

56), including Amendment No. 1, is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39332; File No. SR-PHLX-97-52]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Options Trading Rotations

November 17, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 23, 1997, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") 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 self-regulatory organization. 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

Pursuant to Rule 19b-4 of the Act, the PHLX proposes to amend PHLX Rule 1047, "Trading Rotations, Halts and Suspensions," to (1) Emphasize that opening rotations are conducted daily; (2) replace references to "the Exchange" with references to "two Floor Officials and a Market Regulation officer" throughout PHLX Rule 1047; (3) delete references in PHLX Rule 1047, Commentary .01 (a) and (d) to puts and calls trading on the same security; (4) define modified, reverse and shotgun rotations in PHLX Rule 1047, Commentary .01(b); (5) require reverse rotations where there is a heavy influx of orders, unless exempted by two Floor Officials with the concurrence of a PHLX Market Regulation officer; (6) require that two Floor Officials, with the concurrence of a PHLX Market Regulation officer, approve second and subsequent rotations; (7) provide that, with the approval of two Floor Officials and the concurrence of a PHLX Market Regulation officer, modified rotations

(other than a reverse or shotgun rotation) can be employed where there is a delayed opening, halt or suspension in trading or other unusual market conditions; and (8) regarding closing rotations at expiration, add "or at an earlier time, with the concurrence of a Market Regulation officer," to allow the closing rotation at expiration to begin other than after the option normally ceases trading (4:02 p.m.).

The PHLX proposes to make comparable changes to PHLX Rule 1047A, "Trading Rotations, Halts or Reopenings," regarding index options, and to Floor Procedure Advice ("Advice") G-2, "Trading Rotations, Halts or Reopenings."<sup>1</sup> Because PHLX Rule 1047A(b) refers directly to PHLX Rule 1047, Commentary .01,<sup>2</sup> most of the above-described amendments will apply to index options trading. For PHLX Rule 1047A(a)(ii), (c), (d), and (f), and for the corresponding paragraphs of Advice G-2, the PHLX proposes to replace references to "the Exchange" with references to "two Floor Officials and a Market Regulation officer." Under PHLX Rule 1047A(e), closing rotations for expiring index options are not required, nor are they prohibited.<sup>3</sup>

The text of the proposed rule change is available at the Office of the Secretary, PHLX, 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 self-regulatory organization 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 self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

<sup>1</sup> Advice G-2 does not contain a fine schedule. Accordingly, the proposal does not affect the Exchange's minor rule violation enforcement and reporting plan.

<sup>2</sup> PHLX Rule 1047A(b) allows specialists to conduct a rotation in accordance with PHLX Rule 1047, Commentary .01 (b) and (c).

<sup>3</sup> See also CBOE Rule 6.2, Interpretation .03 (closing rotation for expiring index options is not ordinarily employed).

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

PHLX Rule 1047 governs options trading rotations<sup>4</sup> (including opening rotations), delayed openings, halts or suspensions in trading, reopenings and closing rotations. Trading rotations are intended to produce fair and orderly markets by fairly setting opening prices, taking into account orders and bids/offers on the book and in the trading crowd. The Exchange has considered the types of opening rotations that should be permitted or required in order to reduce the length of option openings, especially in unusual circumstances, and to prevent subsequent rotations. The purpose of the proposed rule change is to improve the efficiency of option openings. PHLX Rule 1047A is the corresponding rule governing index options trading.

First, the Exchange proposes to amend PHLX Rule 1047(a) to emphasize that opening rotations are conducted daily, as opposed to closing rotations, which are conducted only at expiration. This change is designed to clarify PHLX Rule 1047(a).

Second, the Exchange proposes to replace "the Exchange" with "two Floor Officials and a Market Regulation officer" throughout PHLX Rule 1047. This term originated in a comparable rule of the American Stock Exchange, but lacks specificity and does not reflect that, in reality, the approval of two Floor Officials is received. The Exchange believes that trading rotations present the types of issues and need for prompt determinations that are particularly suited for Floor Official approval.<sup>5</sup> The purpose of adding an Exchange officer is to trigger proper notification of the approval and further encourage prompt openings. It should also enable Exchange staff to better monitor the conditions giving rise to rotation-related Floor Official approval.

Third, the Exchange proposes to delete references in PHLX Rule 1047, Commentary .01(a) and (d) to puts and calls trading on the same security. The purpose of this change is to recognize that almost without exception, both puts and calls trade respecting all Exchange options, such that the preface "if" is confusing. The remainder of Commentary .01(a) states that the

<sup>4</sup> A trading rotation is a series of brief time periods during which bids, offers and transactions in only specified series can be made.

<sup>5</sup> See Securities Exchange Act Release No. 35742 (May 19, 1995), 60 FR 28188 (May 30, 1995) (order approving File No. SR-CBOE-95-04) ("CBOE Approval Order").

<sup>11</sup> 17 CFR 200.30-3(a)(12).

Specialist shall determine which type of option should open first, and may alternate the opening of put series and call series or may open all series of one type before opening any series of the other type, depending on current market conditions. The proposal adds the language "except as provided below" to emphasize that PHLX Rule 1047.01(b), for example, contains exceptions to these normal rotation procedures.

Fourth, the Exchange proposes to define modified rotations in Commentary .01(b) to include reverse and shotgun rotations. Currently, Commentary .01(b) defines a modified rotation as an opening rotation where each option series opens in the same manner and sequence as during a regular trading rotation,<sup>6</sup> but is permitted to freely trade once all option series with the same expiration month have been opened. The proposal is intended to correct PHLX Rule 1047 to reflect that this description refers to a type of modified rotation, a shotgun rotation. Further, the PHLX proposes to add a definition of a reverse rotation, stating that it involves opening the series with the most distant expiration first, proceeding to the next nearest expiration, and so forth, ending with the nearest expiration, until all series have been opened. Thus, the proposal is designed to update PHLX Rule 1047 to define rotations more thoroughly.

Fifth, the Exchange proposes to amend PHLX Rule 1047, Commentary .01(b)(ii) to require reverse rotations where there is a heavy influx of orders, unless exempted by two Floor Officials with the concurrence of a PHLX Market Regulation officer. Because a reverse rotation opens the most distant expiration first, it is intended to help decrease the number of rotations and result in more prompt openings. Specifically, most order flow and open interest is generally in the nearest months, such that starting with the nearest months and ending with the most distant often results in opening free trading with the most active months (the nearest) being outdated, which, in turn creates the need for subsequent rotations to update those first-rotated months. For purposes of this provision, a heavy influx of orders will be determined on a case-by-case basis, in light of order flow through the PHLX's Automated Options Market ("AUTOM") system, the number of floor brokers in the trading crowd indicating handheld orders for the opening, and the number

of orders placed on the book, relative to normal conditions for that option.

Sixth, the Exchange proposes to amend PHLX Rule 1047, Commentary .01(b)(ii) to require that two Floor Officials, with the concurrence of a PHLX Market Regulation officer, approve second and subsequent rotations to ensure that they occur only when warranted, because of the additional delay in opening free trading. Subsequent rotations are conducted in situations, including the influx of near-month order flow described above, where the rotation was so time-consuming that certain series, such as those earlier in the rotation, become inundated with additional order flow or become priced incorrectly, as the underlying stock price changes. Currently, PHLX Rule 1047 does not refer to or prohibit more than one rotation. The purpose of this change is to expressly permit additional rotations, but to require Floor Official approval to ensure proper and limited use.

Seventh, the PHLX proposes to amend PHLX Rule 1047, Commentary .01(b) to provide that modified rotations (other than a reverse or shotgun) can be employed where there is a delayed opening, halt or suspension in trading or other unusual market conditions, with the approval of two Floor Officials and the concurrence of a PHLX Market Regulation officer. This is intended to facilitate a prompt opening by permitting, although not requiring, a modified rotation in response to certain market conditions. Floor Officials' approval should ensure that expedited rotations are employed where warranted. Specialists could thus conduct rotations other than those defined in PHLX Rule 1047 (shotgun and reverse rotations), which may be appropriate in certain situations.<sup>7</sup>

Lastly, the Exchange proposes to amend the provision regarding equity option closing rotations at expiration. PHLX Rule 1047, Commentary .01(d) provides that when the PHLX's Options Committee decides to conduct a closing rotation on the trading day prior to expiration in an equity option for which the underlying did not trade, the rotation must commence as immediately as practicable following the time at which the option normally ceases free trading (4:02 p.m.). The proposal adds "or at an earlier time, with the concurrence of a Market Regulation officer," similar to other option exchanges,<sup>8</sup> which have conducted such

rotations during the trading day. In certain situations, such as where an underlying stock has not traded for a length of time, where there is little likelihood that such stock will reopen that day, it would be more orderly to conduct the closing rotation during the trading day. The time after the close of trading is particularly hectic, due to that confirmation of all trading activity and the preparation of exercise decisions, among other things. The Exchange notes that notification of such an earlier rotation would take place, in accordance with this provision.

According to the PHLX, the Commission previously has acknowledged the importance of prompt and efficient openings, which decrease the amount of time required to obtain market quotes and allow free trading to commence as quickly as possible after the opening.<sup>9</sup> This, in turn, should allow market participants to engage in option strategies promptly after opening and also should facilitate the prompt execution of customer orders. Further, the Commission has acknowledged that permitting Floor Officials to authorize deviations from normal operating procedures may be appropriate, because it facilitates a prompt response to market conditions.<sup>10</sup> The current proposal is intended to promote prompt and efficient openings by updating PHLX rules 1047 and 1047A, and Advice G-2.

For these reasons, the PHLX believes that the proposal is consistent with Section 6 of the Act, in general, and in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, as well as to protect investors and the public interest, by improving the efficiency of option openings.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

options on the last business day prior to expiration, commencing at the later of 3:10 p.m. Chicago time or after a closing price of the stock in its primary market is established).

<sup>9</sup> See Securities Exchange Act Release No. 29869 (October 28, 1991), 56 FR 56537 (November 5, 1991) (order approving File No. SR-PHLX-91-04).

<sup>10</sup> See CBOE Approval Order, *supra* note 5.

<sup>6</sup> PHLX Rule 1047, Commentary .01(a) describes a regular trading rotation as opening the series with the nearest expiration, proceeding to the next most distant expiration, and so forth, until all series have been opened.

<sup>7</sup> See also CBOE Rule 6.2, Interpretation .04 (allowing for abbreviated rotations).

<sup>8</sup> See CBOE rule 6.2, Interpretation .03 (requiring a closing rotation for each series of individual stock

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

No written comments were either solicited or received.

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

Within 35 days of the 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 arguments concerning the foregoing. 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the PHLX. All submissions should refer to File No. SR-PHLX-97-52 and should be submitted by December 15, 1997.

For the Commission, by the Division of Market Regulations, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SOCIAL SECURITY ADMINISTRATION**

**Information Collection Activities: Proposed Collection Requests and Comment Requests**

This notice lists information collection packages that will require submission to the Office of Management and Budget (OMB), as well as information collection packages submitted to OMB for clearance, in compliance with Pub. L. 104-13 effective October 1, 1995, The Paperwork Reduction Act of 1995.

I. The information collection(s) listed below require(s) extension(s) of the current OMB approval(s) or are proposed new collection(s):

1. Application for Child's Insurance Benefits—0960-0010. The information collected on Form SSA-4-BK is used to entitle children of living and deceased workers to Social Security benefits. The respondents are children of living or deceased workers.

*Number of Respondents:* 1,740,000.

*Frequency of Response:* 1.

*Average Burden Per Response:* 10.5 or 15.5 minutes (depending on the type of claim).

*Estimated Average Burden:* 372,417 hours.

2. Notice Regarding Substitution of Party Upon Death of Claimant—0960-0288. The information collected on Form HA-539 is used to advise claimants of their statutory right to a hearing and of a decision by the Social Security Administration (SSA) on who, if anyone, should become a substitute party for the deceased, as provided for in the Social Security Act. The respondents are individuals requesting hearings on behalf of deceased claimants on Social Security benefits issues.

*Number of Respondents:* 35,451.

*Frequency of Response:* 1.

*Average Burden Per Response:* 5 minutes.

*Estimated Average Burden:* 2,954 hours.

3. Certificate of Responsibility for Welfare and Care of Child Not in Applicant's Custody—0960-0019. SSA uses the information collected on Form SSA-781 to decide if "in care" requirements are met by noncustodial parent(s) (or the spouse of a parent), who is filing for benefits based on having a child in care. The respondents are noncustodial wage earners whose entitlement to benefits depends upon having an entitled child in care.

*Number of Respondents:* 14,000.

*Frequency of Response:* 1.

*Average Burden Per Response:* 10 minutes.

*Estimated Average Burden:* 2,333 hours.

4. Report of Function—Child—0960-0542. The information collected on Forms SSA-3375, 3376, 3377, 3378, and 3379 will be used by SSA to help determine if a child claiming Supplemental Security Income disability benefits under title XVI is disabled. The respondents are parents or guardians who file for such benefits on behalf of a child.

*Number of Respondents:* 500,000.

*Frequency of Response:* 1.

*Average Burden Per Response:* 20 minutes.

*Estimated Annual Burden:* 166,667 hours.

5. Payee Interview, SSA-835; Beneficiary Interview, SSA-836; Custodian Interview, SSA-837—0960-NEW. SSA is proposing a three-tier review process of the representative payee program. As part of this review process, SSA is proposing to conduct interviews with a sample of beneficiaries and their representative payees. The information will be used to assess the effectiveness of the representative payee program.

	SSA-835	SSA-836	SSA-837
Number of Respondents .....	2,000	1,000	380
Frequency of Response .....	1	1	1
Average Burden Per Response (minutes) ..	30	20	10
Estimated Annual Burden (hours) .....	1,000	333	63

Written comments and recommendations regarding the information collection(s) should be sent within 60 days from the date of this publication, directly to the SSA Reports Clearance Officer at the following address: Social Security Administration, DCFAM, Attn: Nicholas E. Tagliareni, 6401 Security Blvd., 1-A-21 Operations Bldg., Baltimore, MD 21235.

In addition to your comments on the accuracy of the agency's burden estimate, we are soliciting comments on the need for the information; its practical utility; ways to enhance its quality, utility and clarity; and on ways to minimize burden on respondents, including the use of automated collection techniques or other forms of information technology.

II. The information collection(s) listed below have been submitted to OMB:

<sup>11</sup> 17 CFR 200.30-3(a)(12).