

AOR under market conditions before approving it permanently.

The Commission expects the PCX to study issues related to the Commission's concerns during the pilot period and to report back to the Commission at least sixty days prior to seeking permanent approval of AOR. In addition to issues discussed above, among the issues that the Exchange should explore are: The effect of AOR on the quality of customer executions, any effects on existing order execution priority, and the handling of non-bookable orders.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 3, including whether Amendment No. 3 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 Exchange. All submissions should refer to File No. SR-PCX-99-24 and should be submitted by October 28, 1999.

#### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>20</sup> that the proposed rule change (SR-PCX-99-24), as amended, is approved on a pilot basis until October 1, 2000, on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>21</sup>

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41921; File No. SR-PCX-99-21]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Pacific Exchange, Inc. Relating to the Definition of Local Securities

September 27, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 16, 1999, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II 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 and to grant accelerated approval to the proposed rule change.

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

The PCX proposes to revise its current definition of "Local Security" as defined in PCX Rule 4.1(m). The text of the proposed rule follows. New text is in *italics*; deletions are in *brackets*.

##### ¶ 3697 Definitions and Trading Hours

Rule 4.1 (a)-(1) No Change.

(m) "Local Security" [shall] means a security admitted to dealings on the Exchange which is not also admitted to dealings on [either the New York or American Stock Exchanges] any other national securities exchange or national association as those entities are defined or recognized under the terms of the Securities Exchange Act of 1934.

(n) No Change.

#### 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 exchange proposes to revise its current definition of "Local Security" as defined in PCX Rule 4.1(m). Currently, PCX Rule 4.1(m) defines "Local Security" as "security admitted to dealings on the Exchange which is not also admitted to dealings on either the New York Stock Exchange ("NYSE") or the American Stock Exchange ("AMEX")."

The Exchange proposes to revise Rule 4.1(m) to narrow the definition of local security to include only securities admitted to dealings on the Exchange that are not also admitted to dealings on any other national securities exchange or national securities association. Specifically, under the proposed rule change, "local security" is defined as "a security admitted to dealings on the Exchange which is not also admitted to dealings on any other national securities exchange or national securities association as those entities are defined or recognized under the terms of the Securities Exchange Act of 1934." The Exchange believes this rule change more accurately reflects the intended definition of local security as a security traded exclusively on the PCX. Thus, the new definition excludes securities currently within the local securities definition that are actually traded in marketplaces other than the PCX, NYSE or AMEX.

##### 2. Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>3</sup> of the Act, in general, and furthers the objectives of Section 6(b)(5)<sup>4</sup> in particular, because it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments and perfect the mechanisms of a free and open market and a national market system 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

<sup>20</sup> 15 U.S.C. 78s(b)(2).

<sup>21</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

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 did not solicit or receive written comments on the proposed rule change.

### III. 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, the requirements of Section 6(b)(5) of the Act<sup>5</sup> which states that, among other things, the rules of an exchange must be designed to facilitate securities transactions and to remove impediments to and perfect the mechanism of a free and open market.<sup>6</sup>

Pursuant to Section 19(b)(2) of the Act,<sup>7</sup> the Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in the **Federal Register** in that accelerated approval will enable the Exchange to clarify its intended definition of a local security as a security traded exclusively on the PCX, and will ensure that members and customers rely on an accurate definition of the term. The Commission believes that the proposed rule change more accurately reflects today's markets and the intended definition of the term.

### 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 PCX. All submissions should refer to File No. SR-PCX-99-21 and should be submitted by October 28, 1999.

### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2)<sup>8</sup> of the Act, that the proposed rule change (SR-PCX-99-21) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Jonathan G. Katz,**

Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41939; File No. SR-Phlx-99-16]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Deletion of Obsolete Procedural Provisions within Phlx Rules 500, 501, 508, and 523 Applicable to the Allocation, Evaluation and Securities Committee

September 28, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 15, 1999, as amended on September 21, 1999,<sup>3</sup> 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, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Letter from Richard Rudolph, Counsel, Phlx, to Joshua Kans, Special Counsel, Division of Market Regulation ("Division"), Commission, dated September 20, 1999. Although the Exchange originally filed the proposal on July 15, 1999, the Phlx failed to provide the SEC with a 5-day written notice of its intent to file the proposal, and the July 15th proposal did not indicate that the proposed rule change would not become operative for 30 days after the date of the filing or for such shorter time as the Commission may designate. Both requirements must be satisfied before a "non-controversial" rule can become immediately effective under 17 CFR 240.19b-4(f)(6).

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 proposes to amend obsolete procedural provisions applicable to the Allocation, Evaluation and Securities Committee ("Allocation Committee") and other committees. Specifically, the Exchange proposes to modify certain provisions governing when the Allocation Committee is required to consult with the Floor Procedure Committee (regarding equities specialist units), the Options Committee (regarding options specialist units) and the Foreign Currency Options Committee (regarding currency options specialist units). The Exchange also proposes to modify the notice requirement relating to the transfer of equity books or options classes among specialists.

### 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Phlx represents that the purpose of the proposed rule change is to update Exchange Rules 500, 501, 508, and 523 to reflect the time intensity associated with the specialist appointment, transfer, and reallocation process. In particular, the proposed amendments are intended to eradicate obsolete procedural provisions to reflect actual practice, and to eliminate the Committee's frequent need to invoke the exemptive provision found in Exchange Rule 525.<sup>4</sup>

<sup>4</sup> Phlx Rule 525 provides that the Allocation Committee shall have the authority to grant any exemption from any provision in Phlx Rules 500 through 599 (governing, among other things, allocations, reallocations and transfers of options classes and equity books) where necessary due to

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<sup>5</sup> 15 U.S.C. 78f(b)(5).

<sup>6</sup> In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>7</sup> 15 U.S.C. 78s(b)(2).