

free nature of the Reorganization; (i) service features available to shareholders of the respective Acquiring Funds and Selling Funds; and (j) the assumption by the Acquiring Funds of the identified liabilities of the Selling Funds. The Board of each Selling Fund that is a series of CrestFunds also considered that the Fund will be required to pay its pro-rata portion of the Reorganization expenses.

7. The Reorganization is subject to a number of conditions precedent, including that: (a) the Reorganization is approved by the Boards and each of the Selling Funds' shareholders in the manner required by applicable law; (b) the Acquiring and Selling Funds receive opinions of counsel that the Reorganization will not result in federal income taxes for each Fund or its shareholders; and (c) applicants receive from the Commission an exemption from section 17(a) of the Act for the Reorganization. The plan may be terminated and the Reorganization abandoned by mutual consent of the Boards or by either party in case of a breach of the Plan. Applicants agree not to make any material changes to the Plan without prior Commission approval.

8. Definitive proxy solicitation materials have been filed with the Commission and were mailed to shareholders of the Selling Funds on April 7, 1999. A special meeting of shareholders is scheduled for May 7, 1999.

#### **Applicant's Legal Analysis**

1. Section 17(a) generally prohibits an affiliated person of a registered investment company, or an affiliated person of such a person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (a) any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by or under common control with the other person; and (d) if the other person is an investment company, any investment adviser of that company.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated

persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied.

3. Applicants believe that they may not rely on rule 17a-8 in connection with the Reorganization because the Funds may be deemed to be affiliated by reasons other than having a common investment adviser, common directors, and/or common officers. Applicants state that at the Closing Date, the Adviser, through its bank subsidiaries, as fiduciary for its customers, may own of record more than 5% (in some cases 25% or more) of the Acquiring and Selling Funds.

4. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants request an order under section 17(a) of the Act exempting them from section 17(a) to the extent necessary to complete the Reorganization. Applicants submit that the Reorganization satisfies the standards of section 17(a) of the Act. Applicants believe that the terms of the Reorganization are fair and reasonable and do not involve overreaching. Applicants state that the Reorganization will be based on the relative NAVs of the corresponding Acquiring and Selling Funds' shares. Applicants also state that the investment objectives, policies and restrictions of the corresponding Selling and Acquiring Funds are identical or substantially similar. In addition, applicants state that the Boards, including all of the Independent Trustees, have made the requisite determinations that the participation of the corresponding Acquiring and Selling Funds in the Reorganization is in the best interests of each Fund and that such participation will not dilute the interests of shareholders of the Funds.

For the Commission, by the Division of Investment Management, under delegated authority.

**Jonathan G. Katz,**  
Secretary.

[FR Doc. 99-10646 Filed 4-27-99; 8:45 am]

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-41304; File No. SR-PCX-99-06]

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to a Consolidated Limit Order Book for Equity Securities**

April 16, 1999.

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 March 1, 1999, as amended on April 16, 1999,<sup>3</sup> the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change to implement a consolidated limit order book ("CLOB") as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 Exchange is proposing to implement a CLOB for orders for equity securities that are entered into the Exchange's P/COAST trading system. Proposed new language is italicized; proposed deletions are in brackets.<sup>4</sup>

\* \* \* \* \*

#### **¶ 3995 Orders: Other Floor**

Rule 5.8(a). [Should an order to buy or sell be received from the other Floor for entering in the specialist's book] *When an order is entered into the Consolidated Limit Order Book* at the same price at which a floor bid or offer is being made at the specialist's post, the floor bid or offer shall maintain priority so long as the bidder or offeror remains within the immediate vicinity of the post to which the security involved is assigned or the order is

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

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

<sup>3</sup> See Letter from Michael Pierson, Director, Regulatory Policy, PCX to Michael Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, dated April 16, 1999 ("Amendment No. 1"). Amendment No. 1 made technical changes to the filing and further described the functioning of the CLOB.

<sup>4</sup> On August 17, 1998, the Exchange filed an earlier version of this proposal with the Commission. See File No. SR-PCX-98-39. Since that time, the Exchange modified the original proposal in several respects and accordingly, the Exchange has determined to withdraw SR-PCX-98-39 and refile it as modified.

entered with the specialist. The order *in the Consolidated Limit Order Book* will [from the other Floor entered with the specialist shall] obtain priority should the bidder or offeror leave the immediate vicinity of the Post without entering the order with the specialist. Where a security is traded by *more than one specialist* [on both floors], the specialist *who received the order* will be responsible for properly coordinating and synchronizing orders (and executions) with the specialist on the other Floor.

\* \* \* \* \*

### ¶ 3999 Priority of Bids and Offers

Rule 5.8(c). When a bid or offer is clearly established as the first made at a particular price [regardless of the floor], the maker shall be entitled to priority and shall have precedence on the next sale at that price, up to the number of shares of stock or principal amount of bonds specified in the bid or offer irrespective of the number of shares of stock or principal amount of bonds specified in such bid or offer.

A member having priority on the floor with a bid or offer may not increase the size of his bid or offer if objection is made by another member. By placing his order with the specialist he may maintain his priority, but in an amount no greater than originally bid for or offered by him on the Floor. Orders so placed may be accepted as and retain the status of open orders if so designated at the time of placement but shall not gain priority over orders existing in the *Consolidated Limit Order Book* [specialist's book] at the time the member secured the Floor with his original bid or offer.

Commentary

.01 No Change.

\* \* \* \* \*

### P/COAST

#### ¶4153 Pacific Computerized Order Access[s] SysTem

Rule 5.25(a)–(f) No change.

#### Consolidated Limit Order Book

Rule 5.25(g). *Incoming Equity orders entered into the Exchange's P/COAST trading system will be maintained in and executed through the Exchanges Consolidated Limit Order Book ("CLOB"). Incoming market and marketable limit orders are immediately executed against orders in the CLOB based on price and time priority, once they have been displayed for possible price improvement. Incoming orders other than market and marketable limit orders will be maintained in the CLOB,*

*but will be represented by a particular PCX specialist.*

(1) *Manual-Ex Window. A specialist may not permit an order to remain in the Manual-Ex Window of P/COAST for more than two minutes unless:*

(a) *the order is designated: (i) market-on-close; (ii) all-or-none; (iii) a "tick sensitive" order (including buy minus, sell plus, sell short, or sell short exempt); (iv) stop; or (v) stop limit; or*

(b) *execution of the order would result in a double-uptick (or double-downtick) or would result in a new high (or new low) price for the day; or*

(c) *the specialist stops the order; or*  
(d) *there are extraordinary market conditions or systems problems.*

\* \* \* \* \*

### ¶ 4229 Disclosure of Specialists' Orders Prohibited

Rule 5.29(d). No specialist shall directly or indirectly, disclose to any person other than a [the] co-specialist [on the other Floor], a member of the Floor Trading Committee, or an official of the Exchange, any information in regard to orders entrusted to him as a specialist, except that the specialist may disclose the size of the bid or offer, and may disclose information contained in [his book] the *Consolidated Limit Order Book*:

(i) for the purpose of demonstrating the methods of trading to visitors to the Floor; or

(ii) to other market centers in order to facilitate the operation of ITS or any other Application of the System provided, in either case, that at the same time he makes the information so disclosed available to all members.

Commentary

.01 No change.

\* \* \* \* \*

### ¶ 4253 Specialists' Coordination

Rule 5.30(b). Specialists registered in the same security which is traded by *more than one specialist* will [on both Floors shall] be responsible for establishing a unified opening sale in such security and thereafter throughout each trading session shall maintain such degree of contact with each other as will [insure] *ensure* the interchange of such information respecting existing or indicated potential bids and offers as may be necessary to maintain fair, orderly and integrated markets in such securities.

#### ¶4255 Responsibility for Coordination

Rule 5.30(c). Whenever a specialist's market or the market on his respective Floor equals or betters a competitive

market, he will immediately inform the specialist on the other Floor, if technically possible.]

### ¶4257 Orders Represented by Specialists [in the Specialist's Book on One Floor]

Rule 5.30(d). (1) *A specialist holding manual orders must notify the other specialists trading the security in order for those orders to have standing. [A specialist on one Floor holding orders in his book shall notify the specialist on the other Floor of such orders to have any standing on the other Floor.]*

(2) *If a specialist notifies a contra specialist of orders in P/COAST, or if there are orders in the CLOB, the contra specialist may not execute orders at or through the limit of such orders in P/COAST or the CLOB without all such orders being filled. [If the specialist on one Floor notifies the specialist on the other Floor of orders in his book, there can be no transactions on the other floor by the specialist for his own account at or through the limit of such orders without all such orders being filled.]*

(3) *If a specialist fails to notify the contra specialist of manual orders or orders in P/COAST and the contra specialist executes a transaction at or through the limit of such orders, the specialist failing to notify the contra specialist will be responsible for an execution of the orders in P/COAST. For purpose of this rule, a specialist will be deemed to have notified the contra specialist of the manual orders or orders in P/COAST if they are being represented in the CLOB. [If the specialist on one Floor fails to notify the specialist on the other Floor of orders in his book and transactions take place on the other Floor at or through the limit of such orders, the specialist failing to notify the specialist on the other Floor will be responsible for an execution of the orders in his book.]*

\* \* \* \* \*

### ¶4271 Suspend Trading

Rule 5.31(b)(1). When the flow of orders in a security traded by *more than one specialist* [on both Floors] does not allow [either] a specialist to maintain an orderly market in such security, *such* [either] specialist may suspend trading, and he shall announce such suspension:

(i) on his respective Floor,

(ii) to the *other specialists in the security* [on the other Floor] who also shall suspend trading,

(iii) on the ticker,

(iv) to the ITS Control Center (ICC) for ITS eligible securities.

The specialist first taking action shall immediately notify the Floor Trading Committee Members of his respective Floor of the suspension and trading may

be resumed only at the direction of the Floor Trading Committee.

Rule 5.31(b)(2). When the flow of orders in a security traded by *only one specialist* [only on one Floor] does not allow the specialist to maintain an orderly market in such security, the specialist may suspend trading, and he shall announce such suspension:

- (i) on his respective Floor,
- (ii) to the other Floor,
- (iii) on the ticker,
- (iv) to the ITS Control Center (ICC) for ITS eligible securities.

The specialist shall immediately notify the Floor Trading Committee Members of his respective Floor of the suspension and trading may be resumed only at the direction of such Committee members.

\* \* \* \* \*

#### ¶ 4279 Guaranteeing PMP<sup>5</sup> on Portion of Multiple Orders

Rule 5.32(b)(1). When a specialist is representing an order in the *Consolidated Limit Order Book* [has an order in his book] and subsequently guarantees the primary market price on a partial of a multiple order, if the effective price on the partial is equal to or through the limit of the order in the *Consolidated Limit Order Book* [his book], the following shall apply:

(i) If the effective price on the partial order is equal to the limit of the order in the *Consolidated Limit Order Book* [his book], the specialist shall give up to the order in the *Consolidated Limit Order Book* [his book];

(ii) If the effective price on the partial order is through the limit of the order in the *Consolidated Limit Order Book* [his book], the specialist shall fill the order in the *Consolidated Limit Order Book* [his book] and record the transaction when a price through the limit appears on the tape, after which when the member for whom he guaranteed the partial reports the execution price on the balance of the multiple order, the specialist shall complete and record the transaction on

the partial of the multiple order he has guaranteed.

Rule 5.32(b)(2). No change.

Rule 5.32(b)(3). When a specialist is requested to execute on a PMP basis all or part of a multiple order, he shall notify *all other PCX* [the] specialists [on the other Floor] *registered to trade that issue* if technically possible prior to relinquishing part of the order to other markets.

Rule 5.32(b)(4). No change.

\* \* \* \* \*

#### ¶ 4287 Specialists Placing Orders in [Own Book] the Consolidated Limit Order Book for Own Account

Rule 5.33(b). No specialist may place orders in the *Consolidated Limit Order Book* [his own book] for any account in which he or his firm or any participant therein is directly or indirectly interested, except in special situations (e.g., when rights or arbitrage is involved) in which the Floor Trading Committee grants such permission on specific issues.

#### ¶ 4289 Specialist's Own Orders in Other Specialist Book Prohibited

Rule 5.33(c). No specialist on one Floor may place orders for any account in which he or his firm or any participant therein is directly or indirectly interested in the book of the specialist on the other Floor in any security in which he is registered as specialist.]

#### ¶ 4291 Specialist Options

[Rule 5.33(d)] *Rule 5.33(c)*. No change.

#### ¶ 4293 Specialist Joint Accounts

[Rule 5.33(e)] *Rule 5.33(d)*. No change.

#### ¶ 4295 Specialist—Puts—Calls

[Rule 5.33(f)] *Rule 5.33(e)*. No change.

#### ¶ 4297 Specialist Stopping Stock for His Own Account

Rule 5.33(g). A specialist may stop stock in his own book for his own

account only under the following conditions:

(1) When he is making the highest bid or the lowest offer if the difference between the bid and offer is more than one applicable trading differential, he may "stop" stock for his own account in his own book up to 50% of the number of shares bid for or offered in his book.]

#### ¶ 4299 Effecting Executions of Stop Orders Held by Specialists

[Rule 5.33(h)] *Rule 5.33(f)*. No specialist shall make a transaction for his own account in a stock in which he is registered that would result in putting into effect any stop order he may have in the *Consolidated Limit Order Book*; [on his book;] provided, however, a specialist may be party to the election of a stop order when (a) his bid or offer, made with the approval of a Floor Official, has the effect of bettering the market, and (b) he guarantees that the stop order will be executed at the same price as the electing sale.

\* \* \* \* \*

#### Minor Rule Plan

Rule 10.13(a)–(h) No change.

#### (i) Minor Rule Plan: Equity Floor Decorum and Minor Trading Rule Violations

(1)–(12) No change.

(13) *Specialist kept an order in the Manual-Ex Window of P.COAST for more than two minutes (and there is no applicable exemption to this requirement under Rule 5.25(g)(1)).*

\* \* \* \* \*

#### (k) Minor Rule Plan: Recommended Fine Schedule

(i) No changes.

#### (iii) Equity Floor Decorum and Minor Trading Rule Violation<sup>3</sup>

(1)–(12) No change.

	No. of Violations	Fine Amount
*(13) <i>Specialist kept an order in the Manual-Ex Window of P/COAST for more than two minutes (and there is no applicable exemption to this requirement under Rule 5.25(g)(1)).</i>	1–5 .....	Official Warning
	6–10 .....	\$50
	11+ .....	\$100

<sup>5</sup> "PMP" means Primary Market Protection.

<sup>3</sup> Fines for multiple violations of Equity Floor Decorum and Minor Trading Rules are calculated on a running two-year basis, except that violations

denoted with an asterisk are calculated on a running one-year basis.

## 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 Exchange 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 Exchange 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

a. *Background.* The Exchange is proposing to change its rules to implement a CLOB for orders for equity securities that are entered into the Exchange's P/COAST<sup>6</sup> trading system. The CLOB has been designed to facilitate the execution of customer orders in time priority pursuant to Exchange Rules.<sup>7</sup>

The Exchange currently operates two equity trading floors, one in San Francisco and one in Los Angeles. For most of the equity securities traded on the Exchange, there are two Registered Specialists continuously making two-sided markets. The Exchange disseminates a consolidated best bid and offer reflecting orders held by both specialists as well as any interest of the specialists for their own proprietary accounts.

The Exchange route orders to a specialist in one city or the other based on arrangements that the specialists have previously made with firms that send orders to the Exchange. For orders for which neither specialist has made specific arrangements with the firm sending the order, the Exchange will generally assure that the orders are transmitted to the two specialists on an alternating basis (e.g., the first order goes to Specialist A, the next order to Specialist B, the next to Specialist A, and so on).

Prior to the CLOB's implementation, if an incoming limit order was sent

through the P/COAST system, it would either be placed in a specialist's limit order book or be executed by the specialist who received the order. If a specialist in one city received an order, and if a specialist in the other city held a limit order with time priority that matched against the newly received order, the specialists would be responsible for assuring that the two orders were executed in accordance with PCX's priority rules.<sup>8</sup>

The Exchange developed the CLOB as part of its continuing effort to enhance communication between PCX's two trading floors. All round-lot orders sent to the Exchange through the P/COAST system are initially displayed to the specialist designated to receive them (based on prior arrangements or designation on an alternating basis). Limit orders that are not immediately executed by the designated specialist will be maintained in the CLOB, subject to the exceptions discussed below. Orders in the CLOB continue to be represented by the designated specialist. The CLOB eliminates the need for each specialist to manually match incoming orders against limit orders with priority that are represented by another specialist.

b. *Order Handling Under the CLOB.* 1. *Overview.* Under the P/COAST system, all incoming orders in an equity security are specified for representation by one of the specialists in that issue, and appear on that specialist's computer screen on the automatic-execution ("auto-ex") window for up to 15 seconds. When market or marketable limit orders appear on the auto-ex window, the specialist will have 15 seconds to move the order to the manual-ex window, where the specialist may improve the execution price.<sup>9</sup> If the specialist does not move the order to the manual-ex window within 15 seconds, the order, in most cases, will automatically execute against any limit orders in the CLOB that are at or better than the National Best Bid or Offer ("NBBO") according to price and time

priority.<sup>10</sup> If there are no limit orders in the CLOB at the NBBO, then the order may execute against a specialist's proprietary quote at the NBBO. A specialist may also cause an incoming market or marketable limit order to execute immediately against a limit order in the CLOB, without waiting for 15 seconds to pass.<sup>11</sup>

Non-marketable limit orders (i.e., orders to buy that are priced below the national best offer and orders to sell that are priced above the national best bid) that arrive through the P/COAST system<sup>12</sup> will move from the auto-ex window into the CLOB after 15 seconds unless the specialist executes the order or moves it to the computer screen's

<sup>10</sup> Generally, if executing an order at the NBBO would result in a double-uptick, double-downtick, new high for the day, or new low for the day, the P/COAST system will send the order to the specialist's manual-ex window for further handling, instead of automatically executing the order at the NBBO. The system will not prevent a specialist from then manually executing the order at the NBBO in those circumstances.

The P/COAST system also uses a "background execution parameter" that allows the specialist to program the system to execute all market and marketable limit orders that are smaller than a certain designated size, at the disseminated market price, without first being displayed for price improvement. This feature is typically used for very small orders (generally, those under 100 shares). Currently, the size of the background parameter can only be activated for all securities at a given specialist post and cannot be activated security-by-security. Orders smaller than the background execution parameter will receive an automatic execution at the NBBO, even if that would result in a double-uptick, double-downtick, new high for the day, or new low for the day.

<sup>11</sup> The specialist is also able to cause a market or marketable limit order to execute against orders in the CLOB while simultaneously preventing an execution against the specialist's proprietary account. For example, if there are orders in the CLOB to buy 800 shares at \$60, and orders to buy 200 shares at \$59<sup>15</sup>/<sub>16</sub>, and a market order to sell 1,000 shares is entered, the specialist can cause the orders in the book at \$60 to match against the incoming order to sell, with the remainder of the incoming order (200 shares) sent to the manual-ex window, without causing an execution against the specialist's proprietary account.

<sup>12</sup> Although most orders arrive in the Exchange through the P/COAST system, some orders are sent to floor brokers on the Exchange. Floor brokers currently may enter these orders into the CLOB from a workstation at the floor broker's booth. Because the CLOB has not yet been developed to fully accommodate the processing of manual orders received by floor brokers, the system has limitations that make it difficult for floor brokers to track orders and receive reports on them. The PCX is currently implementing a systems change to facilitate the entry and processing of manual limit orders in the CLOB. The change will allow floor brokers to track their orders more efficiently and to receive reports on their orders directly from the system. The Exchange anticipates that the systems change will be implemented by the end of April 1999. The Exchange currently does not require floor brokers to place limit orders in the CLOB, however.

<sup>6</sup> P/COAST, the "Pacific Computerized Order Access System," is the Exchange's communication, order routing and execution system for equity securities. It operates on a dual processing system, with mainframe computers in San Francisco and Los Angeles. The system allows trading to be integrated from two separate trading floors. See PCX Rule 5.25.

<sup>7</sup> See PCX Rule 5.8(c).

<sup>8</sup> See PCX Rules 5.30(b)-(c). Rule 5.30(b) provides that specialists registered in the same security which is traded on both floors are responsible for establishing a unified opening sale in such security. Moreover, throughout each trading session the specialists must stay in contact with one another to ensure that they maintain fair, orderly and integrated markets in such securities. Rule 5.30(c) provides that whenever a specialist's market or the market on his respective floor equals or betters a competitive market, he will immediately inform the specialist on the other floor, if technically possible.

<sup>9</sup> The practice of moving orders to the manual-ex window, and proposed rule changes associated with that practice, are discussed below.

manual-execution ("manual-ex") window for further handling.<sup>13</sup>

2. *Execution of Incoming Market Orders.* The CLOB's automatic execution feature executes incoming market orders in the following manner. Assume that Specialist A and Specialist B are both representing non-marketable limit orders in the CLOB to buy XYZ stock at \$20, which is the national best bid, and further assume that the orders were entered in the following sequence: one order for Specialist A (100 shares), one order for Specialist B (100 shares), and ten orders for Specialist A (100 shares per order), so that the two specialists are collectively representing 12 orders to buy 1,200 shares of XYZ stock. If an incoming market order to sell 2,000 shares of stock is received for representation by Specialist A, that order will be displayed for 15 seconds on Specialist A's auto-ex window, giving Specialist A the opportunity to improve the price, and then will be executed in time priority sequence against the various orders in the CLOB—i.e., it will first execute against the first order being represented by Specialist A, then against the order being represented by Specialist B, and finally, against the 10 orders being represented by Specialist A. The remaining 800 shares would either be executed at \$20, against Specialist A's proprietary account, or be placed in Specialist A's manual-ex window for further handling. If the remainder of the order is placed in Specialist A's manual-ex window, it may be executed against other orders that may be in the CLOB at a lower price (or prices), if that lower price now constitutes the NBBO.

3. *Manual Execution of Limit Orders.* Once a limit order is in the CLOB, the specialist who represents it may manually execute it through the specialist's Limit Order Book Window. The specialist may do this if, for example, there is a trade on the primary market at the limit order price. The P/COAST system will notify both PCX specialists in an issue of the first print on the primary market that occurs at a price equal to the limit price of an order (or orders) in the CLOB. It will also notify both PCX specialists of the first

print from another market that trades through the PCX market. If a specialist decides to execute a "limit alert"<sup>14</sup> at a price based on an execution in the primary market, the CLOB will assure that the order (or orders) will be executed in accordance with time priority. For example, assume that Specialist A and Specialist B are both representing orders to buy XYZ stock at \$20, and those orders were entered in the following sequence: one order for Specialist A, one order for Specialist B, and ten orders for Specialist A. If a print at \$20 occurs on the primary market and Specialist A attempts to execute all limit orders in his or her custody to buy XYZ stock at \$20, the CLOB will allow the first order to be executed, but will prevent the next 10 orders from also being executed simultaneously because the order held by Specialist B has time priority. If Specialist B manually executes the order with priority that he or she is representing from the limit order book, prior to Specialist A's execution of the "limit alert," Specialist A would then be permitted to execute simultaneously all of the other orders at that price. However, Specialist A would immediately receive a CLOB "violation" message that Specialist B had executed an order out of time priority sequence. If that occurs, Exchange Surveillance personnel would receive a report that this time or price priority violation had occurred.<sup>15</sup>

4. *Opening of Trading.* At the opening of trading, all market orders that a specialist is representing are executed at the opening price on the primary market. In addition, the P/COAST system electronically checks the limit order file and executes all buy orders priced above the primary market opening price and all sell orders priced below the primary market opening price. These orders are executed at the opening price on the primary market. The system also provides a limit alert to advise the specialists that there are limit orders in the book priced equal to the opening price on the primary market.

c. *Manual Handling of Orders.* The manual-ex window of P/COAST provides specialists with flexibility that is needed in the special handling of

customer orders. Specialists may place orders in the manual-ex window for a number of reasons. For instance, doing so allows the specialist greater flexibility in providing price improvement for customer orders and conducting price discovery in other markets when handling market orders on the PCX. Placing an order on the manual-ex window also allows the specialist to continue to work in order that cannot be placed in the CLOB. The practice also allows the specialist to process orders with special instructions from the customer.

The P/COAST system automatically routes certain types of incoming orders from the auto-ex window to the manual-ex window for manual handling. These include:

(a) Marketable limit orders whose execution would result in a double-uptick (or double-downtick),<sup>16</sup> or a new high (or new low) for the day (but only if the firm that entered the order has specifically requested that such executions do not occur on their orders);<sup>17</sup>

(b) Orders that cannot be placed in the book at all (e.g., market, marketable limit, market-on-close, fill or kill, or sell-short at the market);

(c) Market and marketable limit orders that have been partially executed from the auto-ex window (but limit orders in the book that receive a partial execution will not go to the manual-ex window because no orders in the book can go to the manual-ex window); and

(d) Large orders, for more than a number of shares that has been designated by the specialist.<sup>18</sup>

At times, a specialist may place a limit order that would match or improve

<sup>16</sup> A "double-uptick" on the PCX means that a trade has been executed on the PCX at a price that is more than one trading differential away from the last print on the primary market. For example, if the last execution price on the primary market is \$20, then a double uptick would occur on the PCX if an order were executed on the PCX at \$20 1/8, because currently, the minimum trading differential is 1/16. Conversely, a trade on the PCX at 19 7/8 would be a "double-downtick" if the last execution price on the primary market is \$20.

<sup>17</sup> When orders are automatically sent to the manual-ex window for one of these reasons, a message is sent to the customer stating that the customer is guaranteed to receive a certain price or better.

<sup>18</sup> The P/COAST system accepts all orders for 10,099 shares or less. The system also provides automatic executions of all market orders for 1,099 shares or less, although order flow providers may set higher parameters for the automatic execution of market orders they send. All non-marketable limit orders, including those over the size designated by an order flow provider, are routed to the CLOB upon time-down or acceptance by the specialist. If an incoming market or marketable limit order exceeds the automatic execution parameter set by an order flow provider, the order will be routed automatically, upon time-down or acceptance, to the specialist's manual-ex window.

<sup>13</sup> A specialist's handling of non-marketable limit orders in the manual-ex window is discussed in more detail below.

Moreover, specialists may reject limit orders that appear clearly erroneous. For example, if the last sale is 122, an order to trade at 22 could be rejected. If an order has been rejected, then depending on the entering firm's previous instructions to the Exchange, the order will be routed: (a) to the contra specialist (i.e., the other specialist in that issue); (b) to the firm that entered the order; or (c) to the Exchange's P/COAST Service Center. If a specialist is in the process of executing an order, the specialist may reject a subsequent request to "cancel" or "CFO" ("cancel former order") that order.

<sup>14</sup> A "limit alert" is a proxy that groups together all orders in the CLOB that are then being represented by a specialist at a given price. A specialist who executes a "limit alert" will, in effect, be attempting to execute all of the limit orders covered by the proxy, without committing a priority violation. Upon the execution of the "limit alert," the CLOB will only allow the execution of orders that may be executed without causing a priority violation to occur. If there are unexecuted limit orders remaining in the CLOB at the same price, the specialist who executed the limit alert will be so notified.

<sup>15</sup> Out of priority executions are further discussed below.

the NBBO, into the manual-ex window, rather than placing it into the CLOB. The specialist may do this when conducting price discovery. If the price of a stock is changing rapidly during a busy market, it may be unclear at the time the order is entered what the true market really is. A specialist may not want to execute the order until those conditions have changed, so that the specialist can determine the best price. A specialist may manually change the PCX quote to reflect the limit order. Alternatively, in the course of conducting price discovery, the specialist may lay off a limit order of equal size onto the primary market, in which case the initial limit order would not be reflected in the Exchange's disseminated quote, but should be reflected in the quote on the primary market.

Exchange rules currently do not require that orders in the manual-ex window be executed within a set period of time. In fact, certain types of orders cannot be placed in the book and, unless executed, will remain in the manual-ex window throughout the trading day. However, the Exchange evaluates specialists on their "turnaround time" and the amount of time during which they "hold orders without action."<sup>19</sup> Specialists are subject to remedial action by the Equity Allocation Committee if they have substandard scores on their quarterly performance evaluations.<sup>20</sup>

To assure that orders do not remain in the manual-ex window for undue periods of time, the Exchange is proposing to adopt new Rule 5.25(g)(1) stating that an order may remain in the manual-ex window for a maximum of two minutes, unless:

- (a) The order is designated: (i) market-on-close; (ii) all-or-one; (iii) a "tick sensitive" order (including buy minus, sell plus, sell short, or sell short exempt); (iv) stop; or (v) stop limit;
- (b) Execution of the order would result in a double-uptick (or double-downtick) or would result in a new high (or new low) price for the day;
- (c) The specialist stops the order;<sup>21</sup> or

(d) There are extraordinary market conditions or systems problems.

If an order remains in the manual-ex window for more than two minutes, Exchange staff will be alerted and will follow up with the specialist. If there is no immediate resolution, Surveillance staff will follow up with the specialist. In any event, a specialist who violates the two minute limit will first be warned and subsequently fined.<sup>22</sup> An order may not remain in a specialist's manual-ex window after the close of a trading day under any circumstances. At the close of trading, the P/COAST system notifies the PCX customer service staff of any orders that are remaining in any specialists' manual-ex windows, and the staff will then notify the specialist so that appropriate action can be taken. If there is a rare circumstance in which an order remains in a specialist's manual-ex window after such notification, due to oversight or error, P/COAST will purge the order from the manual-ex window (but will retain a record of it within the system).

d. *Contra-Specialist Interaction with Orders.* 1. *Incoming Market and Marketable Limit Orders.* If an incoming market or marketable limit order arrives on a specialist's auto-ex window at a time when the contra specialist is representing an order in the CLOB with priority, the contra specialist will receive a "shadow" notification of the entry of the new order on the contra specialist's window. Although the P/COAST system does not permit the contra specialist to interact directly with the new order, the "shadow" message will serve to notify the contra specialist of the potential execution against the order with priority that he or she is representing. The shadow message will disappear from the specialists' auto-ex window after either a 15-second timedown occurs or the specialist interacts to delete the message. If an order is taken into the manual-ex window, no shadow message is

PCX, if an order has been stopped, it must be executed by the end of the trading day.

<sup>22</sup> Specifically, the Exchange is proposing to modify its Minor Rule Plan to add new Rule 10.13(i)(13) to the list of rules eligible for adjudication pursuant to PCX Rule 10.13. The violation will be codified as: "Specialist kept an order in the Manual-Ex Window of P/COAST for more than two minutes (and there is no applicable exemption to this requirement under Rule 5.25(g)(1))." The Exchange is also proposing to modify its Recommended Fine Schedule to add the following sanctions for violations of this provision: For the first five violations, official warnings will be issued; for the sixth through tenth violations, a fine of \$50 (per violation); and for eleven or more violations, a \$100 fine (per violation). Fines for multiple violations will be calculated on a running one-year basis.

generated.<sup>23</sup> However, if the receiving specialist executes the order out of time priority sequence, both the contra specialist and the Exchange's Surveillance Department will be notified of the priority violation.

2. *View of CLOB.* The CLOB's Limit Order Display Window allows specialists to view summaries of limit orders residing in the CLOB. Currently, a specialist can view limit orders that the contra specialist represents only to the extent they are priced at or better than the primary market. The PCX intends to effect a systems change<sup>24</sup> to allow all specialists in an issue to view summaries of all orders in the CLOB via the Limit Order Display Window.

3. *Executing Orders in CLOB.* The CLOB does not currently permit a specialist unilaterally to execute an order being represented by a contra specialist. If a specialist seeks to execute an order represented by the contra specialist, the specialist must contact the contra specialist (generally by telephone) and vocalize a bid or offer. The contra specialist may then execute one or more orders on the other specialist's behalf by typing in that specialist's acronym and pressing the "execute" key. The Exchange's "firm quote" rule would require the contra specialist to effect an execution for the other specialist's account upon that other specialist's request.<sup>25</sup>

The Exchange intends to modify P/COAST to allow a specialist to have direct electronic access to orders represented by a contra specialist. The change will allow the specialist to send an electronic order to the contra specialist that may execute against any order being represented by the contra specialist. Once an order is sent, the contra specialist will be notified electronically. The order that has been sent will be executed after a 15-second time-down, unless the contra order has already been executed. If the order that has been sent is not executed, it will expire after the 15-second time-down

<sup>23</sup> Modifying P/COAST to allow the contra specialist to view orders whenever they are in the receiving specialist's manual-ex window would not be practical due to technology constraints. Specifically, there is a difficulty in maintaining synchronization between the shadow message and the original order due to executions, cancellations and modifications to the order that may occur while it is in the manual-ex window. Accordingly, as an alternative to such a modification of P/COAST, the Exchange intends to place a limit on the amount of time certain orders may remain in the manual-ex window, as discussed above.

<sup>24</sup> The Exchange intends to implement all of the system changes referred to in this filing within one year from the date that the Commission approves this filing.

<sup>25</sup> See PCX Rule 5.8(c).

<sup>19</sup> See PCX Rule 5.37(a).

<sup>20</sup> See PCX Rule 5.37(g).

<sup>21</sup> The term "stop" refers to the practice in which a specialist guarantees that an order will receive a specific price or better. At a minimum, the order must receive a price equal to the NBBO at the time the specialist received the order for execution; however, the specialist may also provide an improved price. If an order has been stopped, the customer must always receive the better of: (a) the current NBBO or (b) the stop price. At the PCX when a specialist stops an order, a message is automatically sent to the customer stating that the customer is guaranteed to receive a specific price (i.e., the stopped price) or better. In addition, at the

and the specialist who entered the order will be notified electronically.

e. *Out of Priority Executions.* The P/COAST system has been designed to prevent orders from being executed out of time priority sequence, or in cases where they are not electronically prevented, to report the violation to the contra specialist and the Exchange's Surveillance Department. Specifically, if either specialist elects manually to execute a limit order out of priority sequence, the Exchange's Surveillance Department will receive a report of the time or price priority violations. The contra specialist will also receive a report of the violation, if the contra specialist is representing a limit order that had priority over an executed limit order.

The CLOB currently has a "global execution" feature that allows a specialist to execute multiple orders simultaneously, including all orders at a specific price that the specialist is representing. However, the Exchange intends to modify its existing "global execution" feature so that its use will not result in multiple executions that are out of priority sequence. The P/COAST system also currently has a function (the "Control Execute E" function) that allows a specialist to execute a manual order ahead of an order in the CLOB that does not have priority. It was designed, initially, to provide specialists with greater flexibility to execute orders when there are system problems and errors to be resolved. The Exchange surveils all use of the function to detect any priority rule violations. The Exchange now believes that the function is superfluous and intends to disable it.

With the change to the Global Execution function and the elimination of the Control-E function, specialists will be unable to execute individual orders in the CLOB out of priority sequence, and will be unable to execute orders for their own accounts ahead of orders in the CLOB. If there is a limit order in the CLOB with priority, the modified system will not allow another order in P/COAST to be executed ahead of it.

In rare circumstances, some orders in the P/COAST system can be executed out of priority sequence, but only if there are no orders with priority in the CLOB. If multiple orders are being represented by one or more specialists in the auto-ex or manual-ex windows, they may not be executed in the same sequence in which they were received, although they will generally be executed within seconds of one another.

The Exchange notes that whenever orders in P/COAST are executed out of

priority sequence, a surveillance report will be generated (although this may depend on certain time parameters). Moreover, to prevent such out-of-priority executions from occurring in the first place, the Exchange is proposing to modify P/COAST to provide a shadow message to a specialist whenever an order is taken into a contra specialist's manual-ex window. Currently, the contra specialist receives a shadow notification when the other specialist receives an order in his or her auto-ex window that could execute against a limit order with priority in the CLOB that the contra specialist is representing.

Moreover, the Exchange believes that specialists currently have little or no incentive to use their manual-ex windows to hide orders from their contra specialists, and that there are financial incentives for not doing so. For example, assume the NBBO is 19 $\frac{7}{8}$ –20 $\frac{1}{8}$ . If Specialist A is representing a limit order to buy stock at \$20 but does not quote it and places it in the manual-ex window, and if Specialist B, in the meantime, executes a sell order in the same stock at 19 $\frac{7}{8}$ . Specialist A will be obligated to execute the buy limit order and can only cover the position at a worse price.<sup>26</sup>

f. *Impact of OptiMark.* In January 1999, the Exchange implemented the PCX Application of the OptiMark System.<sup>27</sup> Orders in the CLOB may be placed in the OptiMark System for a potential match against an OptiMark profile. If an order in the CLOB matches against an OptiMark profile, then the Exchange anticipates that in most instances, the response will occur in less than 3 seconds. The system has been designed so that in no event will an order be delayed for more than 12 seconds.

g. *Emergency Deactivation of CLOB.* The CLOB has been designed to allow Floor Operations staff to deactivate the combined book functionality for the entire Exchange. This feature is intended to be a systems safeguard. The Exchange does not anticipate deactivating the CLOB in the absence of highly unusual circumstances such as a disaster or other situation where the

Exchange's mainframe computers go out of synchronization.

H. *Rule Text Changes.* The Exchange is proposing to modify the text of the rules on equities trading in several respects so that they will be consistent with the operation of the CLOB. First, the proposal would codify new PCX Rule 5.25(g), entitled "Consolidated Limit Order Book," which provides that incoming Equity orders entered into the Exchange's P/COAST trading system will be maintained in and executed through the CLOB, that incoming market and marketable limit orders are immediately executed against orders in the CLOB based on price and time priority once they have been displayed for possible price improvement, and that incoming orders other than market and marketable limit orders will be maintained in the CLOB, but represented by a particular PCX specialist.

Second, the Exchange is proposing to change several rules by adding references to the CLOB in place of references to individual specialist's books.<sup>28</sup> For example, while Rule 5.33(b) currently refers to placing orders in a specialist's book, the Exchange is proposing to change it so that it refers to placing orders in the CLOB.

Third, the Exchange is proposing to eliminate certain references in the rules to "Floors" to make those rules consistent with the operation of the CLOB.<sup>29</sup> For example, in Rule 5.8(a) the Exchange is replacing the phrase "where a security is traded on both floors" with the phrase "where a security is traded by more than one specialist." Likewise, the phrase "regardless of the floor" in Rule 5.8(c) would be eliminated as superfluous. These changes are being proposed to clarify that the location of orders will be

<sup>28</sup> These include amendments to PCX Rule 5.8(a) (priority rules applicable to orders received from the other floor for entering in the specialist's book and order handling procedure for situations where a security is traded on both floors); Rule 5.8(c) (general rule on priority of bids and offers); Rule 5.29(d) (rule on disclosure of information respecting orders in a specialist's custody); Rule 5.31(b)(1) (procedures to follow when a specialist suspends trading of a security); Rule 5.32(b)(1) (procedure for when a specialist has an order in the book and guarantees the primary market price on a partial of a multiple order); Rule 5.33(b) (prohibition of specialists' placing orders in the book for accounts in which they or their firms are interested); Rule 5.33(g) (condition under which specialists may stop stock for their own accounts); and Rule 5.33(h) (prohibition on specialist making a transaction for its own account that puts into effect a stop order in the book).

<sup>29</sup> These include amendments to Rule 5.8(a); Rule 5.8(c); Rule 5.29(d); Rule 5.30(b) (specialist's duty to coordinate markets); Rule 5.31(b)(1)–(2); and Rule 5.32(b)(3) (confirmation price when a specialist guarantees Primary Market Protection on a portion of multiple orders).

<sup>26</sup> The Exchange acknowledges that the Commission's "Display rule," 17 CFR 240.11Ac1–4, requires PCX specialists to "publish immediately" certain bids and offers as specified in subsection (b)(1)(i)–(ii) of that Rule.

<sup>27</sup> See generally Securities Exchange Act Release No. 39086 (September 17, 1997), 62 FR 50036 (September 24, 1997); see also Securities Exchange Act Release No. 40551 (October 14, 1998), 63 FR 56282 (October 21, 1998) (order approving PCX rule requiring PCX specialists to ensure that their best bids and offers will be represented in the OptiMark System).



in the CLOB rather than on a particular floor.

Fourth, the Exchange is proposing to eliminate Rule 5.30(c), which provides that whenever a specialist's market or the market on his respective floor equals or betters a competitive market, that specialist will immediately inform the specialist on the other floor, if technically possible. PCX believes that this rule is unnecessary because the CLOB allows specialists to view orders being represented by the contra specialist.

Fifth, the Exchange is proposing to replace the text of Rule 5.30(d), which currently requires a specialist to notify the specialist on the floor it has received an order so that the receiving specialist's order can have standing on the other specialist's floor.<sup>30</sup> As modified, proposed Rule 5.30(d)(1) would provide that specialists holding "manual orders"—meaning orders provided to the specialist by a floor broker—must notify other specialists trading the same security to obtain standing with the other specialists. Proposed Rule 5.30(d)(2) would provide that a specialist may not execute orders at or through (inferior to) the limit price of orders in the CLOB or other limit orders in P/COAST that another specialist is representing (*i.e.*, orders in the other specialist's manual-ex window or auto-ex window), without those limit orders first being filled. Proposed Rule 5.30(d)(3) would provide that if a specialist representing manual orders or orders in P/COAST fails to notify the contra specialist of such orders, and the contra specialist executes a transaction at or through the limit price of those orders, the specialist who failed to notify the contra specialist will be required to execute those orders. A specialist will be deemed to have notified the contra specialist of orders in P/COAST if they are being represented in the CLOB.

Sixth, the Exchange is proposing to eliminate Rule 5.33(c), which provides that no specialist on one floor may place orders for any account in which he or his firm or any participant therein is directly or indirectly interested in the book of the specialist on the other floor in any security in which he is registered as specialist. The Exchange believes that this rule is overly broad and

inconsistent with the Exchange's proposal, discussed above, to permit specialists to send orders that would execute against orders being represented by the contra specialists after a 15-second time-down. The Exchange also believes that this rule is unnecessary because PCX Rule 4.5 prohibits specialists from placing orders in the book ahead of customer orders.

Finally, the Exchange is proposing to eliminate Rule 5.33(g), which provides that a specialist may stop stock in his own book for his own account only when he is making the highest bid or the lowest offer and if the difference between the bid and offer is more than one applicable trading differential, in which case he may stop stock for his own account in his own book up to 50 percent of the number of shares bid for or offered in his book. The Exchange believes that this rule is both inconsistent with the operation of the CLOB and currently serves on legitimate purpose.

#### (2) Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,<sup>31</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>32</sup> in particular, in that it is designed to perfect the mechanisms of a free and open market, to promote just and equitable principles of trade, to facilitate transactions in securities, and in general, to protect investors and the public interest. Specifically, the proposal is intended to promote just and equitable principles of trade by facilitating the execution of customer orders promptly and in order of priority. The proposal will facilitate transactions in securities by automating the trading process for specialists, in general, and by eliminating the need for PCX specialists to manually match incoming orders against limit orders with priority that are represented by another specialist. The proposal will protect investors and the public interest by ensuring that their orders will be processed efficiently, in accordance with Exchange rules, and in accordance with the needs and expectations of PCX customers. Finally, the proposal will ensure that PCX members will be appropriately disciplined for violations of PCX rules, as required by Section 6(b)(6) of the Act.<sup>33</sup>

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

The Exchange does not believe that the proposed rule change will impose 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 on the proposed rule change 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, 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, N.W., Washington, D.C. 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 Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-99-06 and should be submitted by June 25, 1999.

<sup>30</sup> As currently written, the rule also provides that if the specialist on one floor fails to notify the specialist on the other floor of orders in his book and if transactions take place on the other floor at or through the limit price of such orders, the specialist failing to notify the specialist on the other floor will be responsible for an execution of the orders in his book.

<sup>31</sup> 15 U.S.C. 78f(b).

<sup>32</sup> 15 U.S.C. 78f(b)(5).

<sup>33</sup> 15 U.S.C. 78f(b)(6).



For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>34</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-10671 Filed 4-27-99; 8:45 am]

BILLING CODE 8010-01-M

## SMALL BUSINESS ADMINISTRATION

### Reporting and Recordkeeping Requirements Under OMB Review

**AGENCY:** Small Business Administration.

**ACTION:** Notice of reporting requirements submitted for OMB review.

**SUMMARY:** Under the provisions of the Paperwork Reduction Act (44 U.S.C. Chapter 35), agencies are required to submit proposed reporting and recordkeeping requirements to OMB for review and approval, and to publish a notice in the **Federal Register** notifying the public that the agency has made such a submission.

**DATES:** Submit comments on or before May 28, 1999. If you intend to comment but cannot prepare comments promptly, please advise the OMB Reviewer and the Agency Clearance Officer before the deadline.

**COPIES:** Request for clearance (OMB 83-1), supporting statement, and other documents submitted to OMB for review may be obtained from the Agency Clearance Officer.

**ADDRESSES:** Address all comments concerning this notice to: *Agency Clearance Officer*, Jacqueline White, Small Business Administration, 409 3rd Street, SW, 5th Floor, Washington, DC 20416; and *OMB Reviewer*, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, DC 20503.

**FOR FURTHER INFORMATION CONTACT:** Jacqueline White, Agency Clearance Officer, (202) 205-6629.

#### SUPPLEMENTARY INFORMATION:

*Title:* Disaster Home Loan.

*Form No's:* 5C and 739.

*Frequency:* On Occasion.

*Description of Respondents:*

Applicants requesting Disaster Home Loans.

*Annual Responses:* 56,418.

*Annual Burden:* 89,140.

Dated: April 14, 1999.

**Jacqueline White,**

*Chief, Administrative Information Branch.*

[FR Doc. 99-10613 Filed 4-27-99; 8:45 am]

BILLING CODE 8025-01-P

## SMALL BUSINESS ADMINISTRATION

### Reporting and Recordkeeping Requirements Under OMB Review

**AGENCY:** Small Business Administration.

**ACTION:** Notice of reporting requirements submitted for OMB review.

**SUMMARY:** Under the provisions of the Paperwork Reduction Act (44 U.S.C. Chapter 35), agencies are required to submit proposed reporting and recordkeeping requirements to OMB for review and approval, and to publish a notice in the **Federal Register** notifying the public that the agency has made such a submission.

**DATES:** Submit comments on or before May 28, 1999. If you intend to comment but cannot prepare comments promptly, please advise the OMB Reviewer and the Agency Clearance Officer before the deadline.

**COPIES:** Request for clearance (OMB 83-1), supporting statement, and other documents submitted to OMB for review may be obtained from the Agency Clearance Officer.

**ADDRESSES:** Address all comments concerning this notice to: *Agency Clearance Officer*, Jacqueline White, Small Business Administration, 409 3rd Street, SW, 5th Floor, Washington, DC 20416; and *OMB Reviewer*, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, DC 20503.

**FOR FURTHER INFORMATION CONTACT:** Jacqueline White, Agency Clearance Officer, (202) 205-6629.

#### SUPPLEMENTARY INFORMATION:

*Title:* One Stop Capital Shop Customer Satisfaction Comment Card.

*Form No's:* N/A.

*Frequency:* On Occasion.

*Description of Respondents:* SBA Participants.

*Annual Responses:* 1,500.

*Annual Burden:* 4,367.

Dated: April 14, 1999.

**Jacqueline White,**

*Chief, Administrative Information Branch.*

[FR Doc. 99-10614 Filed 4-27-99; 8:45 am]

BILLING CODE 8025-01-P

## SMALL BUSINESS ADMINISTRATION

[License No. 01/71-0369]

### RFE VI SBIC, L.P.; Notice Seeking Exemption Under Section 312 of the Small Business Investment Act, Conflicts of Interest

Notice is hereby given that RFE VI SBIC, L.P. ("RFE VI SBIC"), 36 Grove Street, New Canaan, CT 06840, a Federal Licensee under the Small Business Investment Act of 1958, as amended ("the Act"), in connection with the proposed financing of a small concern is seeking an exemption under section 312 of the Act and section 107.730, *Financings which Constitute Conflicts of Interest of the Small Business Administration* ("SBA") Rules and Regulations (13 CFR 107.730 (1998)). An exemption may not be granted by SBA until Notices of this transaction have been published. RFE VI SBIC proposes to provide equity financing to Advanced Technology Services, Inc. ("ATS"), 8201 N. University, Peoria, IL, 61615. The financing is contemplated to fund the redemption of shareholders' (which are not Associates of RFE VI SBIC) interests and to provide a capital base for continued growth. There is no contemplated change in the ATS senior management team as a result of this transaction.

The financing is brought within the purview of section 107.730 (a) (1) of the Regulations because RFE Investment Partners V, L.P., an Associate of RFE VI SBIC, owns greater than 10 percent of ATS and therefore ATS is considered an Associate of RFE VI SBIC as defined in section 107.50 of the Regulations.

Notice is hereby given that any interested person may, not later than fifteen (15) days from the date of publication of this Notice, submit written comments on the proposed transaction to the Associate Administrator for Investment, U.S. Small Business Administration, 409 Third Street, SW, Washington, DC 20416.

A copy of this Notice shall be published, in accordance with section 107.730 (g), in the Peoria Journal Star, in Peoria, Illinois by RFE VI SBIC.

(Catalog of Federal Domestic Assistance Programs No. 59.011, Small Business Investment Companies)

Dated: April 15, 1999.

**Don A. Christensen,**

*Associate Administrator for Investment.*

[FR Doc. 99-10612 Filed 4-27-99; 8:45 am]

BILLING CODE 8025-01-P

<sup>34</sup> 17 CFR 200.30-3(a)(12).