

programs are essential for the Exchange to maintain a fair and orderly market for the investment community.

According to the Exchange, general costs associated with the Exchange's surveillance and regulatory programs have continued to rise. Since the last Registered Representatives fee increase in 1997,⁸ costs associated with the Exchange's surveillance and regulatory programs have increased in excess of 100%, a ten-fold increase over the increase in costs during the prior two-year period.⁹ This increase in costs is attributable to, among other things, inflationary and competitive effects on the cost of staffing, equipment, and technology and expansion of the Exchange's surveillance and regulatory programs.¹⁰ Moreover, the Exchange has listed, and will likely to continue to list, new issues and products, which may trigger significant additional surveillance and regulatory costs.¹¹

2. Statutory Basis

For these reasons, the Exchange believes the proposed rule change is consistent with Section 6 of the Act,¹² in general, and furthers the objectives of Sections 6(b)(4) of the Act¹³ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.¹⁴

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange neither solicited nor received written comments with respect to the proposed rule change.

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 charge imposed by the Exchange, it has become effective pursuant to Section

19(b)(3)(A)(ii) of the Act¹⁵ and subparagraph (f)(2) of Rule 19b-4 thereunder.¹⁶ The Exchange intends to implement the fee, effective January 1, 2000. At any time within 60 days of the filing of the amended 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, as amended, 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, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the amended 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 room. Copies of such filing also will be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-99-34 and should be submitted by December 9, 1999.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42123; File No. SR-Phlx-99-7]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Increase the Maximum Size of Option Orders Eligible for Delivery through the Automated Options Market System

November 10, 1999.

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 October 13, 1999, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Item I and II 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 proposed to revise Phlx Rule 1080(b)(ii) to state that, subject to the approval of the Phlx Options Committee, orders up to 500 contracts in any Phlx equity or index option may be entered through "AUTOM," the Exchange's Automated Options Market System.³ The text of the proposed rule change is available at the Phlx and at the Commission.

II. Self-Regulatory Organization's Statement of Purpose of and Statutory Basis for, 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 aspect of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ AUTOM is the Exchange's electronic order routing and delivery system for equity and index options. See Phlx Rule 1080.

⁸ See note 6, *supra*.

⁹ See Amendment No. 1, *supra* note 3.

¹⁰ *Id.*

¹¹ *Id.*

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(4).

¹⁴ In reviewing this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(2).

¹⁷ 17 CFR 200.30-3(a)(12).

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

1. Purpose

In 1995, the Exchange received Commission approval to increase to 500 contracts the maximum order size for all equity and index option orders entered through AUTOM.⁴ The Exchange's Board of Governors, however, decided to make the 500 contract threshold available only to orders in U.S. Top 100 Index Options (TPX).⁵ Therefore, orders for all other equity and index options traded on the Exchange are restricted to a maximum AUTOM order size of 100 contracts.

The proposed rule change deletes the language in Phlx Rule 1080 that restricts AUTOM order size to 100 contracts for all options other than TPX⁶ and revises it to state that orders up to 500 contracts are eligible for AUTOM order delivery, subject to Options Committee approval. By increasing the number of option contracts eligible for automated order delivery through AUTOM, the Exchange believes the proposed rule change provides the flexibility necessary to more effectively respond to the changing trading environment. Additionally, the Exchange believes this change would allow it to provide electronic order delivery for larger orders in a greater number of options.

2. Statutory Basis

For the reasons above, the Exchange believes the proposed rule change is consistent with Section 6 of the Act,⁷ in general, and with Section 6(b)(5),⁸ in particular, in that it is designed to facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market system, and protect investors and the public interest.⁹

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

The Exchange believes that the proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange neither solicited nor received written comments with respect to the proposed rule change.

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

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date; the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6)¹¹ thereunder.

Under Rule 19b-4(f)(6)(iii),¹² a proposed rule change normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate such shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission designate such shorter time period so that the proposed rule change may become operative immediately upon its filing.

The Commission has determined, consistent with the protection of investors and the public interest, to make the proposed rule change operative upon filing. The Commission believes it is appropriate to make the proposed rule change operative upon filing because the proposal allows the Exchange to fully implement AUTOM order size requirements previously approved by the Commission. The revised AUTOM order size requirements should help the Exchange to better serve investors by providing automated delivery for large orders. In addition, users of options other than TPX should benefit from the increased availability of AUTOM for order delivery.

For all of the reasons set forth above, the Commission believes it is consistent

with the protection of investors and the public interest to make the proposed rule change operative upon the date of filing, October 13, 1999. At any time within 60 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. 20549-0609. 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 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 Room, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Copies of such filing also will be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-99-37 and should be submitted by December 9, 1999.

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

Margaret H. McFarland,

Deputy Secretary.

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⁴ See Securities Exchange Act Release No. 35782 (May 30, 1995), 60 FR 30136 (June 7, 1995).

⁵ The Commission has previously noted that "although the Exchange received approval to expand the maximum AUTOM order size to 500 contracts, the Exchange's Board of Governors has limited implementation to TPX only." See Securities Exchange Act Release No. 38683 (May 27, 1997), 62 FR 30366 (June 3, 1997).

⁶ Exchange Rule 1080(b)(ii) presently states, "Orders up to the maximum number of contracts permitted by the Exchange may be entered. Currently, ordered up to 100 contracts are eligible for AUTOM, except orders of 500 contracts are eligible in U.S. Top 100 Index Options."

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(5).

⁹ In reviewing this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ 17 CFR 200.30-3(a)(12).