

their annual reports to investors in a timely manner or provide investors with an explanation for any delay, and provide issuers with explicit notice that a failure to comply with these requirements could result in suspension and delisting from the NYSE. The proposal also should provide investors with faster access to a company's forms or annual reports by allowing electronic distribution to those investors who give express consent to such distribution.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>15</sup> that the proposed rule change (SR-NYSE-99-14), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>16</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-7975 Filed 3-30-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42575; File No. SR-OCC-00-01]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Exercise Settlement Values for Expiring Index Options

March 24, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 19, 2000, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on March 14, 2000, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would allow OCC to conform the method used to establish settlement values for expiring stock index options with the method used to value futures on the underlying index when the primary market(s) for one or more component

securities of an index is closed on the last trading day before expiration.

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of these statements.<sup>2</sup>

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

The purpose of the proposed rule change is to add new subparagraph (3) to Article XVII, Section 4(a) of OCC's By-Laws. The new subparagraph would permit OCC to conform the exercise settlement value for expiring options on a security index to the final settlement value used for related index futures and options on index futures when the primary market(s) for one or more component securities of the index is closed on the last trading day before expiration. The present default method for setting the exercise settlement amount for the underlying index, as specified in the current version of Article XVII, Section 4(a)(2) and disclosed in the current Options Disclosure Document, is to use the reported level of the stocks in the underlying index at the close of trading on the last preceding day for which a closing index level was reported.

However, this is not the valuation method that would be used under the same circumstances by the Chicago Mercantile Exchange ("CME"), which would determine the settlement value of the index by using the opening values for index stocks affected by the closing as reported when the primary market for such stocks reopens. For example, under CME rule 4003, "[i]f the New York Stock Exchange (NYSE) does not open on the day scheduled for the determination of the Final Settlement Price [of S&P 500 index futures], then the NYSE-stock component of the Final Settlement Price shall be based on the next opening prices of NYSE stocks." The use of different dates and hence potentially different index values for fixing the final settlement values for

index options and futures on the same index creates uncertainty and risk for investors who use trading strategies involving index options and index futures based on the expectation that their settlement values will have a predictable relationship. Therefore, OCC is proposing that if the primary market(s) for one or more component securities of an index did not open for trading on the last trading day before expiration of a series of options on such index, an adjustment panel acting pursuant to Article XVII may fix the exercise settlement amount for such options using the opening prices of the affected security or securities when the primary market reopens.

OCC is also amending Article XVII to make clear that (1) OCC has the discretion to determine which market is a security's primary market and (2) when OCC fixes a settlement price based on an index level at the close of trading, the price will be fixed based on the index level at the close of regular trading hours, as determined by OCC.

OCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to OCC, and in particular with Section 17A of the Act<sup>3</sup> because it fosters cooperation and coordination with persons engage in the clearance and settlement of securities transactions, removes impediments to and perfects the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, protects investors and the public interest.

##### (B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

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

Within thirty-five 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 ninety days of such date if it finds such longer period to be appropriate and

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

<sup>16</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>3</sup> 15 U.S.C. 78q-1.

publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approved 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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 also will be available for inspection and copying at the principal office of OCC.

All submissions should refer to File No. SR-OCC-00-01 and should be submitted by April 21, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42577; File No. SR-PCX-00-2]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Communications With Customers and Members of the Public

March 27, 2000.

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> notice is hereby given that on February 11, 2000, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. On March 8, 2000, the PCX filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposal on an accelerated basis.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The PCX proposes to allow members, member organizations, and associated persons to distribute more than one type of options worksheet to customers or members of the public. The text of the proposed rule change is available at the Office of the Secretary, CBOE 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 PCX 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 III below. The PCX 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

The Exchange proposes to amend PCX Rule 9.28 ("Advertisements, Market Letters and Sales Literature Relating to Options") to allow members, member organizations, and associated persons to distribute to customers or members of the public more than one type of

options worksheet to indicate possible outcomes under various market conditions. The proposed rule change: (i) Incorporates worksheets into the definition of "sales literature" and establishes that worksheets must comply with the requirements applicable to sales literature; (ii) adds references to members and associated persons; (iii) deletes references to "standard" worksheets and deletes prohibitions on "nonstandard" worksheets; and (iv) deletes the requirement that worksheets must be uniform within a member organization for each product type. These changes are discussed below.

First, the Exchange proposes to remove the word "standard" from PCX Rule 9.28(e)(ii) to incorporate all worksheets communicated to customers or the public into the definition of "sales literature." Under rule 9.28(e)(ii), these worksheets are defined as sales literature and must comply with the requirements applicable to sales literature.

Second, the Exchange proposes to modify PCX Rule 9.28, Commentary .03(E) to require that any (not just standard form) options worksheets must comply with the requirements applicable to sales literature. Under the current rule, once a member organization adopts a "standard" worksheet for a particular options strategy or product type (e.g., equities, foreign currencies, indexes, etc.), it may only distribute that standard worksheet to a client, and may not illustrate different market conditions through other worksheets.

Third, the Exchange proposes to add references to members and associated persons to PCX Rule 9.28, Commentary .03(E) to clarify that members and associated persons, and not just member organizations, are responsible for utilizing worksheets that comply with requirements applicable to sales literature. Fourth, the Exchange proposes to delete PCX Rule 9.28, Commentary .03(F), which requires that member organizations use a standard form of worksheet for a particular options strategy, to make the Exchange's rules consistent with this proposal. Finally, the Exchange proposes to renumber PCX Rule 9.28, Commentary .03(G) as new PCX Rule 9.28, Commentary .03(F).

The Exchange believes that the proposed rule change will allow members, member organizations, and associated persons to use Exchange or industry-produced worksheets or to tailor worksheets to specific clientele. The Exchange believes the proposed rule change also ensures that when

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

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

<sup>3</sup> In Amendment No. 1, PCX requested that the Commission grant accelerated approval to the proposed rule change. See letter from Robert P. Pacileo, Staff Attorney, Regulatory Policy, PCX, to Richard Strasser, Assistant Director, Division of Market Regulation ("Division"), Commission, dated March 7, 2000. The PCX also changed Exhibit 1 of the proposed rule change to reflect the request for accelerated approval. See e-mail from Robert P. Pacileo, Staff Attorney, Regulatory Policy, PCX, to Joseph P. Corcoran, Attorney, Division, Commission, on March 16, 2000.

<sup>4</sup> 17 CFR 200.30-3(a)(12).