

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 ISE. All submissions should refer to the File No. SR-ISE-00-14 and should be submitted by December 29, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43637; File No. SR-OCC-00-11]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Investment of Excess Funds and to Procedures Applicable to the Safeguarding of Such Investments

November 29, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹, notice is hereby given that on October 5, 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 amend its By-Laws to expand the types of investments that OCC may make its funds in excess of those needed for working capital and to update the procedures applicable to the safeguarding of such investments.²

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.³

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

The purpose of this rule change is to expand the types of investments that OCC is permitted to make its funds in excess of those needed for working capital and to update the procedures applicable to the safeguarding of such investments.

Article IX, section 1(a) currently provides that the board of directors may invest OCC's excess funds in Government securities. The By-Laws are amended to allow the board or a committee thereof to approve the investment of OCC's funds in other securities or financial instruments. This change permits portfolio diversification and allows OCC to hedge its obligation under stock-based compensation plans. The By-Laws are further amended to explicitly allow OCC to hold securities in accounts at registered broker-dealers. Section 1(a) currently provides that one director (other than the Management Director) must act jointly with an officer of OCC to access or withdraw securities that are the property of OCC. Section 1(a) is being amended to allow withdrawals by joint action of an officer of the rank of vice president or above

² A copy of the text of OCC's proposed rule change and the attached exhibit are available at the Commission's Public Reference Section or through OCC.

³ The Commission has modified the text of the summaries prepared by OCC.

and the treasurer or an assistant treasurer.

The proposed rule change is consistent with the requirements of section 17A of the Act because it provides reasonable procedures governing the investment of OCC funds in excess of those needed for working capital and for the safeguarding of such investments.

(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)(A)(iii) of the Act and Rule 19b-4(f)(3) thereunder as it is concerned solely with the administration of a self-regulatory organization. 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, 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,

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

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-00-11 and should be submitted by December 29, 2000.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43652; File No. SR-Phlx-00-96]

Self Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by the Philadelphia Stock Exchange, Inc. To Disengage Its Automatic Execution System ("AUTO-X") for a Period of Thirty Seconds After the Number of Contracts Automatically Executed in a Given Option Meets the AUTO-X Minimum Guarantee for That Option

December 1, 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 October 30, 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 and II below, which Items have been prepared by the Exchange. On November 27, 2000, the Phlx filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from

interested persons and to approve the amended proposal on an accelerated basis.

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

The Phlx proposes a systems change to "AUTO-X," the automatic execution feature of the Exchange's Automated Options Market System ("AUTOM"),⁴ that would disengage AUTO-X for a period of thirty seconds after the number of contracts automatically executed in a given option meets the AUTO-X minimum guarantee for that option. During such thirty-second period, all orders received via AUTOM would be executed manually by the specialist. The Exchange proposes to implement the systems change on a six-month pilot basis initially involving fifteen to thirty options approved by the Exchange's Options Committee.⁵ AUTOM users would be notified of the systems change and of the options included in the pilot program through the issuance of a regulatory circular and on the Exchange's website.⁶

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 III 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 change is to enable the Exchange to take a first step towards the implementation

of the dissemination of options quotations with size, as expected to be made available by the Options Price Reporting Authority ("OPRA") in January, 2001. It is anticipated that the systems change would assist specialists in maintaining fair and orderly markets during peak market activity, by allowing specialists to execute orders delivered via AUTOM manually for a limited period of time after the AUTO-X minimum guarantee is met.

The Exchange's Options Committee, pursuant to its authority under Exchange Rule 1080(c),⁷ has determined to propose the implementation of a limited pilot program that would include the following features:

- Once an automatic execution occurs via AUTO-X in an option, the system would begin a "counting" program, which would count the number of contracts executed automatically for that option, up to the AUTO-X guarantee, regardless of the number of executions.

- When the number of contracts executed automatically for that option meets the AUTO-X guarantee (for example, fifty contracts executed) within a fifteen second time frame, the system would cease to automatically execute for that option, and would drop all AUTO-X eligible orders in that option for manual handling by the specialist for a period of thirty seconds to enable the specialist to refresh quotes in that option.⁸

- Upon the expiration of thirty seconds, automatic executions would resume and the "counting" program would be set to zero and begin counting the number of contracts executed automatically within a fifteen second time frame again, up to the AUTO-X guarantee.

- Again, when the number of contracts automatically executed meets the AUTO-X guarantee within a fifteen second time frame, the system would drop all subsequent AUTO-X eligible orders for manual handling by the specialist for a period of thirty seconds.

The Exchange believes that the pilot program set forth above would enable the Exchange to take a first step towards the implementation of options quotations that include size (*i.e.*, the number of contracts generally available

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Richard S. Rudolph, Counsel, Phlx, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated November 24, 2000 ("Amendment No. 1"). In Amendment No. 1, the Phlx clarified certain aspects of the proposed rule change. Among other things, Amendment No. 1: (i) Specifies the number of, and selection criteria for, options selected for the pilot program; (ii) represents that the Exchange will post on its website a list of options included in the program and will issue a circular to this effect; (iii) clarifies that orders received by AUTO-X that exceed the minimum guarantee will receive a partial automatic execution; and (iv) clarifies that upon the implementation of quotes with size, initially size will not be decremented, and the specialist will be responsible to fill orders at its disseminated quote up to the disseminated size.

⁴ AUTOM is the Exchange's electronic order delivery and reporting system, which provides for the automatic entry and routing of equity option and index option orders to the Exchange trading floor. Orders delivered through AUTOM may be executed manually, or certain orders are eligible for AUTOM's automatic execution feature, AUTO-X. Equity option and index option specialists are required by the Exchange to participate in AUTOM and its features and enhancements. Option orders entered by Exchange members into AUTOM are routed to the appropriate specialist unit on the Exchange trading floor.

⁵ See Amendment No. 1, *supra* note 3.

⁶ See Amendment No. 1, *supra* note 3.

⁷ Exchange Rule 1080(c) provides, in relevant part, that "[t]he Options Committee may for any period restrict the use of AUTO-X on the Exchange in any option series." See Securities Exchange Act Release No. 38792 (June 30, 1997), 62 FR 36602 (July 8, 1997) (SR-Phlx-97-24).

⁸ Any orders delivered in excess of the minimum AUTO-X guarantee will be executed to the guaranteed amount and the excess will be dropped to the specialist for manual execution. See Amendment No. 1, *supra* note 3.