

the capitalization, liquidity, and volatility of a particular stock.

The Exchange represents that all of the stocks comprising the Index currently are options eligible⁵ and have standardized options listed on them. If at any time, less than 90% of the components in the Index, by weight, are options eligible, the Exchange will submit a Rule 19b-4 filing for Commission approval before opening any new series of options on the Index for trading. Further, the Exchange will submit a Rule 19b-4 filing for Commission approval prior to opening any new series of options on the Index if the number of stocks in the Index ever increases to more than 120 or decreases to less than 80.

The settlement value for Index options will be based on the opening values of the component securities on the date prior to expiration. Index options will expire on the Saturday following the third Friday of the expiration month, and the last day for trading in an expiring series will be the second business day (ordinarily a Thursday) preceding the expiration date.

The Phlx proposes to employ position and exercise limits applicable to the Exchange's other broad-based indexes pursuant to Phlx Rule 1001A(b)(i) and 1002A, respectively. Specifically, the position limit will be \$25,000 contracts total, of which no more than 15,000 contracts can be in the nearest expiration month.

Exercise price intervals will be set at five point intervals in terms of the current value of the Index except exercise prices in the far-term series shall be \$25.00 unless demonstrated customer interest exists at \$5.00 intervals. The Exchange represents that demonstrated customer interest will include institutional (firm), corporate or customer interest expressed directly to the Exchange or through the customer's floor brokerage unit but not interest expressed by a registered options trader ("ROT") with respect to trading for the ROT's own account. Exchange Rule 1101A, Commentary .02, which already permits \$25.00 intervals for the Exchange's other broad-based indexes, will be amended to include this

⁵The Phlx's options listing standards, which are uniform among the options exchanges, provide that a security underlying an option must, among other things, meet the following requirements: (1) The public float must be at least 7,000,000 shares; (2) there must be a minimum of 2,000 stockholders; (3) trading volume in the U.S. must have been at least 2.4 million over the preceding twelve months; and (4) the U.S. market price must have been at least \$7.50 for a majority of the business days during the preceding three calendar months. See Phlx Rule 1009, Commentary .01.

treatment for the USTOP 100 Index. Additional exercise prices will be added in accordance with Phlx Rule 1101A(a).

As with the Exchange's other indexes, the multiplier for options on the USTOP 100 Index will be 100. Index options will trade during the Exchange's regular trading hours (9:30 a.m. through 4:15 p.m., Eastern time).

The Phlx will trade consecutive and cycle month series pursuant to Phlx Rule 1101A. Specifically, there will be three expiration months from the March, June, September, and December cycle plus two additional near-term months so that the three nearest term months will always be available.

Surveillance procedures currently used to monitor trading in each of the Exchange's other index options will also be used to monitor trading in options on the Index. These procedures include having complete access to trading activity in the securities underlying the Index, all of which are traded on either the New York Stock Exchange ("NYSE") or the American Stock Exchange ("Amex"), or are Nasdaq National Market securities. In addition, the Intermarket Surveillance Group Agreement will be applicable to the trading of options on the Index.⁶

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act, in general, and with Section 6(b)(5),⁷ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to facilitate transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market.

⁶The Intermarket Surveillance Group ("ISG") was formed on July 14, 1983 to, among other things, coordinate more effectively surveillance and investigative information sharing arrangements in the stock and options markets. See Intermarket Surveillance Group Agreement, July 14, 1983. The most recent amendment to the ISG Agreement, which incorporates the original agreement and all amendments made thereafter, was signed by ISG members on January 29, 1990. See Second Amendment to the Intermarket Surveillance Group Agreement, January 29, 1990. The members of the ISG are: the Amex; the Boston Stock Exchange, Inc.; the Chicago Board Options Exchange, Inc.; the Chicago Stock Exchange, Inc.; the National Association of Securities Dealers, Inc.; the NYSE; the Pacific Stock Exchange, Inc.; and the Phlx. Because of potential opportunities for trading abuses involving stock index futures, stock options, and the underlying stock and the need for greater sharing of surveillance information for these potential intermarket trading abuses, the major stock index futures exchanges (e.g., the Chicago Mercantile Exchange and the Chicago Board of Trade) joined the ISG as affiliate members in 1990.

⁷15 U.S.C. 78f(b)(5) (1988).

(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*

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

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 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 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. 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 in 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 Phlx. All submissions should refer to File No. SR-Phlx-95-07 and should be submitted by March 3, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

⁸17 CFR 200.30-3(a)(12) (1994).