For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42810; File No. SR–PCX–99–17]

Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Approving Proposed Rule Change Permitting Floor Brokers To Represent Orders With a Ticket-to-Follow

May 23, 2000.

I. Introduction

On June 1, 1999, the Pacific Exchange, Inc. (''Exchange'' or ''PCX'') submitted to the Securities and Exchange Commission (''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 seeking to amend its rules on options trading to permit Floor Brokers to immediately represent intra-floor telephonic orders in the trading crowd, with a written order ticket immediately to follow. Amendment No. 1 to the proposal was submitted on November 12, 1999.[3] Notice of the proposed rule change, including Amendment No. 1, appeared in the **Federal Register** on December 8, 1999.[4] The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

Options Floor Brokers currently are not permitted to represent orders they receive over the telephone unless and until they have prepared, from outside the trading crowd, a written, time-stamped order ticket.[5] The Exchange now proposes to adopt new PCX Rule 6.2(h)(4)(C), which will permit a floor Broker in a trading crowd who receives an order from a Member or Member Firm representative located on the Trading Floor to represent that order immediately in the trading crowd, provided that: (i) an order ticket is prepared and time stamped in the member firm booth before the order is transmitted telephonically to the Floor Broker in the trading crowd; and (ii) a written, time-stamped order ticket for the order must be taken immediately to the Floor Broker in the trading crowd.[6]

The Exchange also proposes to amend PCX Rule 6.2(h)(4)(B) to eliminate the requirement that Floor Brokers who receive telephonic orders while in the trading crowd must step outside of the trading crowd, write up an order ticket and time-stamp it before representing the order in the crowd.[7] In addition, the Exchange proposes to add new section (d) to PCX Rule 6.67, which provides that a Floor Broker may represent a telephonic order, with the ticket to follow, as provided in PCX Rule 6.2(h)(4)(C). Further, the Exchange proposes to modify PCX Rule 6.85 by providing that PCX Rule 6.2(h)(4)(C) is an exception to the general rule that when a Floor Broker receives a verbal order form a Market Maker, or when a Floor Broker is requested by a Market Maker to alter an order in his possession in any way, the Floor Broker shall immediately prepare an order ticket from outside the trading crowd and time-stamp it. Accordingly, Floor Brokers who receive intra-floor telephonic orders from Market Makers will be permitted to represent those orders immediately, with the ticket immediately to follow.[8]

Under Options Floor Procedure Advice F–5 (''OFPA F–5''), hand signals may be used to increase or decrease the size of an order, to change the order's limit, to cancel an order or to activate a market order, as long as the cancellation or change to the order is ''relayed to the Floor Broker in a time-stamped, written form immediately thereafter.'' The Exchange is proposing, as a matter of consistency, to eliminate the requirement from OFPA F–5 that changes to an order must be documented in writing outside of the crowd and the ticket time-stamped, before the revised order may be represented.

III. Discussion

Section 6(b)(5)[9] of the Act requires that the rules of an exchange be designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, remove impediments to and perfect the mechanism of a free and open market and a national market system, and protect investors and the public interest.[10] Section 11A(a)(1)(C)(i)[11] of the Act states that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the economically efficient execution of securities transactions. Section 11A(a)(1)(C)(ii)[12] states that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure fair competition among brokers and dealers. For the reasons set forth below, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5).[13] Further, the Commission believes that the proposed rule change is consistent with the goals of Section 11A(a)(1)(C).[14]

The Commission believes that the proposal should serve to remove impediments to and perfect the mechanism of a free and open market by reducing the amount of time before telephonic orders may be represented in the trading crowd without compromising the Exchange's audit trail. In this regard, the Commission notes that an order ticket must be prepared and time stamped in the member firm booth before the order is transmitted telephonically to the Floor Broker in the trading crowd. The Commission believes that requiring floor members to prepare a written, time-stamped order ticket before the order is transmitted to the crowd is consistent with the Exchange's audit trail requirements. Further, the Commission believes that this requirement should enable the Exchange to conduct adequate surveillance for market manipulation

[13] 17 CFR 200.30–3(a)(34).

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

[2] 17 CFR 240.19b–4.

[3] *See* letter from Michael Pierson, Director, Regulatory Policy, PCX, to John Roeser, Attorney, Division of Market Regulation, Commission, dated November 10, 1999 (''Amendment No. 1'').

[4] *See* Securities Exchange Act Release No. 42188 (December 1, 1999), 64 FR 68714.

[5] *See* Securities Exchange Act Release No. 42557 (Mar. 21, 2000), 65 FR 16680 (Mar. 29, 2000) (SR–PCX–98–30) (order approving PCX Rule 6.2(h)(4)(B), ''Floor Brokers who receive telephonic orders while in the trading crowd must step outside of the crowd, write up an order ticket and time stamp it before representing the order in the crowd''); *See also* PCX Rule 6.85, Com. .03 (''when a Floor Broker receives a verbal order from a Market Maker, or when a Floor Broker is requested by a Market Maker to alter an order in his possession in any way, the Floor Broker shall immediately prepare an order ticket from outside the trading crowd and time stamp it'').

[6] *See* Amendment No. 1, *supra* note 3.

[7] *See supra* note 5.

[8] Under PCX Rule 6.2(h)(4), Floor Brokers are not permitted to communicate directly with persons located off the Trading Floor. *See supra* note 5.

[9] 15 U.S.C. 78f(b)(5).

[10] In approving this proposed rule change, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[11] 15 U.S.C. 78k–1(a)(1)(C)(i).

[12] 15 U.S.C. 78k–1(a)(1)(C)(ii).

[13] 15 U.S.C. 78f(b)(5).

[14] 15 U.S.C. 78k–1(a)(1)(C)(i).

and other violations of Exchange rules and the Act.

The Commission believes that the proposal may expedite and make more efficient the process by which customer orders can be received and executed on the floor of the Exchange. The Commission also believes that the proposed rule change should increase the efficiency of transmitting orders from a member firm booth to Floor Brokers in the trading crowd by reducing the amount of time required before these orders may be represented in the crowd.

In determining to approve this proposal, the Commission notes that the Exchange represents the proposal is necessary to ensure that, as the number of option orders transmitted and represented electronically on the Exchange increases, manual orders represented by Floor Brokers are not placed at a competitive disadvantage. The Commission believes that the proposal should foster coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market, and protect investors and the public interest by expediting and making more efficient the process by which orders can be received and executed on the floor of the Exchange. Accordingly, the Commission finds that the proposal is consistent with Section 6(b)(5) [15] of the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[16] that the proposed rule change (SR–PCX–99–17) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[17]

Margaret H. McFarland,

Deputy Secretary.

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

[16] 15 U.S.C. 78s(b)(2).

[17] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42811; File No. SR–PHLX–00–14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Regarding Listing and Trading Options on the Wireless Telecom Sector Index

May 23, 2000.

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 February 24, 2000,[3] 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 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

The Exchange, pursuant to Rule 19b–4 of the Act, proposes to list and trade European style, cash-settled options, on the Wireless Telecom Sector Index (''Index''), an equal dollar-weighted, A.M.-settled, narrow-based, index of twenty companies, involved in various aspects of wireless telecommunications services and equipment. A list of the specific companies comprising the Index, their capitalizations, six-month share volumes and the percentage weightings of these companies, as of April 10, 2000, is available from the Exchange.

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 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. The 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

1. Purpose

The purpose of the proposal is to list for trading European style, cash-settled options on the Index, a new index developed pursuant to Exchange Rule 1009A(b). Options on the Index will provide an important hedging vehicle for basket traders who engage in trading securities that comprise this subsector of the telecommunications industry.

The following is a more detailed description of the proposed Index option:

Ticker Symbol: YLS.

Settlement Value Symbol: YSO.

Underlying Index: The Index is an equal dollar-weighted index composed of twenty stocks involved in wireless telecommunications services and equipment all of which are traded on the New York Stock Exchange (''NYSE'') or Nasdaq Stock Market (''Nasdaq''), and are, therefore, reported securities as defined in Rule 11Aa3–1 under the Act. Further, all of the stocks presently meet the Exchange's listing criteria for equity options contained in Exchange Rule 1009 and are currently the subject of listed options on U.S. options exchanges.

The Exchange notes that most of the companies represented in the Index are U.S. companies. However, to the extent that non-U.S. companies are part of or are added to the Index (such as American Depository Receipts) and therefore are not subject to comprehensive surveillance sharing agreements, those components do not and will not account for more than 20% of the weight of the Index.

As of April 10, 2000, the market capitalization of all the stocks in the Index exceeded $1 trillion and such individual capitalizations ranged from approximately $1 billion to $176 billion. All twenty component issues in the Index had monthly trading volumes in excess of one million shares over each of the past six months.

Index Calculation: The methodology used to calculate the Index is an equal dollar-weighted method, meaning that each of the component stocks is represented in the Index in approximately equal dollar amounts. The Exchange believes that this method of calculation is appropriate because it will provide each component issue with equivalent influence on the movement of the Index value instead of allowing

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

[2] 17 CFR 240.19b–4.

[3] On March 30, 2000 and April 13, 2000, the Exchange submitted Amendment Nos. 1 and 2 to the proposed rule change, respectively, the substance of which has been incorporated into this notice. *See* letters from John Kenney, Jr., Counsel, Phlx, to John Roeser, Attorney, Commission, dated March 29, 2000 (''Amendment No. 1'') and April 13, 2000 (''Amendment No. 2'').