

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 NASD. All submissions should refer to the SR-NASD-95-52 and should be submitted by December 15, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-36489; File No. SR-NYSE-95-37]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to a Pilot Program to Display Price Improvement on the Execution Report Sent to the Entering Firm**

November 16, 1995.

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 November 6, 1995, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. On November 16, 1995, the NYSE filed Amendment No. 1 to the proposed rule change.<sup>1</sup> 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 proposed rule change consists of additional descriptions of the pilot

program whereby the Exchange will test and evaluate a means of calculating and displaying, on the execution reports sent to member firms, the dollar amounts realized as savings to their customers as a result of price improvement in the execution of their orders on the Exchange.<sup>2</sup> Initially, the Exchange expects to work with Merrill Lynch, Pierce, Fenner & Smith, Incorporated ("Merrill Lynch") in testing and evaluating the proposed methodology. Assuming the results of the pilot program are successful, the Exchange will make this program available to all its member organizations in January 1996.

**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.

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

**1. Purpose**

As noted in the Pilot Filing, the purpose of the six month pilot program is to develop, test, and evaluate a methodology and program for calculating and displaying, on an execution report sent to member firms entering orders, the dollar value saved by their customers as a result of price improvement of orders executed on the Exchange. This program does not in any way affect the actual execution of orders. The Exchange refers to this calculated dollar savings as the "NYSE PRIME<sup>SM</sup>."

In the Pilot Filing, the Exchange presented several examples of how NYSE PRIME is intended to work. Herein, the Exchange is providing an additional example as to how NYSE PRIME will operate in situations when

an order is stopped against the prevailing bid or offer and then exposed at a better price in an effort to obtain price improvement for the order.

Assume the NYSE market quote is 50-50<sup>3</sup>/<sub>8</sub>, with 500 shares bid and 10,000 offered, and that the best offer displayed in the National Market System is 50<sup>1</sup>/<sub>4</sub> for 200 shares. A market order to buy 1,000 shares, entered on the NYSE is stopped at 50<sup>3</sup>/<sub>8</sub>, meaning it is guaranteed to buy at 50<sup>3</sup>/<sub>8</sub> or a better price. The order is subsequently executed at 50<sup>1</sup>/<sub>4</sub> on the NYSE. Because in this situation there is not complete price improvement, there would be no representation of NYSE PRIME price improvement on the execution report.

The NYSE PRIME program operates in the same manner when an order is not stopped, but is executed at a price equal to the best price displayed in the National Market System if that quotation size is 200 shares or more.<sup>3</sup>

**2. Statutory Basis**

The basis under the Act for this rule change is the requirement under Section 6(b)(5) 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 a national market system and, in general, to protect investors and the public interest. This rule change is designed to perfect the mechanism of a free and open market in that it enhances the information provided to investors by displaying to them the dollar value of the price improvement their orders may have received when executed on the NYSE.

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

The Exchange does not believe that the rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In fact, the Exchange believes that the NYSE PRIME program can reasonably be expected to enhance competition by disclosing to investors the amount of savings they may realize as a result of the price improvement their orders may receive when executed on the NYSE.

<sup>1</sup> See letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Howard Kramer, Associate Director, Division of Market Regulation, SEC, dated November 16, 1995. Amendment No. 1 modified the original filing by removing the Exchange's proposal to calculate price improvement based on size. Amendment No. 1 also modified the pilot to make the program available to all NYSE member organizations starting in January 1996.

<sup>2</sup> See Securities Exchange Act Release No. 36421 (October 26, 1995), 60 FR 55625 (November 1, 1995) (notice of filing and immediate effectiveness of proposed rule change by the NYSE relating to a six-month pilot program to display price improvement on the execution report sent to the entering firm) (File No. SR-NYSE-95-35) ("Pilot Filing").

<sup>SM</sup> NYSE is a service mark of the New York Stock Exchange.

<sup>3</sup> The Commission notes that this filing initially proposed to modify the program, as soon as practicable, to reflect price improvement on 800 shares in the above example, whether or not the order was stopped. In Amendment No. 1, the NYSE indicated that it will not modify the PRIME program to represent price improvement as initially proposed in this filing. See *supra* note 1.

*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**

This rule change is filed pursuant to paragraph (A) of Section 19(b)(3) of the Act, and paragraphs (e)(5)(i), (ii), and (iii) of Rule 19b-4 thereunder. The NYSE PRIME program will entail enhancements to the Exchange's CMS (common message switch), SuperDOT and Post Trade systems. This program does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and does not have the effect of limiting access to or availability of any Exchange order entry or trading system. As such, this rule change, as amended on November 16, 1995,<sup>4</sup> may take effect immediately upon filing with the Commission, to modify the program described in SR-NYSE-95-35.<sup>5</sup> At any time within 60 days of the filing of such 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.

**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 Exchange. All submissions should refer to File No. SR-NYSE-95-37 and should be submitted by December 15, 1995.

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

Margaret H. McFarland,

*Deputy Secretary.*

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**[Release No. 34-36473; International Series Release No. 884; File No. SR-PHLX-95-62]**

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to the Selective Quoting Facility for Foreign Currency Options**

November 9, 1995.

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 September 18, 1995, the Philadelphia Stock Exchange, Inc. ("PHLX" 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 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**

Commentary .04 to PHLX Rule 1012, "Series of Options Open for Trading," and Floor Procedure Advice ("Advice") F-18, "FCO Expiration Months and Strike Prices," establish the Selective Quoting Facility ("SQF") for foreign currency options ("FCOs"). The SQF, a feature of the Exchange's Auto-Quote system, categorizes each FCO series as either an "update strike" or a "non-update strike." Update strikes, for which PHLX quotes must be made available for continuous dissemination to the public throughout the trading day include, at the minimum: (1) The four strike prices below and the four strike prices above the underlying price for American-style options<sup>1</sup> with expiration dates of the three nearest mid-month expirations and the three nearest month-end expirations; and (2) any other European-style<sup>2</sup> or American-

<sup>1</sup> An American-style option can be exercised on any business day prior to its expiration date and on its expiration date.

<sup>2</sup> A European-style option can only be exercised during a specified period before it expires.

style series where there is open interest as of the commencement of that date. In addition, update series may be activated intra-day at the initiative of the PHLX or in response to a request from either the respective specialist or from an FCO floor official. The PHLX proposes to amend Exchange Rule 1012, Commentary .04 and Advice F-18 to (1) categorize series which maintain open interest but have not traded within the previous five days as non-update series;<sup>3</sup> and (2) amend the definition of update series, which are set at the commencement of each trading day, to include the 10, 20, 30, 40 and 50 delta<sup>4</sup> strikes below and above the underlying price rather than the four strike prices above and below the underlying price. The proposal to amend the definition of update series to include the 10, 20, 30, 40, and 50 delta strikes below and above the underlying price will not result in additional strike price intervals; rather, it will identify the existing strike prices which will be classified as update series.<sup>5</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>3</sup> For non-update series, continuous dissemination of Exchange quotes to the public is not required. Although the proposal classifies series which maintain open interest but have not traded within the previous five trade days as non-update series, the proposal also provides that such series must have one bid/ask quote disseminated at the close of each trade day.

<sup>4</sup> Delta is a measure of how an option premium changes in relation to the price of the underlying instrument. For example, a delta of 50 means that for every one point move in the spot price of an underlying foreign currency, the option premium moves 1/2.

<sup>5</sup> Telephone conversation between Edith Hallahan, Special Counsel, Regulatory Services, PHLX, and Yvonne Fraticelli, Attorney, Options Branch, Division of Market Regulation, Commission, on October 6, 1995.

<sup>4</sup> See *supra* note 1.

<sup>5</sup> See *supra* note 2.