

Issues, he or she cannot carry forward the unused designation.

2. Other Nasdaq/NM Securities

Under the proposal, if a Nasdaq/NM security that is not part of the original 100 issues becomes a Dual Trading System Issue within one year of the date that the specialist began trading the security, the security will be posted and the CSAE will initiate a reassignment proceeding for the security. If a Nasdaq/NM security that is not part of the original 100 issues becomes a Dual Trading System Issue more than one year after the date that the specialist began trading the security, a specialist unit that trades that security would be permitted to designate 20% of the Nasdaq/NM securities assigned to that specialist unit (excluding the original 100 Nasdaq/NM securities) as Non-Reassignment Issues every year. A specialist unit could change the issues it designates as Non-Reassignment Issues no more than once a year.

For all other Nasdaq/NM securities, the specialist can designate its interest to continue trading the issue as a Dual Trading System issue. As is the case for the 100 original issues, this designation can also only be made at the time an issue becomes a Dual Trading System Issue and can also only be made for one out of every three issues that the specialist unit trades that becomes a Dual Trading System Issue. This designation will operate in the same manner as the similar designation described above for the original 100 issues.

Finally, this proposed rule change does not limit or modify the authority of the CSAE granted to the CSAE under any other provision of Rule 1 of Article XXX.

IV. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).⁷ In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest for the reasons set forth below.

In 1987, when the Commission approved on a pilot basis the trading of Nasdaq/NM securities on the CHX, the CSAE established guidelines for the assignment of Nasdaq/NM stocks. These guidelines required a firm interested in trading these stocks to assign a separate co-specialist that only trades Nasdaq/NM stocks. As a result, only a limited number of firms received allocations of Nasdaq/NM stocks. To achieve a more equitable allocation of these securities, the CSAE determined that once a Nasdaq/NM issue became listed on an exchange, the CSAE would post the issue for reassignment. As a result, specialist units that were originally allocated Nasdaq/NM securities may not be allocated that security despite their investment of capital, time, and effort to make a market in the security.

The Commission notes that specialists play a crucial role in providing stability, liquidity and continuity to the trading of securities. Among the obligations imposed upon specialists by the Act and the rules thereunder, is the maintenance of fair and orderly markets in their designated securities. To ensure that specialists fulfill these obligations, it is important that securities be allocated in an equitable and fair manner and that all specialists have a fair opportunity for allocations based on established criteria and procedures. The Commission believes that the proposed rule is consistent with the specialists' obligations and provides for the allocation of securities in an equitable and fair manner.

Specifically, the Commission agrees with the CHX that it is important to balance the interests of competition for the allocation of Nasdaq/NM issues that become listed, with providing incentives to specialists to continue to expend capital, time, and effort to make a market in that Nasdaq/NM security before it becomes listed. The Commission believes, therefore, that it is not unreasonable for a specialist who has been allocated a security for more than one year to be able to designate it as a Non-Reassignment Issue subject to certain limitations. Moreover, it is not unreasonable for a specialist who has been allocated a security for more than one year also to designate its interest to continue trading issues as a Dual Trading System Issue subject to certain conditions.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the

proposed rule change (SR-CHX-96-15) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-20576 Filed 8-12-96; 8:45 am]

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[Release No. 34-37254; File No. SR-PHLX-96-29]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Extending the Pilot Program for Equity and Index Option Specialist Enhanced Parity Split Participants

August 5, 1996.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 22, 1996, 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 self-regulatory organization. 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 extend until August 26, 1997, the Exchange's enhanced parity participation ("Enhanced Parity Split") pilot program for equity and index option specialists ("Pilot Program"). Revisions to Exchange Rule 1014(g)(ii) and its corollary Option Floor Procedure Advice B-6 ("Advice B-6") are proposed only to change the expiration date of the Pilot Program. The text of the proposed rule change is available at the Office of the Secretary, the PHLX, and at the Commission.

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 self-regulatory organization 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

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

the places specified in item IV below. The self-regulatory organization 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

On August 26, 1994, the Commission approved, as a one-year pilot program, the Exchange's proposal to adopt an enhanced specialist participation in parity equity option trades.² On November 30, 1994, the Commission approved the Exchange's request to expand the Enhanced Parity Split to include index option specialists as well as equity option specialists.³ The Enhanced Parity Split was again amended on March 1, 1995 to modify the Pilot Program with respect to situations where less than three controlled accounts⁴ are on parity with the specialist.⁵ At the termination of the first year of the pilot, the Exchange determined to renew the pilot for an additional year and that renewal expires on August 26, 1996.⁶

The program works as follows: When an equity or index option specialist is on parity with one controlled account and the order is for more than five contracts, the specialist will receive 60 percent of the contracts and the controlled account will receive 40 percent. When the specialist is on parity with two controlled accounts and the order is for more than five contracts, the specialist will receive 40 percent of the contracts and each controlled account will receive 30 percent. When the specialist is on parity with three or more controlled accounts and the order is for more than five contracts, the specialist will be counted as two crowd participants when dividing up the contracts. In any of these situations, if a customer is on parity, he will not be

disadvantaged by receiving a lesser allotment than any other crowd participant, including the specialist.

This enhanced split is not applicable to all equity and index options traded on the Exchange. It is only applicable to 50% of each specialist unit's issues listed as of the renewal date of the pilot each year and all option classes listed after that date. The Exchange also has a different enhanced split program in place for "new" option specialist units trading newly listed options classes where the specialist is on parity with two or more registered options traders ("ROTs").⁷ That program was approved on a permanent basis and, therefore, is not included in the subject of this filing.

Accordingly, the PHLX requests that the two-for-one specialist enhanced parity split pilot be extended until August 26, 1997.

In the Commission's most recent Approval Order,⁸ it was noted that prior to granting another extension or permanent approval of the pilot program, the Commission would require the Exchange to submit a report ("Report") discussing: (1) Whether the Pilot Program has generated any evidence of any adverse effect on competition or investors, in particular, or the market for equity or index options, in general; (2) whether the Exchange has received any complaints, either written or otherwise, concerning the operation of the Pilot Program; and (3) whether the Exchange has taken any disciplinary action against, or commenced any investigations, examinations, or inquiries concerning the operation of the Pilot Program, as well as the outcome of any such matter. The statements of the Exchange, as reflected below, constitute the Report.

As to the issue of competition, the Exchange found that the split as originally proposed was overly burdensome when only one or two controlled accounts were on parity with the specialist, so the rule was amended in March of 1995 in order to make the split more equitable in those situations.⁹ Subsequently, the Exchange established a subcommittee composed of four specialists, four ROTs, and one floor broker who represents customers. The subcommittee met twice recently to analyze the program and its effect on competition, investors and the market in general. The members of the subcommittee which represent all of the different interests on the trading floor

and in the market, discussed the operation of the program and concluded that there was no evidence of any adverse effects on competition or investors or the market for equity or index options.

As to the second issue, the provision requiring the specialist to assure that the customer is not disadvantaged has been strictly enforced without incident and the Exchange has not received any complaints either orally or in writing from investors regarding inequitable splits or the program in general.¹⁰

Finally, as to the third point, the Exchange took one disciplinary case against an equity option specialist for making an inequitable split among himself and the ROTs in the crowd this year.¹¹ In that instance, the specialist was censured and suspended for one week as part of a settlement. The specialist has since left the Exchange.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act¹² in general and in particular, with Section 6(b)(5),¹³ in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, as well as to protect investors and the public interest. Specifically, the proposal balances the competing interests of specialists and market makers while assisting the specialist in making tight and liquid markets in its assigned issues and protects the public interest by requiring quarterly reviews and assuring that the customers' participation is never disadvantaged by the enhanced split.

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

The proposed rule change does not impose any burden on competition that

² Securities Exchange Act Release No. 34606 (Aug. 26, 1994), 59 FR 45741 (Sept. 2, 1994) (order approving File No. SR-PHLX-94-12).

³ Securities Exchange Act Release No. 35028 (Nov. 30, 1994), 59 FR 45741 (Dec. 7, 1994) (notice of filing and immediate effectiveness of File No. SR-PHLX-94-57).

⁴ A controlled account is defined as "any account controlled by or under common control with a member broker-dealer." Customer accounts, which include discretionary accounts, are defined as all accounts other than controlled accounts and specialist accounts. See Exchange Rule 1014(g).

⁵ Securities Exchange Act Release No. 35429 (Mar. 1, 1995), 60 FR 12802 (Mar. 8, 1995) (order approving File No. SR-PHLX-94-59).

⁶ Securities Exchange Act Release No. 36122 (Aug. 18, 1995), 60 FR 44530 (Aug. 28, 1995) (notice of filing and immediate effectiveness of File No. SR-PHLX-95-54).

⁷ Securities Exchange Act Release No. 34109 (May 25, 1994), 59 FR 28570 (June 2, 1994) (order approving File No. SR-PHLX-93-29).

⁸ Release No. 34-36122, *supra* note 6, n.14.

⁹ Release No. 34-35429, *supra* note 5.

¹⁰ According to the Exchange, its Matched Order Ticket System requires trade participants to submit matched tickets to the appropriate person at the specialist post immediately upon effecting a transaction in order to assure, among other things, that the party agrees with each contra-party's claim as to his or her level of participation. Telephone conversation on August 2, 1996 between Michelle R. Weisbaum, Vice President and Associate General Counsel, PHLX, and George A. Villasana, Attorney, Division of Market Regulation, SEC.

¹¹ Enforcement No. 95-12, Business Conduct Committee, PHLX.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

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

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) does not become operative for 30 days from July 22, 1996, the date on which it was filed, and the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder.¹⁴

The Commission finds that the proposal is consistent with the protection of investors and the public interest and therefore had determined to make the proposed rule change operative as of August 27, 1996. The Commission notes that, according to the Report submitted by the Exchange, no evidence exists of any adverse effects on competition or investors or the market for equity or index options, and no oral or written complaints have been received by the Exchange regarding inequitable splits or the Pilot Program in general. As a result, the Commission believes that extending the Pilot Program for one year, until August 26, 1997, is appropriate and consistent with the Act.¹⁵

At any time within 60 days of the filing of 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 or 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Philadelphia Stock Exchange. All submissions should refer to File No. SR-PHLX-96-29 and should be submitted by September 3, 1996.

For the Commission, by the Division of Market Regulations, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-20575 Filed 8-12-96; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Coast Guard

[CGD 96-039]

Chemical Transportation Advisory Committee

AGENCY: Coast Guard, DOT.

ACTION: Notice of meetings.

SUMMARY: The Chemical Transportation Advisory Committee (CTAC) and its Prevention Through People (PTP) and Hazardous Substance Response Plans (HSRP) Subcommittees will meet to discuss various issues relating to the marine transportation of hazardous materials in bulk. All meetings are open to the public.

DATES: The meeting of CTAC will be held on Friday, September 6, 1996, from 9:30 a.m. to 3 p.m. The meeting of the PTP and HSRP Subcommittees will be

held on Thursday, September 5, 1996, from 9:30 a.m. to 3 p.m. Written material and request to make oral presentation should reach the Coast Guard on or before August 26, 1996.

ADDRESSES: The CTAC meeting will be held in room 2415, U.S. Coast Guard Headquarters, 2100 Second Street SW., Washington, DC. The PTP Subcommittee meeting will be held in room 1103 at the same address. The HSRP Subcommittee meeting will be held in room 1303 at the same address. Written material and requests to make oral presentations should be sent to Commander Kevin S. Cook, Commandant (G-MSO-3), U.S. Coast Guard Headquarters, 2100 Second Street SW., Washington, DC 20593-0001.

FOR FURTHER INFORMATION CONTACT: Commander Kevin S. Cook, Executive Director of CTAC, or Lieutenant J.J. Plunkett, Assistant to the Executive Director, telephone (202) 267-0087, fax (202) 267-4570.

SUPPLEMENTARY INFORMATION: Notice of these meetings is given pursuant to the Federal Advisory Committee Act, 5 U.S.C., App. 2.

Agendas of Meetings

Chemical Transportation Advisory Committee (CTAC). The agenda includes the following:

- (1) Progress report from the Prevention through People (PTP) Subcommittee.
- (2) Progress report from the ad-hoc 46 CFR Part 152 Subcommittee.
- (3) Final report from the Hazardous Substance Response Plan (HSRP) Subcommittee.
- (4) Discuss CTAC's continuing involvement in HSRP regulatory development.
- (5) Discuss proposal to form a Subcommittee for revision of the vapor control system regulations.
- (6) Presentation of confined space entry training video.
- (7) Overview of the Chemical Distribution Institute (CDI)—an international chemical and liquefied gas carrier inspection service and database.

Prevention through People (PTP) Subcommittee. The agenda includes the following:

- (1) Presentation of each subcommittee member's work and plans for the future.
- (2) Review and discuss the work completed by each member.

Hazardous Substance Response Plan (HSRP) Subcommittee. The agenda includes the following:

- (1) Presentation of the final report.
- (2) Discuss CTAC's continuing involvement in HSRP regulatory development.

¹⁴ 17 CFR 240.19b-4(e)(6).

¹⁵ The Commission notes that in connection with any future request by the Exchange for the Commission to either further extend or permanently approve the Pilot Program, the Exchange will be required to submit a report discussing (1) whether the Pilot Program has generated any evidence of any adverse effect on competition or investors, in particular, or the market for equity or index options, in general, (2) whether the Exchange has received any complaints, either written or otherwise, concerning the operation of the Pilot Program, and (3) whether the Exchange has taken any disciplinary action against, or commenced any investigations, examinations, or inquiries concerning the operation of the Pilot Program, as well as the outcome of any such matter.

¹⁶ 17 CFR 200.30-3(a)(12).