

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.¹⁴

Margaret H. McFarland,
Deputy Secretary.

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

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

⁵ 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.⁶

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.⁷ 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).

⁶ 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).

⁷ See Phlx Rule 1012, Commentary .04.

¹⁴ 17 CFR 200.30-2(a)(12).

¹⁵ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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.

effective as of the date of Commission approval of the proposed rule change.⁸

2. Statutory Basis

The Phlx believes that the proposed rule change is consistent with Section 6 of the Act,⁹ and in particular Section 6(b)(5) thereof,¹⁰ in that it is designed to promote just and equitable principles of trade by enabling investors and traders of Euro FCO contracts to manage the foreign currency risks with respect to the Euro more effectively.

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

The Phlx 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 Phlx neither solicited nor received any written comments.

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 Phlx consents, the Commission will:

A. By order approve such 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 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 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-00-66 and should be submitted by December 12, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43546; File No. SR-Phlx-00-47]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. ("Phlx") Relating to Requirement That Certain Members and Member Organizations for Whom the Phlx is the Designated Examining Authority Give Prior Written Notice to the Phlx's Examinations Department of Any Changes in Business Operation

November 9, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 3, 2000, 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 adopt Rule 610 to require that members and member organizations for which the Exchange is the Designated Examining Authority ("DEA"), that operate as a specialist, floor broker and/or Registered Options Trade ("ROT") and that have changed

their business operations, or engaged in new business (for example, an ROT engages in off-floor proprietary trading), which materially affects the net capital, examinations and registration requirements to which the member or member organization is subject, to provide prior written notice to the Exchange's Examinations Department of any such changes in business operations. Below is the complete text of the proposed rule change. Proposed new text is in *italics*.

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Philadelphia Stock Exchange, Inc.

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Regulation of Members and Member Organizations

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Rule 610. Notification of Changes in Business Operations

Any member or member organization for which the Exchange is the Designated Examining Authority ("DEA"), that operates as a specialist, floor broker and/or Registered Options Trader ("ROT"), shall provide prior written notification to the Examinations Department of any change in the business operations of such member or member organization which would cause the member or member organization to be subject to additional or modified net capital requirements, examination schedules or other registration, examination or regulatory requirements.

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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 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 purpose of the proposed rule is to provide notification to the Exchange's Examinations Department of changes in the business operations of member and

⁸ Telephone conversation between Richard Rudolph, Counsel, Phlx, and Hong-Anh Tran, Special Counsel, Division of Market Regulation, Commission, October 25, 2000.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.