

Accounts. Each Fund's investments effected through the Cash Collateral Joint Accounts will be documented daily on the books of that Fund as well as on the books of the Custodian.

13. Each Fund will participate in the income earned or accrued in the Cash Collateral Joint Accounts through which it is invested on the basis of its percentage share of the total balance of such Cash Collateral Joint Accounts on that day.

14. MSAM (or the appropriate affiliated investment adviser) will administer the Cash Collateral Joint Accounts in accordance with the strict standards and procedures established by the boards of directors of the Funds as part of its duties under the existing or any future investment advisory contracts with the Funds. MSAM and its investment adviser affiliates will receive no additional or separate fee for administering the Cash Collateral Joint Accounts.

15. The administration of the Cash Collateral Joint Accounts will be within the fidelity bond coverage required by section 17(g) of the Act and rule 17g-1 thereunder.

16. The board of directors for each Fund investing in Overnight Investments through the Cash Collateral Joint Accounts will adopt procedures pursuant to which such Accounts will operate, which procedures will be reasonably designed to provide that requirements of the exemption will be met. In addition, not less frequently than annually, the boards will evaluate the Cash Collateral Joint Account arrangements, will determine whether such Accounts have been operated in accordance with the adopted procedures, and will authorize a Fund's continued participation in such Accounts only if the Board determines that there is a reasonable likelihood that such continued participation would benefit that Fund and its shareholders.

17. Substantially all investments by the Cash Collateral Joint Accounts will be Overnight Investments with a maximum maturity of seven days.

18. The Cash Collateral Joint Accounts will not be distinguished from any other accounts maintained by a Fund with a Custodian except that cash collateral from various Fund will be deposited in the Cash Collateral Joint Accounts on a commingled basis. The Cash Collateral Joint Account will not have separate existence with indicia of a separate legal entity. The sole function of the Cash Collateral Joint Accounts will be provide a convenient way of aggregating individual transactions that would otherwise require daily

management and investment by each Fund of its cash collateral.

19. All transactions in Overnight Investments will be effected in accordance with Investment Company Act Release No. 13005 (February 2, 1983) and with other existing and future positions taken by the SEC or its staff by rule, interpretive release, no-action letter, any release adopting any new rule, or any release adopting any amendments to any existing rule.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38669; File No. SR-NYSE-97-12]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc., Relating to Amendments to the Exchange's Allocation Policy and Procedures

May 22, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 16, 1997, the New York Stock Exchange, Inc. ("NYSE" 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, pursuant to Rule 19b-4 of the Act, submits a proposed rule change amending the NYSE's Allocation Policy and Procedures. The text of the proposed rule change is as follows [new text is italicized; deleted text is bracketed]

New York Stock Exchange, Inc., Allocation Policy and Procedures

I. Purpose

The current allocation process was established in 1976. [In September 1987] T[he Quality of Markets Committee of the NYSE Board of

Directors *has periodically* appointed [a] special Allocation System Review Committees (ARCs) to conduct [a] comprehensive reviews of the allocation process. [The ARC's recommendations were implemented once approved by the SEC in May 1990. A second and third committee were appointed to review the policy and to make revisions where appropriate.] The objective of each review was to preserve the integrity of the original system and build upon its strengths, in order to ensure that the allocation process:

(1) Is based on fairness and consistency;

(2) Maximizes the professionalism, expertise and objectivity of committee members;

(3) Minimizes potential conflicts of interest;

(4) Rewards performance and provides an incentive for performance improvement;

(5) Spreads reward and risk throughout the specialist system, in order to contribute to its strength and continued viability;

(6) Provides the best possible match between specialist unit and stock, and provides an opportunity for input from the listing company for that purpose;

(7) Provides for education of all participants in the allocation process; and

(8) Ensures the strength and autonomy of the Allocation Committee in applying policy.

[Both committees concluded that, since its inception in 1976, the allocation process has worked very well.] Because specialists can expand their business only by increasing the number of their specialty stocks, allocation criteria and procedures and the performance evaluations on which they rely focus critical attention on customer service and ongoing improvement in the level of specialists' performance. The result is higher quality markets, benefiting the investing public, listed companies and member organizations.

[The committee recognizes that one key to continued success is ongoing education to ensure understanding of and commitment to the allocation process. The effectiveness of the allocation system, and the full confidence of the broad range of Exchange constituents in that process, also depend on specialist performance data and can be sustained only to the extent that the performance evaluation process provides the highest quality data to the deliberative process. The Allocation System Review Committee reviewed and developed recommendations regarding the SPEQ

¹ 15 U.S.C. 78s(b)(1).

process in 1991. It is essential that the Exchange continue to periodically review and seek to improve the specialist performance evaluation process as well as the allocation system.]

This document presents the policy of the Exchange with respect to the allocation of equity securities: (1) When a common stock is to be initially listed on the Exchange; (2) when a security is to be reallocated as a result of disciplinary or other proceedings under Exchange Rules 103A, 475 and 476; or (3) when a specialist unit voluntarily surrenders its registration in a security as a result of possible disciplinary or performance improvement action. The purpose of the allocation system is: (1) To ensure that securities are allocated in an equitable and fair manner and that all specialist units have a fair opportunity for allocations based on established criteria and procedures; (2) to provide an incentive for ongoing enhancement of performance by specialist units; (3) to provide the best possible match between specialist unit and security and (4) to contribute to the strength of the specialist system.

II. Allocation Committee

Responsibility

The Allocation Committee has sole responsibility for the allocation of securities to specialist units under this policy pursuant to authority delegated by the Board of Directors, and is overseen by the Quality of Markets Committee of the Board ("QOMC"). The Allocation Committee renders decisions based on the allocation criteria specified in this policy (see Section IV). Allocation decisions are published for Exchange Floor members and are communicated to listing companies by Exchange staff. The Allocation Committee gives periodic reports to the QOMC.

Composition

The composition of the Allocation Committee is intended to maximize expertise and objectivity in the allocation process.

To this end, the committee is comprised of 7 Floor brokers, including 3 broker Governors (1 of whom may be an independent/two dollar broker), 4 other Floor brokers from the Allocation Panel (1 of whom must be an independent/two dollar broker) and 2 allied members from the Market Performance Committee or the panel. For options allocations, only 1 Governor shall sit on the committee. Commission brokers contribute their experience in conducting business with specialists, as

well as broad-based knowledge of units on the Floor. Therefore, they have the largest representation on the committee. Allied members often provide a perspective on the trading characteristics of new listings and experience as an off-Floor customer of the specialists. Including Governors on the committee adds comprehensive knowledge of specialist performance as well as a broad perspective and expertise relating to the Exchange.

The 9-member committee is chosen from an Allocation Panel (See Section III), which includes Floor brokers, allied members, Governors, and Senior Floor Officials. Selection of committee members within the appropriate member categories is random as to individuals, but an effort is made to appoint individuals who have not yet served on the committee before reappointing past committee members. The Exchange also tries to provide a balanced Floor geographical mix—3 Main Room, 2 Garage, 1 Blue Room, 1 Expanded Blue Room. Efforts are also made to include no more than one broker or allied member whose firm is affiliated with a specialist unit.

Term of Service

Committee members serve 4-month terms, and every two months four or five members are rotated, thereby fostering continuity and objectivity in the decision-making process.

A committee member whose term has expired is ineligible for consecutive reappointment, but after two months is eligible for further service if again randomly selected.

Quorum Requirement

A full Allocation Committee affords optimal participation, and every effort is made to have 9 members for each allocation decision. Whenever standing committee members are unable to serve for a particular meeting or must abstain from deliberations regarding particular stocks, randomly selected panel members may substitute to complete a 9-member committee. A quorum requirement is established so that allocation decisions can otherwise be made, provided there are 7 members including 6 Floor brokers, at least two of whom are Governors, and 1 allied member. For options allocations, a quorum shall include one Governor. In the event that any of the broker Governors on the standing committee are not able to attend an Allocation Committee meeting, or are unable to participate in the allocation of a particular stock, the Exchange first seeks to substitute for such Governor(s) with another broker Governor on the panel. If

no such Governor is available, a Senior Floor Official broker on the panel who is not currently a standing member of the Allocation Committee may serve as a substitute for a Governor for the purpose of meeting the Governor quorum requirement. If no Senior Floor Official broker on the panel is available, any Senior Floor Official broker on the standing committee may substitute for the absent Governor(s) for the purpose of meeting the Governor quorum requirement. The Exchange seeks as a substitute a Senior Floor Official who is not currently a standing member of the Allocation Committee in order to maximize the level of seniority of the standing committee. In the event no current Floor broker or allied panel member is available, a former Allocation Committee chairman may substitute, but may not substitute for a Governor for the purpose of meeting the Governor quorum requirement, unless such former Allocation Committee chairman is a Senior Floor Official on the panel. A former chairman brings unique experience and expertise to the process.

Chairman

The Allocation Committee chairman is selected from among the Floor brokers on the standing committee whose firms conduct business with the public, as well as Governors. (Governors and brokers whose firms are affiliated with a specialist unit are ineligible to serve as chairman.) All candidates for chairman must have experience on the Allocation Committee to qualify. The chairman is elected by current Allocation Committee members, including outgoing members, and members of the committee who will be serving at the time of the chairman's appointment.

While allocation decisions are made by the committee as a whole, the chairman's role calls for leadership in conducting meetings in accordance with policy and procedure, emphasizing the importance of preserving the integrity of the allocation process, the committee's responsibility to serve the best interests of the public and the Exchange, and the need to suspend individual interest and avoid possible conflicts of interest.

In order to foster a complete understanding of and ensure consistency of the allocation process, each new chairman is elected two months prior to the commencement of his or her term as chairman. The eligible members will thus include the brokers with 4 to 6 months remaining in their committee terms, plus the brokers selected for rotation onto the committee two months hence. The chairman will

serve until the end of his or her committee term (i.e., two to six months).

If elected prior to the commencement of his or her committee term the chairman-elect will attend meetings as an observer and discuss the allocations with the current chairman. If already serving on the committee, the chairman-elect will likewise discuss the meetings with the current chairman. Orientation of each new chairman will also be provided by former chairmen of the Allocation Committee and by the Quality of Markets Committee. A standardized agenda for education of new chairmen will be made available.

Committee Member Abstentions

In making allocation decisions pursuant to this policy, it is the responsibility of each Allocation Committee member to adhere strictly to the approved allocation criteria. A committee member who feels he or she cannot abide by the criteria due to potential conflict of interest (e.g., allocation involving a relative, a financial interest, relief specialists, etc.) should disqualify himself or herself from the deliberations.

If an Allocation Committee member has an investment banking relationship (defined as manager or co-manager of an underwriting group) or is in an advisory fee relationship with an about-to-be listed company, that committee member must abstain from allocation deliberations with respect to that particular stock. A broker or allied member whose firm is affiliated with a specialist unit must abstain from deliberations regarding allocation of a stock for which that unit has applied.

Committee Disclosure

The names of the standing committee members will be kept confidential. Allocation Committee books will not be delivered to committee members on the trading Floor. Committee members will pick up their books at the Committee Support Services area.

Committee Information

Allocation policy provides the application form and related written correspondence as the means by which interested parties transmit to the Allocation Committee information pertinent to allocations. Exchange members and investment bankers may not initiate contact with Allocation Committee members pertaining to an upcoming allocation. Allocation Committee members will enforce this prohibition. Allocation decisions are made by the committee as a whole, based on the published allocation criteria. Under all circumstances the

confidentiality of the Allocation Committee's deliberations is paramount.

Observation of Committee Meetings

All incoming committee members are expected to observe as many committee meetings as possible prior to the commencement of their committee terms.

III. Allocation Panel

Composition

The composition of the Allocation Panel reflects the committee structure and includes 28 Floor brokers, [8] 12 allied members (*including the 4 allied members serving on the Market Performance Committee*), the 8 Floor broker Governors who are part of the panel by virtue of their appointment as Governors, [the 4 allied members serving on the Market Performance Committee,] and a minimum of 5 Senior Floor Official brokers that have been appointed to the panel.

Selection

Panel members are nominated by the membership. A selection committee, appointed by the Floor Directors, reviews the nominations and recommends panel appointments to the Floor Directors, who finalize recommendations for presentation to the QOMC. The selection committee operates in accordance with such guidelines as are established and made known to the membership from time to time. The selection committee and, in turn, the Floor Directors seek to develop a representative panel that maximizes professional expertise and broad exposure on the Floor by including members from various types of firms and from diverse locations on the Floor. To the maximum extent possible, the Floor members on the panel are expected to be a core group of experienced, senior professionals, such as former Allocation Committee chairmen, Senior Floor Officials, and current and former Floor Governors.

In the case of allied members, the member organization is appointed to the panel. The individual representative is then selected by the organization. A Floor Director gives guidance to the organization in selecting an appropriate representative.

Eligibility

Professional expertise and experience are essential to the excellence of the allocation system. Therefore, a Floor member must have a minimum of 5 years experience as a member on the Floor in order to be eligible for appointment to the Allocation Panel. In the case of allied members, the member

organization shall select a representative with at least 51 years of trading experience in listed equities and a senior position on the trading desk. Each allied member may designate one alternate who meets the Panel qualifications, subject to approval by the Floor Directors.

Term of Service

Panel members are appointed to serve a one-year term. They may serve a maximum of 6 consecutive one year terms. Once a panel member has served a total of two 4-month committee terms, the member is rotated off the panel at the next annual meeting of the Exchange. The panel members serve staggered terms so that every 2 months 4 or 5 members rotate from the committee. Once rotated off, the member is ineligible for appointment to the panel for one year. Governors are not subject to the two committee term restriction, but remain on the panel for as long as they are Governors. Senior Floor Officials are subject to annual reappointment, but are not subject to the two committee term restriction and are not limited to a maximum of six consecutive one year terms.

IV. Allocation Criteria

Allocation decisions under this policy are based on the professional judgment of the Allocation Committee in applying specified criteria.

In order to ensure that a single criterion is not afforded too great a weight in any allocation decision, and in order to ensure consistency in the allocation process, the Allocation Committee will base its decisions on the following:

- (i) Results of the Specialist Performance Evaluation Questionnaire ("SPEQ") (to be given [no more than] 25% weight);
- (ii) Objective performance measures; and
- (iii) The committee's expert professional judgment in considering the SPEQ, objective measures of performance, and other criteria as enumerated below. Set forth below are the criteria, followed by an explanation of each:

- SPEQ
- Objective performance measures
- Professional judgment
- Listing company input
- Allocations received
- Capital deficiency, disciplinary actions, justifiable complaints
- Foreign listing considerations

Specialist Performance Evaluation Questionnaire

The SPEQ includes several facets. Professional judgment determines the relative weight of the various aspects listed below:

- (a) Ratings in the current quarter, particularly relative to other applicants;
- (b) Improved ratings;
- (c) Ratings over time (e.g., 4 quarters), to consider possible aberrations in ratings;
- (d) The strengths of the individual specialist designated by the unit to handle the stock, relative to the strengths of the specialists designated by other applicants, as indicated by SPEQ comments that frequently refer to performance of individuals;
- (e) Ratings and written comments on specific specialist functions in relation to particular characteristics of the new listing; and
- (f) Written SPEQ comments as to the performance of the entire unit.

Objective Measures of Performance

The objective performance measures include TTV, stabilization, *capital utilization*, *near neighbor analysis* and such other measures as may be adopted. Objective measures in Rule 103A include:

- (a) Timeliness of regular openings;
- (b) Promptness in seeking Floor official approval of a non-regulatory delayed opening;
- (c) Timeliness of DOT turnaround; and
- (d) Response to administrative messages.

The objective measures are reported to the Allocation Committee as a "pass" or "fail" as specified in Rule 103A.

Specialist dealer performance is measured in terms of participation (TTV); [and] stabilization; *capital utilization*, which is the degree to which the specialist unit uses its own capital in relation to the total dollar value of training in the unit's stocks; and *near neighbor analysis*, which is a measure of specialist performance and market quality comparing performance in a stock to performance of stocks that have similar market characteristics. The Allocation Committee receives the most recent data available and historical data with respect to each applicant's performance in relation to other units evaluated during the same time period.

The Allocation Committee is informed if an applicant has been subject to a performance improvement action in the most recent four quarters.

Although stocks are allocated to units, as noted above, the committee may give consideration to the person who will

serve as the specialist. Therefore, it is important that the application accurately represent the unit's plans as to the individual who will handle the stock.

Professional Judgment

The expert, professional judgment of the members of the Allocation Committee is crucial to the allocation decision-making process. Decisions are based on professional judgment, rather than mathematical calculation. Each committee member evaluates the data and determines how the specified criteria should be applied in each allocation, based on his or her expertise and experience from the viewpoint of his or her role in the Exchange community. In addition to the SPEQ and the objective performance measures described above, the committee also considers listing company input, allocations received, capital and disciplinary and cautionary data, as detailed below.

Listing Company Input

Listing on the New York Stock Exchange is a significant development for a company, and the assignment of a specialist through the allocation process is an important step. The Exchange's Allocation Policy is intended to provide listing companies with a choice of alternatives as to how their specialist unit may be selected. The listing company may choose to have its specialist unit selected by the Allocation Committee, in accordance with the criteria specified in the Allocation Policy, and the exercise of the Committee's expert professional judgment. Alternatively, the listing company may choose to become more directly involved in the selection process. In that case, the company may request that the Allocation Committee select specialist units that would be appropriate to trade the company's stock, with the company then making the final selection from among the group of units as chosen by the Allocation Committee. Such a group shall consist of three, four, or five units, selected by the Committee as demonstrably deemed to be the most qualified to receive such allocation from among the units that apply, based upon the criteria set forth in this policy. These procedures shall apply to the allocation of a newly-listing company, as well as the reallocation of an already listed company.

Specialist Unit Selected by Allocation Committee

If the listing company so chooses, the Allocation Committee shall select the specialist unit to be allocated the

company's stock based on the Committee's expert assessment of the type of specialist unit that would be most appropriate for the company, and the Committee's professional evaluation of performance data and other relevant information as specified in the Allocation Policy. The listing company may submit a letter to the Allocation Committee describing the characteristics (e.g., trading philosophy, policies on maintaining communications with its listed companies, etc.) it believes would be appropriate for the unit that would be selected to trade its stock. The listing company may not, however, identify any particular specialist unit in its letter, or specify characteristics so unique as to be applicable only to a readily identifiable specialist unit.

Specialist Unit Selected by Listing Company

If the listing company so chooses, it may request that the Allocation Committee select specialist units that would be appropriate to trade the company's stock, with the company then making the final selection. If the listing company chooses this alternative, the company may either make no communication to the Allocation Committee, or it may submit a letter (as noted in the preceding paragraph) to the Committee describing the characteristics the company believes would be appropriate for the units to be selected by the Committee. The listing company may not, however, identify any particular specialist unit in its letter, or specify characteristics so unique as to be applicable only to a readily identifiable specialist unit.

Meetings Between Listing Company and Specialist Units

Within two business days after the selection of a group of specialist units as described above (unless the Exchange has determined to permit a longer time period in a particular case), the listing company shall meet, either in person or by teleconference, with representatives of each of the specialist units. Meetings to be held in person shall normally be held at the Exchange, unless the Exchange has agreed that they may be held elsewhere. At least one representative of the listing company must be a senior official of the rank of Corporate Secretary of above of that company. No more than three representatives of each specialist unit may participate in the meeting, each of whom must be employees of the specialist unit, and one of whom must be the individual who is proposed to trade the company's stock.

Listing Company's Selection of Specialist Unit

Within one business day following its meeting with representatives of the specialist units (or such longer time period as the Exchange may permit in a particular case), the listing company shall select its specialist unit in writing, signed by a senior official of the rank of Corporate Secretary or higher duly authorized to so act on behalf of the company. The Allocation Committee shall then confirm the allocation of the stock to that unit, at which time the stock shall be deemed to have been so allocated.

Allocation Applications

In their applications for the allocation of a listing company's stock, specialist units must describe all pertinent factors as to why they believe they should be allocated the stock. At a minimum, such factors should include *how the unit will allocate resources (staff and/or capital) to accommodate this new issue and what new resources, if any, will the unit need to acquire to service this stock* [a description of the unit's capital base]; identify and experience of the individual proposed to trade the stock, with a description of other securities traded by that individual; and a discussion of why that individual is appropriate to trade the listing company's stock. If the listing company has submitted a letter to the Allocation Committee as permitted herein, a copy of such letter shall be made available to all specialist units. In their applications to be allocated the stock of such company, specialist units shall be expected to indicate how they meet the characteristics described in the company's letter. If, within six months of the date a newly-listed company begins trading on the Exchange (or a company which has been reallocated begins trading with its new unit), the specialist unit determines that the individual specialist who trades the company's stock should be an individual other than the one named in the allocation application, the specialist unit shall so inform the Allocation Committee, in writing, and disclose its reasons therefor. These letters shall be maintained in the permanent records of the Committee.

In addition, specialist units must describe in their applications to be allocated the stock of a listing company any contacts they, or any individual acting on their behalf, have had with any employee of that company, or any individual acting on behalf of that company with regard to its prospective listing on the Exchange, within six

months prior to the date that allocation applications are solicited with respect to that company.

Allocations Received

The committee is provided information on allocations received by each unit in the preceding year and the current year, the number of applicants for those stocks allocated in the past and the number of stocks lost through corporate mergers, delistings or other such events over which the specialist has no control. While a recent allocation does not preclude a unit from being awarded a subsequent new listing, the committee considers such factors in comparing similarly qualified applicants.

Capital Deficiency Information

The committee is informed of any applicant that is in capital violation, or is potentially in violation, based on a current check of estimated capital data (conducted between the application deadline and the date of the allocation meeting). A unit with a capital deficiency will be informed in advance of the meeting and may provide information for the committee explaining the circumstances of the unit's capital situation. The unit's capital history will also be provided (frequency of past violations and borderline situations).

Disciplinary and Cautionary Data

The committee is informed of disciplinary and cautionary actions, as described below.

Cautionary letters and *summary fines* regarding market maintenance are reported for 12 months beginning at the time of issuance.

All other cautionary letters and summary fines are reported for 6 months beginning at the time of issuance.

The preceding parameters apply equally to disciplinary or cautionary actions that result from a justifiable complaint (public or institutional complaint received via correspondence).

The committee is informed of significant pending enforcement matters. The investigations are included in an allocation file when [(a) a stipulation is signed or (b) when charges are issued] *the commencement of an enforcement action is authorized*. If formal disciplinary action is ultimately taken, the item would remain in the file for [6] 12 months after a Hearing Panel decision is final.

Foreign Listing Considerations

The special characteristics of foreign issues often require the specialist to

commit extra resources in order to be a presence in the foreign market. Therefore, in allocating a foreign issue, the committee also considers a specialist applicant's commitment to establish and maintain relationships with arbitrage houses and foreign brokerage firms, and to gain familiarity with various aspects of trading securities of foreign issuers.

V. Policy Notes

Spin-offs, Listing of Related Companies and Relistings

Spin-offs and related companies of listed companies and relistings are treated as new listings, with allocation open to all units. Information about the relationship to a listed company or prior listing and the name of the specialist involved, is included on the stock data sheet inviting specialist applications. The same information is provided to the committee for consideration in their deliberations regarding the allocation of the new listing. While committee members use their own judgment to determine what consideration, if any, should be given to that information, a listing company's request not to be allocated to its former specialist unit (or the specialist in the parent or related company) will be honored.

Listed Company Mergers

When two NYSE listed companies merge, the merged entity is assigned to the specialist in the company that is determined to be the survivor-in-fact (dominant company). Where no surviving/dominant entity can be identified, the matter is referred to the Allocation Committee and all specialist units are invited to apply.

In situations involving the merger of a listed company and an unlisted company, where the unlisted company is determined to be the survivor-in-fact, such company may choose to remain registered with the specialist unit that had traded the listed company entity in the merger, or it may request that the matter be referred to the Allocation Committee. In such a case, applications will be invited from all specialist units, and the Allocation Committee shall honor the company's request not to be allocated to the specialist unit that had traded the listed company.

"Target" Stock. The specialist unit registered in such stock prior to a separate listing shall remain registered in such stock after its separate listing, unless the listing company requests that the matter be referred to the Allocation Committee. In such a case, applications will be invited from all specialist units, and the Allocation Committee shall

honor the company's request not to be allocated to the specialist unit that had traded the "target" stock.

Allocation Freeze Policy

In the event that a specialist unit: (i) loses its registration in a specialty stock as a result of proceedings under Exchange Rules 103A, 475 or 476; or (ii) voluntarily withdraws its registration in a specialty stock as a result of possible proceedings under those rules, the unit will be ineligible to apply for future allocations for the six month period immediately following the reassignment of the security (Allocation Prohibition).

Following the Allocation Prohibition, a second six month period will begin during which a specialist unit may apply for new listings, provided that the unit demonstrates to the Exchange relevant efforts taken to resolve the circumstances that triggered the Allocation Prohibition. The determination as to whether a unit may apply for new listings will be made by Exchange staff, in consultation with the Floor Directors. The factors the Exchange will consider will vary depending on the unit's particular situation, but may include one or more steps such as:

- Supplying additional manpower/experience;
- Changes in professional staff;
- Attaining appropriate dealer participation;
- Enhancing back-office staff; and
- Implementing more stringent supervision/new procedures.

Allocation Sunset Policy

Allocation decisions shall remain effective with respect to any initial public offering listing company which lists on the Exchange within three months of such decision. If a listing company does not list within three months, the matter shall be referred again to the Allocation Committee, with applications invited from all units.

Support of the Allocation System

The Allocation Committee views positively a specialist unit's applying for a broad range of issues.

Criteria for Applicants That Are Not Currently Specialists

Since an entity seeking to enter the specialist business does not have a history directly comparable to that of existing units, the Allocation Committee considers the following criteria with respect to applicants that are not currently specialists.

1. Individuals proposed as specialists must have successfully completed the Exchange's specialist examination.

2. The proposed unit must demonstrate that it understands the specialist business, including the needs of brokers, their organizations, and their customers.

3. The proposed unit must demonstrate an ability and willingness to trade as necessary to maintain fair and orderly markets with depth and liquidity, and facilitate the execution of orders.

(a) The proposed unit should indicate the extent of its capital commitment to specializing over and above the minimum capital requirements.

(b) The proposed unit must have sufficient specialist and clerical support dedicated to maintaining and servicing the market in a specialty stock.

(c) If the proposed specialist unit or any of its participants is presently a specialist or market maker on any exchange, performance during the prior 12 months, as evidenced by available data maintained by such exchange which evaluates the quality of performance of the unit or its participants as a specialist or market maker on such exchange, will be considered by the Allocation Committee.

4. Other factors that will be considered by the Allocation Committee include any action taken or warning issued within the past 12 months by any regulatory or self-regulatory organization against the unit or any of its participants [relating to:] *with respect to any capital or operational problem, or any regulatory or disciplinary matter.*

(a) Any capital or operational problem; or

(b) Any Floor-related activity.

VI. Procedures

Applications

Whenever a security is to be allocated to a specialist, unit, all specialist units are invited to submit applications to the Exchange prior to the published deadline for the allocation of such security. The application of any specialist unit shall be in such form as shall be approved from time to time by the Exchange, but each applicant shall be free to submit in writing such additional information in support of its application as it may wish to bring to the attention of the Allocation Committee.

Blanket Applications

All specialist units shall be deemed to have filed with the Exchange a blanket application pursuant to which the applicant agrees to accept the allocation of any security. Any security allocated to a specialist unit on the basis of its

blanket application shall not be reflected in the records of the Exchange as a "security gained" nor shall it prejudice that unit's eligibility for future allocations.

Decision Making

An allocation decision pursuant to this policy is made on the basis of the specified criteria, by a majority vote of the committee members present at the meeting and eligible to vote on such matter.

Announcement

Written notice of the name and post location of the successful applicant are made known to the members of the Exchange and to the issuer of the security allocated.

Registration of Specialists

Each member associated with the specialist unit to which any security is allocated who acts as a regular specialist in such security shall be registered as a specialist in such security pursuant to Rule 103.

VII. Education

Education of all participants is a key to ensuring continued quality and consistency in the allocation process. A summary of the education process follows:

New panel members receive an orientation conducted by former Allocation Committee chairmen and staff, and serve as observers at meetings before their terms begin. A standardized agenda for educating allocation Committee members will be made available. The new Allocation Committee chairman is elected two months in advance of his or her appointment to provide time to observe and learn from the existing chairman. The newly elected chairman also receives an orientation by former committee chairmen and the Quality of Markets Committee. A standardized agenda for educating new chairmen will be made available.

Education efforts regarding the allocation process are offered periodically for specialists as well as the general membership.

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

The intent of the Exchange's Allocation Policy and Procedures is: (1) To ensure that securities are allocated in an equitable and fair manner and that all specialist units have a fair opportunity for allocations based on established criteria and procedures; (2) to provide an incentive for ongoing enhancement of performance by specialist units; (3) to provide the best possible match between a specialist unit and a security; and (4) to contribute to the strength of the specialist system. In September 1987, the Quality of Markets Committee ("QOMC") appointed the first Allocation Review Committee ("ARC") to undertake a comprehensive review of the Exchange's then-existing allocation procedures which had been in effect since 1976. ARC's recommendations were filed with the SEC in 1988 and approved in 1990.² In April 1991, the QOMC determined that the Allocation Policy and Procedures should be re-examined and appointed a new committee, ARC II, to do so. The Committee's recommendations were subsequently filed with the Commission, and approved in 1993 as a one-year pilot.³ In August 1994, the Exchange filed for and subsequently received permanent approval of that pilot.⁴ In accordance with the Exchange's commitment to preserve the integrity of the existing allocation system while refining the allocation policy as necessary, ARC III convened in November 1993. The Committee's recommendations were filed with the Commission, and approved in September 1994.⁵ In December 1995, the QOMC appointed ARC IV to continue to review the allocation process. The Committee made several recommendations with respect to the Allocation Policy and Procedures.

² Securities Exchange Act Release No. 27803 (Mar. 14, 1990), 55 FR 10740 (Mar. 22, 1990) (order approving File No. SR-NYSE-88-32).

³ Securities Exchange Act Release No. 33121 (Oct. 29, 1993), 58 FR 59085 (Nov. 5, 1993) (order approving File No. SR-NYSE-92-15).

⁴ Securities Exchange Act Release No. 34906 (Oct. 27, 1994), 59 FR 55142 (Nov. 3, 1994) (order approving File No. SR-NYSE-94-30).

⁵ Securities Exchange Act Release No. 34626 (Sept. 1, 1994), 59 FR 46457 (Sept. 8, 1994) (order approving File No. SR-NYSE-94-18).

Several of these recommendations were submitted by the Exchange for immediate effectiveness in March 1997 for a seven-month pilot period.⁶ Additional recommendations of ARC IV are being submitted in this filing.

The principle changes to the Exchange's Allocation Policy and Procedures are described below.

Mergers of listed and unlisted companies. Currently, companies resulting from mergers of listed and unlisted companies are registered by staff with the specialist in the listed company, regardless of size or survivorship considerations. Under the proposal, a company resulting from the merger of a listed company with an unlisted company would remain with the specialist in the listed company unless the unlisted company is determined to be the survivor-in-fact and the unlisted company requests allocation, in which case, all units would be invited to apply.

Targeted stock. Currently, there is no policy for targeted stock. Under the proposal, these securities (also known as "letter stock") typically are "targeted" to a specific aspect of an issuer's overall business. When such a security is "uncoupled" and becomes an independent entity, it would remain with the current specialist in the target stock unless the issuer requests that the new stock be allocated by the Allocation Committee.

Reporting of disciplinary actions. Currently, enforcement actions are reported to the Allocation Committee when the stipulation is signed or charges are issued. Such items remain in the file for 6 months after a Hearing Panel decision is made final. Under the proposal, enforcement actions would be reported to the Allocation Committee when an enforcement case is authorized. Moreover, if formal disciplinary action is ultimately taken, the item would remain in the file for 12 months after a Hearing Panel decision is final. In addition, the current policy interpretation that summary fines, not just cautionary letters, for market maintenance are reported for 12 months, has been codified.

Allocation applications. Currently, a specialist's application for an allocation of a particular issue must contain a description of the unit's capital base. Under the proposal, the specialist is required to describe how it will allocate resources (staff and/or capital) to accommodate the new issue being

⁶ Securities Exchange Act Release No. 38373 (Mar. 7, 1997), 62 FR 13421 (Mar. 20, 1997) (notice of filing and immediate effectiveness for a seven-month period of File No. SR-NYSE-97-04).

applied for, and what new resources, if any, will the unit need to service the stock being applied for.

Allocation "Sunset" Policy. Currently, a one year sunset policy has been followed. Under the proposal, initial public offering companies that list within three months after allocation would be traded by the specialist unit that originally received the allocation. Thereafter, the matter would be referred again to the Allocation Committee, with applications invited from all units.

Allocation "Freeze" Policy. The Allocation Freeze Policy, which provides that a specialist firm may not apply to be allocated a stock following reallocation of a stock or voluntary withdrawal of registration in a stock as a result of an Exchange disciplinary proceeding would be incorporated into the Allocation Policy. The Allocation Freeze Policy was approved in a prior filing, but was not incorporated directly into the Allocation Policy.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and practices and to perfect the mechanism of a free and open market.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No written comments were either solicited or received.

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

Within 35 days of the 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 the proposed rule change, or

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

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and

arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 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 Exchange. All submissions should refer to File No. SR-NYSE-97-12 and should be submitted by June 19, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-14018 Filed 5-28-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38668; File No. SR-PSE-96-30]

Self-Regulatory Organizations; Pacific Stock Exchange Incorporated; Order Granting Approval to Proposed Rule Change Relating to the Use of Member Badges On, and the Admission of Visitors to, the Equity Floors of the Exchange

May 22, 1997.

On August 22, 1996, the Pacific Exchange, Inc. ("Exchange")¹ submitted to the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder, a proposed rule change relating to the use of Member badges on, and the admission of visitors to, the Equity Floors of the Exchange.

The proposed rule change was published for comment in Securities

Exchange Act Release No. 37799 (October 9, 1996), 61 FR 54479. No comments were received on the proposal.

The Exchange proposed to amend its Equity Floor Procedure Advice 1-C relating to the use of Member badges on, and the admission of visitors to, the Equity Floors of the Exchange. In addition, the Exchange proposed to amend its Minor Rule Plan, Rule 10.13(i), which sets out Equity Floor Decorum and Minor Trading Violations, and the fines thereof.

The Commission finds that the proposed rule change is consistent with Section 6(b) of the Act, in general, and Section 6(b)(6), in particular, in that it is designed to assure that Exchange Members and persons associated with such Members are appropriately disciplined for violations of the rules of the Exchange.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-PSE-96-30) is approved.³

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-14019 Filed 5-28-97; 8:45 am]

BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

Data Collection Available for Public Comments and Recommendations

ACTION: Notice and request for comments.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, this notice announces the Small Business Administration's intentions to request approval on a new, and/or currently approved information collection.

DATES: Comments should be submitted on or before July 28, 1997.

FOR FURTHER INFORMATION CONTACT: Curtis B. Rich, Management Analyst, Small Business Administration, 409 3rd Street, S.W., Suite 5000, Washington, D.C. 20416. Phone Number: 202-205-6629.

SUPPLEMENTARY INFORMATION:

Title: "Notice to New Borrowers".
Type of Request: Extension of a Currently Approved Collection.
Form No: 793.

³ In approving this rule proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁴ 17 CFR 200.30-3(a)(12).

Description of Respondents: Companies are required to keep records in order for SBA to determine the compliance status of the recipient.

Annual Responses: 72,800.

Annual Burden: 6,067.

Comments: Send all comments regarding this information collection to Diane Gaffney, Deputy Chief, Office of Equal Employment Opportunity, Small Business Administration, 409 3rd Street, S.W., Suite 6400, Washington, D.C. 20416. Phone No: 202-205-6750. Send comments regarding whether this information collection is necessary for the proper performance of the function of the agency, accuracy of burden estimate, in addition to ways to minimize this estimate, and ways to enhance the quality.

Title: "Customer Satisfaction Survey, Business Information Centers".

Type of Request: Extension of a Currently Approved Collection.

Form No: 1916.

Description of Respondents: Small Business Clients.

Annual Responses: 3,000.

Annual Burden: 800.

Comments: Send all comments regarding this information collection to Philip Gibson, Office of Special Initiatives, Business Initiatives, Small Business Administration, 409 3rd Street, S.W., Suite 6100, Washington, D.C. 20416, Phone No: 202-205-7427. Send comments regarding whether this information collection is necessary for the proper performance of the function of the agency, accuracy of burden estimate, in addition to ways to minimize this estimate, and ways to enhance the quality.

Dated: May 21, 1997.

Jacqueline White,

Chief, Administrative Information Branch.

[FR Doc. 97-14000 Filed 5-28-97; 8:45 am]

BILLING CODE 8025-01-P

SMALL BUSINESS ADMINISTRATION

Reporting and Recordkeeping Requirements Under OMB Review

ACTION: Notice of reporting requirements submitted for 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: Comments should be submitted on or before June 30, 1997. If you intend

¹ On March 14, 1997, the Pacific Stock Exchange, Inc. changed its corporate name to the Pacific Exchange, Inc. See Securities Exchange Act Release No. 38403 (March 14, 1997), 62 FR 11247.

² 15 U.S.C. 78s(b)(1).