

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, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR-OCC-97-01 and should be submitted by June 10, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38623; File No. SR-PCX-12]

Self-Regulatory Organizations; The Pacific Exchange, Inc.; Notice of Filing of Proposed Rule Change Modifying Rules on Disclosure of Financial Arrangements of Members

May 13, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 23, 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 primarily by PCX. 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 rule on disclosure of financial arrangements of Members, to expand the scope of such arrangements that must be disclosed to the Exchange, to eliminate unnecessary provisions of the rule, and to clarify existing provisions.²

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

In its filing with the Commission, PCX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. PCX 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

The Exchange is proposing to make various changes to PCX Rule 4.18, "Disclosure of Financial Arrangement of Members." First, Rule 4.18, Subsection (a) Currently provides, in part, that a Market Maker, Floor Broker, Specialist or Member Organization who enters into a financial arrangement with any other member shall disclose to the Exchange the name of such member and the terms of the arrangement. The Exchange is proposing to replace "any other member" with "any other person or entity" and to replace "the name of such member" with "the identity of such person or entity." Accordingly, the amended rule will require that financial arrangements between Members and Non-Members be disclosed, while currently, only financial arrangements between Members must be disclosed. The Exchange believes that this expansion of the scope of financial arrangements that must be disclosed is appropriate because the Exchange needs to conduct adequate financial monitoring of its Members. The Exchange further believes that the distinction in the current rule between financing provided by Members and financing provided by Non-Members is unsound.

Second, Subsection (a) Currently defines "financial arrangement" for purposes of Rule 4.18 as "(1) The direct financing of a member's dealings upon the Exchange; or (2) any direct equity investment or profit sharing arrangement; or (3) any consideration over the amount of \$5,000.00 that constitutes a gift, loan, salary or bonus." The Exchange is proposing to clarify and expand the third clause to provide: "any consideration over the amount of \$5,000.00, including, but not limited to, gifts, loans, annual salaries or bonuses."

Third, the Exchange is proposing to eliminate Subsection (b), which

currently provides that each Market Maker shall inform the Exchange immediately of the intention of any party (1) To change any financial arrangement as defined in this Rule; or (2) to issue a margin call. It further provides that on a form prescribed by the Exchange, a Market Maker shall submit to the Exchange a monthly report of his use or extension of credit pursuant to this Section. The Exchange believes that these requirements are unnecessary.

Fourth, the Exchange is proposing to eliminate subsection (c), which provides that the disclosure of financial arrangements pursuant to this Rule shall be the responsibility of all parties involved. The Exchange believes this provision is superfluous.

Finally, subsection (d) currently provides that unless otherwise agreed, the Exchange member shall submit to the Exchange notification of the initiation or termination of such financial arrangements within ten business days of the effective date of such arrangements. It further provides that failure to disclose financial arrangement terms to the Financial Compliance Department may result in disciplinary action by the Exchange. The Exchange is proposing to modify subsection (d) to provide that Exchange Members with financial arrangements must submit to the Exchange notification of the initiation, modification or termination of such financial arrangements in a form, time and manner approved by the Exchange. It further states that failure to disclose the terms of such financial arrangements to the Exchange may result in disciplinary action. The Exchange proposes eliminating the stated 10 business day rule in order to add flexibility for situations where an individual situation requires an immediate response.

The Exchange believes that the proposal is consistent with Section 6(b) of the Act, and Section 6(b)(5) of the Act³ in particular, in that it promotes just and equitable principles of trade and to protect investors and the public interest.

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.

³ 15 U.S.C. 78f(b)(5).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² The text of the proposed rule change is attached as Exhibit A to File No. SR-PCX-97-12, and is available for review at the principal office of PCX and in the Public Reference Room of the Commission.

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 thirty-five 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 ninety 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 PCX consents, the Commission will:

(A) By order approve such proposed rule change or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 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 Section, 450 Fifth Street NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of PCX. All submissions should refer to File No. SR-PCX-97-12 and should be submitted by July 7, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38620; File No. SR-PCX-97-13]

Self-Regulatory Organizations; The Pacific Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to the Use of the Internet or Similar Electronic Networks for Providing Market Quotations or Advertising to the General Public

May 13, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 23, 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 primarily by PCX. 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 PCX Rule 9.24 to require its Members and Member Organizations for which it is the designated examining authority ("DEA"), to obtain the consent of the Exchange prior to making use of the internet or similar electronic networks for the purpose of providing market quotations or advertising to the general public.²

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

In its filing with the Commission, PCX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. PCX 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) (1988).

² The text of the proposed rule change is attached as Exhibit A to File No. SR-PCX-97-13, and is available for review at the principal office of PCX and in the Public Reference Room of the Commission.

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

PCX Rule 9.24, "Radio, Television, Telephone Reports," currently provides that Member firms desiring to broadcast Exchange quotations on radio or television programs, or in public telephone market reports, or to make use of radio or television broadcasts for any business purpose, shall first obtain the consent of the Exchange by submitting an outline of the program. The rule further provides that the text of all commercials and program material (except lists of market quotations) about securities or investing sponsored by member firms on radio, television, or public telephone market reports, or program material supplied to these media shall be sent to the Exchange promptly following the program in which it is used.

The Exchange is proposing to add three provisions to the text of Rule 9.24. The first provision provides that Members and Member organizations desiring to make use of the internet or similar electronic networks for the purpose of providing market quotations or advertising to the general public, must first obtain the consent of the Exchange by submitting an outline of the program to the Exchange.

The second provision provides that the text of all commercials and program material (except lists of market quotations) about securities or investing sponsored by Member or Member Organizations on the internet, or similar electronic networks, or program material supplied to such media, must be sent to the Exchange promptly following the program in which it is used.

Finally, the Exchange is proposing to clarify the limited scope of Rule 9.24 by stating expressly that it only applies to Members and Member Organizations for which the Exchange is the DEA.

The Exchange believes that Rule 9.24 should be expanded given the increasing use of the internet and similar electronic networks in mass communications. Accordingly, the Exchange is proposing these amendments in order to preserve the essential purpose of Rule 9.24.

The Exchange believes that the proposal is consistent with Section 6(b) of the Act, and Section 6(b)(5) of the Act³ in particular, in that it promotes just and equitable principles of trade

³ 15 U.S.C. § 78f(b)(5).

⁴ 17 CFR 200.30-3(a)(12).