

Seventh, PCX is adopting reasonable requirements for the clearance and settlement of transactions resulting from the Application. In particular, the Commission believes it is appropriate for PCX to require that: (i) All orders generated by the Application that are executed on PCX or another market center through ITS be reported and entered into the comparison system on a locked-in basis; (ii) orders generated by the Application on behalf of a member User and the resulting transactions be cleared and settled using that member User's mnemonic (or its clearing broker's mnemonic, as applicable); and (iii) orders generated by the Application on behalf of a non-member User and the resulting transaction be cleared and settled using the appropriate Designated Broker's mnemonic.

Finally, the Commission believes that PCX has established that short sales effected through the Application, pursuant to the requested exemption and in accordance with the restrictions contained in proposed Rule 15.3(b), would not be susceptible to the practices that Rule 10a-1 is designed to prevent. PCX has amended its proposal to provide for substantial compliance with Rule 10a-1.⁷⁷ PCX represents that the first match of a Cycle, if it involves a short sale, would be in compliance with Rule 10a-1. Subsequent matches would use the price of the immediately preceding match in the Cycle, rather than the last trade in the consolidated transaction reporting system as a reference. The Division of Market Regulation, by delegated authority, intends to grant PCX an exemption from Rule 10a-1 to permit matches within a Cycle (those subsequent to the initial match) to use the immediately prior match as a reference for determining compliance with Rule 10a-1. The Commission, therefore, believes that PCX has adequately addressed concerns arising under the short sale rule.

The Commission finds that good cause exists to grant approval to Amendment Nos. 1, 2, and 3 to the proposed rule change on an accelerated basis. Collectively, these amendments

broker-dealer member. Like the Chicago Match System, the NYSE's SuperDOT system requires NYSE members to monitor customers' electronic orders and to provide the NYSE with an acknowledgement indicating their responsibility for orders. See *id.*

⁷⁷The NYSE asserted that new Rule 15.4 proposed by PCX improperly stated that "the Exchange's short sale rule (Rule 5.18) shall not be applicable to any resulting transaction in the Exchange." See Letter from James E. Buck, NYSE, *supra*, note 4, at 4. The Commission notes that the PCX has removed this statement from proposed new Rule 15.4.

reflect PCX's proposed handling of short sales affected through the Application and clarify PCX specialist obligations relating to price protection for orders generated by the Application. The short sale amendment narrows the scope of the proposed short sale exemption attendant to OptiMark transactions. Moreover, as stated above, the Commission has determined that PCX's proposed short sale restrictions substantially mirror the requirements of Rule 10a-1 and are designed in a manner that will not permit the types of short sale practices Rule 10a-1 was designed to prohibit. Accordingly, the Division intends to issue PCX an exemption from Rule 10a-1. In addition, the Commission believes that the amendments pertaining to specialist price protection obligations resulting from orders generated by the Application merely clarify and provide explanatory examples of how the PCX rules relating to the Application will ensure price protection of limit orders. The Commission therefore finds good cause to accelerate approval of Amendment Nos. 1, 2, and 3.

V. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 1, 2, and 3. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. § 552, will be available for inspection and copying in the Commission's Public Reference 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 above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by October 15, 1997.

VI. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act.⁷⁸

⁷⁸ 15 U.S.C. §§ 78f and 78s(b)(2).

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,⁷⁹ that the proposed rule change (SR-PCX-97-18) is hereby approved, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸⁰

Margaret H. McFarland,

Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

Mid-Atlantic States Regional Fairness Board; Public Hearing

The Mid-Atlantic States Regional Fairness Board will hold a public meeting on Thursday, September 25, 1997, at the CitiCorp Center, 135 E. 35th Street, 14th Floor, Room J, New York, NY, to inform the small business community of the existence of a regulatory enforcement oversight process and of SBA's desire to collect information regarding businesses' experience with regulatory enforcement actions, and to discuss such matters as may be presented by members, staff of the U.S. Small Business Administration, or others present.

For further information, please contact Gary P. Peele at (312) 353-0880.

Dated: September 12, 1997.

Debra Silimeo,

Deputy Associate Administrator, Office of Communications and Public Liaison.

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DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Ex Parte No. 290 (Sub No. 5) (97-4)]

Quarterly Rail Cost Adjustment Factor

AGENCY: Surface Transportation Board, DOT.

ACTION: Approval of rail cost adjustment factor.

SUMMARY: The Board has approved a fourth quarter 1997 rail cost adjustment factor (RCAF) and cost index filed by the Association of American Railroads. The fourth quarter 1997 RCAF (Unadjusted) is 1.104. The fourth quarter 1997 RCAF (Adjusted) is 0.738. The fourth quarter 1997 RCAF-5 is 0.718.

EFFECTIVE DATE: October 1, 1997.

⁷⁹ 15 U.S.C. § 73s(b)(2).

⁸⁰ CFR 200.30-3(a)(12).