

option contracts on another exchange, and who is not a member of that exchange, to comply with the options position and exercise limits set by the exchange where the transactions are effected.⁸

As the Commission has noted in the past,⁹ options position and exercise limits are intended to prevent the establishment of large options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position. In particular, position exercise limits are designed to minimize the potential for mini-manipulations¹⁰ and for corners or squeezes of the underlying market. In addition, they serve to reduce the possibility for disruption of the options market itself, especially in illiquid option classes. The proposal extends the benefits of the position and exercise limit rules to include all options transactions entered into by PSE members.

As noted above, the proposed amendments will extend PSE Rules 6.8 and 6.9 to apply to option contracts dealt in on any exchange (rather than only to option contracts dealt in on the PSE) by requiring a PSE member who effects transactions in non-PSE-listed option contracts on another exchange, of which he or she is not a member, to comply with the position and exercise limits set by the exchange on which the transaction is effected. Such violations, consistent with any violation of the PSE's position and exercise limit rules, will be subject to fines imposed pursuant to PSE Rule 10.13, "Minor Rule Plan" or any other disciplinary action the PSE deems appropriate.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register because the proposal is identical to approved proposals submitted by the Chicago Board Options Exchange, Inc. ("CBOE") and the Philadelphia Stock Exchange, Inc.¹¹ The CBOE and PHLX proposals

⁸In applying the position and exercise limits of another options exchange, the PSE will also follow any applicable exemptions, interpretations, and policies of that exchange. See Amendment No. 2, *supra* note 1.

⁹See, e.g., Securities and Exchange Act Release No. 33283 (December 3, 1993), 58 FR 65204 (December 13, 1993) (order approving File No. SR-CBOE-93-43).

¹⁰Mini-manipulation is an attempt to influence, over a relatively small range, the price movement in a stock to benefit a previously established derivatives position.

¹¹See Securities Exchange Act Release Nos. 3642 (September 18, 1995), 60 FR 49305 (September 22, 1995) (order approving File No. SR-CBOE-22) and 36257 (September 20, 1995), 60 FR 50228

were subject to the full notice and comment period and the Commission received no comments on those proposals. Therefore, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the PSE's proposal on an accelerated basis.

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. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by November 6, 1995.

It is therefore ordered, pursuant to Section 19() (2) of the Act,¹² that the proposed rule change (File No. SR-PSE-95-17), as amended, is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Jonathan G. Katz,
Secretary.

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(September 28, 1995) (order approving File No. SR-PHLX-95-31).

¹² 15 U.S.C. 78s(b)(2) (1982).

¹³ 17 CFR 200.30-3(a)(12) (1994).

[Release No. 34-36351; File No. SR-Phlx-95-49]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Personnel Fingerprinting Requirements

October 6, 1995.

On July 3, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to incorporate the requirements of section 17(f)(2) of the Act,³ and Rule 17f-2⁴ thereunder into the Phlx's rules. On July 25, 1995, the Exchange filed Amendment No. 1 to request that its Minor Rule Plan ("MRP") be amended to incorporate the rule proposed herein.⁵

The proposed rule change, together with Amendment No. 1, was published for comment in the Federal Register on August 22, 1995.⁶ No comments were received on the proposal. On October 3, 1995, the Exchange filed a technical amendment to correct a cross-reference in the text of the proposed rule.⁷ This order approves the proposal, as amended.

The Exchange proposes to adopt Phlx Rule 623, which would require members and participant organizations⁸ to comply with the requirements of Section 17(f)(2) of the Act concerning the fingerprinting of required employees.⁹ It also would require applicants for membership to be fingerprinted as part of the Phlx's membership application process. Finally, Phlx Rule 623 would require

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78q(f)(2).

⁴ 17 CFR 240.17f-2.

⁵ See Letter from Gerald O'Connell, First Vice President, Phlx, to Glen Barrentine, Team Leader, Division of Market Regulations, SEC (July 24, 1995).

⁶ Securities Exchange Act Release No. 36108 (Aug. 16, 1995), 60 FR 43630.

⁷ This technical amendment removes an incorrect reference to Rule 17f-1 from the proposal and substitutes the correct reference to Rule 17f-2. See Letter from Edith Hallahan, Special Counsel, Phlx, to Glen Barrentine, Team Leader, SEC (Oct. 3, 1995).

⁸ A participant organization refers to a foreign currency options participant organization.

⁹ 15 U.S.C. 78q(f)(2) (requiring every member of a national securities exchange, broker, dealer, registered transfer agent, and registered clearing agency to fingerprint each of its partners, directors, officers, and employees and submit such fingerprints to the Attorney General of the United States or its designee for identification and appropriate processing).

member organizations to submit such fingerprints to the Exchange for processing prior to any employee performing functions that are not exempted by Rule 17f-2.¹⁰ The Exchange maintains that incorporating the fingerprinting requirement into the Phlx's rules should facilitate compliance with Section 17(f)(2) of the Act and Rule 17f-2 thereunder by providing Exchange members with a ready reference to these requirements.

The Exchange also proposes to incorporate the provisions of Phlx Rule 623 into Floor Procedure Advice F-25. This would have the effect of adding these provisions to the Exchange's MRP.¹¹ The Exchange would impose the following fines for violations of the personnel fingerprinting rules and regulations; \$50 for a first-time violation; \$100 for a second-time violation; \$250 for a third-time violation; and, for every violation thereafter, the sanction would be within the discretion of the Business Conduct Committee.

The Commission finds that the proposal is 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(b).¹² Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)¹³ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public. The Commission also believes the proposal is consistent with the Section 6(b)(6)¹⁴ requirement that the rules of an exchange provide that its members be disciplined appropriately for violations of an exchange's rules and the Act.

¹⁰ 17 CFR 240.17f-2 (exempting, for example, employees who do not sell securities; do not have regular access to the keeping, handling, or processing of securities, monies, or their original books and records; or do not have direct supervisory responsibility over persons engaged in the above mentioned activities).

¹¹ The Exchange's MRP, set forth in Phlx Rule 970, provides that the Exchange may impose a fine not to exceed \$2,500 on any member, member organization, or person associated with or employed by a member or member organization, for any violation of an Exchange rule that has been deemed to be minor in nature and approved by the Commission for inclusion in the MRP. In addition, Phlx Rule 970 incorporates the Exchange's Floor Procedure Advice memoranda into the MRP. These memoranda, with accompanying fine schedules, describe which rule violations are eligible for the expedited disciplinary procedure under the MRP.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ 15 U.S.C. 78f(b)(6).

The Commission agrees with the Exchange and believes that including the Commission's fingerprinting requirements in the Phlx's rules should facilitate compliance by providing Exchange members with the Commission's fingerprinting requirements also should assist in the accurate verification of the identity and background of the Exchange's members and their employees.

The Commission also believes that it is appropriate to add these requirements to the Exchange's MRP. The purpose of the Exchange's MRP is to provide a response to a violation of Exchange rules when a meaningful sanction is needed, but initiation of a disciplinary proceeding pursuant to Phlx Rule 960.2¹⁵ is not suitable because such a proceeding would be more costly and time-consuming than would be warranted given the nature of the violation.¹⁶

The inclusion of a rule in an exchange's minor rule violation plan, however, should not be interpreted to mean that it is not an important rule. On the contrary, the Commission recognizes that the inclusion of violations of particular rules under a minor rule violation plan may make the exchange's disciplinary system more efficient in prosecuting more egregious or repeated violations of these rules, thereby furthering its mandates to protect investors and the public interest.

The Commission believes that violations of the personnel fingerprinting requirements lend themselves to the use of expedited proceedings because such violations are technical in nature and easily verifiable. Moreover, noncompliance with these provisions may be determined objectively and adjudicated quickly without the complicated factual and interpretive inquiries associated with more sophisticated Exchange disciplinary proceedings. Accordingly, the addition of the personnel fingerprinting requirements to the Exchange's MRP should provide an efficient and appropriate procedure for disciplining members who violate these requirements. This, in turn, should further the Exchange's ability to

¹⁵ Phlx Rule 960.2 governs the initiation of disciplinary proceedings by the Exchange for violations within the disciplinary jurisdiction of the Exchange.

¹⁶ Phlx Rule 970 is designed to provide an appropriate response to violations of certain Exchange rules, while preserving the due process rights of the accused party through specified required procedures. For example, the MRP permits any person to contest the Exchange's imposition of the fine through submission of a written answer, at which time the matter will become a formal disciplinary action.

effectively enforce compliance by its members and member organizations with both the Commission's and the Exchange's rules.

If, however, the Exchange determines that a violation of one of these rules is not minor in nature, the Exchange retains the discretion to initiate full disciplinary proceedings in accordance with Phlx Rule 960.2. In fact, the Commission expects the Phlx to bring full disciplinary proceedings in appropriate cases (e.g., in cases where the violation is egregious or where there is a history or pattern of repeated violations).

Finally, the Commission finds that the imposition of the recommended fines for violations of the personnel fingerprinting rules and regulations should result in appropriate discipline of members in a manner that is proportionate to the nature of such violations.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,¹⁷ that the proposed rule change (SR-Phlx-95-49) is approved.

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

Jonathan G. Katz,
Secretary.

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[Rel. No. IC-21401; 812-9716]

Liberty All-Star Equity Fund; Notice of Application

October 6, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of Application for Exemption Under the Investment Company Act of 1940 (the "Act").

APPLICANT: Liberty All-Star Equity Fund.
RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act from section 19(b) of the Act and from rule 19b-1 thereunder.

SUMMARY OF APPLICATION: Applicant requests an order to permit applicant to make up to four distributions of net long-term capital gains in any one taxable year, so long as it maintains in effect a distribution policy calling for quarterly distributions of a fixed percentage of its net asset value.

FILING DATES: The application was filed on August 8, 1995, and amended on September 22, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).