

accordingly, raises no new regulatory issues. The Commission finds the provision to be reasonable.

The margin treatment for covered write convertibles which was formerly in subparagraph (F)(i) of the Rule will now be in (d)(5)(D) of the Rule; however, the language in that section applicable to short puts is being deleted because it will be covered under proposed subsection (E) relating to covered calls and covered puts. Subparagraph (d)(5)(D) is not being changed substantively and raises no new regulatory issues. The Commission finds it reasonable for the Exchange to delete the language relating to short puts from this subparagraph, but notes that proposed subsection (E) is not being approved at this time.

Finally, a new provision for short equity call options offset by a warrant to purchase the underlying security has been added in new subsection (d)(5)(F). The proposed treatment for a short listed call covered by a warrant is new to Rule 722 but it is substantially similar with the current treatment under Regulation T, 12 CFR 220.4(b) and, accordingly, is reasonable.<sup>10</sup>

The Commission finds good cause for approving the portions of the proposed rule change discussed above prior to the thirtieth day after the date of publication thereof in the **Federal Register**.<sup>11</sup> The portions of the filing approved today are either (1) non-substantive changes that move or consolidate existing Phlx margin provisions or (2) nearly identical to provisions contained in the existing margin rules of the CBOE. Together, the changes make Phlx's margin provisions easier to understand and more uniform with the margin provisions of the other options exchanges.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the portions of the proposed rule change and amendments (SR-Phlx-97-14) relating to proposed Rule 722, paragraph (d), *Customer Margin Accounts—Derivative Securities* (with the exception of proposed paragraph (d)(5)(E)) are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

<sup>10</sup> The Commission notes that other exchanges have recently adopted identical provisions. See, e.g., SEC Release 34-38709 (June 2, 1997).

<sup>11</sup> The Commission invited interested persons to submit written data, views and arguments concerning the proposed rule change and amendments in SEC Release 34-38711 (June 2, 1997). See, IV *Solicitation of Comments*.

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38738; File No. SR-Phlx-97-20]

### Self-Regulatory Organizations; Order Granting Accelerated Approval To Proposed Rule Change and Amendment No. 1 Thereto by the Philadelphia Stock Exchange, Inc. Relating to Specialist Wheel Rotation Frequency

June 11, 1997.

On April 24, 1997, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Floor Procedure Advice ("Advice") F-24, AUTO-X Contra-Party Participation (the "Wheel"), regarding Wheel rotations to the specialist. On May 9, 1997, the Phlx submitted Amendment No. 1 to the proposed rule change.<sup>3</sup>

The proposed rule change was published for comment in the **Federal Register** on May 16, 1997.<sup>4</sup> No comments were received on the proposal. This order grants accelerated approval to the proposal.

#### II. Description of the Proposal

The Wheel is an automated mechanism for assigning floor traders (i.e., specialists and registered options traders ("ROTs")), on a rotating basis, as contra-side participants to AUTO-X orders. AUTO-X is the automatic execution feature of the Exchange's Automated Options Market ("AUTOM") system,<sup>5</sup> which provides customers with automatic executions of eligible equity option and index option orders at displayed markets. Currently, the Wheel

allocates the first trade of every day to the specialist. Thereafter, if four or less ROTs are participating on the Wheel, the specialist participates in a normal rotation. However, if five or more ROTs have signed-on the Wheel, the specialist receives every fifth execution.

The proposal would reduce the rotation frequency for the specialist in larger crowds. Specifically, if there are, on average, five to 15 Wheel participants (including the specialist), the specialist would receive every fifth execution, and if there are, on average, 16 or more Wheel participants, the specialist would receive every tenth execution. Where the Wheel will be set to "every tenth execution," the specialist's rotation frequency will thereafter be automatically reduced from every tenth execution to a normal, consecutive rotation, when the number of signed-on Wheel participants becomes less than ten.

The proposal also would enable the Options Committee to establish a different rotation increment not to exceed ten contracts. Currently, the Wheel rotates in different increments, depending upon the size of the AUTO-X guarantee in that issue. For example, where the AUTO-X guarantee is for one to ten contracts, the Wheel rotates in two lot increments, meaning a ten lot would be divided in two lots to five Wheel participants. Where the AUTO-X guarantee is 11 to 25 contracts, the Wheel rotates in five lot increments, and where the guarantee exceeds 25 contracts, up to the maximum permissible 50 contracts, the Wheel rotates in ten lot increments. The proposal would allow the Wheel to rotate in an increment larger than permissible under the current framework, but no greater than ten contracts. The Options Committee may determine to allow a differing rotation, if requested by the specialist and Wheel participants, and following adequate notice to the trading floor.

#### III. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes the proposal is consistent with the requirements of Section 6 of the Act<sup>6</sup> in general, and in particular, with Section 6(b)(5).<sup>7</sup> Section 6(b)(5) provides that the rules of the

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Letter from Philip H. Becker, Senior Vice President and Chief Regulatory Officer, Phlx, to Michael Walinskas, Senior Special Counsel, Division of Market Regulation, SEC, dated May 8, 1997 ("Amendment No. 1"). In Amendment No. 1, the Phlx designated File No. SR-Phlx-97-20 as submitted pursuant to Section 19(b)(2) of the Act, rather than pursuant to Section 19(b)(3)(A), as originally filed.

<sup>4</sup> See Securities Exchange Act Release No. 38606 (May 9, 1997), 62 FR 27099 (May 16, 1997).

<sup>5</sup> AUTOM is an electronic order routing and delivery system for options orders.

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(5).

Exchange must be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and in general, to protect investors and the public interest.<sup>8</sup>

The Commission believes that reducing the rotation frequency for specialists in larger crowds will promote equitable principles of trade by encouraging more ROTs to participate on the Wheel. The anticipation of more frequent Wheel executions will likely provide ROTs with an incentive to participate on the Wheel, thereby increasing liquidity in Phlx equity and index options. The proposal also will eliminate the perceived disproportionate allotment to the specialist in larger crowds.

In addition, the Commission notes that reducing the rotation frequency for specialists will have no discernible impact on public customers as the Exchange represents that neither the price nor the time of AUTO-X executions will be affected. Instead, the proposal will modify only the identity of the contra-side participant for AUTO-X trades. The proposal will, therefore, assure ROTs of more frequent execution in larger crowds, without affecting the execution of public customer orders.

The Commission believes that providing the Options committee with the authority to establish, at the request of Wheel participants, a rotation increment larger than that permissible under the current framework, but no greater than ten contracts, will remove impediments to a free and open market by providing the Phlx with additional flexibility to determine, within established parameters, the appropriate rotation procedures for a given option. In certain circumstances, the Phlx may determine it is preferable to all Wheel participants to receive larger, but less frequent, executions than allowable under the existing rules. The Commission believes that the proposal's limitation of ten contracts on the Option committee's authority to establish rotation increments is appropriate given that the original Wheel provisions provided for a rotation increment of ten contracts.<sup>9</sup> The Commission notes that any proposed increase in the rotation increment in excess of ten contracts would have to be submitted to the Commission for approval pursuant to Rule 19b-4.

Finally, the Commission finds good cause for approving the proposed rule change and Amendment No. 1 thereto prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. The proposed rule change, as amended, should add additional liquidity to Phlx's equity and index options traded through AUTO-X. In addition, the Commission did not receive any comments on this proposal, which was noticed for the full 21-day period. As the implementation of these proposed changes is expected to assist the Exchange in facilitating a fair and orderly market, the Commission believes that granting accelerated approval of the proposed rule change is appropriate and consistent with Section 6 of the Act.<sup>10</sup>

#### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-Phlx-97-20), including Amendment No. 1, is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-15936 Filed 6-17-97; 8:45 am]

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public, admittance to the State Department Building is only by means of a pre-arranged clearance list. In order to be placed on the pre-clearance list, please provide your name, title, company, social security number, date of birth, and citizenship to Jennifer Texeira at (202) 647-5205 or by fax at (202) 647-5957.

All attendees must use the "C" Street entrance. One of the following valid ID's will be required for admittance: any U.S. driver's license with photo, a passport, or a U.S. Government agency ID.

For further information, contact Timothy C. Finton, Executive Secretary of the Committee, at (202) 647-5385.

Dated: June 3, 1997.

**Timothy C. Finton,**

*Executive Secretary, Advisory Committee for International Communications and Information Policy.*

[FR Doc. 97-15969 Filed 6-17-97; 8:45 am]

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#### DEPARTMENT OF STATE

[Public Notice No. 2556]

#### United States International Telecommunications Advisory Committee; Citel Ad Hoc; Meeting Notice

The Department of State announces that the United States International Telecommunications Advisory Committee Citel Ad Hoc will meet on Thursday, July 9, 1997, at 9:30 a.m., in Room 1105 at the Department of State, 2201 C Street, N.W., Washington, DC 20520.

The Citel Ad Hoc Group will consider the Preparatory process for future Citel meetings, review possible contributions for the meeting of PCC-I in October 1997, and the tasks assigned under Citel Restructure proposals. Other matters within the competence of Citel Ad Hoc Group will be raised. A review of results of the PCC-I meeting in Cartagena, and the June meeting of PCC-III meeting in Brazil will be provided.

Persons presenting contributions should bring 20 copies of such contributions to the meeting.

*Please Note:* Persons intending to attend these meetings must announce this not later than 24 hours before the meeting to the Department of State by sending a fax to 202-647-7407. The announcement must include name, Social Security number and date of birth. The above includes government and non-government attendees. One of the following valid photo ID's will be required for admittance: U.S. passport,

#### DEPARTMENT OF STATE

[Public Notice No. 2553]

#### Advisory Committee on International Communications and Information Policy Public Meeting

**AGENCY:** U.S. Department of State.

**ACTION:** Correction.

**SUMMARY:** In notice document 97-14044 beginning on page 29180 in the issue of Thursday, May 29, 1997, make the following correction:

The Department of State is rescheduling the next meeting of its Advisory Committee on International Communications and Information Policy from Thursday, June 19, 1997.

This meeting now will be held on Thursday, July 17, 1997, from 9:45 a.m.-12:30 p.m. in Room 1205 of the Main Building of the U.S. Department of State, located at 2201 "C" Street, NW., Washington, DC 20520.

Members of the public may attend the meeting up to the seating capacity of the room. While the meeting is open to the

<sup>8</sup>*Id.*

<sup>9</sup> See Securities Exchange Act Release No. 35033 (November 30, 1994), 59 FR 63152 (December 7, 1994) (SR-Phlx-94-32).

<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</sup> 17 CFR 200.30-3(a)(12).