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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–12283 Filed 5–9–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38574; File No. SR–NYSE–97–10]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Amendments to Rule 104.10(5) Pertaining to Specialists Establishing a Position.

May 5, 1997.

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 25, 1997, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II and III below, which Items have been prepared by the NYSE. 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 NYSE, pursuant to Rule 19b–4 of the Act, proposes to amend Exchange Rule 104.10 to remove certain restrictions on specialists' stabilizing purchases and sales. The text of the proposed rule change is available at the Office of the Secretary, the NYSE and at the Office of the Secretary, the NYSE 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 NYSE 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 NYSE has prepared summaries, set forth in Section 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

Rule 104 governs specialists' dealings in their specialty stocks. In particular, Rule 104.10(5)(i) describes certain types of transactions to establish or increase a specialist's position which are not to be effected unless they are ''reasonably necessary to render the specialist's position adequate to'' the needs of the market. Currently, these restrictions apply equally to transactions that are against the market trend (''stabilizing'') and those that are with the market trend (''destabilizing''). The Exchange is proposing to apply these restrictions only to destabilizing transactions.

Specifically, the revision to Rule 104.10(5)(i)(B) would prohibit the specialist from establishing or increasing his or her long position by purchasing more than 50% of the stock offered for sale in the market on a zero-plus tick (i.e., at a price equal to the last sale and above the previous different price sale). There would be no restriction on purchasing stock on a zero-minus tick to establish or increase a position, as such transactions are stabilizing in nature and are perceived as being beneficial to the market.

Paragraph (C) of Rule 104 would be deleted to permit the specialist to establish or increase his or her short position by selling stock to the bid without restriction on a zero-plus tick, as these transactions are stabilizing in nature. Prohibitions on short sales on zero-minus ticks are contained in SEC Rule 10a–1 under the Act and Exchange Rule 440B.

References to paragraph 104.(5)(i)(C) elsewhere in the rule would be removed and paragraph (D) would be renumbered as (C).

The proposed amendments are intended to enhance the specialist's ability to deal for his or her own account to provide support to the market. Under the revised rules, specialists will, to a greater degree, be able to counter the market trend in a stock through effecting proprietary transactions that are stabilizing. In today's markets, characterized by increased volatility and institutional activity, the use of dealer capital in this fashion can add liquidity in a manner beneficial to the market.

2. Statutory Basis

The NYSE believes that the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5)[3] in that it is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, and 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.

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

The NYSE does not believe that the proposed rule change will impose any inappropriate 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 solicited or received with respect to the proposed rule change.

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 the 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. 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 in the Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78f(b)(5).

Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by June 2, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–12284 Filed 5–9–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38576; File No. SR–Phlx–97–16]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating To Option Quote Spread Parameters

May 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on April 2, 1997, 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 Phlx. 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

Pursuant to Rule 19b–4 of the Act,[2] Phlx proposes to amend the maximum bid/ask differentials (*i.e.*, quote spread parameters) applicable to equity and index options. Specifically, the Exchange proposes to amend Rule 1014 (c)(i)(A) and Floor Procedure Advice (''Advice'') F–6, Option Quote Parameters, by eliminating the 1⁄8 maximum quote spread currently applicable to options where the bid is less than $.50. As a result, the maximum quote spread for equity and index options where the bid is less than $2.00 will be 1⁄4.

The Exchange also proposes to adopt a provision enabling the maximum quote spread in an equity option to be widened with regard to in-the-money series where the market for the underlying security is wider than the differentials set forth in the chart below. For such series, the bid/ask differential may be as wide as the quotation for the underlying security on the primary market.

The following chart summarizes the proposed option quote spread parameters with additions italicized and deletions in brackets:

Equity option	Maximum quote spread
Less than [$.50	[1⁄8]
$.50 to less than] $2.00	1⁄4
$2.00 to less than $5.00	3⁄8
$5.00 to less than $10.00	1⁄2
$10.00 to less than $20.00	3⁄4
$20.00 and greater	1

The bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market.

The complete text of the proposed rule change is attached as Exhibit B to file No. SR–Phlx–97–16.[3]

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

In its filing with the Commission, Phlx included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Phlx 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

Quote spread parameters govern the width of market quotations, establishing a maximum width based on the option bid.[4] Currently, Rule 1014(c)(i)(A) and Advice F–6 contain the quote spread parameters applicable to equity and index options.

This proposal is intended to update the Exchange's option quote spread parameters, in view of the parameters applicable on other option exchanges. The first aspect of the proposal is to eliminate the maximum quote spread of 1⁄8, currently applicable to options where the bid is less than $.50, such that the maximum quote spread for options where the bid is less than $2.00 will be 1⁄4. This is identical to the quote spread parameters of the other options exchanges.[5]

Second, the proposal is intended to recognize that in certain market conditions, the existing parameters are too restrictive and should not apply. More specifically, for equity options only, the maximum quote spread for in-the-money series[6] where the market for the underlying security is wider, the applicable parameter may be as wide as the quotation for the underlying security on the primary market. For instance, where the market for the underlying security is 20–21, and the bid for an in-the-money series is $7, the applicable maximum quote spread should be 1⁄2, but under the proposed language, the parameter would be $1, which is the spread in the underlying security. The Exchange believes that this proposal is a reasonable response to market conditions and consistent with the rules of other exchanges.[7]

The Exchange notes that a violation of the maximum quote spread parameter may result in a fine pursuant to Options Floor Procedure Advice (''Advice'') F–6.[8] Because the Exchange is proposing to amend an Advice to which a fine pursuant to the minor rule applies, it follows that the minor rule plan will incorporate this amendment.[9] It should be noted, however, that quote spread parameters are not applicable during fast market conditions, pursuant to Floor Procedure Advice F–10, Extraordinary Market Conditions, and

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Complete copies of the proposed rule change and Exhibit B are available for review at the primary office of the Phlx, and in the Public Reference Room at the Commission.

[4] For example, if the maximum quote spread for an equity option is 1⁄4, then the following is an acceptable quotation: 11⁄4—11⁄2.

[5] *See e.g.,* Amex Rule 958(c)(i); and CBOE Rule 8.7(b)(iv).

[6] In-the-money series are defined as those series where, in the case of a call option, the current market price of the stock is *higher* than the strike price, or, in the case of a put, the current market price of the stock is *lower* than the strike price.

[7] *See* supra note 5.

[8] Violations of Advice F–6 may result in the issuance of a fine pursuant to the Exchange's minor rule violation enforcement and reporting plan (''minor rule plan''). For fine schedule, *see* Exhibit B of File No. SR–PHLX–97–16.

[9] The Phlx's minor rule plan, codified in Phlx Rule 970, contains floor procedure advices, such as Advice F–6, with accompanying fine schedules. Exchange Act Rule 19d–1(c)(2) authorizes national securities exchanges to adopt minor rule violation plans for summary discipline and abbreviated reporting; Exchange Act Rule 19d–1(c)(1) requires prompt filing with the Commission of any final disciplinary actions. However, minor rule violations not exceeding $2,500 are deemed not final, thereby permitting periodic, as opposed to immediate, reporting.