives

November 13, 2000

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 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 Exchange. On November 2, 2000, the Phlx filed

<sup>15</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>6</sup> See PCX Rule 6.52, Commentary .04. Prior to placing an order into the Order Book Official's custody, a Floor Broker must use due diligence in handling that order. See generally, PCX Rule 6.46.

<sup>7</sup> OPRA disseminates the options exchanges' best bid and offering prices, but does not disseminate the corresponding size of those markets. However, the sizes of the best bid and offer in the book are displayed on the overhead screens on the PCX floor, subject to certain conditions. See PCX Rule 6.55.

<sup>8</sup> This process requires a member of the Order Book Official's staff to enter the order into the system.

<sup>9</sup> See PCX Rule 6.55.

<sup>10</sup> See Amendment No. 2, supra note 4.

<sup>11</sup> See generally, Report Concerning Display of Limit Orders, Office of Compliance, Inspections and

Amendment No. 1 to the proposed rule change.<sup>3</sup> 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 Exchange, pursuant to Rule 19b-4 under the Act, proposes to amend its fee schedule for Registered Representative registration. Specifically, the initial, maintenance, and transfer registration fees pertaining to Registered Representative registration will each be increased from \$25.00 to \$45.00. The proposed effective date of the increase is January 1, 2001. Below is the text of the rule change. Additions are italicized and deletions are in brackets.

#### Fee Schedule

| *                         | *         | * | *       | * |
|---------------------------|-----------|---|---------|---|
| Registered Representative |           |   |         |   |
| Registration:             |           |   |         |   |
| Initial                   | [\$25.00] |   | \$45.00 |   |
| Maintenance               | [\$25.00  |   | \$45.00 |   |
|                           | annual]   |   | annual  |   |
| Transfer                  | [\$25.00] |   | \$45.00 |   |

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

In its filing with the Commission, the Exchange 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 Exchange 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 Exchange proposes to increase its fees for the initial registration, maintenance, and transfer of Registered Representative registrations with the Exchange from \$25.00 to \$45.00. These

<sup>3</sup>In Amendment No. 1, the Phlx corrected a typographical error which stated that "initial, maintenance, and transfer registration fees pertaining to Registered Representative registration will each be increased from \$125 to \$45." The correct amount of the increase, as stated above, is from \$25 to \$45. The Phlx also provided a corrected Exhibit B with rule language that conforms to its initial filing. See Letter from Murray L. Ross, Vice President and Secretary, Phlx, to Sapna C. Patel, Law Clerk, Division of Market Regulation, Commission, dated November 1, 2000.

fees, which were adopted in 1993,<sup>4</sup> and subsequently adjusted in 1995,<sup>5</sup> 1997<sup>6</sup> and 1999,<sup>7</sup> are payable by member organizations that apply for, maintain, and transfer Registered Representative registrations. The proposed fee increase would become effective on January 1, 2001. The \$45.00 fees apply to year 2001 registrations. Any initial registration in 2000 would continue to be subject to the \$25.00 initial registration fee. Similarly, any maintenance and transfer fees incurred for calendar year 2000 would continue to be subject to the \$25.00 maintenance or transfer fee. The National Association of Securities Dealers, Inc. ("NASD") will bill for the year 2001 fees in November 2000, and will thereafter collect the fees for the Exchange.<sup>8</sup>

The purpose of the proposed rule change is to address the increased costs associated with maintaining surveillance and regulatory programs in an increasingly sophisticated trading environment. The Exchange continues to believe that strong surveillance and regulatory programs are essential to the ability of the Exchange to maintain a fair and orderly market for the investment community.

According to the Exchange, the general costs associated with the Exchange's surveillance and regulatory programs have continued to rise. Since the last Registered Representative fee increase in 1999,<sup>9</sup> costs associated with the Exchange's surveillance and regulatory programs have increased dramatically. This increase in costs is attributable to, among other things, inflationary and competitive pressures upon the cost of staffing, equipment, computer technology as well as expansion of the Exchange's surveillance and regulatory programs. Moreover, the Exchange has listed, and will likely continue to list, new issues and products, which trigger significant

<sup>4</sup> See Securities Exchange Act Release No. 32833 (September 14, 1993), 58 FR 48922 (September 20, 1993).

<sup>5</sup> See Securities Exchange Act Release No. 36348 (October 6, 1995), 60 FR 53450 (October 13, 1995).

<sup>6</sup> See Securities Exchange Act Release No. 39044 (September 10, 1997), 62 FR 48914 (September 17, 1997).

<sup>7</sup> See Securities Exchange Act Release No. 42122 (November 10, 1999), 64 FR 63098 (November 18, 1999).

<sup>8</sup> The Exchange has represented that initial, transfer, and maintenance Registered Representative fees have traditionally been billed and collected by the NASD. The NASD would continue to bill for and collect these fees under the proposed rule change. Phone message from Jurij Trypupenko, Counsel, Phlx, to Melinda Diller, Law Clerk, Division, Commission, on October 28, 1999. See Securities Exchange Act Release No. 42122 (November 10, 1999), 64 FR 63098 (November 18, 1999), at footnote 7.

<sup>9</sup> See *supra* note 7.

additional surveillance and regulatory costs.

##### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act<sup>10</sup> in general and furthers the objectives of Section 6(b)(4) of the Act<sup>11</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.

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

The Exchange 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

The Exchange 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 other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>12</sup> and Rule 19b-4(f)(2) thereunder,<sup>13</sup> upon the date Amendment No. 1 was received, November 2, 2000. The Exchange intends to implement the fee effective as of January 1, 2001. At any time within 60 days of the filing of Amendment No. 1 to the 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. 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

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(4).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>13</sup> 17 CFR 240.19b-4(f)(2).

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-00-95 and should be submitted by December 12, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 00-29711 Filed 1-20-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43539; International Series Release No. 1234; File No. SR-Phlx-00-66]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Narrowing of the Exercise Strike Price Interval for Foreign Currency Options on the Euro

November 9, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 12, 2000, the Philadelphia Stock Exchange, Inc. ("Phlx") 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 Phlx. On October 20, 2000, the Phlx submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> 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 revise its exercise strike price policy with respect

to foreign currency options on the Euro denominated in U.S. dollars ("Euro FCOs").<sup>4</sup> The Phlx proposes to reduce the exercise strike price interval of American and European style, standardized Euro FCOs from 2¢ to 1¢ in all six expiration months.

#### II. Self-Regulatory Organization's Statement of the Purpose 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 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 Exchange is proposing to reduce the exercise strike price interval of American and European style, standardized Euro FCOs from 2¢ to 1¢ in all six expiration months. The Exchange's exercise strike price interval policies are administered in accordance with Phlx Rule 1012 (Series of Options Open for Trading). Pursuant to Phlx Rule 1012, there are regular and month-end Euro FCO contracts listed, with one, two, three, six, nine and twelve months until expiration. Euro FCO contracts are currently listed at 2¢ intervals, and have strike prices of 80, 82, 84, 86, 88 and 90 in all of the six expiration months, as specified above. Under the proposal, strike prices of 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, and 90 could become available for trading.

The Exchange proposes to reduce the exercise strike price interval of all Euro FCO series from 2¢ to 1¢, due to the decrease in the spot price of the Euro in terms of the U.S. dollar. In 1999, the Euro was worth \$1.18738. As of the date of this filing, the Euro was worth only \$.8544, a dramatic decline in the value of the Euro in terms of the U.S. dollar.<sup>5</sup>

<sup>4</sup> The underlying currency is the Euro. The trading currency, in which the strike price and premium are quoted, is the U.S. dollar.

<sup>5</sup> The Phlx previously traded options on the European Currency Unit ("ECU"), but delisted the product in July 1997 due to lack of open interest and trading activity. The Phlx reintroduced the ECU options in May 1998 with a 2¢ strike price interval. See Securities Exchange Act Release No. 39940 (April 30, 1998), 63 FR 25258 (May 7, 1998) (SR-Phlx-98-17). This provided investors with an

The Phlx represents that the purpose of the proposed rule change is to respond to customer demand for a narrower strike price interval due to the decrease in the underlying price of the Euro. The Exchange believes that the proposed rule change makes economic sense because a narrower strike price interval in Euro FCOs would provide investors and traders of the options with the ability to more closely tailor investment strategies to the precise movement of the underlying currency (*i.e.*, the Euro). The Exchange notes that the Commission has permitted narrower exercise strike price intervals with respect to foreign currency options based on the market value of the respective underlying security.<sup>6</sup>

Although the proposal makes available more foreign currency option series, the Phlx's Options Floor Procedure Advice F-18, Selective Quoting Facility ("SQF"), continues to apply. The Commission notes that, based on the application of the SQF, generally only a foreign currency option series that is designated by the Exchange as having an "update strike" would have its quotes made available for continuous dissemination to the public throughout the trading day.<sup>7</sup> The Phlx represents that the SQF, implemented in 1994, was intended to reduce the number of strike prices continuously being updated and disseminated, thus resulting in more timely and accurate foreign currency options quote displays. Therefore, the Exchange believes that with the use of the SQF, the predicted increase in the number of Euro FCO series should not adversely affect the Exchange's quote traffic and computer processing capacity. The Exchange represents that it will distribute a memorandum to all of its members and foreign currency options participants notifying them of the change in the exercise strike price interval for Euro FCO contracts,

investment vehicle during the conversion from the ECU to the Euro, which occurred in January 1999. The Phlx began trading the Euro FCO in January 1999. Securities Exchange Act Release No. 40953 (Jan. 15, 1999), 64 FR 3734 (Jan. 25, 1999) (SR-Phlx-99-01).

<sup>6</sup> See Securities Exchange Act Release No. 25685 (May 10, 1988), 53 FR 17524 (May 17, 1988) (Order approving narrower strike price intervals with respect to foreign currency options on the British pound denominated in U.S. dollars) (SR-Phlx-88-13); Securities Exchange Act Release No. 35631 (April 20, 1995), 60 FR 20544 (April 26, 1995) (Order approving narrower strike price interval with respect to foreign currency options on the French franc denominated in U.S. dollars) (SR-Phlx-95-06).

<sup>7</sup> See Phlx Rule 1012, Commentary .04.

<sup>14</sup> 17 CFR 200.30-2(a)(12).

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

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

<sup>3</sup> Amendment No. 1 superseded the original filing in its entirety. See letter from Richard S. Rudolph, Counsel, Phlx, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated October 19, 2000.