

requirement for a JBO broker whose primary business is clearing options market-maker accounts to \$7 million, instead of the \$10 million originally proposed; (2) require a JBO broker to provide immediate telegraphic or facsimile notice to the SRO if its tentative net capital or net capital, whichever applies, would fall below the prescribed minimum levels; and (3) subject a JBO broker to the equity capital withdrawal restrictions of paragraph (e) of Exchange Act Rule 15c3-1 and the prohibitions against the reduction, prepayment, and repayment of subordination debt of paragraph (b) of Appendix D of Exchange Act Rule 15c3-1, as if the firm's net capital would be below the minimum standards specified by those sections. These amendments also clarified the requirement that if a JBO participant's liquidating equity would fall below the required \$1 million it must deposit the deficiency within 5 business days or lose its JBO participant status and become subject to the margin account requirements under Regulation T and the other SRO maintenance margin requirements.

Furthermore, these amendments clarified the current citation to the relevant provisions of Regulation T, and proposed to prohibit a JBO broker to be only a carrying firm. The Commission believes that these amendments are reasonable and are consistent with some of the other SROs' JBO requirements. Accordingly, the Commission finds it is consistent with Section 19(b) of the Exchange Act to approve Phlx Amendment No. 2 and CHX Amendments Nos. 2, 3, and 4 on an accelerated basis.

The Commission finds good cause for approving PCX Amendment No. 2 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. PCX Amendment No. 2 would prohibit a JBO broker to be only a carrying firm. The PCX's original filing would have permitted a JBO broker to carry and clear or carry customer accounts. The Commission believes that PCX Amendment No. 2 is reasonable and is consistent with some of the other SROs' JBO requirements. Accordingly, the Commission finds it is consistent with Section 19(b) of the Exchange Act to approve PCX Amendment No. 2 on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing SRO amendments not previously published in the **Federal Register**,

including whether the proposed rule changes, as modified by the amendments, are consistent with the Exchange Act. Persons making written submissions should file six copies thereof with the Secretary. Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of the submissions, 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 persons, 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 offices of the SROs. All submissions should appropriately refer to SR-NYSE-97-28; SR-CBOE-97-58; SR-Phlx-97-56; SR-PCX-97-49; SR-CHX-98-12 and should be submitted by March 24, 2000.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,⁸⁸ that the proposed rule changes (SR-NYSE-97-28; SR-CBOE-97-58; SR-Phlx-97-49; SR-CHX-98-12; SR-Amex-99-26), as amended, are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸⁹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 42458; File No. SR-Phlx-00-12]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Rescind Exchange Rule 132, "Dealings Outside of Exchange in Securities Dealt in on the Exchange"

February 25, 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 10, 2000, the Philadelphia Stock Exchange, Inc. ("Exchange" or "Phlx") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III 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.

The Exchange's proposed rule change raises issues similar to those raised by the New York Stock Exchange's ("NYSE") proposal to repeal NYSE Rule 390, which rule generally prohibits NYSE members and their affiliates from effecting transactions in certain NYSE-listed securities away from a national securities exchange. The Commission recently issued the notice of filing for the NYSE's proposal ("NYSE Notice") and solicited comment on a number of important issues that have broad implications for the structure of the U.S. securities markets.³ Specifically, the Commission requested comment on market fragmentation—the trading of orders in multiple locations without interaction among those orders—and on several options for addressing market fragmentation. To promote a comprehensive discussion of off-board trading restrictions and related market fragmentation issues, the Commission requests that persons interested in the Exchange's proposal refer to the NYSE Notice and submit comments that respond to the questions presented in the NYSE Notice.⁴

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

The Exchange seeks to rescind Exchange Rule 132, "Dealings Outside of Exchange in Securities Dealt on the Exchange." The text of the proposed rule change is available at the Exchange and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 42450 (Feb. 23, 2000) (File No. SR-NYSE-99-48). The Commission notes that similar proposals have been filed by the American Stock Exchange and the Chicago Stock Exchange. See Securities Exchange Act Release Nos. 42460 (Feb. 25, 2000) (File No. SR-Amex-00-05) and 42459 (Feb. 25, 2000) (File No. SR-CHX-00-12).

⁴ The Commission notes that the NYSE Notice is available on the Commission's website at: (<http://www.sec.gov/rules/sros/ny9948n.htm>).

⁸⁸ 15 U.S.C. 78s(b)(2).

⁸⁹ 17 CFR 200.30-3(a)(12).

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 Exchange 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 Exchange 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 Exchange seeks to rescind Exchange Rule 132, which currently places restrictions on off-board trading by Exchange members and member organizations. With certain exceptions, and Exchange member, member organization, or affiliated person may not effect any transaction in any "listed security," as defined in Exchange Rule 132, in the over-the-counter market, either as principal or agent.

The staff of the Commission recently asked the Exchange to review its off-board trading restrictions and consider measures to repeal such restrictions.⁵ In proposing the rescission of Exchange Rule 132, the Exchange intends to broaden the free market trading activities of Exchange members and the investors they represent by removing restrictions on over-the-counter trading in listed securities.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section of the Act,⁶ in general, and with Section 6(b)(5),⁷ in particular, in that it is designed to promote just and equitable principles of trade, and protect investors and the public interest by broadening the free market trading activities of Exchange members and the investors that they represent by removing restrictions on over-the-counter trading in listed securities.

⁵ See Letter from Annette L. Nazareth, Director, Division of Market Regulation, Commission, to Meyer S. Frucher, Chairman and Chief Executive Officer, Exchange, dated December 22, 1999.

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(5).

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rules 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

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 Exchange 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 proposed rule change is consistent with the Act. The Commission also invites interested persons to submit written data, views, and arguments on the market fragmentation issues presented in the NYSE Notice.⁸ Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 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 to the proposed rule change between the Commission and any persons, 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 20549-0609. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions

⁸ See *supra* notes 3 and 4.

should refer to File No. SR-Phlx-00-12 and should be submitted by March 24, 2000. Comments responding to the Commission's request for comment on market fragmentation issues should refer to File No. SR-NYSE-99-48 and should be submitted by April 28, 2000.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42457; File No. SR-Phlx-99-61]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Monthly Billing of Membership Dues, Foreign Currency User Fees, Foreign Currency Participation Fees, Trading Post/Booth Space Fees and the Technology Fee

February 25, 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 January 3, 2000, 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. On February 16, 2000, the Phlx submitted Amendment No. 1 to the proposed rule change.³ 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 Phlx proposes to amend its schedule of dues, fees and charges to bill membership dues, foreign currency user fees, foreign currency participation

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Letter from Murray L. Ross, Vice President and Secretary, Phlx, to Kelly A. McCormick-Riley, Division of Market Regulation, SEC, dated February 3, 2000 ("Amendment No. 1"). Amendment No. 1 included a corrected Exhibit B to the proposed rule change regarding the fees impacted by the proposed billing schedule, corrected the date of effectiveness and corrected the file number listed in the Solicitation of Comment section.