

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39898; File No. SR-Philadep-98-01]

Self-Regulatory Organizations; Philadelphia Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to an Increase in the Number of Directors

April 21, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 31, 1998, the Philadelphia Depository Trust Company ("Philadep") filed with the Securities and Exchange Commission ("Commission"), as amended on April 21, 1998, the proposed rule change as described in Items I and II below, which items have been prepared primarily by Philadep. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

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

The proposed rule change involves an amendment to Philadep's by-laws and articles of incorporation to increase the number of directors on board from between 5 and 9 to between 5 and 23 and to include the president of Philadep on its board.

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

In its filing with the Commission, Philadep 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. Philadep 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

The proposed rule change will amend Philadep's by-laws and articles of incorporation to increase the permitted size of the board from between 5 and 9 directors to between 5 and 23 directors and to include the president of Philadep on its board. According to Philadep, all other provisions of the by-laws prescribing the composition of the board will remain unchanged. According to Philadep, the rule change is desirable due to the interest of the Board of Governors of the Philadelphia Stock Exchange ("Phlx") to more fully participate in the operation and control of Philadep.

Philadep also believes that a larger board will provide greater diversity and add policy making expertise to the process. In addition, Philadep believes that a Philadep board comprised of members from Phlx will allow greater coordination in scheduling meetings involving members from both the boards.³

Philadep believes that the proposed rule change provides for the fair representation of shareholders and participants in the selection of Philadep's directors and in the administration of Philadep's affairs and therefore that it is consistent with Section 17A(b)(3)(C) of the Act and the rules and regulations thereunder applicable to Philadep.⁴

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

Philadep does not believe that the proposed rule change will impose any burden on competition.

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

Philadep has not solicited and does not intend to solicit comments on this proposed rule change. Philadep has not received any unsolicited written comments from participants or other interested parties.

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

Section 17A(b)(3)(C) provides that the rules of a clearing agency must provide for the fair representation of its

shareholders or members and participants in the selection of directors. The Commission believes that the increase in the size of Philadep's board is consistent with the Act's fair representation requirements because the resized board should allow the board to more accurately reflect the controlling interest of the Phlx and its Board of Governors while still providing for fair representation of Philadep's participants.

Philadep has required that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing in order that this increase be implemented at the meeting of Phlx's board of directors scheduled for April 22, 1998. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of notice because such approval will allow the Phlx to increase Philadep's board size at its April 22, 1998, meeting.⁵

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 also will be available for inspection and copying at the principal office of Philadep. All submissions should refer to File No. SR-Philadep-98-01 and should be submitted by May 19, 1998.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the

⁵ John Rudolph, Supervisory Trust Analyst, Board of Governors of the Federal Reserve Board, concurred with the Commission's granting of accelerated approval per a telephone conversation on April 21, 1998.

⁶ 15 U.S.C. 78s(b)(2).

³ Telephone conversation between Edith Hallahan, Counsel, Philadep, and Greg Dumark, Attorney, Division of Market Regulation, Commission (April 20, 1998).

⁴ 15 U.S.C. 78q-1(b)(3)(C).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by Philadep.

proposed rule change (File No. SR-Philadep-98-01) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39895; File No. SR-Phlx-98-07]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment Nos. 1 and 2 Thereto by the Philadelphia Stock Exchange, Inc., Relating to the Listing and Trading of Options on the Exchange's Computer Box Maker Index

April 21, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 5, 1998, the Philadelphia Stock Exchange, Inc. ("Exchange" or "Phlx") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in items I and II below, which Items have been prepared by the Exchange. On April 3, 1998, the Exchange filed with the Commission Amendment No. 1 to the proposed rule change.² On April 20, 1998, the Exchange filed with the Commission Amendment No. 2 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons and is accelerating approval of the amended proposal.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Amendment No. 1 revised the proposal's maintenance criteria, position and exercise limits, concentration limits, and corrected technical errors and oversights.

³ Amendment No. 2 clarified that the 9,000 contract position limit governing options on the proposed index is independent of the three-tiered position limits found in Exchange Rule 1001A(b)(i), and instead appears as part of Exchange Rule 1001A(c). The second amendment also modified the concentration criteria that trigger the application of alternative position and exercise limits. See Letter to Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission, from Nandita Yagnik, Attorney, Exchange, dated April 20, 1998.

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

The Exchange proposes to list and trade European style, cash-settled options, including long term options,⁴ on the Exchange's Computer Box Maker Index ("Index"). The Index is a price-weighted, narrow-based, A.M. settled, index comprised of nine stocks issued by companies that manufacture, market, and support desktop and notebook personal computers and fault tolerant systems.⁵

The text of the proposed rule change is available at the Office of the Secretary, the Exchange, and at the Commission.

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 III 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 purpose of the proposed rule change is to list for trading European style, cash-settled options on the Index, a new index developed by the Exchange pursuant to Exchange Rule 1009A(a). Options on the Index will provide a potential hedging vehicle for basket traders and other market participants who trade the securities comprising this small subsector of the technology industry. The following is a detailed description of the proposed option contract and the underlying Index:

(a). *Ticker Symbol*: BMX.

(b). *Settlement Value Symbol*: BMZ.

(c). *Underlying Index*: The Index is a price-weighted index comprised of nine

stocks issued by companies that manufacture, market, and support desktop and notebook personal computers and fault tolerant systems. All of the nine component stocks trade on the New York Stock Exchange, Inc. ("NYSE"), or are National Market System ("NMS") securities that trade through the facilities of the Nasdaq Stock market ("Nasdaq"), and therefore are reported securities as defined in Rule 11Aa3-1 under the Act.⁶ Further, all of the component 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. national securities exchanges.

The Exchange represents that only the securities of U.S. companies are represented in the Index. However, if component securities issued by non-U.S. companies are added to the Index (stocks or American Depositary Receipts) and such component securities are not subject to comprehensive surveillance sharing agreements, those component securities will not account for more than 20% of the weight of the Index.

Statistical information provided by the Exchange indicates that as of April 2, 1998, the aggregate market capitalization of the nine component stocks in the Index exceeded \$266 billion. The individual market capitalizations ranged from a high of \$103.4 billion (IBM) to a low of \$3.43 billion (Unisys Corp.). Each of the nine component stocks in the Index had average daily trading volumes in excess of one million shares per trading day over the preceding six months. The average daily trading volumes ranged from a high of 19.9 million shares per day (Compaq Computer Corp.) to a low of 2.1 million shares per day (Gateway 2000, Inc.). The Exchange believes the Index's component stocks are some of the most widely held and highly capitalized common stocks.

(d) *Index Calculation*: The Index is a price-weighted index. The following formula will be used to compute the Index value:

$$\frac{SP_1 + SP_2 + \dots + SP_9}{3.5} \times 100$$

Where: SP=current stock price
The initial divisor is an arbitrary number selected to achieve a certain index value. The divisor for the Index shall be 3.5 which generates an Index value of 118 as of April 2, 1998.

(e). *Index Maintenance*: To maintain the continuity of the Index, the divisor

⁶ 17 CFR 240.11Aa3-1.