

equal price improvement opportunities for all investors and removes the mechanism that currently deprives those investors who trade securities priced in less than  $\frac{1}{8}$  increments from potentially obtaining a better price. In addition, the language of the modification obviates the need for similar technical rule adjustments in the future as the minimum trading and quoting increments are further reduced.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission notes that the AMEX and NYSE recently reduced the minimum trading and quotation variations for securities traded through their facilities. As a result, equity securities that previously traded in minimum variations of  $\frac{1}{8}$  now trade in minimum variations of  $\frac{1}{16}$ . It is important, therefore, that the Rules of the MAX system be conformed to allow customers the maximum opportunity for price improvement in the MAX System as soon as possible.

*It is therefore ordered*, pursuant to Section 19(b)(2) <sup>6</sup> of the Act, that the proposed rule change, SR-CHX-97-22, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39254; File No. SR-Phlx-97-47]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Proposing to Amend its Foreign Currency Option Trading Hours Respecting Customized Foreign Currency Options

October 17, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,<sup>1</sup> notice is hereby given that on October 7, 1997, the Philadelphia Stock Exchange Inc. 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 self-regulatory organization. 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 Philadelphia Stock Exchange, Inc. ("Phlx" or the "Exchange") pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 ("Act")<sup>2</sup> proposes to cease trading for expiring customized currency options at 8:10 a.m. eastern time on business days in which the Foreign Currency Floor of the Exchange opens for trading at 8:00 a.m. eastern time. The text of the proposed rule change is available at the Office of the Secretary, the Phlx, and 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 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 Foreign Currency floor is open from 2:30 a.m. eastern time to 2:30 p.m. eastern time every business day. However, the Exchange may open the foreign currency floor at 8:00 a.m. on some business days, usually on business days following a holiday.<sup>3</sup> The Exchange modified the trading hours for all customized options such that an all expiring customized option contract cease trading at 8:00 a.m. and expires at 10:15 a.m. eastern time.<sup>4</sup> However, this

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

<sup>3</sup> On the day following an Exchange holiday such as the Friday following Thanksgiving or the day after Christmas day, trading commences at 8:00 a.m. rather than 2:30 a.m.

<sup>4</sup> See Securities Exchange Act Release No. 37732 (September 26, 1996). The proposed rule change adjusted the trading hours for all customized options such that all customized options would

practice prevents the holder of an expiring customized currency option to offset an expiring position on days in which trading begins at 8:00 a.m. on the Foreign Currency floor. Therefore, the Exchange proposes to cease trading in expiring customized contracts at 8:10 a.m. on business days in which the Exchange opens at 8:00 a.m. and thereby provides a 10 minute window for a participant to offset an expiring option. The Phlx will provide notification of the change in trading hours for these expiring options by means of memoranda to the membership.

###### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to remove impediments to and perfect the mechanism of a free and open market by providing the participants with the ability to offset their position prior to expiration on those business days in which the Foreign Currency floor opens at 8:00 a.m. eastern time.

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

The Phlx 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 at the time of the filing.

#### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has asserted that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) will not become operative for 30 days after the date of this filing. For the foregoing reasons and because the Exchange provided at least five business days notice to the Commission of its intent to file this proposed rule change, the rule filing will become operative as a "non-controversial" rule change pursuant to Rule 19b-4(e)(6) under the Act.<sup>5</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the

cease trading on expiration day at 8:00 a.m. eastern time and would expire at 10:15 a.m. eastern time.

<sup>5</sup> 17 CFR 240.19b-4(e)(6).

(June 18, 1997), 62 FR 34334 (June 25, 1997) (approving a NYSE proposal to reduce the minimum trading variation from  $\frac{1}{8}$  to  $\frac{1}{16}$ ).

<sup>6</sup> 15 U.S.C. § 78s(b)(2).

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

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. 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 and copying at the principal office at the PHLX. All submissions should refer to File No. SR-PHLX-97-47, and should be submitted by November 14, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39258; File No. SR-PHLX-97-40]

#### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Amendment of Exchange Rules to Comply With Recent Modifications to the By-Laws of the Exchange

October 20, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on September 24, 1997, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities

and Exchange Commission ("Commission" or "SEC") 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 Exchange Rules 500 and 960.9 to comply with recent modifications made to the By-Laws of the Exchange.

The text of the proposed rule change is available at the Office of the Secretary, the Exchange and 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 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

The Exchange recently received regulatory approval to revise the governance structure of the Exchange.<sup>2</sup> As part of the restructuring, revisions were made to the By-Laws and Articles of Incorporation of the Exchange. In its proposed rule change, the Exchange seeks to make corresponding revisions to two of its rules, Rule 500 and Rule 960.9, to conform to the new By-Laws where necessary. The proposed amendments would modify rules that concern the structure and procedures of two of the Exchange's standing committees, the Allocation, Evaluation and Securities Committee ("AES Committee") and the Business Conduct Committee ("BC Committee").

Rule 500 (Allocation, Evaluation and Securities Committee)

The Exchange proposes to revise Rule 500 to specify the revised composition

of the AES Committee. Under the prior version of By-Law Article X, Section 10-7, the AES Committee was composed of five core members and twenty members of an allocation panel. Under revised By-Law Article X, Section 10-7, there may only be nine members on the Committee. Of those nine members, some will be core members who serve three year terms while others will be annual members who may serve up to three consecutive one year terms. Revised By-Law Article X, Section 10-7 refers to Exchange Rule 500 for the number and categories of persons eligible to serve as core members and annual members. Because Rule 500 currently provides that there will be five core members and twenty panel members, it must be modified to comply with the terms of revised By-Law Article X, Section 10-7 which provides for a total of nine members on the AES Committee. The Exchange proposes to maintain the same number of core members, five, and the same selection categories for core members: (i) three persons who conduct a public securities business; (ii) one person who is active on the equity trading floor as a specialist or floor broker; and (iii) one person who is active on the options trading floor as a specialist, registered options trader or floor broker. Rule 500 would be amended to require that of the four annual members: (i) one be active on the equity trading floor as a specialist or floor broker; (ii) one be active on the equity options trading floor as a registered options trader; (iii) one be a public Governor; and (iv) one be a non-industry Governor.

Rule 960.9 (Business Conduct Committee)

The Exchange proposes to amend Rule 960.9 by revising the provisions that set forth the appeal procedure for decisions rendered by the Business Conduct Committee. Under revised By-Law Article X, Section 10-11, appeals from the Business Conduct Committee will now go directly to the Board of Governors rather than the Disciplinary Review Committee.<sup>3</sup> Accordingly, Rule 960.9 is being amended to provide that a Respondent who wishes to appeal a decision of the Business Conduct Committee must now comply with the appeal procedures set forth in By-Law Article XI, Section 11-1 which governs appeals from all committees of the Board.

<sup>3</sup> As part of its revised governance structure, the Exchange eliminated the Disciplinary Review Committee. *Id.*

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. § 78s(b)(1).

<sup>2</sup> See Securities Exchange Act Release No. 38960 (Aug. 22, 1997), 62 FR 45904 (Aug. 29, 1997).