

available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-97-15 and should be submitted by July 29, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38792; File No. SR-Phlx-97-24]

Self-Regulatory Organizations; Order Granting Accelerated Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 Thereto by the Philadelphia Stock Exchange, Inc. To Adopt an AUTOM Rule and To Request Permanent Approval for the AUTOM Pilot Program

June 30, 1997.

I. Introduction

On May 2, 1997, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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 to adopt rule 1080, Philadelphia Stock Exchange Automated Options Market ("AUTOM") and Automatic Execution System ("AUTO-X"), codifying and amending the policies and procedures concerning AUTOM and to obtain permanent approval for the AUTOM pilot program. On June 30, 1997, the Phlx submitted Amendment No. 1 to the proposed rule change.³

The proposed rule change was published for comment in the **Federal Register** on June 3, 1997.⁴ No comments were received on the proposal. This order grants accelerated approval to the proposal, as amended.

II. Description of the Proposal

AUTOM is the Exchange's electronic order delivery and reporting system, that provides for the automatic entry and routing of Exchange-listed equity options and index options orders to the Exchange trading floor. AUTOM has operated on a pilot basis since 1988.⁵ Since that time, AUTOM has been extended several times, generally in one-year increments.⁶ AUTOM also has been amended several times during the operation of the pilot.⁷

"exemptions" with respect to disengaging AUTO-X; and (5) clarifying several aspects of the proposal.

⁴ See Securities Exchange Act Release No. 38683 (May 27, 1997), 62 FR 30366 (June 3, 1997) ("Release No. 38683").

⁵ See Securities Exchange Act Release No. 25540 (March 31, 1988), 53 FR 11390 (April 6, 1988) (SR-Phlx-88-10).

⁶ See Securities Exchange Act Release Nos. 25868 (June 30, 1988), 53 FR 25563 (SR-Phlx-88-22 extended through December 31, 1988); 26354 (December 13, 1988), 53 FR 51185 (SR-Phlx-88-33 extended through June 30, 1989); 26522 (February 3, 1989), 54 FR 6465 (SR-Phlx-89-01 extended through December 31, 1989); 27599 (January 9, 1990), 55 FR 1751 (SR-Phlx-89-03 extended through June 30, 1990); 28265 (July 26, 1990), 55 FR 31274 (SR-Phlx-90-16 extended through December 31, 1990); 28978 (March 15, 1991), 56 FR 12050 (SR-Phlx-90-34 extended through December 31, 1991); 32559 (June 30, 1993), 58 FR 36496 (SR-Phlx-93-03 extended through December 31, 1993); 33405 (December 30, 1993), 59 FR 790 (SR-Phlx-93-57 extended through December 31, 1994); 35183 (December 30, 1994), 60 FR 2420 (SR-Phlx-94-41 extended through December 31, 1995); 36582 (December 13, 1995), 60 FR 65364 (SR-Phlx-95-78 extended through December 31, 1996); and 38104 (December 31, 1996), 62 FR 1017 (SR-Phlx-96-51 extended through June 30, 1997).

⁷ See Securities Exchange Act Release Nos. 25868 (June 30, 1988), 53 FR 25563 (SR-Phlx-88-22 AUTOM extended to 37 options); 26354 (December 13, 1988), 53 FR 51185 (SR-Phlx-88-33 expanded from 5 to 10 contracts in all strikes and months); 26522 (February 3, 1989), 54 FR 6465 (SR-Phlx-89-01 adding 25 additional equity options totaling 62); 27599 (January 9, 1990), 55 FR 1751 (SR-Phlx-89-03 approving AUTO-X for market and marketable limit orders in three strikes and all months up to ten contracts in 12 equity options and day limit orders deliverable through AUTOM); 28516 (October 3, 1990), 55 FR 41408 (SR-Phlx-90-18 expanding from 10 to 100 contracts); 28978 (March 15, 1991), 56 FR 12050 (SR-Phlx-90-34 extending AUTO-X to all equity options and AUTOM to accept GTC and cabinet orders); 29782 (October 3, 1991), 56 FR 55146 (SR-Phlx-91-19 extending AUTO-X to all strike prices and expiration months); 29662 (September 9, 1991), 56 FR 46816 (SR-Phlx-91-31 extending AUTO-X to 20 contracts for Duracell options to match CBOE/Amex/NYSE); 29837 (October 18, 1991), 56 FR 36496 (SR-Phlx-91-33 expanding AUTO-X from ten to 20 contracts); 32906 (September 15, 1993), 58 FR 15168 (SR-Phlx-92-38 expanding AUTO-X from 20 to 25 contracts); 34920 (October 31, 1994), 59 FR 55510 (SR-Phlx-94-40 codifying AUTOM for index options); 35033 (November 30, 1994), 59 FR 63152

Currently, the Exchange has no rule governing the use of its AUTOM system. Option orders entered by Exchange member organizations into AUTOM are routed to the appropriate specialist unit on the Exchange trading floor. Orders delivered through AUTOM may be executed manually or automatically; however, only certain orders are eligible for AUTOM's automatic execution feature, AUTO-X, as provided in the proposed rule. Equity option and index option specialists are required by the Exchange to participate in AUTOM and its features and enhancements.

The proposal delineates the types of orders eligible for AUTOM. Generally, only agency orders may be entered.⁸ However, broker-dealer orders for U.S. Top 100 Index ("TPX") options may be entered into AUTOM, but are not eligible for AUTO-X. In addition, with respect to order size, orders up to the maximum number of contracts permitted by the Exchange may be entered. Currently, orders up to 100 contracts are eligible for AUTOM,⁹ except the maximum order size for TPX options is 500 contracts.¹⁰ Separate maximum order sizes apply to AUTO-X, as discussed below. Moreover, the Exchange's Options Committee may determine to accept additional types of orders for entry into AUTOM as well as to discontinue accepting certain types of orders.¹¹

AUTO-X is a feature of AUTOM that automatically executes public customer market and marketable limit orders up to the number of contracts permitted by the Exchange for certain strike prices and expiration months in equity options

(SR-Phlx-94-32 adopting the Wheel); 35601 (April 13, 1995), 60 FR 19616 (SR-Phlx-95-18 codifying order types); 35781 (May 30, 1995), 60 FR 30131 (SR-Phlx-95-29 expanding AUTO-X to 50 contracts for TPX only); 35782 (May 30, 1995), 60 FR 30136 (SR-Phlx-95-30 extending AUTOM from 100 to 500 contracts); 36429 (October 27, 1995), 60 FR 55874 (SR-Phlx-95-35 permitting broker-dealer orders in AUTOM for TPX only); 36467 (November 8, 1995), 60 FR 57615 (SR-Phlx-95-33 limiting AUTO-X in XOC); 36601 (December 18, 1995), 60 FR 66817 (SR-Phlx-95-39 expanding AUTO-X from 25 to 50 contracts); and 37977 (November 25, 1996) 61 FR 63889 (SR-Phlx-96-49 amending Wheel provisions).

⁸ See Amendment No. 1, *supra* note 3.

⁹ See Securities Exchange Act Release No. 28516 (October 3, 1990), 55 FR 41408 (October 11, 1990) (SR-Phlx-90-18).

¹⁰ See Securities Exchange Act Release No. 35782 (May 30, 1995), 60 FR 30136 (June 7, 1995) (SR-Phlx-95-30). Although the Exchange received approval to expand the maximum AUTOM order size to 500 contracts, the Exchange's Board of Governors has limited implementation to TPX only.

¹¹ The Commission notes that if the Exchange desires to amend the types of orders eligible for AUTOM, it should contact the Division of Market Regulation to determine if a filing with the Commission pursuant to Section 19(b) of the Act is necessary.

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Philip H. Becker, Senior Vice President and Chief Regulatory Officer, Phlx, to Michael Walinskas, Senior Special Counsel, Division of Market Regulation, SEC, dated June 27, 1997 ("Amendment No. 1"). In Amendment No. 1, the Phlx amended the proposal by: (1) Clarifying the Exchange's current policy with respect to the eligibility of options for AUTO-X; (2) deleting the sentence defining "agency order"; (3) deleting the reference to "user or account type" with respect to the Options Committees authority to restrict the use of AUTO-X; (4) deleting references to

and index options, unless the Options Committee determines otherwise. AUTO-X automatically executes eligible orders using the Exchange disseminated quotation and then automatically routes execution reports to the originating member organization. AUTOM orders not eligible for AUTO-X are executed manually in accordance with Exchange rules. Manual execution of AUTO-X eligible orders will also occur when AUTO-X is not engaged.

In 1995, the Exchange received Commission approval to limit the availability of AUTO-X for certain, high-priced series of National Over-the-Counter Index options ("XOC").¹² The proposal restores these XOC series to AUTO-X eligibility. The proposal also provides that the Options Committee may, for any period, restrict the use of AUTO-X¹³ on the Exchange in any option or series.¹⁴ Currently, orders up to 50 contracts, subject to the approval of the Options Committee, are eligible for AUTO-X.¹⁵ In addition, the Options Committee may, in its discretion, increase the size of orders in one or more classes of multiply-traded equity options eligible for AUTO-X to the extent necessary to match the size of orders in the same options eligible for entry into the automated execution system of any other options exchange, provided that the effectiveness of any such increase shall be conditioned upon the Exchange filing with the Commission a proposed rule change pursuant to Section 19(b)(3)(A) of the Act.¹⁶

¹² See Securities Exchange Act Release No. 36467 (November 8, 1995), 60 FR 57615 (November 16, 1995) (SR-Phlx-95-33 limiting AUTO-X eligibility to XOC series where the bid is \$10 or less) ("Release No. 36467").

¹³ In Amendment No. 1, the Phlx identified the Exchange's current policy with respect to the use of AUTO-X. Specifically, the Exchange's current policy provides that all series and all option are eligible for AUTO-X. In addition, the Exchange recognizes that substantial changes to this policy would require a filing with the Commission pursuant to Rule 19b-4. See Amendment No. 1, *supra* note 3.

¹⁴ In Amendment No. 1, the Exchange deleted the reference to "user or account type" contained in Release No. 38683. See Amendment No. 1, *supra* note 3. The Commission notes that the Exchange should review its Floor Procedure Advices to ensure that provisions regarding AUTO-X participation and restrictions are consistent with the corresponding provisions in the Exchange's rules, as proposed herein.

¹⁵ See Securities Exchange Act Release No. 36601 (December 18, 1995), 60 FR 66817 (December 26, 1995) (SR-Phlx-95-39).

¹⁶ 15 U.S.C. 78s(b)(3)(A). The Commission expects the Phlx, in such filings with the Commission, to demonstrate that the Exchange's systems capacity is sufficient and that the specialist and Registered Options Traders ("ROT's"), respectively, have the capital necessary to handle the proposed increase in order size.

In the event extraordinary circumstances¹⁷ exist in connection with a particular class of options, two Floor Officials¹⁸ may determine to disengage AUTO-X with respect to that option, in accordance with Exchange procedures. To ensure proper notification to AUTOM users, a specialist must promptly notify the Surveillance Post of any AUTOM-related approval by two Floor Officials to disengage AUTO-X with respect to that option.¹⁹ In the event extraordinary conditions exist floor-wide, two Exchange Floor Officials, the Chairperson of the Options Committee or his designee²⁰ may unanimously determine to disengage the AUTO-X feature floor-wide. In the event that AUTO-X is disengaged, AUTO-X eligible orders will be executed manually pursuant to general AUTOM provisions. The Exchange's Emergency Committee, pursuant to Rule 98, may take other action respecting AUTOM in extraordinary circumstances.

The proposal requires a specialist to accept eligible orders delivered through AUTOM. A specialist must comply with the obligations of Rule 1014, as well as other Exchange rules, in the handling of AUTOM orders. A specialist is responsible for engaging AUTO-X with respect to an assigned option within three minutes after completing an opening or reopening rotation of that option. A specialist must respond to all messages communicated through AUTOM, including order entry, execution and cancellation and replacement of orders as well as administrative messages. A specialist is responsible for the remainder of an AUTOM order where a partial execution

¹⁷ The Phlx defines extraordinary circumstances to include fast market conditions, systems malfunctions and other circumstances that limit the Exchange's ability to disseminate or update market quotations in a timely and accurate manner. The Phlx intends to incorporate this definition into the AUTOM Rule at a later date. See Amendment No. 1, *supra* note 3.

¹⁸ The Phlx has a written policy, contained in its manual for new Floor Officials, to prevent Floor Officials from approving a specialist's request to disengage AUTO-X with respect to a particular option where another Floor Official previously has denied the request. Telephone conversation between Edith Hallahan, Director and Special Counsel, Regulatory Services, Phlx, and Deborah Flynn, Attorney, Division of Market Regulation, SEC (June 19, 1997).

¹⁹ In Amendment No. 1, the Phlx deleted all references to "exemptions" to clarify that it is the specialist's responsibility to notify the Exchange of Floor Official approval and relocated this provision to the section of the rule entitled "Specialist Obligations." See Amendment No. 1, *supra* note 3.

²⁰ Amendment No. 1 clarifies that three individuals are needed to disengage AUTO-X floor-wide: two Floor Officials and the Chairperson of the Options Committee (or his designee). See Amendment No. 1, *supra* note 3.

occurred.²¹ Lastly, a specialist is responsible for ensuring the visibility to the trading crowd of both the screens displaying incoming AUTO-X orders as well as the bids/offers for the at-the-money strike prices in displayed options.²²

In the proposed rule, the Exchange disclaims any liability from losses arising from the acts, errors or omissions of its agents, employees and members in connection with AUTOM. The proposal also apportions responsibility between the specialists and the member organizations for losses arising from the failed transmission of order messages routed through AUTOM. Under the terms of the proposal, a member organization who initiates the transmission of an order message to the floor through AUTOM is responsible for that order message up to the point that a legible and properly formatted copy of the order message is received on the trading floor by the specialist unit. Thereafter, the specialist who is registered in the option specified in the order message is responsible for the contents of the order message received and is responsible for the order until one of the following occurs: (i) An execution report for the entire amount of the order is properly sent; (ii) a cancellation acknowledgement is properly set; or (iii) an order properly expires.

Proposed Commentary .01 to the rule reflects the existence of Automatic Quotation ("Auto-Quote"), another feature of AUTOM. Auto Quote is the Exchange's electronic options pricing system, which enables specialists to automatically monitor and instantly update quotations. Commentary .02 states that the Electronic Order Book is the Exchange's automated specialist limit order book, which automatically routes all unexecuted AUTOM orders²³ to the Electronic Order Book and displays orders real-time in order of price/time priority. Orders not delivered through AUTOM may also be entered onto the Electronic Order Book.

Finally, the proposal incorporates the provisions of Floor Procedure Advice F-24, concerning the Wheel, into the proposed AUTOM rule. The Wheel is an automated mechanism for assigning floor traders (*i.e.* specialists and ROTs

²¹ The specialist's responsibility extends to filling an order, as well as maintaining any unexecuted portion of the order on the limit order book. See Amendment No. 1, *supra* note 3.

²² This provision essentially requires the specialist to select a reasonable location for the screens in the trading station area. See Amendment No. 1, *supra* note 3.

²³ Amendment No. 1 clarified that all unexecuted AUTOM orders are automatically routed to the order book. See Amendment No. 1, *supra* note 3.

signed on the Wheel for a particular option class), on a rotating basis, as contra-side participants to AUTO-X orders.²⁴

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

After careful review, the Commission finds the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.²⁵ The Commission believes the proposal, as amended, is consistent with the requirements of Sections 6 and 11A of the Act²⁶ in general, and in particular, with Sections 6(b)(5) and 11A(a)(1)(B) of the Act.²⁷

The Commission believes that the proposal, as amended, is consistent with Section 6(b)(5) of the Act²⁸ because permanent approval of the AUTOM system should facilitate the operation of Phlx's options trading floor, which will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in options. The Commission notes that the Phlx has been operating AUTOM as a pilot program for nearly a decade and the Commission has not received any negative comments regarding the AUTOM pilot program since its implementation. As the Exchange represents that it has not experienced any significant problems regarding the operation of AUTOM²⁹ and believes that the AUTOM system is capable of handling a significant increase in additional orders,³⁰ the Commission believes that it is appropriate to approve the AUTOM systems on a permanent basis at this time.

The Commission notes that the adoption of Rule 1080 will incorporate into one rule all rules applicable to the operation of the AUTOM system. The Commission believes that it is important

to incorporate all of the rules relating to AUTOM into the Exchange's rules so that the rules are more easily accessible to Phlx members and other market participants. The Commission notes that many of the proposed provisions consist of rules that either previously were approved explicitly by the Commission or codify existing practice that has developed pursuant to approved guidelines. The Commission believes that such provisions of the proposal do not substantially alter the Exchange's current interpretations and policies governing AUTOM, but rather, clarify existing operational procedures and codify into the Exchange's rules improvements that have been made to the AUTOM system. These provisions include the types of orders eligible for AUTOM and AUTO-X, respectively; the provisions of Floor Procedure Advice F-24, AUTO-X Contra-Party Participation (the Wheel); requirements that specialists participate in AUTOM; and the commentaries describing Auto-Quote and the Electronic Order Book.

Several other provisions of the rule change proposal are new. For example, the Commission notes that the Exchange's proposed AUTOM rule includes a general disclaimer from liability arising from the operation of AUTOM. Specifically, the proposal provides that, "[i]n accordance with Exchange By-Law Article XII, Section 12-11, the Exchange shall not be liable for any loss, expense or damage resulting from or claimed to have resulted from the acts, errors or omissions of its agents, employees or members in connection with AUTOM, or of the AUTOM system." In addition, the proposed rule apportions between the specialists and the Exchange member organizations any losses that may be sustained as to orders entered into AUTOM.

The Commission believes that the general disclaimer language contained in the proposed rule is specifically limited by Article XII, Section 12-11 of the Phlx's By-Laws,³¹ which applies solely to damages sustained by a member or a member organization. Accordingly, the Commission believes that the general disclaimer provision contained in this rule does not extend to customer-related losses. Moreover, the Commission notes that the proposed rule change provides the Exchange with virtually the same protection from

liability available to the other exchanges.³² The Commission also notes that the Phlx represents that the general disclaimer provision cannot be used to limit its liability for intentional misconduct or for any violations of the federal securities laws.³³ The Commission believes that the proposal, as amended, may serve to facilitate transactions in securities, while also protecting investors and the public interest.

The Commission notes that the proposal, as amended, establishes procedures for disengaging AUTO-X.³⁴ Moreover, the Commission notes that the proposal sets forth the specialist's obligations with respect to the operation of AUTOM and AUTO-X. The Commission believes that the provision requiring specialists to receive orders through AUTO-X except under "extraordinary circumstances," coupled with the requirement that the specialist obtain the prior approval of two Floor Officials to disengage AUTO-X, should help to ensure that AUTO-X eligible public customer orders will continue to be executed and thereby, contribute to the depth and liquidity of the Phlx's markets. The Commission believes that as a general rule, automatic execution systems should remain operational at all times. However, if the existence of extraordinary circumstances warrants the decision of two concurring Floor Officials to disengage AUTO-X, the Exchange should ensure that AUTO-X eligible orders are rerouted to the trading floor for prompt manual execution at current market prices. The term "extraordinary circumstances" has been defined to include fast market conditions, systems malfunctions and other circumstances that limit the Phlx's ability to disseminate or update market quotations in a timely and accurate manner.³⁵ This provision is similar to the definition utilized by the Chicago Board Options Exchange ("CBOE") for its automatic options execution system.³⁶

Further, the Commission notes that the proposed rule would grant to the Phlx's Options Committee the discretion

²⁴ The floor-wide roll-out of the Wheel was completed the week of April 21, 1997.

²⁵ 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).

²⁶ 15 U.S.C. 78f and 78k-1.

²⁷ 15 U.S.C. 78f(b)(5) and 78k-1(a)(1)(B).

²⁸ 15 U.S.C. 78f(b)(5).

²⁹ See Proposing Release, *supra* note 4 at 10.

³⁰ The Phlx estimates that the average peak utilization of the AUTOM system is approximately 50% of capacity. See Letter from Theresa McCloskey, Vice President, Regulatory Services, Phlx, to Michael Walinskas, Senior Special Counsel, Division of Market Regulation, SEC, dated June 9, 1997.

³¹ Phlx By-law Section 12-11 provides, "[t]he Corporation shall not be liable for any damages sustained by a member or member organization growing out of the use or enjoyment by such member or member organization of the facilities afforded by the Corporation to members for the conduct of their business."

³² See American Stock Exchange Rule 60; New York Stock Exchange Rule 123B(e).

³³ See Amendment No. 1, *supra* note 3.

³⁴ The Commission notes the proposed procedures require: (1) the specialist to obtain approval from two concurring Floor Officials in order to disengage AUTO-X with respect to a particular option; (2) the specialist to notify the Surveillance Post of the Floor Officials' approval; and (3) three individuals (two Floor Officials and the Options Committee Chairperson or his designee) to disengage AUTO-X floor-wide.

³⁵ See *supra* note 17.

³⁶ See CBOE Rule 8.51(a)(4).

to restrict the use of AUTO-X.³⁷ Currently, all classes and series of Phlx options are eligible for AUTO-X. The Commission believes that the discretion granted to the Options Committee to restrict the use of AUTO-X should be exercised only in limited situations. For example, the Commission believes the Exchange's proposal to restrict³⁸ and now to reinstate the AUTO-X eligibility of high-priced XOC series to be a limited situation within the discretion of the Options Committee. The authority granted through this proposal to the Phlx Options Committee does not include the authority to make substantial changes that would affect a substantial number of classes or series of options eligible for AUTO-X.³⁹ The Commission therefore believes that the proposed rule's grant of such limited authority to the Options Committee⁴⁰ is consistent with Section 6(b)(5) of the Act.⁴¹

The Commission also notes that Amendment No. 1 deletes the definition of "agency order" for the purposes of the AUTOM rule in Release No. 38683,⁴² which contained an interpretation of the term, "public customer." The original proposed definition of "public customer," for AUTOM purposes, would have restricted use of the AUTOM system in a manner not necessarily consistent with the definition of "public customer" contained in Phlx's Guaranteed Quote rule for options.⁴³

The Commission believes that the proposal, as amended, is consistent with Section 11A(a)(1)(B) of the Act⁴⁴ because development and implementation of the AUTOM system should provide for more fair, accurate, and efficient handling and reporting of orders in eligible options. The Commission further believes the proposal should facilitate the Phlx's efforts to provide an orderly market and to encourage small investor participation in the options markets by

facilitating the use of ATUO-X, an automated system which enhances the Exchange's ability to execute small public customer orders in a timely, accurate and efficient manner. Therefore, the Commission believes the proposal, as amended, is consistent with Section 11A(a)(1)(B) of the Act⁴⁵ because AUTOM is intended to improve, through the use of new data processing and communications techniques, the efficiency with which transactions in Phlx equity and index options are executed.

Finally, the Commission finds good cause for approving the proposed rule change and Amendment No. 1 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register** in order to permit the Phlx to continue to operate AUTOM on an uninterrupted basis. The proposed rule change will grant permanent approval to the AUTOM pilot program which is scheduled to expire on June 30, 1997. Moreover, the Commission notes that the proposed rule change reflects input received from several Exchange committees and floor members based on their experiences with AUTOM and AUTO-X to date. The Commission also notes that the AUTOM pilot, for the most part, has operated and evolved over the past 10 years providing the public an opportunity to comment on its commencement and subsequent enhancements. In addition, the Commission did not receive any public comments on this proposed rule change, which was noticed for the full 21-day period. The Commission also finds good cause for approving Amendment No. 1 to the proposed rule change on an accelerated basis. The Commission believes that the modifications to the proposal contained in Amendment No. 1 are substantially similar to the provisions of rules of other exchanges. As the proposed rule change and Amendment No. 1 thereto will grant permanent approval to a pilot program that has operated for nearly a decade, the Commission believes that the adoption of the proposal should assist the Exchange in facilitating a fair and orderly market by codifying and clarifying the responsibilities of the market participants. Therefore, the Commission believes that granting accelerated approval of the proposed rule change, as amended, is consistent with Section 6 and 19(b)(2) of the Act.⁴⁶

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1 to the proposed rule. Persons making

written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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 at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-97-24 and should be submitted by July 29, 1997.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁴⁷ that the proposed rule change (SR-Phlx-97-24), including Amendment No. 1, is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴⁸

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF STATE

[Public Notice 2568]

Advisory Committee on International Economic Policy; Notice of Closed Meeting

The Advisory Committee on International Economic Policy (ACIEP) will meet 9:00 am-1:00 pm on Tuesday, July 22, 1997, in Room 1107, U.S. Department of State, 2201 C Street, NW, Washington, DC 20520. The meeting will be hosted by Committee Chairman Mike Gadbaw and by Assistant Secretary of State for Economic and Business Affairs, Alan P. Larson.

The closed briefings that the Department of State will arrange for ACIEP members will involve discussions of classified or business proprietary information, pursuant to the Federal Advisory Committee Act, 5 USC App. II section 10(d), and the Government in the Sunshine Act 5

³⁷ The proposed rule, as amended, states, "[t]he Options Committee may for any period restrict the use of AUTO-X on the Exchange in any option or series."

³⁸ See Release No. 36467, *supra* note 12.

³⁹ The Exchange represents that it "understands that substantial changes to this policy, such as restricting AUTO-X to only in-the-money series, would require a filing pursuant to Rule 19b-4." See Amendment No. 1, *supra* note 3. The Commission believes that if the Phlx desires to make substantial changes to the number of classes/series of options available on AUTO-X, the Exchange should submit a filing for Commission approval pursuant to Section 19(b) of the Act.

⁴⁰ See Amendment No. 1, *supra* note 3.

⁴¹ 15 U.S.C. 78f(b)(5).

⁴² See Release No. 38683, *supra* note 4.

⁴³ See Phlx Rule 1015.

⁴⁴ 15 U.S.C. 78k-1(a)(1)(B).

⁴⁵ 15 U.S.C. 78k-1(a)(1)(B).

⁴⁶ 15 U.S.C. 78f and 78s(b)(2).

⁴⁷ 15 U.S.C. 78s(b)(2).

⁴⁸ 17 CFR 200.30-3(a)(12).