

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

Written comments on the proposed rule change were neither solicited nor received.

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 self-regulatory organization 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 proposal 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 PCX. All submissions should refer to File No. SR-PCX-99-45 and should be submitted by June 29, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42866; File No. SR-Phlx-00-27]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Codifying a Provision Implementing a Closing Rotation on the Last Day of Each Calendar Quarter

May 30, 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 March 16, 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, 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 Phlx proposes to amend Phlx Rule 1047 to codify a provision implementing a closing rotation on the last trading day of each calendar quarter. Specifically, Phlx Rule 1047, Commentary .01(e) would provide that on the last day of each calendar quarter, a closing rotation for some equity options series may be commenced at 4:02 p.m. or after the closing price of the stock in its primary market is established, whichever is later. Orders will not be accepted at or after 4:02 p.m. The trading floor will be given prior notice regarding which options series will be subject to a closing rotation. The text of the proposed rule is available at the Exchange and at the Commission.

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

1. Purpose

Currently, under Phlx Rule 1047, Commentary .01, two Floor Officials, with the concurrence of a Market Regulation Officer, may direct that a trading rotation be employed to aid in producing a fair and orderly market and shall specify for each trading rotation, the options contracts to be included and the sequence of such options contracts in the rotation. According to the Phlx, this provision is commonly relied upon to permit quarterly rotations.

The Phlx is proposing to amend its Rule 1047 to expressly provide for closing rotations on the last trading day of each calendar quarter, for certain equity options traded on the Phlx. The Exchange will provide prior notice to the trading floor of which options series will be subject to a closing rotation. As with other rotations, the procedures governing quarterly closing rotations will require that two Floor Officials and a Market Regulation Officer may direct that the rotation take place. They will specify the particular equity options contracts to be included and the sequence of such options contracts in the rotation.

The Exchange believes that on the last day of the calendar quarter there is increased order flow in exchange-traded options and in the underlying securities, particularly at the end of the trading day. For instance, many large money managers adjust their positions at the end of the calendar quarter for tax reasons. As a result of this activity in both the underlying and the options market, the last sale print for many stocks is often delayed. Therefore, the Exchange believes that it is important to provide the opportunity for a closing rotation at the end of each calendar quarter to account for late prints and increased order flow. These rotations will allow the Exchange members to

adjust options prices in line with the closing prices of the underlying securities.

In addition, quarterly rotations allow the execution at the end of the day of orders at a single price more efficiently. The closing rotation will also give investors and other interested parties more accurate closing prices for Phlx options on these high volume days. The Exchange believes that a specific rule governing quarterly closing rotation acts as notification to the investing public that a quarterly rotation may take place. However, the Exchange believes that the procedure described above also allows flexibility for those equity options series which do not experience increased activity, and, thus, will not be subject to a closing rotation.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act³ in general, and furthers the objectives of Section 6(b)(5)⁴ in particular, in that it is designed to promote just and equitable principles of trade and provide for a fair and orderly market by codifying specific provisions which allow the Exchange to conduct quarterly rotations in order to account for late prints and high amounts of order flow.

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

The Phlx represents that it does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance 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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁵ and Rule 19b-4(f)(1)⁶ thereunder because it constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule. Phlx Rule 1047 currently provides the authority to floor officials to direct trading rotations in specific

option classes, thus the Exchange believes the proposal satisfies the requirements of Rule 19b-4(f)(1). This proposed rule change serves as clarification to note that there may be closing rotations in certain equity options on the last day of the calendar quarter.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the proposed 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, 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 Phlx.

All submissions should refer to File No. SR-Phlx-00-27 and should be submitted by June 29, 2000.

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. 34-42868; File No. SR-Phlx-99-26]

Self-Regulatory Organizations; Order Approving Proposed Amendment to the By-Laws and Corresponding Changes to the Rules of the Philadelphia Stock Exchange, Inc., Relating to Various Committees

May 31, 2000.

I. Introduction

On July 30, 1999, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change amending the Exchange's By-Laws and corresponding Phlx Rules to streamline its committee process. The Phlx filed Amendments No. 1 and No. 2 to the proposed rule change on October 4, 1999³ and February 23, 2000, respectively. The **Federal Register** published the proposed rule change, Amendment No. 1, and the substance of Amendment No. 2, for comment on March 6, 2000.⁴ The Commission received no comments on the proposal. This order approves the proposal, as amended.

II. Description of Proposal

The Exchange has proposed By-Law amendments to provide for streamlining the committee process as follows: (i) Dissolving the Arbitration Committee, whose limited remaining functions would be transferred to the Executive committee, who will oversee ongoing arbitrations filed before the transfer of arbitration responsibilities to the National Association of Securities Dealers, Inc. ("NASD") in October,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter to Michael Walinskas, Associate Director, Division of Market Regulation (Division), Commission, from John Dayton, Counsel, Phlx, dated October 1, 1999 ("Amendment 1"). Amendment No. 1 proposes certain technical changes. Specifically, it amends Phlx Rule 930 to reflect the fact that the Arbitration Committee is being eliminated from the By-Laws. Amendment No. 1 also proposes changes to Phlx Rule 950, §§ 1 and 2, to reflect the elimination of the Arbitration Committee. The Phlx also submitted a letter (hereinafter referred to as "Amendment No. 2"), confirming that the board will continue to engage an independent auditing firm to administer all elections. The contents of Amendment No. 2 were substantively discussed in the notice.

⁴ Securities Exchange Act Release No. 42464 (Feb. 28, 2000), 65 FR 11826.

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(1).

⁷ 17 CFR 200.30-3(a)(12).