

Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to increase the monthly fee charged for Nasdaq Level 1 Service. On March 18, 1997, the Nasdaq Stock Market filed Amendment No. 1 to the proposal.<sup>3</sup>

Notice of the proposal, as amended, was published for comment and appeared in the **Federal Register** on March 26, 1997.<sup>4</sup> No comment letters were received on the proposed rule change.

This order approves the Nasdaq proposal.

### I. Description of the Proposal

The Nasdaq Stock Market proposes to establish a fee increase for Nasdaq Level 1 Service<sup>5</sup> to reflect the increased value of the data being disseminated via this Service. Under the new SEC Order Handling Rules,<sup>6</sup> Nasdaq quotations now contain additional information that was not previously available to subscribers. That is, pursuant to SEC Rule 11Ac1-4,<sup>7</sup> customer limit orders are now displayed in market maker quotations. In addition, Nasdaq's Level 1 Service includes price information from electronic communications networks ("ECNs") that was not previously available through this Service. Thus; to reflect the increased value of the transparency of Nasdaq quotes under these new rules and the price discovery information available in the Nasdaq Stock Market, Nasdaq believes that the fee for such service should be increased.

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

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

<sup>3</sup> In Amendment No. 1, Nasdaq clarifies that the filing is made on behalf of the NASD and the Nasdaq Stock Market, Inc. Amendment No. 1 also includes additional discussion regarding the statutory basis for the fee increase for Nasdaq Level 1 Service. Finally, Amendment No. 1 corrects several typographical errors in the original filing. See letter from Eugene A. Lopez, Assistant General Counsel, Office of General Counsel ("OGC"), Nasdaq, to Michael Walinskas, Senior Special Counsel, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, dated March 17, 1997 ("Amendment No. 1").

<sup>4</sup> See Securities Exchange Act Release No. 38417 (March 18, 1997), 62 FR 14487 (March 26, 1997).

<sup>5</sup> This service includes the following data: (1) inside bid/ask quotations calculated for securities listed on The Nasdaq Stock Market and securities quoted on the OTC Bulletin Board ("OTCBB") Service; (2) the individual quotations or indications of interest of broker/dealers utilizing the OTCBB service; and (3) last sale information on securities classified as designated securities in the Rule 4630, 4640, and 4650 Series and securities classified as over-the-counter equity securities in the Rule 6600 Series. See NASD Rule 7010(a).

<sup>6</sup> See Securities Exchange Act Release No. 37619A (September 6, 1996), 61 FR 48290 (September 12, 1996) (Order Handling Rules Adopting Release).

<sup>7</sup> 17 CFR 240.11Ac1-4.

Nasdaq proposes to increase by \$1.00 the current monthly fee for the receipt of Nasdaq quote and trade information, resulting in a \$20 fee per month per authorized device for Level 1 Service. As noted above, the Nasdaq Level 1 Service will include limit order information (i.e., the best priced orders to buy and sell) and ECN prices. This information provides valuable information to investors and other market participants and helps in price discovery. This fee increase will become effective immediately upon issuance of this order because over 60% of Nasdaq securities as measured by median daily dollar volume now are subject to the new SEC order handling rules.<sup>8</sup> Nasdaq believes that value of the Level 1 Service has increased substantially since Nasdaq's higher volume securities now are subject to the new rules.

### II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association, and, in particular, the requirements of Section 15A(b)(5).<sup>9</sup> Section 15A(b)(5) requires that the rules of a national securities association provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the association operates or controls. The Commission believes that the increased fee for Nasdaq Level 1 Service is reasonable and results in an equitable allocation of the costs associated with gathering and disseminating the additional information required as a result of implementation of the new Order Handling Rules. Accordingly, the Commission finds that the Nasdaq's proposal is appropriate and consistent with the Act.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-NASD-97-17) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

<sup>8</sup> Telephone conversation between Eugene A. Lopez, Assistant General Counsel, OGC, Nasdaq, and James T. McHale, Special Counsel, OMS, Division, Commission, on May 8, 1997. As originally proposed, Nasdaq was to delay implementation of the fee increase until the latter of April 1, 1997, or such time when more than half of Nasdaq securities as measured by median daily dollar volume are subject to the Order Handling Rules.

<sup>9</sup> 15 U.S.C. 78o-3(b)(5).

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38609; File No. SR-PCX-97-14]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc., Relating to Name Change From SCOREX to P/COAST

May 12, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on April 28, 1997, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("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 Exchange is proposing to amend its Rules to change references to its electronic equity order routing and execution system, from "SCOREX" to "P/COAST." The text of the proposed rule change is attached as Exhibit A to the rule filing.

#### 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

During 1996, the Exchange phased out its former electronic equity order

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

routing and execution system known as SCOREX<sup>2</sup> and concurrently, phased in and upgraded its new system, known as P/COAST.<sup>3</sup> Accordingly, the Exchange is proposing to replace all references to "SCOREX" in the Exchange's Rules with references to "P/COAST."

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act<sup>4</sup> in that it is designed to promote just and equitable principles of trade.

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

The Exchange does not believe that 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*

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 is concerned solely with the administration of the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>5</sup> and subparagraph (e) of Rule 19b-4 thereunder.<sup>6</sup>

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 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Pacific Exchange. All submissions should refer to File No. SR-PCX-97-14 and should be submitted by June 6, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38604; File No. SR-PTC-97-01]

### **Self-Regulatory Organizations; Participants Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to Limited Cross-Guarantee Agreements**

May 9, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 11, 1997, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-97-01) as described in items I and II below, which items have been prepared primarily by PTC. The Commission is publishing this notice and order 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 purpose of the proposed rule change is to amend PTC's rules to permit PTC to enter into limited cross-guarantee agreements with other clearing organizations.

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

In its filing with the Commission, PTC 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. PTC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.<sup>2</sup>

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

The purpose of the proposed rule change is to amend PTC's rules to permit PTC to enter into limited cross-guarantee agreements contain a guarantee from one clearing agency to another clearing agency that can be invoked in the event of a default of a common member. The guarantee provides that the resources of a defaulting common member remaining after its obligations to the guaranteeing clearing agency have been satisfied will be used to satisfy its obligations that remain unsatisfied at the other clearing agency. The guarantee is limited to the amount of a defaulting common member's resources remaining at the guaranteeing clearing agency.

Generally, limited cross-guarantee agreements may be beneficial to the clearing agency because amounts available under limited cross-guarantee agreements may be applied to satisfy or reduce unpaid obligations of the defaulting participant. With regard to PTC, these amounts may reduce charges against the participants fund or amounts borrowed from other participants or third party lenders or allocations of losses to the original counterparties of a defaulting participant under PTC's rules. The benefits generally accruing to the clearing agencies from a limited cross-guarantee agreement are illustrated by the following example: Participant A, a common participant of clearing agency 1 and clearing agency 2, declares bankruptcy. Upon insolvency, participant A owes clearing agency 1 \$10 million and clearing agency 2 owes participant A \$7 million. In the absence of an inter-clearing agency limited cross-guarantee agreement, clearing agency 2 would be obligated to pay \$7 million to participant A's bankruptcy estate and clearing agency 1 would have

<sup>2</sup> Securities Communication Order Routing and Execution System.

<sup>3</sup> Pacific Computerized Order Access Securities System.

<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4.

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> The Commission has modified the text of the summaries prepared by PTC.