

On May 9, 1996, the Securities and Exchange Commission ("SEC" or "Commission") issued Release No. 34-37182 to publish its views respecting the use of electronic media by broker-dealers. The Commission stated that broker-dealers may satisfy their delivery obligations under federal securities laws by using electronic media as an alternative to paper-based media within the framework established in Release No. 33-7233 dated October 6, 1995.

The Exchange will permit members and member organizations that wish to electronically transmit documents that they are required to furnish to customers under NYSE Rules to do so provided they adhere to the standards contained in the SEC Releases. Members and member organizations are urged to review these releases in their entirety to ensure they comply with all electronic delivery requirements. The SEC standards are summarized below:

- Electronic delivery must result in customers receiving information that is substantially equivalent to the information these customers would have received if the required information were delivered in paper form, *i.e.*, the electronically transmitted document must convey all required information. For instance, if a paper document is required to present information in a certain order, then the information delivered electronically should be in substantially the same order.

- A person who chooses to receive a document electronically, must be provided with the information in paper form, upon request.

- Customers who are provided information through electronic delivery from broker-dealers must be able to effectively access the information provided. Also, person to whom information is sent electronically should have an opportunity to retain the information through the selected medium or have ongoing access equivalent to personal retention.

- Broker-dealers must have reason to believe that electronically delivered information will result in the satisfaction of the delivery requirements under the federal securities laws. Broker-dealers may be able to evidence satisfaction of delivery obligations, for example, by:

- (1) obtaining the intended recipient's informed consent to delivery through a specified electronic medium, and ensuring that the recipient has appropriate notice and access;

- (2) obtaining evidence that the intended recipient actually received the information, such as by an electronic mail return-receipt or by confirmation that the information was accessed, downloaded, or printed; or

- (3) disseminating information through certain facsimile methods.

- Prior to delivering personal financial information (*e.g.*, confirmations and account statements) electronically, the broker-dealer must obtain the intended recipient's informed consent. The customer's consent may be either by a manual signature or by electronic means.

The SEC release stated that the above standards are intended to permit broker-

dealers to comply with their delivery obligations under the federal securities laws when using electronic media. While compliance with the guidelines is not mandatory for the electronic delivery of non-required information that, in some cases, is being provided voluntarily to customers, the Exchange believes adherence to the guidelines should be considered, especially with respect to documents furnished pursuant to agreements or other specific arrangements with customers. Further, the SEC stated that broker-dealers should evaluate the need for systems and procedures to deter or detect misconduct by firm personnel in connection with the delivery of information, whether by electronic or paper means.

A list of current Exchange rules which require members and member organizations to furnish specific information to customers for which electronic delivery may be used in accordance with the SEC releases is set forth below. The Exchange believes the list is complete and intends that the policy outlined in this Information Memo covers all communications that firms are required to send to customers pursuant to Exchange rules. Further, the summary of delivery obligations provided in intended for reference only and does not purport to be a statement of all requirements under the rules listed.

- *Rule 382(c) Carrying Agreements* requires notification to each customer whose account is introduced on a fully disclosed basis of the existence of a clearing agreement, the relationship between the introducing and carrying organization and the allocation of responsibilities between the respective parties.

- *Rule 409 (Statements of Accounts to Customers)* requires delivery of statements of accounts showing security and money positions and entries at least quarterly to all accounts having an entry, money or security position during the preceding quarter. (See Release No. 34-37182 which covers confirmations of transactions pursuant to SEC Rule 10b-10).

- *Rule 451 (Transmission of Proxy Material)* requires member organizations to transmit proxy materials and annual reports to beneficial owners of stock which is in its possession and control or to others specified in the Rule.

- *Rule 465 (Transmission of Interim Reports and Other Material)* requires transmittal of interim reports of earnings and other material to beneficial owners of stock held by the member organization.

- *Rule 721(c) (Opening of Accounts)* requires that background and financial information on every new options account customer be sent to such customer for verification within fifteen days after the account is approved for options.

- *Rule 721(e)(5) (Uncovered Short Options—Disclosure)* requires that a written description of the risks inherent in writing uncovered short option transactions must be furnished to applicable customers.

- *Rule 725 (Confirmations)* requires member organizations to furnish customers with a written confirmation of each transaction in options contracts.

- *Rule 726(a) (Delivery of Options Disclosure Document)* requires delivery of a current Options Disclosure Document to a customer at or prior to the time the account is approved for trading options. Thereafter, delivery must be made of amendments or revisions to the Options Disclosure Document to every customer approved for trading the kind of option covered by the Disclosure Document.

- *Rule 726(b) (Prospectus)* requires that a current prospectus of The Options Clearing Corporation shall be delivered to each customer who requests one.

- *Rule 730 (Statements of Options Accounts)* requires that monthly statements be sent to options account holders.

- *Rule 781(a) (Allocation of Exercise Assignment Notices)* requires notification to customers of the method used to allocate exercise notices in customer's account.

Questions relating to Exchange matters may be directed to Rudolph J. Schreiber at (212) 656-5226 or Mary Anne Furlong at (212) 656-4823.

Salvatore Pallante,

Senior Vice President.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38551; File No. SR-NYSE-97-13]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Three-Month Extension of Pilot Program to Display Price Improvement on the Execution Report Sent to the Entering Firm

April 28, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on April 24, 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 proposed rule change extends for three months (until July 24, 1997) the pilot program most recently extended in Securities Exchange Act Release No. 37812 (October 12, 1996), 61 FR 54477 (October 18, 1996) (File No. SR-NYSE-

96-28) (extension of pilot until April 24, 1997.).¹ This is a program to calculate and display, on the execution reports sent to member firms, the dollar amounts realized as savings to their customers as a result of price improvement in the execution of their orders on the Exchange.

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 and is set forth in Section A, B, and C below.

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

1. Purpose

The purpose of this proposed rule change is to extend for three months a pilot program for calculating and displaying, on execution reports sent to member firms entering orders, the dollar value saved by their customers as a result of price improvement of orders executed on the Exchange. The program does not in any way affect the actual execution orders. The Exchange refers to this calculated dollar savings as the "NYSE PRIMESM." ²

NYSE PRIME is available to all member organizations³ for intra-day market orders entered via the Exchange's SuperDOT system that are not tick-sensitive and are entered from off the Floor.⁴ In calculating the dollar

value of price improvement, NYSE PRIME utilizes the Best Pricing Quote ("BPQ") as approved by the Commission in connection with the Exchange's pricing of odd-lot orders.⁵

Data from the operation of the pilot during 1996 show price improvement on 25.3% of the execution reports for eligible post-opening market orders entered on the Exchange. The Exchange believes that the NYSE PRIME enhances the information made available to investors and improves their understanding of the auction market.

The most recent extension of the NYSE PRIME pilot program began on October 24, 1996 and continues until April 24, 1997. The proposed rule change extends the pilot program for an additional three months, to July 24, 1997.⁶

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)⁷ that an exchange have rules that are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. This proposed rule change is designed to perfect the mechanism of a free and open market in that it enhances the information provided to investors by displaying to them the dollar value of a price improvement their orders may have received when executed on the NYSE.

orders, combination orders (e.g., switch orders) and orders diverted to sidacar.

⁵ See Securities Exchange Act Release No. 27981 (May 2, 1990), 55 FR 19407 (May 9, 1990) (File No. SR-NYSE-90-06). The BPQ is the highest bid and lowest offer, respectively disseminated by the Exchange or another market center participating in the Intermarket Trading System ("ITS") at the time the order is received by the Exchange. In order to protect against the inclusion of incorrect or stale quotations in the BPQ, however, the Exchange includes quotations in a stock from other markets only if: (1) the stock is included in ITS in that other market; (2) the quotation size is for more than 100 shares; (3) the bid or offer is not more than one-quarter point away from the NYSE's bid or offer; (4) the quotation conforms to NYSE Rule 62 governing minimum variations; (5) the quotation does not create a locked or crossed market; (6) the market disseminating the quotation is not experiencing operational or system problems with respect to the dissemination of quotation information; and, (7) the quotation is "firm" pursuant to Rule 11Ac1-1 under the Act, 17 CFR 240.11Ac1-1, and the market's rules.

⁶ The Commission notes that any data regarding NYSE Prime must be submitted to the Commission no later than May 27, 1997 in order to be considered by the Commission with regard to future requests to extend or permanently approve the NYSE Prime pilot program.

⁷ 15 U.S.C. 78f(b)(5).

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

The Exchange has neither solicited nor received any written comments on the proposed rule change.

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

Because the foregoing proposed rule change: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not have the effect of limiting access to or availability of any Exchange order entry or trading system, the extension of the NYSE PRIME program has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and subparagraph (e)(5) of Rule 19b-4 thereunder.⁹ At any time within 60 days of the filing of such 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. In addition, the Commission recognizes that it is possible for a customer order to receive negative price "improvement," or price disimprovement, instead of price improvement. Price disimprovement occurs when an order is executed at a price that is inferior to the best contra-side bid or ask quote prevailing among the markets and market makers trading the security at the time the order arrived at the market or market maker. The Commission is interested in comment about the appropriateness of an exchange providing price improvement information to members on a trade-by-trade basis without also providing price disimprovement information on the same basis.

Persons making written submissions should file six copies thereof with the

¹ This program was originally filed as a pilot in Securities Exchange Act Release Nos. 36421 (October 26, 1995), 60 FR 55625 (November 1, 1995) (File No. SR-NYSE-95-35) and 36489 (November 16, 1995), 60 FR 58123 (November 24, 1995) (File No. SR-NYSE-95-37). The initial pilot program subsequently was extended until October 24, 1996 in Securities Exchange Act Release No. 37151 (April 29, 1996), 61 FR 20302 (May 6, 1996) (File No. SR-NYSE-96-10).

² NYSE PRIME is a service market of the New York Stock Exchange, Inc.

³ The Commission notes that member organizations electing to receive NYSE PRIME information are required to enter into an agreement with the Exchange regarding the use of NYSE PRIME information and the NYSE PRIME service mark. Among other things, the agreement provides that in any publication or use of NYSE PRIME information (unless the Exchange otherwise agrees), the member organization must employ the NYSE PRIME service mark.

⁴ Also excluded from the NYSE PRIME feature are booth entered or booth routed orders, booked

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(e)(5).

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-97-13 and should be submitted by May 28, 1997.

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

Jonathan G. Katz,
Secretary.

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DEPARTMENT OF TRANSPORTATION

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

[Docket No. RSPA-97-2426]

National Pipeline Mapping System

AGENCY: Research and Special Programs Administration (RSPA), DOT.

ACTION: Public meeting.

SUMMARY: RSPA invites industry, government agencies, pipeline mapping vendors, and the public to a public meeting on the national pipeline mapping system. This system, when complete, will show the location and selected attributes of the major natural gas and hazardous liquid pipelines, and liquefied natural gas facilities, operating in the United States. The meeting will provide information on the draft national pipeline mapping standards, what data will be requested of the pipeline industry, and the pilot testing that is being conducted.

DATES: The public meeting will be held on May 22, 1997, from 9:00 a.m. to 12:00 p.m. Persons who are unable to attend may submit written comments by July 7, 1997.

ADDRESSES: The public meeting will be held at the Chevron Tower Auditorium,

Mezzanine level, 1301 McKinney, Houston Texas.

Address comments to the Docket Facility, U.S. Department of Transportation, Plaza 401, 400 7th Street, S.W., Washington, DC 20590-0001, or e-mail to christina.sames@rspa.dot.gov.

Comments must identify the docket number stated in the heading of this notice. The Dockets Facility is open from 10:00 a.m. to 5:00 p.m., Monday through Friday, except on Federal holidays when the facility is closed.

FOR FURTHER INFORMATION CONTACT: Christina Sames, (202) 366-4561, about this document, or for copies of this document or other material in the docket.

SUPPLEMENTARY INFORMATION: The Department of Transportation's Office of Pipeline Safety (OPS) is working with other federal and state agencies and the pipeline industry to create a national pipeline mapping system. This system, when complete, will show the location and selected attributes of the major natural gas and hazardous liquid pipelines, and liquefied natural gas facilities, operating in the United States. This would include information on interstate and intrastate natural gas transmission pipelines, as defined by OPS, and hazardous liquid trunk lines. This would not include service lines, distribution lines, gathering lines, flow lines, or spur lines.

OPS will add additional data layers into the system, including layers on population densities, unusually sensitive areas, natural disaster probability and high consequence areas, hydrography, and transportation networks. OPS will use the system to depict pipelines in relation to the public and the environment, and to work with other government agencies and industry during an incident.

Two Joint Government—Industry Pipeline Mapping Quality Action Teams (MQAT) were formed to work with OPS on creating the digital pipeline location and attribute layer. The Teams are sponsored by OPS, the American Petroleum Institute, the Interstate Natural Gas Association of America, and the American Gas Association. Representatives on the Teams include OPS, the U.S. Geological Survey, the Department of Energy, the Federal Energy Regulatory Commission, the Department of Transportation's Bureau of Transportation Statistics, the states of Texas, Louisiana, California, New York, and Minnesota, and the natural gas and hazardous liquid pipeline industry.

The first mapping Team, MQAT I, was formed to analyze various mapping

alternatives and to determine a cost-effective strategy for creating a reasonably accurate depiction (plus or minus 500 feet, for a corridor width of 1000 feet) of transmission pipelines and liquefied natural gas facilities in the U.S. The Team developed a strategic plan with both short and long term strategies for creating a national pipeline mapping system. The recommended long term strategies will require a joint effort between federal and state government agencies, the pipeline industry, and others. The findings of MQAT I are described in, "Strategies for Creating a National Pipeline Mapping System".

MQAT II was created to implement the strategies outlined by the first mapping team. This includes the development of pipeline mapping data standards for both digital and paper submissions, exploring potential options for central clearinghouses or repositories for the pipeline locational data, and investigating the tools and technologies available that will help the pipeline industry migrate from paper to digital location information.

MQAT II has drafted national pipeline mapping data standards that will be used to create the digital pipeline layer in the national pipeline mapping system. These include standards for electronic data submissions, paper map submissions, and metadata (data on the data). The Team has also drafted standards that will be used by the pipeline mapping repository receiving the pipeline information. The Team is currently pilot testing the draft standards and is working to establish relationships with state agencies, industry, and others to exchange data that meets the standards. A copy of the draft standards can be viewed and downloaded from the OPS Internet web site after May 8. The Internet web site is <http://ops.dot.gov>. The draft standards can also be obtained by calling (202) 366-4561.

Members of the first and second mapping Team will discuss at the public meeting the strategies for creating the national pipeline mapping system, how the strategies are being implemented, and the effect of the mapping initiative on the U.S. pipeline industry. The panel will discuss the draft pipeline mapping data standards, criteria for repositories of the pipeline locational data, pilot tests, and the multi-phase approach that will allow industry and Government to efficiently upgrade information in a manner that works with other business needs.