

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, 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 of the Exchange. All submissions should refer to File No. SR-Phlx-95-60 and should be submitted by December 4, 1995.

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

Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-36456; File No. SR-Phlx-95-67]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Increasing the Maximum Size of Placer Dome Options Orders Eligible for Automatic Execution

November 3, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on September 22, 1995, 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 self-regulatory organization.<sup>1</sup> 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

Generally, public customer market and marketable limit orders for up to 25 option contracts are eligible for execution through the automatic execution ("AUTO-X") feature of the Phlx's Automated Options Market ("AUTOM") system.<sup>2</sup> The Phlx proposes to implement a six-month pilot program that increases the maximum AUTO-X order size eligibility for public customer market and marketable limit orders for Placer Dome, Inc. ("PDG") options from 25 contracts to 50 contracts.

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

The purpose of the proposal is to implement a six-month pilot program that increases the maximum AUTO-X order size eligibility for PDG options from 25 to 50 contracts.<sup>3</sup> The Phlx has

<sup>1</sup> On October 30, 1995, the Phlx amended its proposal to request that the proposal be implemented on a six-month pilot basis. See Letter from Gerald D. O'Connell, First Vice President, Market Regulation and Trading Operations, Phlx, to Michael Walinskas, Branch Chief, Office of Market Supervision, Division of Market Regulation, Commission, dated October 30, 1995 ("Amendment No. 1").

<sup>2</sup> For USTOP 100 Index ("TPX") options, public customer market and marketable limit orders for up to 50 contracts are eligible for AUTO-X. See Securities Exchange Act Release No. 35781 (May 30, 1995), 60 FR 30131 (June 7, 1995) (File No. SR-Phlx-95-29).

<sup>3</sup> See Amendment No. 1, *supra* note 1.

traded PDG options since 1987.

According to the Exchange, PDG, which is traded on the New York Stocks Exchange, has moved in price from 18<sup>3</sup>/<sub>8</sub> in January 1995 to 27<sup>5</sup>/<sub>8</sub> in September 1995. This, in turn, has caused increased volatility in the overlying options. In addition, the Phlx notes that PDG options have consistently been one of the most active equity options traded on the Phlx. According to the Phlx, the daily trading volume in PDG options has averaged 1,641 contracts per day throughout 1995, and open interest was 69,425 contracts on September 8, 1995.

Because of this recent activity, the Phlx proposes to implement a six-month pilot program allowing up to 50 PDG contracts to be executed automatically by AUTO-X. Generally, a maximum of 25 equity option contracts are eligible for AUTO-X, although USTOP 100 Index options are subject to a 50 contract AUTO-X maximum.<sup>4</sup> In addition, the Phlx recently filed a proposal with the Commission to increase the maximum AUTO-X order size to 50 contracts for all equity and index options.<sup>5</sup> Accordingly, the purpose of the proposal at hand is to afford expedited treatment to PDG options to provide a sample, which can be reviewed while consideration is given to File No. SR-Phlx-95-39.

The Phlx notes that the proposed 50 contracts for PDG options represents the maximum size of a permissible AUTO-X order in PDG options, which is determined by the specialist in PDG options. Under the 10-up rule,<sup>6</sup> the maximum size of the Exchange's AUTO-X guarantee is 10 contracts.

AUTOM, which has operated on a pilot basis since 1988 and was most recently extended through December 31, 1995, is the Phlx's electronic order

<sup>5</sup> See File No. SR-Phlx-95-39.

<sup>6</sup> See Phlx Rule 1033(a), "Size of Bid/Offer and 10-up Guarantee."

<sup>7</sup> See Securities and Exchange Act Release No. 35183 (December 30, 1994), 60 FR 2420 (January 9, 1995) (order approving File No. SR-Phlx-94-41). See also Securities Exchange Act Release No. 25540 (March 31, 1988), 53 FR 11390 (order approving AUTOM on a pilot basis); 25868 (June 30, 1988), 53 FR 25563 (order approving File No. SR-Phlx-88-22, extending pilot through December 31, 1988); 26354 (December 13, 1988), 53 FR 51185 (order approving File No. SR-Phlx-88-33, extending pilot program through June 30, 1989); 26522 (February 3, 1989), 54 FR 6465 (order approving File No. SR-Phlx-89-1, extending pilot through December 31, 1989); 27599 (January 9, 1990), 55 FR 1751 (order approving File No. SR-Phlx-89-03, extending pilot through June 30, 1990); 28625 (July 26, 1990), 55 FR 31274 (order approving File No. SR-Phlx-90-16, extending pilot through December 31, 1990); 28978 (March 15, 1991), 56 FR 12050 (order approving File No. SR-Phlx-90-34).

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routing, delivery, execution and reporting system for equity and index options. AUTOM is an on-line system that allows electronic delivery of options orders from member firms directly to the appropriate specialist on the Exchange's trading floor.

Certain orders are eligible for AUTOM's automatic execution feature, AUTO-X.<sup>8</sup> AUTO-X orders are executed automatically at the disseminated quotation price on the Exchange and reported to the originating firm. Orders that are not eligible for AUTO-X are handled manually by the specialist.

The Commission approved the use of AUTO-X as part of the AUTOM pilot program in 1990.<sup>9</sup> In 1991, the Commission approved a Phlx proposal to extend AUTO-X to all equity options.<sup>10</sup> As noted earlier, orders for up to 500 contracts are eligible for AUTOM and orders for up to 25 contracts, in general, are eligible for AUTO-X.

The Phlx believes that the proposed expanded AUTO-X parameter for PDG options should improve the AUTOM system by offering the benefits of AUTO-X, including prompt and efficient automatic executions at the displayed price, to additional customer orders. The Exchange states that the proposed AUTO-X increase for PDG options from a maximum of 25 to 50 contracts is in line with prior changes. For examples, the Phlx notes that the Commission previously has approved an AUTO-X increase from 10 to 20 contracts.<sup>11</sup> In addition, the Commission has previously approved

extending pilot through December 31, 1991); 29662 (September 9, 1991), 56 FR 46816 (order approving File No. SR-Phlx-91-31, permitting AUTO-X orders up to 20 contracts in Duracell options only); 29837 (October 18, 1991), 56 FR 36496 (order approving File No. SR-Phlx-91-33, increasing size of AUTO-X orders from 10 contracts to 20 contracts); 32906 (September 15, 1993), 58 FR 15168 (order approving File No. SR-Phlx-92-38, permitting AUTO-X orders up to 25 contracts in all options); and 33405 (December 30, 1993), 59 FR 790 (order approving File No. SR-Phlx-93-57, extending pilot through December 31, 1994).

<sup>8</sup> Orders for up to 500 contracts are eligible for AUTOM and public customer orders for up to 25 contracts, in general, are eligible for AUTO-X. See Securities Exchange Act Release Nos. 35782 (May 30, 1995), 60 FR 30136 (June 7, 1995) (order approving File No. SR-Phlx-95-30); and 32000 (March 15, 1993), 58 FR 15168 (March 19, 1994) (order approving File No. SR-Phlx-92-38). As noted above, public customer orders for up to 50 contracts in TPX options are eligible for AUTO-X. See Securities Exchange Act Release No. 35781, *supra* note 1.

<sup>9</sup> See Securities Exchange Act Release No. 27599 (January 9, 1990), 55 FR 1751 (January 18, 1990) (order approving File No. SR-Phlx-89-03).

<sup>10</sup> See Securities Exchange Act Release No. 28978 (March 15, 1991), 56 FR 12050 (March 21, 1991) (order approving File No. SR-Phlx-90-34).

<sup>11</sup> See Securities Exchange Act Release No. 29837, *supra* note 5.

the expansion of AUTO-X with respect to a specific equity option.<sup>12</sup>

The Exchange represents that the specialist unit currently assigned in PDG, which requested this change, presently is in compliance with Exchange financial requirements and possesses adequate capital to fulfill its proposed AUTO-X responsibilities respecting 50 contracts in PDG. In addition, the Exchange notes that although AUTO-X orders are by definition executed automatically, there are opportunities for price improvement in accordance with a post-execution price change. For example, in the event of an error in the displayed price, the AUTO-X price can be adjusted.

The Exchange notes that the proposed expansion of the maximum AUTO-X order size in PDG options should not impose significant burdens on the operation and capacity of the AUTOM system. Instead, the Phlx believes that the proposal may enhance AUTOM's effectiveness by increasing the number of orders eligible for automatic execution, thereby reducing manual processing.

The Phlx believes that the proposal is consistent with Section 6(b) of the Act, in general, and, in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade and to prevent fraudulent and manipulative acts and practices, as well as to protect investors and the public interest, by extending the benefits of AUTO-X to a larger number of customer orders.

#### *(B) Self-Regulatory Organization's Statement on 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 either solicited or 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 reason for so finding or (ii) as to which the self-regulatory

<sup>12</sup> See Securities Exchange Act Release No. 29662, *supra* note 5 (permitting AUTO-X orders up to 20 contracts in Duracell options only).

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. 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. 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 December 4, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 35-26403]

#### **Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")**

November 3, 1995.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the

<sup>13</sup> 17 CFR 200.30-3(a)(12) (1994).