

triggering its Manning obligations to the buy limit order, the market maker must buy from the sell order at 20³/₃₂nds. Similarly, if the security were priced under \$10 and quoted at 5¹/₃₂—5¹/₁₆, the minimum price improvement to avoid a violation of the Manning Rule would be ¹/₆₄th better than a buy limit order it holds.

This represents a change from previous statements regarding price improvement. In Notice To Members 95-43, regarding the Manning Rule, the NASD and Nasdaq stated that market makers may avoid violating Manning if they execute for their own accounts at ¹/₆₄th better than the limit order price. This statement no longer is applicable and is superseded by this new policy interpretation as of the date of the publication of Notice To Members 97-57.

The NASD and Nasdaq believe that the new interpretation increases investor protection by clarifying a member's obligations to customer limit orders. Accordingly, the NASD and Nasdaq believe that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act³ in that it protects investors and the public interest, and is designed to promote just and equitable principles of trade.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The NASD and Nasdaq do not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

The foregoing rule change will become effective when the new interpretation appears in NASD Notice To Members 97-57, as it constitutes a stated policy and interpretation with respect to the meaning of an existing rule under Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(e)(1) thereunder.

At any time within 60 days of the filing of a rule change pursuant to Section 19(b)(3)(A) of the Act, the Commission may summarily abrogate the 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. 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 Room. Copies of the filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-97-66 and should be submitted by October 8, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39048; File No. SR-PTC-97-03]

Self-Regulatory Organizations; Participants Trust Company; Order Approving a Proposed Rule Change Relating to a Change in the Cut-off Time for Intraday Return of Prefunding Payments

September 10, 1997.

On May 1, 1997, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-PTC-97-03) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on June 27, 1997.² No comment letters were received. For the

reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change amends PTC's rules to extend from 11:00 a.m. to 1:00 p.m. the cut-off time for a participant to request that PTC return to them their prefunding payments made to PTC earlier that day. Under the rule change, only prefunding payments which are no longer needed to support transaction processing are eligible for intraday return.

PTC originally amended its rules in August 1996, to permit the intraday return of prefunding payments.³ Before the rule change, PTC's rules required that prefunding payments be applied to end-of-day settlement or be made available for withdrawal on the next business day or thereafter.

On September 9, 1996, PTC implemented intraday return of prefunding payments as a pilot program ("Program"). The procedures established for the Program included, among other things,⁴ that only prefunding payments received by PTC between 8:30 a.m. and 11:00 a.m. were eligible for return. PTC expected to make all returns between 11:00 a.m. and 12:00 p.m. These initial procedures were incorporated in PTC's Participant Operating Guide.

When the Commission approved the Program, the Commission's order noted, "Upon implementation of the Program, PTC plans to evaluate the initial procedures on a quarterly basis and will make changes based on such procedures as necessary based upon PTC's experience with the Program. PTC will be required to file with the Commission a proposed rule change prior to any change or modification of the initial procedures."⁵

In developing the Program, PTC expected that its participants would be able to determine their excess prefunding amounts by 11:00 a.m. in order to request a return by that time. After the Program's implementation, PTC monitored prefunding payments

³ Securities Exchange Act Release No. 37515 (August 2, 1996), 61 FR 41677.

⁴ The Program's procedures also included the following: (1) all prefunding return transactions are subject to PTC's standard credit checks (i.e., prefunding payments may be returned only if the participant will be within its net free equity and net debit monitoring level requirements after the prefunding payments are returned); (2) during the initial stage of the pilot program, only 80% of qualifying prefunding payments are eligible for return; (3) participants are allowed only one request per day; and (4) the minimum amount eligible for return is \$10 million. The proposed rule change does not amend these procedures.

⁵ *Supra* note 3, at n. 4.

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 38759 (June 23, 1997), 62 FR 34725.

³ 15 U.S.C. § 78o-3.

and observed that participants with excess cash which could be withdrawn by 11:00 a.m. elected not to do so. PTC was advised by its participants that 1:00 p.m. would be a more appropriate cut-off time to request return of prefunding payments.

II. Discussion

Section 17A(b)(3)(F) of the Act⁶ requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of PTC or for which it is responsible. By extending the time to request return of prefunding payments to 1:00 p.m., PTC's participants will be better able to determine whether prefunding payments on deposit with PTC will be required to support transactions at PTC. Furthermore, PTC is not changing the Program's requirement whereby PTC will not return any prefunding payments unless the requesting participant is within its net free equity and net debit monitoring level controls at the time the request is made. Therefore, the Commission believes that even with the later cut-off time for requesting return prefunding payments PTC should be able to continue to provide for the intraday return of prefunding payments while still assuring the safeguarding of securities and funds in its custody or control.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-PTC-97-03) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39044; File No. SR-Phlx-97-41]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Registration Fees for Registered Representatives

September 10, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

("Act")¹, notice is hereby given that on August 25, 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 the Phlx. 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 Phlx seeks to amend its fee schedule pertaining to registration for Registered Representatives ("RR"). Below is the text of the proposed rule change. Additions are italicized; deletions are in brackets.

* * * * *

	Phlx fee structure
Membership Dues or Foreign Currency User Fees*	\$1000.00 semi-annually.
Application Fee	200.00.
Initiation Fee—Members, Participants and Approved Lessors	1500.00.
Transfer Fee	500.00.
Trading Post/Booth	375.00 quarterly.
Floor Facility Fees	187.50 quarterly.
Direct Wire to Floor	60.00 quarterly.
Telephone System Line Extensions	22.50 monthly/per extension.
Execution Services/Communication Charge	200.00 monthly.
Stock Execution Machine Registration Fee (Equity Floor)	300.00 per unit.
Equity, Option or FCO Transmission Charge	750.00 monthly.
FCO pricing tape	600.00.
Option Report Service:	
New York	600.00.
Chicago	800.00.
Examinations Fee**	1000.00 monthly.
Technology Fee	100.00 monthly.
Registered Representative Registration:	
Initial	12.00 [\$10.00].
Maintenance	12.00 annual [\$10.00 annual].
Transfer	12.00 [\$10.00].

*An exemption from foreign currency user fees is extended to PHLX members also holding title to a foreign currency options participation.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1994).