

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 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 at the Commission's Public Reference Room, 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 should refer to File No. SR-Amex-99-26 and should be submitted by December 13, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-30319 Filed 11-19-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42128; File No. SR-Amex-99-41]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC Relating To an Increase in the Maximum Size of Options Orders Eligible To Be Entered Through the Amex Order File System Into the Amex Options Display Book

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 8, 1999, the American Stock Exchange LLC ("Amex" 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. 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 proposes to increase from 100 to 250 the maximum number of equity and index option contracts in an order that may be entered through the Amex Order File System ("AOF") into the Amex Options Display Book ("AODB"). The text of the proposed rule change is available at the Office of the Secretary, Amex 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 IV below. The Amex has prepared summaries, set forth in Section 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 AOF routes orders to specialists' order books and to Auto-Ex, an automatic execution system that executes public customer market and marketable limit orders in options at the best bid or offer displayed at the time the order is entered. Currently, the AOF permits a Member or Member Firm to enter orders for up to 100 option contracts directly into an Exchange specialist's order book (the AODB) from off the Exchange's trading floor.³

Amex proposes to increase the maximum size of options orders that may be entered through the AOF into the AODB from 100 to 250 option contracts.⁴ This increase in maximum

³ The Exchange represents that currently, orders for more than 100 option contracts are communicated by telephone to the floor broker, who seeks to execute that order in the trading crowd. Telephone conversation between Scott Van Hatten, Legal Counsel, Amex and Gordon Fuller, Special Counsel and Gail Fortson, Paralegal Specialist, Division of Market Regulation ("Division"), SEC (October 8, 1999).

⁴ Amex represents that its system capacity is sufficient to accommodate the anticipated increased volume of orders entered into AODB as a result of the increase in maximum order size. Telephone conversation between Scott Van Hatten, Amex, and Gordon Fuller, Special Counsel and Gail Fortson,

size of orders eligible for automated entry into the AODB will permit Members and Member Firms to send a larger percentage of orders directly to a specialist's order book for execution, resulting in increased automated order handling. Amex believes this increased automated order handling will benefit customers as well as Members and Member Firms by expanding the number of option orders eligible for automated handling and promoting the orderly and timely delivery, processing and execution of such orders.

The Exchange represents that AOF/AODB has been successful in enhancing execution and operational efficiencies. It anticipates that the proposed increase in the AOF.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b)⁵ of the Act, in general, and furthers the objectives of Section 6(b)(5)⁶ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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.

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

The Amex represents that the foregoing rule change effects a change in an Amex order-entry system that: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not have the effect of limiting the access to or availability of the system. Therefore, the rule change has become effective pursuant to Section

Paralegal Specialist, Division, SEC (October 8, 1999).

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

¹⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

19(b)(3)(A) of the Act⁷ and subparagraph (f)(5) of Rule 19b-4 under the Act.⁸

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.⁹

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 at the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-99-41 and should be submitted December 13, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margart H. McFarland,
Deputy Secretary.

[FR Doc. 99-30320 Filed 11-19-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42132; File Nos SR-Amex-98-39; SR-Phlx-98-39]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Philadelphia Stock Exchange; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amex Amendment No. 1 and Phlx Amendment No. 2 Thereto Relating to an Increase in Position and Exercise Limits for Narrow-Based Index Options

November 12, 1999.

I. Introduction

On October 13, 1998, and on September 3, 1998, the American Stock Exchange, Inc. ("Amex") and the Philadelphia Stock Exchange, Inc. ("Phlx") (collectively, the "Exchanges") respectively submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act")¹ and Rule 19b-4 thereunder,² proposed rule changes to increase position and exercise limits for narrow-based index options.

The proposed rule changes were published for comment in the **Federal Register** on December 14, 1998, and December 17, 1998, respectively.³ No comments were received on the proposal. Amex and Phlx filed amendments to the proposed rule changes on September 2, 1999, and July 16, 1999, respectively.⁴ This order approves the proposals, as amended.

II. Description

The Exchanges propose to increase position and exercise limits for narrow-based index options traded on each

Exchange.⁵ Specifically, the Exchanges' rules provide three different position limits depending on index components' relative weightings in the index.⁶ The current limits for narrow-based index options are 9,000, 12,000 and 15,000 contracts on the same side of the market. Under the proposed changes, the new limits will be 18,000, 24,000, and 31,500.

III. Discussion

The Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.⁷ Specifically, the Commission believes the proposed rule changes are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

Position limits serve as a regulatory tool designed to address potential manipulative schemes and adverse market impact surrounding the use of options. In the past, the Commission has stated that:

Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise. These rules are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market

⁵ Amex trades options on the following narrow-based indices: Airline, Biotechnology, Computer Hardware, Computer Technology, de Jager Year 2000, Disk Drive, Inter@ctive Week Internet, Morgan Stanley Commodity Related, Morgan Stanley High-Technology 35, Natural Gas, Networking, North American Telecommunications, Oil, Pharmaceutical, Securities Broker/Dealer, CSFB Technology Index, Deutsche Bank Energy Index, TheStreet.com E-Commerce Index, and TheStreet.com E-Finance Index.

Phlx trades options on the following narrow-based indices: Gold/Silver Index ("XAU"); Utility Index ("UTY"); Phlx/KBW Bank Index ("BKX"); Semiconductor Index ("SOX"); Forest and Paper ("FPP"); Box Maker Index ("BMX"); OTC Prime Index ("OTX"); Oil Service Index ("OSC"); and TheStreet.com Internet Index ("DOT").

⁶ See Amex Rule 904C. Amex Rule 905C establishes exercise limits for the corresponding options at the same levels. See Phlx Rule 1001A. Phlx Rule 1002A establishes exercise limits for the corresponding option at the same levels.

⁷ See 15 U.S.C. 78f(b). In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. *Id.* at 78c(f).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 24.19b-4(f)(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 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release Nos. 40756 (December 7, 1998), 63 FR 68809 (December 14, 1998); 40757 (December 7, 1998), 63 FR 69704 (December 17, 1998). Phlx Amendment No. 1 was published for comment in the Notice. See Letter to Michael Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, from Nandita Yagnik, Attorney, Phlx, dated September 25, 1998.

⁴ See Letter from Scott G. VanHatten, Legal Counsel, Amex, to Richard Strasser, Assistant Director, Division of Market Regulation, Commission, dated September 2, 1999 ("Amex Amendment No. 1"); and Letter from Nadita Yagnik, Phlx, to Michael Walinskas, Associate Director, Division of Market Regulation, Commission, dated July 15, 1999 ("Phlx Amendment No. 2"). These amendments propose to set the position and exercise limits at 18,000, 24,000, and 31,500 contracts, rather than the originally proposed tripled limits.