

Act¹⁷ and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes the proposal is consistent with section 6(b)(5) of the Act¹⁸ because it will promote just and equitable principles of trade; remove impediments to, and perfect the mechanism of a free and open market; and protect investors and the public interest.¹⁹

The Exchange has requested partial accelerated approval of the proposed rule change so that the Pilot Program may continue to operate without interruption. Specifically, the Exchange has requested that the Commission accelerate approval of the proposed rule change for the portion relating to the extension of the enhanced parity split Pilot Program for a six-month period or until the Commission approves the Exchange's request for permanent approval of the Pilot Program, whichever occurs first. As noted earlier, the Pilot Program is due to expire on December 31, 1998. Therefore, unless the Pilot Program is immediately extended, the Exchange's equity and index option specialists will no longer be permitted to avail themselves of the enhanced parity split.

The Commission finds good cause for granting partial accelerated approval of the proposed rule change prior to the thirtieth day after the date of publication of notice therefore in the **Federal Register**. The Commission believes it is reasonable that Exchange specialists be permitted to avail themselves of the enhanced parity split on a continuous basis without disruption. Therefore, the Commission believes it is appropriate to grant partial accelerated approval of the proposal to extend the Pilot Program for six months or until the Commission approves the Exchange's request for permanent approval of the Pilot Program, whichever occurs first.

The Commission recognizes that the purpose of the enhanced parity split is to encourage equity and index option specialists to make deep and liquid markets in order to attract order flow to the Exchange. The Commission has previously noted that specialists have responsibilities that other crowd participants do not share, such as the staff costs associated with continually updating and disseminating quotes.²⁰

As a result, the Commission believes it is reasonable for the Exchange to grant certain advantages to specialists, such as the enhanced parity split, to attract and retain well capitalized specialist at the Exchange. As long as these advantages do not unreasonably restrain competition and do not harm investors, the Commission believes that the granting of such benefits to specialists, in general is within the business judgment of the Exchange.

The Commission notes that the application of the Exchange's enhanced parity split cannot cause a customer on parity to receive a smaller participation than any other crowd participant, including the specialist. The Commission believes this provision adequately protects customer orders from any negative impact that might flow from application of the enhanced parity split. As a result, a customer on parity is ensured a participation that, at a minimum, is equal to that given any other crowd participant on parity.²¹ Therefore, the Commission believes it is consistent with section 6(b)(5) and Section 19(b)(2) of the Act to grant partial accelerated approval to the proposed rule change.²²

VI. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the portion of the proposed rule change, SR-Phlx-98-56, seeking the extension of the enhanced parity split Pilot Program for a six-month period ending June 30, 1999, or until the Commission approves the Exchange's request for permanent approval of the Pilot Program, whichever occurs first, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²³

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40885; File No. SR-SCCP-98-04]

January 5, 1999.

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Reducing Certain Trade Recording Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on September 29, 1998, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by SCCP. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to extend on a pilot basis for three months through December 31, 1998, a reduction in SCCP's fee schedule for trade recording fees for certain specialists.

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

In its filing with the Commission, SCCP included statements concerning the purpose of and statutory basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. SCCP has prepared summaries set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

SCCP proposes to extend, for a three month period, its pilot program that reduces SCCP's trade recording fees for certain specialists. On February 9, 1998, the Commission temporarily approved the trade recording fee reduction effective for trades settling January 2,

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(5).

¹⁹ In granting partial accelerated approval of this proposed rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

²⁰ See e.g. Securities Exchange Act Release No. 35177 (Dec. 29, 1994), 60 FR 2419 (Jan. 9, 1995).

²¹ The Commission notes that this provision is consistent with the enhanced parity split that currently applies to the Exchange's specialists in foreign currency options. See Securities Exchange Act Release No. 40557 (Oct 15, 1998), 63 FR 56284 (Oct. 21, 1998).

²² 15 U.S.C. 78f(b)(5) and 78s(b)(2).

²³ 17 CFR 200.30-3(a)(12).

1998, through April 30, 1998.³ Subsequently, the Commission has approved extensions of the pilot program through September 30, 1998.⁴

Prior to the approval and implementation of the pilot program, SCCP charged a trade recording fee of \$.47 per side for regular trades. The pilot program bifurcates the category of trade recording fees for regular trades into trades not matching with PACE orders and trades matching with PACE orders.⁵ The trade recording fees for trades not matching with PACE orders remains \$.47 per side. The pilot program reduces SCCP's trade recording fees for trades matching with PACE orders to: (i) \$.27 per side for first 2,500 trades per month and (ii) \$.10 per side for trades in excess of 2,500 per month.

SCCP believes that the trade recording fee reduction is equitable and reasonable. SCCP state that the PACE System provides participants and their customers with automated order entry, execution, and processing. One of the benefits of small order entry systems, such as PACE, is that customers pay lower fees for the use of PACE as opposed to manual order entry. SCCP further states that another benefit of PACE is the increased efficiency associated with automated order processing. In fact, lower fees generally recognize the reduction of participant and exchange personnel involved in PACE transactions. Therefore, reducing the total cost of exchange trading, in an equitable fashion, should encourage additional PACE business, which in turn, extends the many benefits of PACE to additional customers.

SCCP also believes that the proposed rule change provides tangible benefits for specialists that further promotes PACE business. Lower PACE fees for specialists should encourage specialists to more aggressively offer price improvement and should also provide increased liquidity for specialists as it reduces their cost of doing business. Additionally, lower PACE fees should make the fees for PHLX trades more competitive with other exchanges. This proposed rule change thus provides financial incentives for specialists to provide competitive markets at the PHLX.

For these reasons, SCCP believes that the proposed rule change is consistent

with Section 17A(b)(3)(D) of the Act,⁶ which requires that the rules of a registered clearing agency provide for equitable allocation of reasonable dues, fees, and other charges for services which it provides to its participants.

(B) Self-Regulatory Organization's Statement on Burden on Competition

SCCP 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

Because the foregoing rule change establishes or changes a due, fee, or other imposed by SCCP, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁷ and Rule 19b-4(e)(2) thereunder⁸ until December 31, 1998. This extension will give the Commission and SCCP additional time to evaluate whether the pilot program fees are equitable. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the 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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at SCCP. All submissions should refer to the File No. SR-SCCP-98-04 and should be submitted by February 2, 1999.

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

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF STATE

[Public Notice No. 2957]

Advisory Committee on Private International Law (ACPIL), Study Group on Electronic Commerce; Meeting Notice

The Study Group on Electronic Commerce of the Advisory Committee on Private International Law (ACPIL) will hold its next meeting from 1:00 to 5:00 p.m. on Wednesday, January 27 in Washington, DC. The purpose of the meeting will be to review recent proposals for international rules on electronic signature and authentication systems to be considered in February at the United Nations Commission on International Trade Law (UNCITRAL).

UNCITRAL has had before it since May 1997 proposals for rules on certain aspects of electronic signature and authentication systems. Consensus has been difficult to reach internationally, and the next meeting of the Commission is expected to determine whether that is feasible at this point in the development of electronic systems applications as well as underlying legal and technical rules or standards. A recent document prepared by the Secretariat on the basis of consultations with States, UN Doc.A/CN.9/WG.IV/WP.80, December 15, 1998, which contains proposed rules will be considered. Background documents and the status of this project are set out in UN Doc.A/CN.9/WG.IV/WP.78, December 2, 1998.

The proposed rules cover definitions of electronic and enhanced electronic signatures, signature holder and information certifier; compliance with requirements for signatures and originals, the obligations of signature holders and information certifiers, reliance, and other matters. At issue is whether they are a workable approach for international rules, which can at the

³ Securities Exchange Act Release No. 39630 (February 9, 1998), 63 FR 7848.

⁴ Securities Exchange Act Release Nos. 39948 (May 4, 1998), 63 FR 25538 and 40274 (July 22, 1998), 63 FR 40578.

⁵ PACE, an acronym for the Philadelphia Stock Exchange Automated Communication and Execution System, is a real time order routing and execution system.

⁶ 15 U.S.C. 78q-1(b)(3)(D).

⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

⁸ 17 CFR 240.19b-4(e)(2).

⁹ 17 CFR 200.30-3(a)(12).