

minimum variation for most stocks at one-sixteenth of a dollar.<sup>5</sup>

In addition to Rule 62, several other Exchange rules incorporate specific references to minimum trading variations. The Exchange proposes to make conforming changes to these rules (Rule 95.30, Rule 118, Rule 127, and Rule 440B) by removing references to specific minimum trading variations of one-eighth of a dollar.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission believes the proposal comports with the requirements of Section 6 and Section 11A of the Act.<sup>6</sup>

Recently, there has been a movement within the industry to reduce the minimum trading and quotation increments imposed by the various self-regulatory organizations ("SROs"). Both the American Stock Exchange ("Amex") and The Nasdaq Stock Market ("Nasdaq") have recently reduced their minimum increments.<sup>7</sup> In addition, several third market makers have begun quoting securities in increments smaller than the primary markets. The proposed rule change will allow the NYSE the flexibility it needs to address this development and remain competitive with these markets. Nevertheless, the Commission notes that any further change in the minimum increments constitutes (1) a change in a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the NYSE, or (2) a change in an existing order-entry or trading system of an SRO, or (3) both. Therefore, the Exchange is still obligated to file such proposed changes with the Commission.<sup>8</sup>

The Commission also believes the proposed rule change will likely

enhance the quality of the market for the affected NYSE-listed securities.

Allowing the NYSE to permanently quote all securities in finer increments will facilitate quote competition.<sup>9</sup> This should help produce more accurate pricing of such securities and can result in tighter quotations.<sup>10</sup> In addition, if the quoted markets are improved by reducing the minimum increment, the change could result in added benefits to the market such as reduced transaction costs.

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-NYSE-97-21) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-20828 Filed 8-6-97; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38894; File No. SR-Phlx-97-30]

### Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to Doubling the Value for the Phlx Oil Service Index

August 1, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on June 27, 1997, the Philadelphia Stock Exchange Inc., ("Phlx" 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 Phlx. On July 29, 1997, Phlx amended the proposed rule

change ("Amendment No. 1").<sup>2</sup> 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

Phlx proposes to change the index value for the Phlx Oil Service Index ("OSX") by reducing the base market divisor to half of its current value.<sup>3</sup> Options trading with the new index value ("new index options") will trade with the current symbol OSX. The Exchange will convert the existing index options ("existing index options" or "OSB Options") to the symbol OSB. The existing index options using the old index value will continue to trade until expiration or until no open interest remains, at which time the series will be delisted. The Exchange will not open any new series in the existing index options after the new index options begin trading.

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

In its filing with the Commission, Phlx included statements concerning the purpose of an basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Phlx has prepared summaries, set forth in section 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 began trading the OSX on February 24, 1997.<sup>4</sup> The Index is a price-weighted industry index composed of 15 stocks involved in the oil service industry. In an effort to enhance the trading activity, OSX was initially indexed to a Value of \$75.00 on December 31, 1996.<sup>5</sup> Since the commencement of trading, the OSX has traded an average of 1000 contracts daily garnering steady volume and open interest. However, the exchange has received numerous comments from OSX

<sup>5</sup> The Exchange previously only allowed quotes in eighths for equity securities that are above \$1.00, sixteenths for equity securities that are below \$1.00 but above \$0.50, and thirty-seconds in stocks below \$0.50. NYSE Rule 62.

<sup>6</sup> 15 U.S.C. 78f(b) and 78k-1. In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. *Id.* § 78c(f).

<sup>7</sup> Securities Exchange Act Release No. 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (approving an Amex proposal to reduce the minimum trading increment to 1/16 for certain Amex-listed equity securities); Securities Exchange Act Release No. 38678 (May 27, 1997), 62 FR 30363 (June 6, 1997) (approving a Nasdaq rule change to reduce the minimum quotation increment to 1/16 for certain Nasdaq-listed securities).

<sup>8</sup> These changes, however, may become effective upon filing if they meet certain statutory requirements. See 15 U.S.C. 78s(b)(3)(A)(i) and 17 CFR 240.19b-4(e).

<sup>9</sup> The rule change is consistent with the recommendation of the Division of Market Regulation ("Division") in its Market 2000 Study, in which the Division noted that the 1/8 minimum variation can cause artificially wide spreads and hinder quote competition by preventing offers to buy or sell at prices inside the prevailing quote. See SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments* 18-19 (Jan. 1994).

<sup>10</sup> A study that analyzed the reduction in the minimum tick size from 1/8 to 1/16 for securities listed on the Amex priced between \$1.00 and \$5.00 found that, in general, the spreads for those securities decreased significantly while trading activity and market depth were relatively unaffected. See Hee-Joon Ahn, Charles Q. Chao, and Hyuk Choe, *Tick Size, Spread, and Volume*, 5 J. Fin. Intermediation 2 (1996).

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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

<sup>13</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Letter from Nandita Yagnick, New Product Development, Phlx, to Margaret Blake, Division of Market Regulation, Commission (July 29, 1997).

<sup>3</sup> The prices, weightings and the divisor change for the Index are attached as Exhibit B to File No. SR-Phlx-97-30.

<sup>4</sup> See Securities Exchange Act Release No. 38207 (January 27, 1997), 62 FR 5268 (order approving the listing and trading of options and LEAPS on the Phlx Oil Service Index).

<sup>5</sup> Amendment No. 1 indicates that the index value was set at \$75.00 as an experiment to attract order flow from the retail investment community.

investors regarding the value of the existing index options. Phlx notes that OSX investors believe the value of the index (\$101.46 as of July 16, 1997) is a detriment to attracting order flow, because, (1) hedgers are required to purchase (or sell) a larger number of options against a lower priced index thereby increasing transaction costs, and (2) given that the Index was priced to resemble a share of common stock, order flow is being lost to equity options on these individual issues due to their higher reflection of volatility.

The purpose of this proposal is to allow the Exchange to offer for trading options on the Phlx Oil Service Index which has an index value twice the value of the current index. The proposed new index options would have the same contract specifications as the existing index options with the exception that the index value would be doubled.<sup>6</sup> The new index options would trade under the current symbol OSX. The symbol for the existing index options would be changed to OSB. The new index would be subject to the same maintenance standards that were approved for the existing index in accordance with the generic maintenance standards set forth in Phlx Rule 1009A.

The Exchange will allow the OSB options to continue to trade until the listed series expire or no longer have open interest but trading will be limited to closing only transactions. No new options series of OSB options will be opened after the new index options begin trading. Options on OSX and options on OSB will not be fungible, however, positions will be aggregated for position limit and exercise limit purposes. The Exchange will provide notice to its membership and the public prior to the effectiveness of this filing by way of memoranda.<sup>7</sup>

Phlx believes that the proposed rule change is consistent with Section 6 of the Act<sup>8</sup> in general, and in particular, with Section 6(b)(5),<sup>9</sup> in that it is designed to promote just and equitable principles of trade, facilitate transactions in securities while protecting investors and the public interest. Specifically, the Exchange believes that providing a higher valued

index will allow option traders and investors to take advantage of the higher volatility. In addition the Exchange believes that current OSX investors will not be disadvantaged by this proposal, because the Exchange will provide adequate notice and an orderly procedure, in order to phase out the existing index options which are currently trading.

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

The Phlx 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*

Comments were neither solicited nor received.

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

Within 35 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 90 days or such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Phlx 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, 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 Phlx. All submissions should

refer to File No. SR-Phlx-97-30 and should be submitted by August 29, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-20911 Filed 8-7-97; 8:45 am]

BILLING CODE 8010-01-M

## **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 September 8, 1997. If you intend to comment but cannot prepare comments promptly, please advise the OMB Reviewer and the Agency Clearance Officer before the deadline.

**COPIES:** Request for clearance (OMB 83-1), supporting statement, and other documents submitted to OMB for review may be obtained from the Agency Clearance Officer. Submit comments to the Agency Clearance Officer and the OMB Reviewer.

#### **FOR FURTHER INFORMATION CONTACT:**

*Agency Clearance Officer:* Jacqueline White, Small Business Administration, 409 3rd Street, S.W., 5th Floor, Washington, D.C. 20416, Telephone: (202) 205-6629.

*Omb Reviewer:* Victoria Wassmer, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, D.C. 20503.

*Title:* Voluntary Customer Surveys in Accordance with E.O. 12862.

*Form No:* N/A.

*Frequency:* On Occasion.

*Description of Respondents:* SBA Participants.

*Annual Responses:* 85,614.

*Annual Burden:* 13,102.

Dated: August 4, 1997.

**Jacqueline White,**

*Chief, Administrative Information Branch.*

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<sup>6</sup> Amendment No. 1 indicates that while doubling the price of the Index will not impact the volatility of the Index, it will serve to increase the absolute price movements of the Index.

<sup>7</sup> Phlx will issue a circular to its membership one week prior to the effective date of the change, which will advise members of the increase in value of the OSX. Telephone conversation with Nandita Yagnick, Phlx, and Margaret Blake, Division of Market Regulation, Commission (July 31, 1997).

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 17 CFR 200.30-3(a)(12).