

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 and is set forth in Sections A, B, and C below.

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

1. Purpose

NYSE Rule 123A.40 generally prohibits a specialist from making a transaction for his or her own account that would result in electing stop orders.³ However, the Rule permits a specialist to be party to the election of a stop order under two sets of circumstances: (i) when the specialist's bid or offer is made with the prior approval of a Floor Official, has the effect of *bettering* the market, and the specialist guarantees that the stop order will be executed at the same price as the electing sale; and (ii) when the specialist purchases or sells stock *at the current bid or offer* in order to facilitate completion of a member's order at a single price, where the depth of the current bid or offer is not sufficient.

The Exchange proposes to amend part (i) of the Rule to allow the specialist to make a bid or offer that *better*s the market at a price that would elect stop orders and eliminate the requirement to obtain Floor Official approval, unless the price of the specialist's electing transactions is *more than 1/16* point away from the previous sale. The Rule would retain the requirement that the specialist guarantee that stop orders be executed at the same price as the electing sale.

A review of specialists' stop order electing transactions shows that a significant percent of trades occur at little or no change in price. For example, a study of the difference between the electing stop price and last sale price for September through November 1998 shows that 86% of the electing sales took place at 1/16 point change or less from the last sale price. The proposed change follows the philosophy that smaller variation trades do not require immediate scrutiny by a Floor Official. The Exchange's program for surveying stop order elections would not be affected by the proposed change to NYSE Rule 123A.40.

³ A stop order is an order that becomes an executable market order, or limit order, once the specified price ("stop price") is reached. A stop order is elected when the stock trades at or beyond the stop price and, thus, may not necessarily be executed at that price. See NYSE Rule 13.

Based on these statistics, therefore, the proposal would eliminate approximately 86% of required Floor Official approvals in this area. A comparison of Stop Election Forms (Floor Official approval slips) submitted during July and August 1997 versus the same weeks in 1998 shows that the number of such forms (and therefore requests for Floor Official approval) doubled in 1998. In 1998, on average, more than 800 Stop Election Forms a day were submitted during this period. The proposed change would significantly reduce the administrative burden on Floor Official and specialists without compromising the Exchange's ability to survey stop order elections.

2. Statutory Basis

The basis under the Act for the proposed rule change is the requirement under Section 6(b)(5)⁴ that an Exchange have rules that are designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

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 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 Rule Change Received From Members, Participants or Others

The Exchange has neither solicited nor received written comments on 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 self-regulatory organization consents, the Commission will:

- (A) By order approve the 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

⁴ 15 U.S.C. 78f(b)(5).

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 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 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 will also be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-99-10 and should be submitted by August 12, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41611; File No. SR-PCX-99-04]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to an Increase in the Maximum Size of Option Orders That May Be Executed Automatically

July 9, 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 February 10, 1999, the Pacific Exchange, Inc. ("PCX" 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 PCX. On February 25, 1999 the Exchange submitted Amendment No. 1 to the proposed rule change.³ On May 25, 1999 the Exchange

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 sets the maximum order size for execution through Auto-Ex for equity options

submitted Amendment No. 2 to the proposed rule change.⁴ On July 2, 1999 the Exchange submitted Amendment No. 3 to the proposed rule change.⁵ 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 PCX is proposing to modify its rules on the automatic execution of option orders by expanding the maximum number of contracts that may be designated for automatic execution on an issue-by-issue basis. Specifically, the Exchange proposes to change the maximum order size for execution of equity options orders that are eligible to be executed electronically on the Exchange's Automatic Execution System ("Auto-Ex") from twenty contracts to fifty contracts.

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 PCX 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 PCX 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

First, the Exchange proposes to amend its Rule 6.86, governing Trading Crowd Firm Disseminated Market Quotes. The Exchange proposes to add subsection 6.86(g) and to make technical changes to Rule 6.86 to make it consistent with proposed Rule 6.87(b).⁶

Specifically, the Exchange proposes to add subsection 6.86(g) to require that, if the Options Floor Trading Committee ("OFTC") determines, pursuant to Rule 6.87(b), the size of orders in an issue that are eligible to be executed on Auto-Ex will be greater than twenty contracts, then the trading crowd will be required to provide a market depth in that greater amount. The Exchange proposes this rule change to update, clarify and keep consistent PCX rules governing size of market orders and market depth.

Second, the Exchange proposes to modify its rules on the automatic execution of Equity and Index Option orders by expanding the maximum number of contracts that may be designated for automatic execution, on an issue-by-issue basis, to fifty contracts.⁷ Currently, the PCX Rule 6.87(b) provides that the Exchange's OFTC shall determine the size of orders that are eligible to be executed electronically on the Exchange's Auto-Ex system.⁸ The rule provides that the OFTC may change the order size parameter of orders that may be executed on Auto-Ex on an issue-by-

issue basis. The rule further provides that the maximum order size that the OFTC may designate for execution on Auto-Ex is twenty contracts.⁹

The Exchange proposes to distinguish between Equity and Index Options for matters relating to expansion of the maximum number of contracts that may be designated for automatic execution. The PCX proposes to increase the maximum size of Equity Option orders that the OFTC may designate for automatic execution in an issue from twenty contracts to fifty contracts. The PCX also proposes to allow the OFTC the ability to determine the size of Index Options orders that are eligible to be executed on Auto-Ex on an issue-by-issue basis for the following Index Options, with a maximum order size of fifty contracts: (1) the PSE Technology Index; (2) the Wilshire Small Cap Index; and (3) the Morgan Stanley Emerging Growth Index. The Exchange proposes these changes in an effort to meet the changing needs of customers in the market place and to give the Exchange better means of competing with other options exchanges for order flow, particularly in multiply traded issues. The Exchange also believes that the proposal will allow the Exchange to enhance its operational efficiency, particularly during times when large influxes of manual orders create undue congestion in particular trading crowds.

Third, the Exchange proposes to add subsection 6.87(k) to address the unbundling of Auto-Ex orders. Specifically, the Exchange proposes that the OFTC will determine, on an issue-by-issue basis, the manner in which orders entered through the Auto-Ex system will be assigned to individual Market Makers for execution. Each Market Maker who is participating on the Auto-Ex system will be required to execute a maximum of ten option contracts per Auto-Ex trade, except that, the OFTC may permit individual Market Makers and Lead Market Makers ("LMM") to be allocated a number of contracts greater than ten and no more than fifty, upon the request of the individual Market Maker or LMM.

Fourth, the Exchange proposes that, in accordance with the provision on

and for index options on the PSE Technology Index, the Wilshire Small Cap Index, and the Morgan Stanley Emerging Growth Index at fifty contracts. Additionally, in Amendment No. 1 the PCX withdrew SR-PCX-99-05, which was filed with the Commission on February 22, 1999. See letter from Robert P. Pacileo, Staff Attorney, PCX, to Michael A. Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, dated February 24, 1999.

⁴In Amendment No. 2 the Exchange proposed to add a subsection to PCX Rule 6.87 to address the unbundling of Auto-Ex orders. See letter from Robert P. Pacileo, Staff Attorney, PCX, to Michael A. Walinskas, Associate Director, Division of Market Regulation, Commission, dated May 24, 1999.

⁵In Amendment No. 3 the Exchange replaced the proposal in its entirety to restate and clarify the purpose of the proposal, to address technical modifications to PCX Rule 6.87 made in a separate filing with the Commission (SR-PCX-99-23), and to add a proposal to amend PCX Rule 6.86. See letter from Robert P. Pacileo, Staff Attorney, PCX, to Michael A. Walinskas, Associate Director, Division of Market Regulation, Commission, dated July 1, 1999.

⁶PCX Rule 6.87 has been renumbered and reorganized under SR-PCS-99-23, filed with the Commission on June 14, 1999. See Securities Exchange Act Release No. 41582 (June 30, 1999).

⁷The PCX Technology Department has confirmed that Pacific Options Exchange Trading System ("POETS") is capable of, and has the capacity to, execute trades at 50-up on an issue-by-issue basis, which can equate to floor-wide 50-up if done for all issues.

⁸The Commission approved the POETS and its Auto-Ex features as a pilot program in January 1990. See Securities Exchange Act Release No. 27633 (January 18, 1990), 55 FR 2466 (order approving File No. SR-PSE-89-26). On July 30, 1993, the Commission approved the program on a permanent basis. See Securities Exchange Act Release No. 32703 (July 30, 1993), 58 FR 42117 (August 6, 1993). The Auto-Ex system permits eligible market or marketable limit orders sent from member firms to be executed automatically at the displayed bid or offering price. Participating market makers are designated as the contra side to each Auto-Ex order. Participating market makers are assigned by Auto-Ex on a rotating basis, with the first market maker selected at random from the list of signed-on market makers. Auto-Ex preserves Book priority in all options. Automatic executions through Auto-Ex are currently available for public customer orders of ten contracts or less (or in certain issues, for twenty contracts or less) in all series of options traded on the Options Floor of the Exchange.

⁹Currently, however, PCX Rule 6.87(c) provides: "The Options Floor Trading Committee may increase the size of Auto-Ex-eligible orders in one or more classes of multiply traded equity options to the extent that other options exchanges permit such larger size orders in multiply traded equity options of the same class or classes to be entered into their own automated execution systems. If the Options Floor Trading Committee intends to increase the Auto-Ex order size eligibility pursuant to this subsection, the Exchange will notify the Securities and Exchange Commission pursuant to Section 19(b)(3)(A) of the Exchange Act."

LMMs' guaranteed participation in Rule 6.82(d)(2), the LMM in an issue will be required to either (i) participate in every other trade executed on Auto-Ex in that issue or (ii) participate in a percentage of every trade consistent with the amount of the LMM's guaranteed participation. The Exchange also proposes that the OFTC may require Market Makers or an LMM who is participating on Auto-Ex in a particular issue to execute a number of contracts greater than ten. However, before doing so, the OFTC must take into account whether doing so would place a Market Maker at undue risk based on that Market Maker's capitalization.

Finally, the Exchange proposes that the OFTC seek to assure that each Market Maker participating on Auto-Ex in a particular issue will be assigned up to the same maximum number of option contracts per Auto-Ex trade. The OFTC may permit exceptions to this procedure only in unusual situations where the OFTC finds good cause for permitting differences in the maximum number of contracts executed by individual Market Makers.

2. Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) ¹⁰ of the Act, in general, and furthers the objectives of Section 6(b)(5), ¹¹ in particular, in that it is designed to facilitate transactions in securities, to protect investors and the public interest and to promote just and equitable principles of trade.

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

PCX does not believe that the proposed rule change will 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 Rule Change Received From Members, Participants, or Others

No written comments were solicited or received 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 self-regulatory organization 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. 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 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 will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-99-04 and should be submitted by August 12, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-18657 Filed 7-22-99; 8:45 am]

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SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions And Delegations of Authority

This statement amends Part S of the Statement of the Organization, Functions and Delegations of Authority that covers the Social Security Administration (SSA). Notice is given that Chapter S1 for the Office of the Deputy Commissioner for Finance, Assessment and Management (DCFAM) is being amended to reflect the abolishment of the Office of Field Facilities Management (S1RK) in the Office of Facilities Management (S1R), DCFAM. Further notice is given that

Chapter S1 is being amended to reflect functional realignments within the Office of Facilities Management (OFM). The changes are as follows:

Section S1R.10 The Office Facilities Management—(Organization): Delete

H. The Office of Field Facilities Management (S1RK). Re-letter "I" to "H".

Section S1R.20 The Office of Facilities Management—(Functions): Delete in its entirety

H. The Office of Field Facilities Management (S1RK). Re-letter paragraph "I" to "H".

D. The Office of Realty Management (S1RE).

Delete the first sentence and replace with "The Office of Realty Management (S1RE) directs SSA's national real property program, including long- and short-range planning, design, construction, and leasing of central office and prospectus level field facilities, renovation projects, energy management, project management, acquisition management and utilization of space, installation of IWS/LAN and other automation projects, modular furniture installations, and the development and implementation of policies, procedures, and technical assistance to support these programs."

Amend as follows:

G. The Office of Outlying Buildings Management (S1RJ).

"The Office of Outlying Buildings Management (S1RJ) directs operations at the Metro West, Security West, National Computer Center, Hollings Ferry, and Techwood Buildings and leased offices in the Washington, D.C. area that house Headquarters Staff, including long- and short-range planning, construction, and lease management, maintenance, repair, ongoing preventive maintenance, space planning, execution of safety, environmental health, and physical security policies, and the development of appropriate policies, procedures, and technical assistance to support these programs."

Dated: July 6, 1999.

Paul D. Barnes,

Deputy Commissioner for Human Resources.

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¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² 17 CFR 200.30-3(a)(12).