opening of, addition to, or renewal of, an account.

The FDIC believes that in cases where a premium is not related to, or dependent on, the balance in a demand deposit account and the duration of that balance, such a premium generally should not be viewed as interest. From an economic point of view, such premiums do not appear to constitute interest on the account, since interest is generally a payment to, or for the account of, a depositor as compensation for the use of the depositor's funds. (12 CFR 329.1(c)).

As an additional matter, since interest rates on time deposits were deregulated, there is no longer any need to provide that premiums that are paid at the time of renewal are permissible. This revision removes the reference to renewal in the preexisting exception.

In light of all the foregoing, the FDIC is amending its interpretive rule effective on date of publication in the **Federal Register** to except from the prohibition of the payment of interest on demand deposits, any premiums that are not related to the balance in an account and the duration of the account balance.

Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601–612) requires an agency to publish a regulatory flexibility analysis for any final rule for which the agency was required to publish a general notice of proposed rulemaking. Under 5 U.S.C. 553(b), a general notice of proposed rulemaking is not required for interpretative rules. Accordingly, no regulatory flexibility analysis is required in this case.

Under 5 U.S.C. 553(d), a 30-day period between publication date and effective date is not required for interpretative rules. Accordingly, this interpretive rule is effective on date of publication in the **Federal Register**.

Paperwork Reduction Act

No collections of information pursuant to the Paperwork Reduction Act are contained in the rule.

List of Subjects in 12 CFR Part 329

Banks, banking, Interest rates.

For the reasons set forth in the preamble, the FDIC amends 12 CFR part 329 as set forth below:

PART 329—INTEREST ON DEPOSITS

1. The authority citation for part 329 continues to read as follows:

Authority: 12 U.S.C. 1819, 1828(g) and 1832(a).

2. In § 329.103, paragraph (a)(1) is amended by removing '', or renewal of,'', and a new paragraph (e) is added after paragraph (d) to read as follows:

* * * * *

§ 329.103 Premiums.

* * * * *

(e) Notwithstanding paragraph (a) of this section, any premium that is not, directly or indirectly, related to or dependent on the balance in a demand deposit account and the duration of the account balance shall not be considered the payment of interest on a demand deposit account and shall not be subject to the limitations in paragraph (a) of this section.

By order of the Board of Directors.

Dated at Washington, D.C. this 23rd day of July, 1997.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

[FR Doc. 97–20018 Filed 7–29–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 240

[Release No. 34–38870; File No. S7–30–95]

RIN 3235–AG66

Order Execution Obligations

AGENCY: Securities and Exchange Commission.

ACTION: Revised compliance dates; exemptive order.

SUMMARY: The Securities and Exchange Commission (''Commission'') is announcing the final phase-in schedule for compliance with Rules 11Ac1–1(c)(5) (''ECN Amendment'' of the ''Quote Rule'') and 11Ac1–4 (''Limit Order Display Rule'') under the Securities Exchange Act of 1934 (''Exchange Act'') and is providing exemptive relief to accommodate the new schedule. In addition, the Commission is providing temporary exemptive relief from compliance with the 1% requirement of the Quote Rule with respect to non-19c–3 securities.

DATES: *Effective Date:* July 24, 1997. *Compliance Dates:* The phase-in schedule with respect to the remaining approximately 5,766 Nasdaq securities will be as follows: 250 Nasdaq securities on August 4, 1997; 250 Nasdaq securities on August 11, 1997; 850 Nasdaq securities on September 8, 1997; 850 Nasdaq securities on September 15, 1997; 850 Nasdaq securities on September 22, 1997; 850 Nasdaq securities on September 29, 1997; 850 Nasdaq securities on October 6, 1997; and the remaining approximately 930 Nasdaq securities on October 13, 1997. Concurrently, the Commission is exempting responsible broker and dealers, electronic communications networks, exchanges and associations from compliance with the Order Execution Rules, with respect to the Nasdaq securities that are not phased in under such schedule, until October 13, 1997. In addition, the Commission is exempting substantial market makers and specialists from compliance with the 1% requirement of the Quote Rule with respect to non-Rule 19c–3 securities until September 30, 1997.

FOR FURTHER INFORMATION CONTACT: Gail Marshall-Smith, Special Counsel, or David Oestreicher, Special Counsel, (202) 942–0158, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, NW., Mail Stop 5–1, Washington, DC 20549.

SUPPLEMENTARY INFORMATION:

Background

On August 28, 1996, The Commission adopted Rule 11Ac1–4, the Limit Order Display Rule, and amendments to Rule 11AC1–1, the Quote Rule under the Exchange Act.[1] The Limit Order Display Rule requires over-the-counter (''OTC'') market makers and exchange specialists to publicly display certain customer limit orders. The ECN Amendment of the Quote Rule requires OTC market makers and specialists to publicly disseminate the best prices that they enter into an electronic communications network (''ECN''),[2] or to comply indirectly with the ECN Amendment by using an ECN that furnishes the best market maker and specialist prices therein to the public quotation system (the ''ECN Display Alternative'').[3] In addition, the Quote Rule term ''subject security'' [4] was amended, thereby requiring OTC market makers and specialist to publish quotes in any exchange-listed security if their volume in that security exceeds 1% of the aggregate volume during the most recent calendar quarter.[5]

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[1] See Securities Exchange Act Release No. 37619A (September 6, 1996), 61 FR 48290 (September 12, 1996) (''Adopting Release'').

[2] 17 CFR 240.11Ac1–1(c)(5)(i).

[3] 17 CFR 240.11Ac1–1(c)(5)(ii).

[4] 17 CFR 240.11Ac1–1(a)(25).

[5] 17 CFR 11Ac1–1(c)(1). See Securities Exchange Act Release No. 38110 (January 2, 1997), 62 FR 1279 (January 9, 1997) which postponed the effective date of the 1% Rule, with respect to the amended definition of ''subject security,'' from January 10, 1997, to April 10, 1997. See also Securities Exchange Act Release No. 38490 (April

Discussion

On January 20, 1997, the Order Execution Rules became effective.[6] The Commission recognized in adopting the Order Execution Rules that they would result in a significant change in the order handling practices of OTC market makers. The Commission thereafter chose to require compliance with the rules over a phased-in period. Subsequently, the Commission required compliance with the Order Execution Rules for the Nasdaq securities on a phased-in basis through July 7, 1997.[7] The Commission, therefore, provided exemptive relief, until July 28, 1997, from compliance with the Order Execution Rules with respect to the Nasdaq securities not phased in under the Order Execution Rules. To date, compliance is mandatory for all exchange-traded securities and 700 of the 1,000 most actively traded Nasdaq securities.

The Commission has been closely monitoring the implementation of the rules and has found that the implementation appears to be occurring successfully. The success to date is due, in-part, to affording market participants time to adapt to the new regulatory requirements.

Moreover, the Commission has provided Nasdaq the time necessary to upgrade its systems to improve its ability to handle the additional quotation traffic resulting from the Order Execution Rules.[8] The Commission believes it has succeeded in striking a reasonable balance between the desire to provide the benefits of the Order Execution Rules to investors and the need to ensure that implementation of the Rules do not compromise the integrity or capacity of automated systems operated by Nasdaq, broker-dealers, ECNs, or vendors. Accordingly, the Commission believes it is appropriate to continue phasing in both the Limit Order Display Rule and the ECN Amendment for the remaining Nasdaq securities.[9]

The 700 Nasdaq securities currently in compliance with the Order Execution Rules account for over 62% of the total share volume on Nasdaq and over 85% of the total dollar volume. The Commission, therefore, believes that the remaining Nasdaq securities can be phased in on a more accelerated schedule.

The new compliance schedule for the remaining, approximately 5,766 Nasdaq securities is as follows: 250 Nasdaq securities on August 4, 1997, of which 150 securities will be selected from the 1,000 most actively traded Nasdaq securities and 100 securities will be selected from the remaining Nasdaq securities;[10] 250 Nasdaq securities on August 11, 1997, of which 150 securities will be the last of the 1,000 most actively traded Nasdaq securities not already phased-in and 100 securities will be selected from the remaining Nasdaq securities; 850 Nasdaq securities on September 8, 1997;[11] 850 Nasdaq securities on September 15, 1997; 850 Nasdaq securities on September 22, 1997; 850 Nasdaq securities on September 29, 1997; 850 Nasdaq securities on October 6, 1997; and the remaining approximately 930 Nasdaq securities on October 13, 1997. To accommodate this phase-in schedule and pursuant to Rule 11Ac1-1(d)[12] of the Exchange Act, the Commission is exempting responsible brokers and dealers, electronic communications networks, exchanges, and associations, until October 13, 1997, from the requirements of Rule 11Ac1-1(c)(5)(i), the ECN Amendment, with respect to all Nasdaq securities not phased in as of October 13, 1997. The Commission is also exempting, pursuant to Rule 11Ac1-4(d)[13] of the Exchange Act, responsible brokers and dealers, electronic communications networks, exchanges, and associations, until October 13, 1997 from the requirements of Rule 11Ac1-4, the Limit Order Display Rule, with respect to all Nasdaq securities not phased in as of October 13, 1997.

The Commission has granted this exemptive relief to permit the continued phase-in and orderly operation of the Order Execution Rules. Moreover, the Commission believes that a three-week pause after 200 of the less active Nasdaq securities are phased in will provide an opportunity to enable broker-dealers to make any necessary operational adjustments to handle the remaining approximately 5,180 securities. Accordingly, the Commission finds that the exemptive relief provided herein to responsible brokers and dealers, electronic communications networks, exchanges, and associations is consistent with the public interest, the protection of investors and the removal of impediments to and perfection of the mechanism of a national market system.

In addition, the Commission, pursuant to Rule 11Ac1–1(d), is extending the exemptive relief granted to responsible broker dealers[14] from the requirements of Rule 11Ac1–1(c)(1), with respect to non-Rule 19c–3 securities[15] until the current calendar quarter ends September 30, 1997.[16] OTC market makers and specialists, therefore, responsible for more than 1% of the aggregate trading volume during the calendar quarter ending September 30, 1997, must, within 10 business days, commence quoting regular and continuous two-sided markets.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[17]

Jonathan G. Katz,

Secretary.

[FR Doc. 97–20053 Filed 7–29–97; 8:45 am]

BILLING CODE 8010–01–M

9, 1997), 62 FR 18514 (April 16, 1997) which further postponed the effective date of the definition of ''subject security'' until July 28, 1997.

[6] See Securities Exchange Act Release Nos. 37619A (September 6, 1996), 37972 (November 22, 1996), 38110 (January 2, 1997), and 38139 (January 8, 1997).

[7] See Securities Exchange Act Release Nos. 38246 (February 5, 1997) and 38490 (April 9, 1997) outlining previous phase-in schedules for the Order Execution Rules. The Commission notes that a broker-dealer's duty of best execution discussed in the Adopting Release is applicable to all securities and is not based on whether or not the security has been phased-in under the Limit Order Display Rule or the ECN Amendment.

[8] The Nasdaq Stock Market made system enhancements in mid-July which were designed to improve its capacity levels.

[9] The Commission notes, however, that while ECNs qualifying for the ECN Display Alternative must publicly display quotes in Nasdaq securities once those securities are phased in pursuant to the phase-in schedule, these ECNs may voluntarily begin publicly displaying quotes in any Nasdaq security beginning August 4, 1997.

[10] The Nasdaq Stock Market will continue to identify which Nasdaq securities are to be phased in, and will notify market participants of the specific securities at least a week prior to the securities being phased-in.

[11] These 850 securities, as well as the subsequent securities phased-in under this schedule, will be selected from the remaining approximately 5,180 Nasdaq securities.

[12] 17 CFR 240.11Ac1-1(d).

[13] 17 CFR 240.11Ac1-4(d).

[14] The term ''responsible broker or dealer'' is defined in Rule 11Ac1–1(a)(21).

[15] See 17 CFR 240.19c–3. Exchange Act Rule 19c–3 prohibits the application of off-board trading restrictions to securities that (1) were not traded on an exchange before April 26, 1979; or (2) were traded on an exchange on April 26, 1979, but ceased to be traded on an exchange for any period of time thereafter. Accordingly, exchange-traded securities not subject to off-board trading restrictions are referred to as Rule 19c–3 securities, and exchange-traded securities subject to off-board trading restrictions are referred to as non-Rule 19c–3 securities.

[16] OTC market makers and specialists are currently required to publish two-sided quotes in Rule 19c–3 securities if their aggregate trading volume exceeds 1% during the most recent calendar quarter. This obligation with respect to Rule 19c–3 securities remains unchanged by this action.

[17] 17 CFR 200.30(a)(28) and (61).