

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

**Jonathan G. Katz,**

*Secretary.*

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43625; File No. SR-Phlx-00-72]

### Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to 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

November 27, 2000.

On July 25, 2000, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") 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> a proposed rule change to amend 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. The proposed rule change was noticed in the **Federal Register**,<sup>3</sup> No comments were submitted on the proposed rule change. This order approves the proposed rule change.

#### I. Description of the Proposal

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 the AES Committee approve an individual before he may act 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 include any other special information 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 before that individual may move 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 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 turrel 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) and 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 the 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 also 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 also would replace references to the Department of Securities in Rules 505 and 506 with references to the Exchange staff.

#### II. Discussion

The Commission finds that the proposed rule change is consistent with the provisions of Section 6(b)(5) of the Act,<sup>4</sup> which require, among other things, that the rules of the exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with respect to facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.<sup>5</sup> The proposed amendments will provide the AES Committee with additional information to make decisions regarding allocation, reallocation, and transfer of specialist books as well as the approval and retention of specialists on the trading floor.

The Commission believes that proposed amendment to Rule 501(b)(4) regarding back-up arrangements for staffing and capital will help to ensure that specialist books continue to trade on the floor in an efficient manner by requiring the specialist unit to have sufficient staff to handle the high volume in busy markets and requiring the back-up to step in to act as a specialist, when the assigned specialist is unable to do so.

The Commission believes that the proposed amendment to Rule 501(c) regarding the AES Committee's supervision of the individuals applying to be specialists on the floor will help to ensure that applicants have sufficient qualifications and experience to perform the duties of a specialist in active markets.

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> In approving the proposal, the Commission has considered the rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

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

<sup>3</sup> Securities Exchange Act Release No. 43407 (Oct. 3, 2000), 65 FR 60711 (Oct. 12, 2000) (SR-PHLX-00-72).

Presently, the Phlx's Rules do not sufficiently address the issue of staffing levels; however, the Commission believes that proposed amendment to Rule 501(d) will help to ensure that there is adequate staffing coverage on the trading floors.

The Commission believes that proposed amendment to Rule 506 regarding the AES Committee's authority to require specialist units to state their system order acceptance and execution levels, and notify the AES Committee of any changes to the respective system acceptance and execution levels, will help the Exchange to accurately and effectively assess whether the specialist units have the ability to attract order flow to the Exchange.

The Commission believes that proposed amendments to Rule 501, Commentary .02 and Rule 748, will help ensure adequate supervision of specialist staff by considering back-up staff used by a specialist to be employees of the specialist unit. This will help to hold a specialist unit accountable for the acts of staff under their direction, albeit such staff is not directly employed by that specialist unit.

Lastly, the Commission believes that proposed amendments to Rule 501, 505, and 506 regarding notification will help to supply the Phlx and the AES Committee with the appropriate information to make determinations regarding the ability of a specialist to perform in a particular security in accordance with the AES Committee's review procedures.

### III. Conclusion

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change (SR-PHLX-00-72) is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SOCIAL SECURITY ADMINISTRATION

### The Ticket to Work and Work Incentives Advisory Panel Meeting

**AGENCY:** Social Security Administration (SSA).

**ACTION:** Notice of teleconferences and meeting.

#### **DATES:** *Teleconferences:*

December 12, 2000, 1:30–3:30 p.m.

December 19, 2000, 1:30–3:30 p.m.

#### *Meeting:*

January 9, 2001, 8:30 a.m.–5 p.m.

January 10, 2001, 8:30 a.m.–5 p.m.

#### **ADDRESSES:**

*Teleconferences:* Social Security Administration, International Trade Center, 500 E St. SW., 8th Floor, Theatre Room, Washington, D.C. 20254.

*Meeting:* Holiday Inn-Capitol, 550 C Street, SW., Washington, DC, 20024, (202) 479-4000, (202) 479-4353 Fax. The hotel is located one block from the L'Enfant Metro Station.

#### **SUPPLEMENTARY INFORMATION:**

*Type of meetings:* These meetings are open to the public. The public is invited to participate by calling into the teleconferences or coming to the addresses listed above for the teleconferences and the meeting. The public is also invited to submit comments in writing at any time on or before January 10, 2001.

*Purpose:* In accordance with section 10(a)(2) of the Federal Advisory Committee Act, the Social Security Administration (SSA) announces meetings of the Ticket to Work and Work Incentives Improvement Act (TWWIIA) Advisory Panel (the Panel). Section 101(f) of Public Law 106-170 establishes the Panel to advise the Commissioner of SSA, the President, and the Congress on issues related to work incentives programs, planning and assistance for individuals with disabilities as provided under section 101(f)(2)(A) of the TWWIIA. The Panel is also to advise the Commissioner on matters specified in section 101(f)(2)(B) of that Act, including certain issues related to the Ticket to Work and Self-Sufficiency Program established under section 101(a) of that Act.

Interested parties are invited to attend the teleconferences and meeting. The Panel will use the teleconferences to conduct full Panel deliberations on the implementation of the TWWIIA. The Panel will not be taking public testimony at the teleconferences. The Panel will use the meeting time to receive public testimony, hear presentations on the implementation of TWWIIA, conduct full Panel deliberation, receive briefings and conduct business.

*Teleconference Agenda:* The Panel will meet by teleconference commencing Tuesday, December 12, 2000 at 1:30 p.m. to 3:30 p.m. The Panel will deliberate on the implementation of

TWWIIA. The public is invited to participate by coming in to the address listed above or calling in to the scheduled teleconference to listen. No public testimony will be taken.

*Teleconference Agenda:* The Panel will meet by teleconference commencing Tuesday, December 19, 2000 at 1:30 p.m. to 3:30 p.m. The Panel will deliberate on the implementation of TWWIIA. The public is invited to participate by coming in to the address listed above or calling in to the scheduled teleconference to listen. No public testimony will be taken.

*Meeting Agenda:* The Panel will meet in person commencing Tuesday, January 9, 2001 at 8:30 a.m. to 5:00 p.m. and Wednesday, January 10, 2001 at 8:30 a.m. to 5:00 p.m. Seating may be limited so persons interested in attending this meeting should contact the Panel staff by e-mail or telephone. Public testimony will be heard in person on Tuesday, January 9, 2001 and Wednesday, January 10, 2001 from 8:30 a.m. to 9:30 a.m. Individuals interested in providing testimony in person should contact the Panel staff as outlined below to schedule time slots. Members of the public must schedule a timeslot in order to comment.

Each presenter will be called on by the Chair in the order in which they are scheduled to testify and is limited to a maximum five-minute verbal presentation. Full written testimony on TWWIIA Implementation, no longer than 5 pages, may be submitted in person or by mail, fax or email on an on-going basis to the Panel for consideration.

In the event that the public comments do not take up the scheduled time period for each day, the Panel will use that time to deliberate and conduct other Panel business.

Since teleconference ports and seating may be limited, persons interested in attending these meetings or in providing testimony at the in-person meeting should contact the Panel staff by E-mailing Kristen M. Breland, at 'kristen.m.breland@ssa.gov' or calling (410) 966-7225.

The full agendas for the meetings follow this announcement. The agendas are also posted on the Internet at <http://www.ssa.gov/work/Resources/Toolkit/> or can be received in advance electronically or by fax upon request.

*Contact Information:* Anyone requiring information regarding the Panel should contact the TWWIIA Panel staff. Records are being kept of all Panel proceedings and will be available for public inspection by appointment at the Panel office. Anyone requiring

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 17 CFR 200.30-3(a)(12).