

and limit confusion regarding when exercise settlement is to occur. In addition, the Commission believes that permitting an OCC clearing member's net margin credit from exercised cross-rate currency options to offset any other margin requirement also promotes the coordination of settlement across markets. Therefore, the Commission believes that OCC's rule change is consistent with its obligation under Section 17A(b)(3)(F) to promote the prompt and accurate clearance and settlement of securities transactions.

**III. Conclusion**

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with Section 17A of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-98-05) be and hereby is approved.

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

**Margaret H. McFarland,**  
*Deputy Secretary.*

[FR Doc. 98-28320 Filed 10-21-98; 8:45 am]

BILLING CODE 8010-01-M

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40554; File No. SR-PHLX 98-24]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Amend Floor Procedure Advice A-1 (Responsibility of Displaying Best Bid and Offer Prices Established on the Equity Floor)**

October 14, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 13, 1998, 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 Phlx submitted Amendment No. 1 on September 14, 1998.<sup>2</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**

The Exchange, pursuant to Rule 19b-4 of the Act, proposes to update and amend its Equity Floor Procedure Advice A-1 to more closely track the SEC's customer limit order display rules. Proposed new language is italicized; proposed deletions are in brackets.

\* \* \* \* \*

**Specialists**

A-1 Responsibility of Displaying Best Bid and Offer Prices Established on the Equity Floor

**FINE SCHEDULE**

[Implemented on a three year running calendar basis]

A-1:	
1st Occurrence .....	[\$100.00] <i>Written Warning</i>
[2nd Occurrence] .....	[\$250.00]
<i>2nd Occurrence and Thereafter</i> .....	<i>Sanction is discretionary with Business Conduct Committee</i>
[3rd Occurrence] .....	[\$500.00]
[4th Occurrence and Thereafter] .....	[Sanction is discretionary with Business Conduct Committee]

**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 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. Phlx has prepared

*Primary-Listed Equities Issues on the Exchange*

(i) A Specialist shall use due diligence to ensure that the best available bid price and offer price on the floor in each "primary stock issue" assigned to him is properly and timely displayed for dissemination purposes throughout the trading day.

*Secondary—Unlisted Trading Privileges Issues*

(ii) [A Specialist shall use due diligence to ensure proper and timely display of any bid or offer price of any order on the book in a "secondary issue" assigned to him for so long as such bid or offer is equal or superior to the consolidated best bid or offer of those disseminated by the national securities exchanges.] *Specialists are required to comply with SEC Rule 11Ac1-4 display requirements for certain customer limit orders. Specifically, under normal market conditions, specialists must immediately (but no later than 30 seconds) display the price and full size of customer limit orders (i) better than the Specialist's quote, and (ii) where the Specialist's quote is the NBBO, that add more than 10% to the size of the Specialist's quote, with certain exceptions contained in SEC Rule 11Ac1-4.*

[(iii) For the purposes of the above paragraphs, the fine schedule below will apply in any instance of any Exchange review which identifies that five percent or more of such orders have not been properly displayed in a timely fashion for the review period.]

summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

<sup>2</sup> See Letter from Nandita Yagnik, Phlx, to Michael Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, dated September 10, 1998 ("Amendment No. 1"). Amendment No. 1 replaces the original rule filing in its entirety.

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

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

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

Currently, Advice A-1 ("Responsibility of Displaying Best Bid and Offer Prices Established on the Equity Floor") requires specialists to use due diligence to ensure proper and timely display of bids and offers respecting primary issues. For secondary issues, this requirement applies where the bid or offer is equal to or better than the national best bid or offer ("NBBO"). Advice A-1 pre-dates SEC Rule 11Ac1-4<sup>3</sup> which imposed new display requirements for "reported securities" and any other security for which a transaction report, last sale data or quotation information is disseminated through an automated quotation system as described in Section 3(a)(51)(A)(ii) of the Act. Since primary stock issues assigned to specialists on regional exchanges are not subject to this requirement, the proposed rule change would amend Advice A-1 only with respect to secondary issues that are traded pursuant to unlisted trading privileges ("UTP"). The proposed change would amend Advice A-1 to provide that the display requirement for secondary issues is the Commission's display rule, which requires specialists, subject to certain exceptions, to display not only those orders that are at or better than the NBBO, but also those that improve the specialist's quote or add 10% or more to the specialist's quote when the quote is the NBBO.<sup>4</sup>

Currently, Advice A-1 contains a fine schedule, which is administered pursuant to the Exchange's minor rule violation enforcement and reporting plan.<sup>5</sup> The proposed amendment would

<sup>3</sup>The limit order display rule was adopted by the SEC as part of its Order Handling Rules. See Securities Exchange Act Release No. 37619A (September 6, 1996), 61 FR 48290 (September 12, 1996) ("Order Handling Rules Adopting Release"); amended in Securities Exchange Act Release No. 38139 (January 8, 1997), 62 FR 1385 (January 10, 1997).

<sup>4</sup>In the Order Handling Rules Adopting Release, the Commission stated that a customer limit order should be considered *de minimis* if it is less than or equal to 10% of the displayed size associated with a specialist's bid or offer. If a customer limit order is *de minimis*, the specialist does not need to add that order to his quote. See Order Handling Rules Adopting Release, *supra* note 3, at not 177 and accompanying text. For this reason, the Exchange is requiring a specialist to display only those customer orders that add 10% or more to the size of the specialist's quote.

<sup>5</sup>The Phlx's minor rule violation enforcement and reporting plan ("minor rule plan"), codified in Phlx Rule 970, contains floor procedure advices with accompanying fine schedules. SEC Rule 19d-1(c)(2) authorizes national securities exchanges to adopt minor rule violation plans for summary

also delete the reference to a minimum number of occurrences and would refer violations to the Business Conduct Committee for both primary and secondary issues.

The proposed rule change is consistent with Section 6 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, to prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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, in that it requires specialists to provide enhanced information regarding orders to the market by revising Advice A-1 to correspond to SEC Rule 11Ac1-4.

*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 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

discipline and abbreviated reporting; Rule 19d-1(c)(1) requires prompt filing with the Commission of any final disciplinary action. However, minor rule violations not exceeding \$2,500 are deemed not final, thereby permitting periodic, as opposed to immediate, reporting.

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. 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 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 Phlx. All submissions should refer to File No. SR-PHLX-98-24 and should be submitted by November 12, 1998.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-28317 Filed 10-21-98; 8:45 am]

BILLING CODE 8010-01-M

**DEPARTMENT OF STATE**

[Public Notice: 2909]

**Agreement on Scientific and Technological Cooperation; Collaborative Projects Request**

**AGENCY:** Bureau of Oceans and International Environmental and Scientific Affairs, State.

**ACTION:** Notice.

**SUMMARY:** This announcement is a second call for collaborative projects under the Agreement on Scientific and Technological Cooperation for the purposes of encouraging and supporting cooperation between the United States and Spain. Proposals submitted will undergo peer review by both countries and will be approved or disapproved by the Joint Commission.

**EFFECTIVE DATE:** October 9, 1998.

**FOR FURTHER INFORMATION CONTACT:** Ms. Shauntia Rodney, Program Officer, Office of Science and Technology Cooperation, Bureau of Oceans and International Environmental and Scientific Affairs, Department of State—Tel # (202) 647-2245, Fax # (202) 647-2746, or

The Commission for Cultural Educational and Scientific Exchange