

Thursday immediately preceding the next successive expiration Saturday.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Section 6(b)(5),⁷ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to, and facilitating transactions in securities, and to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that 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. 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, N.W., Washington, D.C. 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 CBOE. All submissions should be refer to File No. SR-CBOE-99-02 and should be submitted by April 23, 1999.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, with the requirements of Section 6(b) of the Act.⁸ Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)⁹ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, 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 national market system and, in general, to protect investors and the public interest.¹⁰

RAES log-on obligations attempt to ensure continued adequate RAES participation by market-makers in every type of market situation, without the Exchange having to assign an inordinate number of RAES trades to any particular market-maker.¹¹ The Commission notes that market-makers who violate the RAES log-on obligations are subject to disciplinary action by the Exchange, including fines and suspension from participation in RAES.¹² Accordingly, the Commission believes it is appropriate for the Exchange to provide a precise and appropriate definition of an expiration month for both OEX and DJX options. Based on the differing expiration date for OEX and DJX options, the Commission believes it is reasonable to use different definitions for expiration month as it relates to RAES obligations.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. As CBOE notes, the definition of an expiration month is used solely as an internal rule within the Exchange to determine whether members are meeting their RAES log-on requirements.¹³ Accelerated approval of

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ In approving this rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹¹ See Securities Exchange Act Release No. 37313 (June 14, 1996) 61 FR 32470 (June 21, 1996).

¹² See Securities Exchange Act Release No. 37464 (June 22, 1996) 61 FR 39175 (July 26, 1996); Exchange Rules 24.17(f) and (g).

¹³ See Amendment No. 1.

the proposal will help facilitate the market-makers' compliance with their RAES log-on obligations and the Exchange's regulatory overview of its members without delay. The Commission approved a similar rule change by CBOE regarding options on Standard & Poor's 500 Stock Index.¹⁴ Accordingly, the Commission does not believe that the current filing raises any novel regulatory issues. For the foregoing reasons, the Commission believes it is consistent with Section 6(b)(5)¹⁵ and Section 19(b)(2)¹⁶ of the Act to grant accelerated approval to the proposed rule change.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-CBOE-99-02) is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41219; File No. SR-NSCC-98-11]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change to Modify Rules Regarding Mutual Fund Services Transfer Service

March 26, 1999.

On July 30, 1998, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-98-11) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on October 21, 1998.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change modifies NSCC's rules relating to its Mutual Fund

¹⁴ See Securities Exchange Act Release No. 37349 (June 21, 1996) 61 FR 33787 (June 28, 1996).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ 15 U.S.C. 78s(b)(2).

¹⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 40549 (October 14, 1998), 63 FR 56280.

Services transfer service.³ The Mutual Fund Services transfer service enables fund members and mutual fund processors to transfer between each other the value of Fund/SERV eligible mutual fund shares or UIT units on an automated basis.

Currently, a delivering fund member that has acknowledged a transfer request must confirm the value of the Fund/SERV eligible mutual fund shares or UIT units to be transferred by submitting a confirmation to NSCC no earlier than two days and no later than sixty business days after the submission of an acknowledgment. The rule change will permit the delivering fund member to submit a confirmation no earlier than one day and, as is the case today, no later than sixty business days after the submission of an acknowledgment. NSCC will notify members by Important Notice of the specific implementation.

II. Discussion

Section 17A(b)(3)(F) of the Act⁴ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that the proposed rule change is consistent with NSCC's obligations under Section 17A(b)(3)(F) because the rule change facilitates faster transfers.

Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (File No. SR-NSCC-98-11) be, and hereby is, approved.

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. 34-41216; File No. SR-Phlx-98-55]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to an Increase in Position and Exercise Limits for Certain Broad-Based Index Options

March 26, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 21, 1998, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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 amend Phlx Rule 1001A(a)(i)-(ii) by increasing broad-based ("market") index option position limits on the Value Line Composite Index ("VLE"), the US Top 100 Index ("TPX"), and the National Over-the-Counter Index ("XOC").³ Specifically, the current levels of 25,000 contracts total and 15,000 contracts in the nearest expiration month for the VLE and the TPX, and 25,000 contracts for the XOC, are proposed to be tripled to 75,000 contracts total and 45,000 contracts in the nearest expiration month for VLE and TPX, and 75,000 contracts for XOC.

Exchange exercise limits,⁴ which are expressed in Phlx Rule 1002A, are established by reference to position limits, such that any increase in position limits would also increase exercise limits. Accordingly, the Phlx is proposing to increase its exercise limits

to correspond to the proposed increases in position limits.

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 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

The purpose of the proposed rule change is to increase position and exercise limits for the market index options currently traded on the Exchange in order to attract additional trading interest and, thus, promote depth and liquidity in Phlx market index options. The Exchange believes that the current limits constrain certain investors from trading index options. Pursuant to Rules 1001A and 1002A, the position and exercise limits for the VLE and TPX are 25,000 contracts with no more than 15,000 contracts expiring in the nearest expiration month. The position and exercise limits for the XOC is 25,000 contracts with no additional restrictions for the nearest expiration month. For the reasons given below, the Exchange proposes tripling the limits for the VLE and TPX to 75,000 contracts overall with no more than 45,000 contracts expiring in the nearest expiration month. Further, the Exchange proposed to triple the limits for XOC to three times the current level, or 75,000 contracts.

The Exchange believes that the proposed increase is appropriate at this time, in light of the Exchange's nearly 13 years experience trading market index options. In 1985, the National Over-the-Counter Index, XOC, was the first market index option to be traded on the Phlx.⁵ Since that time, the Exchange has listed additional market index options. Additionally, the market for index options has also evolved, as more investors are familiar with the product and it uses. Currently, the Phlx lists

³ Specifically, NSCC is amending Rule 52, A. Fund/Serv, SEC 21. Transfers of Fund/Serv Eligible Mutual Fund Shares and UIT Units.

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Position limits impose a ceiling on the number of option contracts in each class on the same side of the market (i.e., aggregating long calls and short puts or long puts and short calls) that can be held or written by an investor or group of investors acting in concert.

⁴ Exercise limits prohibit an investor or group of investors acting in concert from exercising more than a specified number of puts or calls in a particular class within five consecutive business days.

⁵ Exchange Act Release No. 22044 (May 17, 1985), 50 FR 21532 (May 24, 1985) (order approving File No. SR-Phlx-84-28).