

section 13 of the Act with the Commission.

Any interested person may, on or before April 13, 1998, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 98-8154 Filed 3-27-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT: [To Be Published]

STATUS: Closed Meeting.

PLACE: 450 Fifth Street, NW., Washington, DC.

DATE PREVIOUSLY ANNOUNCED: To Be Published.

CHANGE IN THE MEETING: Additional Item.

The following item will be added to the closed meeting scheduled for Thursday, March 26, 1998, at 10:00 a.m.:

Settlement of injunctive action.

Commissioner Unger, as duty officer, determined that Commission business required the above change and that no earlier notice thereof was possible.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary (202) 942-7070.

Dated: March 25, 1998.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 98-8318 Filed 3-25-98; 4:40 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39781; File No. SR-AMEX-98-10]

Self-Regulatory Organizations; Notice of Filing Proposed Rule Change by the American Stock Exchange, Inc. Relating to Market-at-the-Close Order Handling Requirements

March 23, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 18, 1998, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and 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 self-regulatory organization.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 Proposed Rule Change

The Amex proposes to adopt a new policy to (i) modify the order entry and imbalance display procedures for market-at-the-close ("MOC") orders on options expiration and non-expiration days and (ii) provide auxiliary imbalance display procedures for the opening. The text of the proposed conforming amendments to Amex Rules 109 and 131 is attached as Exhibit A.

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. 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.

¹ 15 U.S.C. 78s(b)(1).

² On February 4, 1998, Amex had filed the current proposal as a non-controversial filing, to be effective upon filing, pursuant to Section 19(b)(3)(A) of the Exchange Act. See SR-AMEX-98-06. Pursuant to the request of the Commission staff, on February 18, 1998, Amex simultaneously withdrew that filing and re-submitted it under Section 19(b)(2) of the Act.

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

(1) Purpose

Exchange Rule 109 sets forth the procedures to be followed in executing MOC orders. Paragraph (d) of Rule 109 provides that where there is an imbalance between MOC buy and sell orders, the imbalance of buy orders should be executed against the offer, and the imbalance of sell orders against the bid. The remaining buy and sell orders are then paired off and executed at the price of the immediately preceding last sale. The "pair off" transaction is reported to the consolidated last-sale reporting system as "stopped stock."

In May 1995, the Exchange amended Commentary .02 to Exchange Rule 109 to impose a 3:50 p.m. deadline for the entry, cancellation or reduction of MOC orders through the PER system.³ After the 3:50 p.m. deadline, a member may only enter, modify or cancel MOC orders other than through the PER system. This change was intended to reduce the sometimes disruptive effect on the market of MOC orders entered through the PER system shortly before the close. Prior to the imposition of the 3:50 p.m. deadline, it often took several minutes for a specialist to ascertain whether an imbalance existed and to pair off buyers and sellers, with the result that the executed MOC transactions did not actually print until after the close. When this happened, it was difficult for market participants to ascertain the closing price of the security in question on a timely basis.

Although the 3:50 p.m. deadline has alleviated some of the disruptive impact of MOC orders, further modifications are appropriate in order to both reduce excess market volatility that may arise from the liquidation of stock positions related to trading strategies involving index derivative products and otherwise, and to provide consistency to member organizations by substantially conforming the Amex's policy to the policy currently in effect at the New York Stock Exchange ("NYSE").⁴ The existing NYSE policy, noted below, with respect to MOC orders differs from the current Amex policy in several respects:

³ See Securities and Exchange Act Release No. 35660 (May 2, 1995), 60 FR 22592 (May 8, 1995), (File No. SR-AMEX-95-09).

⁴ The NYSE recently submitted a proposed rule change which would make various changes to its policy with respect to MOC and LOC orders (See SR-NYSE-97-36).

- An earlier 3:40 p.m. deadline is imposed on expiration days.⁵
- The deadlines are applicable to all MOC orders, whether entered through the automated system (*i.e.*, SuperDot) or otherwise, and MOC orders are irrevocable after that time (*i.e.*, they cannot be entered, canceled or changed) except to correct a *bona fide* error or to offset a published imbalance (see below).
- Specialists are required to disseminate a significant MOC order imbalance in certain stocks as soon as practicable after the applicable deadline.⁶ If such an imbalance is disseminated, both MOC and limit-at-the-close ("LOC") orders may then be entered after the deadline to offset the imbalance.⁷
- On each expiration day on which index-related derivative products expire against opening prices, several auxiliary procedures are used to assist in achieving an efficient market opening as close to 9:30 a.m. as possible. Stock orders related to index contracts whose settlement pricing is based upon opening prices must be received by 9:00 a.m. (and labeled "OPG"), but may be canceled or reduced in size. Limit-at-the-opening orders are permitted, as are ordinary limit and market orders. As soon as practicable after 9:00 a.m. imbalances of 50,000 shares or more in both the "pilot stocks" and "mid-capitalized" stocks must be published on the tape.

The NYSE policy was developed in order to minimize the excess market volatility that can develop from the liquidation of stock positions related to trading strategies involving index derivative products or otherwise, without unduly restricting legitimate trading strategies. Due to the influx of orders at the close on expiration days, even MOC orders that are not related to

such trading strategies can result in order imbalances and a corresponding decreased liquidity at the close. The 3:40 p.m. deadline enables the NYSE specialist to make a timely and reliable assessment of MOC order flow and its potential impact on the closing price, while providing an opportunity to attract any necessary contra-side interest to alleviate an imbalance and minimize price volatility at the close.⁸ This is particularly important on expiration days, but, as noted in the NYSE's pending filing, would also be beneficial on non-expiration days by providing additional time to attract contra-side interest when an imbalance does exist.

The Exchange is proposing to substantially conform its policy to the NYSE policy. However, our policy will differ from the NYSE in several respects. Because of the typically smaller float and capitalization of Amex companies, the Amex policy will require dissemination of order imbalances in any common stock⁹ with an imbalance of 25,000 shares or more, or if the specialist (with the concurrence of a Floor Official) either anticipates that the execution price of the MOC orders on the book will be at a price change which exceeds the parameters specified in Commentary .08 to Amex Rule 154, or if he otherwise believes that an imbalance should be published.¹⁰ As discussed, the dissemination requirements will be applicable to all common stocks.¹¹ Even those stocks which are neither included in an index nor underlie a listed option, can, at times, be subject to order imbalances, and dissemination thereof is beneficial to both the investing public and market professionals. The proposed policy is as follows:

(a) A 3:40 p.m. deadline will be imposed every day for the entry of *all* MOC orders in all common stocks, other than those that trade in units of less than 100 shares, except for those to offset published imbalances. MOC orders will be irrevocable after those times, except to correct an error.

⁸ Even on non-expiration days, there can be an influx of MOC orders related to various trading strategies which utilize closing exchange prices.

⁹ This policy will not be applicable to any security whose pricing is based on another security or an index, such as derivatives, warrants and convertible securities.

¹⁰ Commentary .08 requires a specialist to have Floor Official approval before executing a transaction in a stock at a price (i) of \$20 or more a share at 2 points or more away from the last sale, (ii) between \$10 and \$20 a share at one point or more away from the last sale, and (iii) of less than \$10 a share at 1/2 point or more away from the last sale.

¹¹ The only common stocks which would not be subject to this policy are those that trade in units of less than 100 shares.

(b) Order imbalances must be published on the tape as soon as practicable after 3:40 p.m. if there is an imbalance of 25,000 shares or more. In addition, an order imbalance below 25,000 shares may also be published by a specialist, with the concurrence of a Floor Official, if the specialist (i) anticipates that the execution price of the MOC orders on the book will exceed the price change parameters of Rule 154, Commentary .08, or (ii) believes that an order imbalance should otherwise be published.¹²

(c) LOC orders will be now permitted to be entered prior to the applicable deadline, but after the deadline only to offset a published imbalance.

The Exchange is also proposing that the imbalance dissemination requirements described in paragraph (b) and (c) above also be applied to the opening at 9:30 a.m. The proposed policy can be expected to reduce volatility at the close and opening by improving the specialists' ability to accurately assess MOC and opening order flow, and attract contraside interest to help alleviate order imbalances. Further, the policy will provide the investing public with more timely and reliable information regarding likely opening and closing prices, and thus the ability to make more informed trading decisions.

(2) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(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 and, in general, to protect investors and the public interest.

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

The proposed rule change will impose no 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)

¹² Pursuant to Amex Rule 22(d), a specialist may request that a Floor Governor review a determination by a Floor Official not to permit publication of an order imbalance.

as the Commission may designate up to 90 days of such date if it finds 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, including whether the proposal is consistent with the Act. 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 Room in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-AMEX-98-10 and should be submitted by April 20, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,
Deputy Secretary.

Exhibit A—American Stock Exchange, Inc.

Proposed Rule Change

It is proposed that the following Exchange rules be amended as set forth below. Additions are in italics; deletions are bracketed.

Rule 109. "STOPPING" STOCK

(a)–(d) No Change.

. . . Commentary

.01 Each "stopped" transaction shall be reported for printing on the tape in the form and manner prescribed by the Exchange.

[.02 Members entering market-at-the-close orders through the PER system

must do so no later than 3:50 p.m. The foregoing shall not limit or restrict the entry of market-at-the-close orders (or their cancellation) other than via such system.]

Rule 131. TYPES OF ORDERS

(a) through (d)—No change.

At the Close Order

(e) An at the close order is a market order which is to be executed at or as near to the close as practicable. *The term "at the close order" shall also include a limit order that is entered for execution at the closing price, on the Exchange, of the stock named in the order pursuant to such procedures as the Exchange may from time to time establish.*

(f) through (t)—No change.

[FR Doc. 98-8201 Filed 3-27-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39778; File No. SR-PCX-98-05]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Book Execution Charges for Options Transactions

March 20, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 24, 1998, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and 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 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 PCX is proposing to amend its Schedule of Fees and Charges by modifying its Book Execution Charges for options transactions.

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

Under the Exchange's Schedule of Fees and Charges, the Exchange currently charges its member firms for book execution³ based on a tiered structure. Accordingly, the amount of the book execution charge for a given option transaction currently depends upon the amount of the option premium⁴ and the number of the option contracts executed.

The Exchange is now proposing to eliminate its current tiered billing structure for options book executions and to replace it with a flat fee of \$0.45 per contract. The only exception to the flat fee is that the Exchange will continue to charge \$0.10 for accommodation/liquidation transactions.

The Exchange believes that the change to a \$0.45 flat fee will result in an overall reduction in rates charged to Exchange member firms for book executions. Accordingly, the purpose of the proposed rule change is to make the Exchange more competitive by reducing costs incurred by its customers in executing transaction on the Exchange, thus making the Exchange a more cost-effective market center to which to send order flow. The Exchange also believes that the change will make it easier for members and member firms to calculate their book execution charges.

This proposal is consistent with Section 6(b) of the Act, in general, and Section 6(b)(4), in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members.

³ The term *book execution* refers to transactions executed by the Options Public Limit Order Book. See generally, PCX Rules 6.51-6.59.

⁴ The *premium* is the price of the option contract that the buyer of the option pays to the option writer for the rights conveyed by the option contract.

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1) (1982).

² 17 CFR 240.19b-4 (1991).