

sponsor, bank, or savings association." The Association intended that the same definition apply for the Form U-5, but the word "issuer" was inadvertently omitted. Thus, on the interim Form U-5, this omission is corrected so that both the interim Form U-4 and Form U-5 set forth the same definition. Similarly, the definition of the term "appropriate signatory" on the interim Form U-5 is corrected to refer to "issuer" rather than "issuer of securities" because the former term was intended to be used consistently on the amended Forms U-4 and U-5. Thus, the interim Forms U-4 and U-5 have been corrected to reflect the intended reference and its consistent application.

The instructions to and reformatted pages of the proposed interim Forms U-4 and U-5 were submitted with the proposal as Attachment A.¹² The NASD proposes to make the interim Forms and the disclosure of the additional information set forth in this rule filing effective on February 17, 1998. This effective date will permit members and the NASD to complete annual registration renewals and permit the NASD to train members on the use of the interim Forms before the interim Forms are implemented. The NASD proposes to begin responding to electronic inquiries for Public Disclosure Program information via the Internet after this rule filing is approved, on or about January 1, 1998. The information that would be released from January 1 to February 17, 1998, would include only that information that currently is required to be reported on the Forms U-4 and U-5 and is currently released under IM-8310-2.¹³

2. Statutory Basis

The NASD believes the proposed rule change is consistent with Sections 15A(b)(6)¹⁴ and 15A(i)¹⁵ of the Act. The NASD believes the proposed rule change will further the goals of these sections of the Act inasmuch as the increased disclosure will enhance the access of members of the public to information that will help them to determine whether to conduct or

continue to conduct business with an NASD member or any of the member's associated persons.

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

The NASD does not believe the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written 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 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 at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by December 12, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-30623 Filed 11-20-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39328; File No. SR-PCX-97-44]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Incorporated Relating to Applicant Specialists on the Exchange

November 14, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹, notice is hereby given that on November 10, 1997, the Pacific Exchange, Incorporated ("PCX" or "Exchange") filed with the Securities Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the PCX. The Commission is publishing this notice to solicit comment 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 PCX is proposing to make technical changes to its rules on the procedures relating the approval process for applicant specialists on the Exchange. The text of the proposed rule changes is available at the Office of the Secretary, PCX, and in the Public Reference Room 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 IV below. The PCX has prepared summaries, set forth in section A, B, and C below, of the most significant aspects of such statements.

¹² See *supra* note 6.

¹³ See *supra* notes 7 and 8.

¹⁴ Section 15A(b)(6) requires that the Association amend its rules to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open market, and in general, to protect investors and the public interest.

¹⁵ Section 15A(i) requires the Association to: (1) Establish and maintain a toll-free telephone listing to receive inquiries regarding disciplinary actions involving its members and their associated persons, and (2) promptly respond to such inquiries in writing.

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

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

PCX Rule 5.27(d) currently provides that an applicant for appointment as a registered specialist (the "applicant specialist") must function in a market making capacity at a specialist post on the floor of the Exchange for a minimum period of three months, and that the applicant specialist will be required to perform primary market making responsibilities in at least one issue throughout this minimum period. It further provides that the applicant specialists' performance will be reviewed by the Equity Allocation Committee after the first thirty days and again after the first seventy-five days. Finally, it states that the evaluation of the applicant specialist's performance will be based upon the results of an Applicant Specialist Evaluation Questionnaire Survey and, where applicable, the National Market System Quote Performance and P/COAST Limit Order Acceptance Performance.

The Exchange is proposing to eliminate the provision that states that the applicant specialists' performance will be reviewed after three months (or seventy-five days). Such reviews currently may be, and generally are, waived pursuant to Rule 5.27(e). However, as discussed below, the Exchange is proposing to add a provision to Rule 5.27(e) to permit a review of an applicant specialist's performance (*i.e.*, a review after the first thirty-day review) on a case-by-case basis. The Exchange is also proposing to eliminate superfluous language in Rule 5.25(d) that refers to the Specialist Evaluation that is conducted pursuant to Rule 5.37(a).² In addition, the Exchange is proposing to add a cross reference to Rule 5.37(a) in order to clarify the term "Applicant Specialist Evaluation."

PCX Rule 5.27(e) currently states, in part, that the Equity Allocation Committee will make recommendations with respect to each applicant specialist to the Joint Equity Floor Trading Committee based upon its review of the responses contained in the Applicant Specialist Evaluation Questionnaire Survey, National Market System Quote Performance, P/COAST Limit Order Acceptance Performance, as well as any written comments solicited or received from other floor members. The

Exchange is proposing to remove the words "Questionnaire Survey, National Market System Quote performance, P/COAST Limit Order Acceptance Performance" from this rule because they are superfluous. In addition, the Exchange is proposing to add a cross reference in Rule 5.27(e) to Rule 5.37(a) in order to clarify the term "Applicant Specialist Evaluation."

PCX Rule 5.27(e) currently states, in part, that in such cases as the Equity Allocation Committee deems appropriate, the three month performance evaluation required for an applicant specialist may be waived, and that such a waiver will be based upon the Equity Allocation Committee's determination that the applicant specialist has demonstrated a degree of knowledge and experience which will enable the Committee to immediately make a favorable recommendation to the Joint Equity Floor Trading Committee concerning the applicant specialists' qualifications. The Exchange is proposing to replace those provisions with the following provisions: "In such cases as the Equity Allocation Committee deems appropriate, the thirty-day performance evaluation required for an applicant specialist may be extended or waived. Such a waiver or extension will be based upon the Equity Allocation Committee's determination of whether the applicant specialist has demonstrated a degree of knowledge and experience that will enable the Committee to immediately make a favorable recommendation to the Joint Equity Floor Trading Committee concerning the applicant specialist's qualification." This new provision will allow the Equity Allocation Committee to continue to require an applicant specialist to be evaluated more than once before being approved, but it eliminates the specification of a review after 75 days in such situations.

The Exchange is also proposing to modify Rule 5.27(d) so that it will state that applicant specialists must function in a market making capacity at a specialist post on the floor of the Exchange for a minimum period of thirty days, unless the Allocation Committee waives this requirement pursuant to Rule 5.27(e).

The purpose of the proposed rule change is to assure that Rules 5.27 (d) and (e) reflect the Exchange's current practice on approving an applicant for appointment as a registered specialist. Specifically, those rules will now reflect the fact that applicants are generally considered for appointment as registered specialists just one time, after thirty days. As under the current rule, the Allocation Committee can require an

additional review of the applicant's performance, but such a review would not need to be conducted after the first 75 days. Thus, under the rule change, the Committee will have greater flexibility as to the timing of the second review. In addition, under the rule change, the Allocation Committee will be permitted to waive the first performance review (after the first thirty days).³

The Exchange believes the proposed rule change is consistent with Section 6(b)⁴ of the Act in general and furthers the objectives of Section 6(b)(5)⁵ in particular in that it is designed to promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market by clarifying the rules and making the rules better reflect how the applicant specialist review process is generally implemented.

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

The PCX does not believe that the proposed rule change will impose any 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

Because the foregoing rule changes have been designated by the Exchange as a policy effecting a change solely in the administration of the Exchange that does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition, it has become effective pursuant to Section 19(b)(3)(A)(iii)⁶ of the Act and Rule 19b-4(e)(3)⁷ thereunder. At any time within 60 days of the filing of a rule change, the Commission may summarily abrogate the 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.

³ The Exchange notes that as a matter of practice, the Allocation Committee will only waive the first performance review in situations where a specialist transfers from one post to another, and has received a performance review at the post from which he or she has transferred.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁷ 17 CFR 240.19b-4(e)(3).

² The Commission has recently approved a PCX rule change to extend its specialist evaluation pilot program for six months and to make certain changes to the pilot program. See Exchange Act Release No. 38806 (July 1, 1997) 62 FR 36860 (July 9, 1997).

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 Room. Copies of such filing will also be available for inspection and copying at the principal of the PCX. All submissions should refer to File No. SR-PCX-97-44 and should be submitted by December 12, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39325; File No. SR-PHLX-97-58]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to a Revision to the Exchange's Equity Floor Brokerage Assessment Fee

November 13, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 5, 1997, 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

The Phlx, pursuant to Rule 19b-4 under the Act, proposes to amend the Exchange's Equity Floor Brokerage Assessment schedule which currently determines the rate of the assessment on a member's monthly equity floor brokerage based upon whether the member is a specialist with funds on deposit at the Stock Clearing Corporation of Philadelphia (SCCP) or not. The Exchange hereby proposes to change the fee to a flat rate of 1.25% of the amount that any member bills out in floor brokerage on the Phlx Equity floor each month. The schedule will be amended as follows (brackets indicate deletions, italics indicates additions):

Summary of Equity Charges

EQUITY FLOOR BROKERAGE ASSESSMENT

[5%] 1.25% of net floor brokerage income [with specialist credits]

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

Currently, the Exchange assesses a monthly fee on the amount of money a floor broker bills to its customers each month for floor brokerage services with respect to equity securities. The rate used to calculate the fee is either 5% if the member only conducts business as a floor broker, or is discounted to 1.25% if the member also conducts business as an equity specialist with funds on deposit at SCCP. When this fee was originally adopted in 1974, the Exchange intended to encourage members who conducted business on the equity floor as floor brokers to also become specialists and open an account

at SCCP. In recent years, the Exchange has observed that almost all floor brokers on the Equity floor were also specialists, thereby taking advantage of the lower rate. The Exchange has now decided that the fee should be determined solely by the amount of business a floor broker conducts. Accordingly, the Exchange is proposing to redesignate the fee as 1.25% of a member's floor brokerage on the Exchange Equity floor.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act,² in general, and furthers the objectives of Section 6(b)(4)³ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among the Exchange's members and other persons using its facilities.

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

The Exchange 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁴ and subparagraph (e)(2) of Rule 19b-4 thereunder.⁵

At any time within 60 days of the filing of the proposed 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

² 15 U.S.C. 78f(b).

³ 15 U.S.C. 78f(b)(4).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(e)(2).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).