

rule change, one (1) was opposed, and one (1) was neither in favor nor opposed.

Of the two commentators that were in favor of the proposal, one was in favor on the assumption that the proposed rule would continue not to cover member reimbursements for payment for order flow and directed orders.²⁶ The other commentator was in favor of the proposed rule, and further suggested that we eliminate the third exception (*i.e.*, permitting reimbursement for certain accountable costs) to the proposed rule on the ground that it represents an invitation for abuse by certain market makers.²⁷ One commentator opposed the proposed rule on the grounds that the proposed rule was complex and suggested that the proposed rule should require disclosure of all such payments and relationships similar to the requirements on market makers to disclose payment for order flow arrangements.²⁸ One commentator neither favored nor opposed the proposed rule and offered a suggestion that small issuers provide the required documentation to the NASD after issuer's counsel review. Apparently, the issuer's counsel review would substitute for the member broker-dealer's review.²⁹

Based on the above responses, the NASD does not believe that any modification to the proposed rule is warranted. The only negative response supports requiring disclosure of payments and relationships, rather than prohibiting the conduct with exceptions. The NASD continues to believe that the inherent conflicts addressed by the proposal continue to require direct regulatory action, and that disclosure of such conflicts would not be an adequate substitute. Further, the text of the proposed rule is consistent with the NASD's longstanding policy.

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. The Commission requests particular comments addressing whether payments by other members to publish a quotation, act as a market maker, or submitting an application therewith should be specifically prohibited and what impact such a prohibition would have on existing payment arrangements between broker-dealers. 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 NASD. All submissions should refer to File No. SR-NASD-97-29 and should be submitted by June 20, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁰

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38667; International Series Release No. 1084; File No. SR-Phlx-97-22]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to the Trading of Customized Foreign Currency Options on the Mexican Peso

May 22, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

("Act"),¹ notice is hereby given that on May 2, 1997, the Philadelphia Stock Exchange Inc., ("Phlx" 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 Phlx. On May 21, 1997, Phlx amended the filing.² 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,³ Phlx proposes to amend its rules to accommodate the trading of customized foreign currency options on the Mexican peso.⁴

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

In its filing with the Commission, Phlx included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Phlx 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

The Exchange presently offers listed foreign currency option contracts on the British pound, French franc, Swiss franc, Japanese yen, Canadian dollar, Australian dollar, German mark and the European Currency Unit. Since November 1994, the Exchange has offered the ability to trade customized contracts on all currencies in relation to the U.S. dollar or in relation to each other.⁵ In 1995, the Exchange listed for trading customized options on the Italian lira and the Spanish peseta.⁶ The Exchange now proposes to list and trade

¹ 15 U.S.C. 78s(b)(1).

² Letter from Nandita Yagnick, CBOE, to Margaret Blake, Division of Market Regulation, Commission (May 21, 1997).

³ 17 CFR 240.19b-4.

⁴ The text of the proposed changes to Exchange Rules 722, 1000(b) (13) and (15), 1009, 1014, 1033, 1034 and 1069 is attached as Exhibit B to File No. SR-Phlx-97-22, and is available for review in the principal office of Phlx and in the Public Reference Room of the Commission.

⁵ See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720 (November 8, 1994).

⁶ See Securities Exchange Act Release No. 36255 (September 20, 1995), 60 FR 50229 (September 28, 1995).

²⁶ See, comment letter 2.

²⁷ See, comment letter 3.

²⁸ See, comment letter 4.

²⁹ See, comment letter 1.

³⁰ 17 CFR 200.30-3(a)(12).

customized options on the Mexican Peso pursuant to Phlx Rule 1069. The Exchange requests approval to trade the peso only against the U.S. dollar and the Canadian dollar. The Exchange wishes to capitalize upon Mexico's position near the forefront of the world's emerging markets, as well as the increased activity in Mexican equities and derivative securities based on Mexican markets.

Because the peso would only trade as a customized contract, there would be no continuously quoted series of peso contracts. Rule 1069(a)(1) provides that customized options contracts may be traded on any approved underlying foreign currency pursuant to Rule 1009. Therefore, the Exchange proposes to amend Rule 1009 to add the Mexican peso to the list of approved underlying foreign currencies. Pursuant to Rule 1069(a)(1)(B), users would be able to trade customized contracts between the Mexican peso ("MXP") and the U.S. dollar ("USD") in U.S. terms (USD/MXP), or as an inverse contract (MXP/USD). The contract size for the customized contract in U.S. terms would be 250,000 MXP. The premium will be .00001 USD per unit or 2.50 USD for an option contract having a unit of trading of 250,000 of MXP. The contract size for the inverse would be 50,000 USD. The premium will be .0001 MXP per unit or 5.00 MXP for an option contract having a unit of trading of 50,000 USD.

No cross rate on the peso would be offered at this time except for the Mexican peso against the Canadian dollar ("CAD"). The contract size for the cross-rate (CAD/MXP) would be 250,000 MXP. The premium will be .00001 CAD per unit or 2.50 CAD for an option contract having a unit of trading of 250,000 MXP. The contract size for the cross-rate (MXP/CAD) would be 50,000 CAD. The premium will be .0001 MXP per unit or 5.00 MXP for an option contract having a unit of trading of 50,000 CAD.

Consistent with Exchange Rule 1069(j), no quote spread parameters will apply to these contracts. The Exchange also proposes to amend Rules 1033 and 1034 to explain how premiums will be quoted and what the minimum fractional change will be for USD/MXP.

The Exchange believes that the customer margin requirements for the MXP contracts should be 8%. The Exchange represents that this margin level covers at least 97.5% of all seven

day price movements over the last three years.⁷

The Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act,⁸ in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to and facilitating transactions in securities to remove impediments to and perfect the mechanism of free and open market and a national market system. The Exchange believes the proposed rule change will also protect investors and the public interest by offering investors the ability to trade options on a major international currency in an auction market environment with all of the attendant protections as an alternative to trading it over-the-counter. In addition the Exchange believes the proposed rule filing provides an additional tool for hedgers to reduce additional risk of currency volatility in the Mexican markets.

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

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

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

Comments were neither solicited nor received.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days or such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Phlx consents, the Commission will:

(A) By order approve such 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.

⁷ The frequency distributions to support this determination are attached as Exhibit C to File No. SR-Phlx-97-22.

⁸ 15 U.S.C. § 78f(b)(5).

Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 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 in the Commission's Public Reference Section, 450 Fifth Street NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of Phlx. All submissions should refer to File No. SR-Phlx-97-22 and should be submitted by June 20, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF TRANSPORTATION

Office of the Secretary

North American Free Trade Agreement's Land Transportation Standards Subcommittee and Transportation Consultative Group; Annual Plenary Session

AGENCY: Office of the Secretary, DOT.

ACTION: Notice.

SUMMARY: This notice (1) announces the fourth joint annual plenary session of the North American Free Trade Agreement's (NAFTA) Land Transportation Standards Subcommittee (LTSS) and the Transportation Consultative Group (TCG) and other related meetings; and (2) invites representatives of non-governmental entities with an interest in land transportation issues to participate in a listening session immediately preceding the plenary meeting and to attend a briefing at a later date.

BACKGROUND: The Land Transportation Standards Subcommittee (LTSS) was established by the North American Free Trade Agreement's (NAFTA) Committee on Standards-Related Measures to examine the land transportation

⁹ CFR 200.30-3(a)(12).