

in the crowd, the specialist will receive 60% of the contracts. Under the Pilot Program and the New Products Split, if a customer order also is on parity, the customer may not receive a lesser allotment than any other crowd participant, including the specialist.

The Commission recognizes that the purpose of the enhanced parity split is to encourage specialists to make deep and liquid markets in order to attract order flow to the Exchange. The Commission has previously noted that specialists have responsibilities that other crowd participants do not share, such as the staff costs associated with continually updating and disseminating quotes.¹⁷ As a result, the Commission believes it is reasonable for the Exchange to grant certain advantages to specialists, such as the enhanced parity split, to attract and retain well capitalized specialists at the Exchange. As long as these advantages do not unreasonably restrain competition and do not harm investors, the Commission believes that the granting of such benefits to specialists, in general, is within the business judgment of the Exchange.

The Commission believes that the proposal will encourage specialists to make deep and liquid markets to attract order flow to the Exchange. The Commission also believes that the Pilot Program and New Products Split provide reasonable benefits to specialists, given the heightened responsibilities and costs of specialist. Because it appears that these that these benefits do not unreasonably restrain competition and do not harm investors, the Commission believes that the approval of the Pilot Program and New Products Split is consistent with the Act.

The Pilot Program and the New Products Split specify that the application of the enhanced parity split cannot cause a customer order on parity to received a smaller participation than any other crowd participant, including the specialist. The Commission believes this provision adequately protects customers orders from any negative impact that might flow from application of the enhanced parity split. As a result, customer orders on parity are ensured a participation that, at a minimum, is equal to that given any other crowd participant on parity.

The Commission notes that the Pilot Program has been operative, albeit in differing forms, since 1994. During that period, the Commission has required the Exchange to submit Reports

discussing: (i) The Pilot Program's impact on competition and investors; (ii) complaints regarding the Pilot Program; and (iii) inquiries, investigations, or disciplinary actions taken regarding the Pilot Program. The Reports have indicated that the Pilot Program operates well and does not adversely impact competition or investors.¹⁸ Furthermore, the Exchange has not received complaints regarding the Pilot Program and has brought only one disciplinary action concerning the Pilot Program.¹⁹ The Commission believes that the absence of significant problems over the past five years demonstrates that the Pilot Program is a reasonable benefit for the Exchange to offer to its equity and index option specialists.

Based on the Exchange's five year experience with the Pilot Program, and the similarity between the Pilot Program and the New Products Split, the Commission believes that the New Products Split is a reasonable measure to attract new products to the Exchange. Like the Pilot Program, the New Products Split should be an incentive for Exchange specialists to generate more business by developing and training new products. The Commission supports the Exchange's attempts to attract new business. The Commission also believes that because the enhanced parity split will be available only to a specialist unit that develops and trades a new product, the benefit is reasonably limited in scope to those specialist units that put forth significant effort. Therefore, the Commission believes it is appropriate to approve the New Products Split.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁰ that the proposed rule change (SR-Phlx-98-56) is approved.

¹⁸ The Exchange found that the enhanced parity split, as first proposed in 1994, was overly burdensome when only one or two controlled accounts were on parity with the specialist. Therefore, the Exchange amended the Pilot Program in 1995 to make the enhanced parity split more equitable in those situations. See Securities Exchange Act Release No. 35429 (Mar. 1, 1995), 60 FR 12802 (Mar. 8, 1995). The Exchange also formed a subcommittee to analyze the Pilot Program and its effect on competition, investors, and the market in general. The subcommittee members concluded that there is no evidence of any adverse effects on competition, investors, or the market for equity or index options.

¹⁹ In 1995, the Exchange brought one disciplinary case against an equity option specialist for making an inequitable split among himself and the ROTs in the crowd. The specialist was censured and suspended for one week as part of a settlement. See Exchange Enforcement Matter No. 95-12.

²⁰ U.S.C. 78s(b)(2).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²¹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41591; File No. SR-Phlx-99-17]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. to Amend By-Law Article IX—Trustees of Stock Exchange Fund, at Section 9-5—Agent of Trustees, and Section 9-6—Reports

July 1, 1999.

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 June 9, 1999, 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 Exchange seeks to amend By-Law Article IX—Trustees of Stock Exchange Fund, at Section 9-5—Agent of Trustees, and Section 9-6—Reports. The text of the proposed rule change is set forth below. Additions are italicized, and deletions are bracketed.

* * *

By-Law Article IX

Trustees of Stock Exchange Fund

* * *

Agent of Trustees

Section 9-5. The Trustees shall, with approval of the Board of Governors, appoint an [Trust Company to act as their] Agent, to hold the securities of the Exchange for safekeeping, to collect the interest, dividends and income therefrom for the Treasurer of the Exchange. Said Agent shall also, from time to time, make deliveries of securities held for the Trustees of the Stock Exchange Fund as the Trustees of the Stock Exchange Fund shall direct.

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹⁷ See, e.g. Securities Exchange Act Release No. 35177 (Dec. 29, 1994), 60 FR 2419 (Jan. 9, 1995).

Reports

Section 9-6. The Trustees of the Stock Exchange Fund shall submit to the [Board of Governors] *Finance Committee* at least quarterly a statement of the investments of the Exchange held by them in their capacity of Trustees of the Stock Exchange Fund. *The Finance Committee shall forward that report to the Board with its recommendation.*

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 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

PHLX has proposed an amendment to By-Law Article IX, Sections 9-5 and 9-6, to permit the Board of Governors to appoint an Agent to hold the securities of the Exchange for safekeeping, and to collect the interest, dividends, and income therefrom for the Treasurer of the Exchange, as the Exchange no longer utilizes its subsidiary the Philadelphia Depository Trust Co. for such services. Additionally, the Board proposes to have the Finance Committee receive and review the quarterly report of investments of the Exchange and forward that report to the Board of Governors with its recommendation. The Board believes that oversight by the Finance Committee of the Trustees of the Stock Exchange Fund is appropriate as the Finance Committee, pursuant to By-Law Article X, Section 10-15, has charge of the funds of the Exchange and serves in an advisory capacity to the Board in the investment and sale of securities held by the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6³ of the Act in general, and with Section 6 (b)(5)⁴ in particular, in that it is designed to promote just and equitable principles of trade and protect investors and the public interest by providing further oversight of the

financial arrangements of the Stock Exchange Fund.

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

The PHLX does not believe that the proposed rule change will impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were received in response to Circular 98-17.

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 the filing will also be available for inspection and copying at the principal offices of the PHLX. All submissions should refer to File No. SR-PHLX-99-17 and should be submitted by July 30, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,
Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

[License No. 04/04-0277]

BOCF, L.L.C.; Notice of Issuance of a Small Business Investment Company License

On March 8, 1999, an application was filed by BOCF, L.L.C. at 501 Knights Run Avenue, #4104, Tampa, Florida 33602 with the Small Business Administration (SBA) pursuant to § 107.300 of the regulations governing small business investment companies (13 CFR 107.300 (1997)) for a license to operate as a small business investment company.

Notice is hereby given that, pursuant to section 301(c) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA issued License No. 04/04-0277 on May 28, 1999, to BOCF, L.L.C. to operate as a small business investment company.

(Catalog of Federal Domestic Assistance Program No. 59.11, Small Business Investment Companies)

Dated: July 1, 1999.

Don A. Christensen,
Associate Administrator for Investment.

[FR Doc. 99-17455 Filed 7-8-99; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

[License No. 05/75-0240]

Chicago Venture Partners, L.P.; Notice of Issuance of a Small Business Investment Company License

On July 6, 1998, an application was filed by Chicago Venture Partners, L.P. at 360 East Randolph Street, Suite 2402, Chicago, Illinois 60601 with the Small Business Administration (SBA) pursuant to § 107.300 of the regulations governing small business investment companies (13 CFR 107.300 (1997)) for a license to operate as a small business investment company.

Notice is hereby given that, pursuant to section 301(c) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA

³ 15 U.S.C. 78f.

⁴ 15 U.S.C. 78f(b)(5).

⁵ 17 CFR 200.30-3(a)(12).