

552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-00-05 and should be submitted by December 26, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43632; File No. SR-OCC-00-08]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Instructions to Pledge and Release Pledges

November 28, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on, September 8, 2000, The Options Clearing Corporation ("OCC") 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 primarily by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change would allow OCC to give effect on an intraday basis to instructions to pledge long options positions and instructions to release pledges.

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 these statements.²

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

The purpose of the proposed rule change is to accelerate the time when OCC gives effect to instructions to pledge or release long options for purposes of determining margin requirements. Currently, such instructions are acted on during the nightly processing cycle for effect the next business day. As a result, positions that have been released from pledge and could be used to reduce a clearing member's margin requirement are "idled" during a business day. OCC proposes to act on pledge and release instructions on an intraday basis thereby affording clearing members more efficient use of their assets and potentially greater flexibility in their financing decisions. No effect would be given to a requested pledge to the extent that the pledge would cause the account not to be adequately margined.

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder applicable to OCC because it increases the ability of clearing members to manage their financing arrangements while maintaining OCC's overall protection against default.

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

OCC does not believe that the proposed rule change would 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

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Exchange Act and Rule 19b-4(f)(6) promulgated thereunder because the proposal does not significantly affect the

protection of investors or the public interest and does not impose any significant burden on competition. In accordance with Rule 19b-4(f)(6)(iii), prior to the filing date, OCC submitted written notice of its intent to file the proposed rule change along with a brief description and text of the proposed rule change. In that notice of its intent, OCC requested that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing, as consistent with the protection of investors and the public interest. The Commission has decided to waive that requirement. Accordingly, the proposed rule change will become effective upon filing pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. At any time within sixty days of the filing of such 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 purposes 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 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, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-00-08 and should be submitted by December 26, 2000.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by OCC.

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")¹ and Rule 19b-4 thereunder,² 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**,³ 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,⁴ 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.⁵ 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.

⁴ 15 U.S.C. 78f(b)(5).

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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