

enhanced by allowing for more accurate pricing of CBOE options.

The Commission finds that the proposed rule change is consistent with the requirement of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Sections 6 and 11A of the Act.⁵ Specifically, the Commission believes that permitting the Exchange to establish trading differentials for option contracts upon the filing of a proposal under Section 19(b)(3)(A) of the Act will help to facilitate securities transactions, to remove impediments to and perfect the mechanism of a free and open market, to foster competition and coordination with persons engaged in regulating securities, and to promote just and equitable principles of trade.

As noted above, the Commission previously has approved a rule proposal that allows the Exchange to establish trading increments for equity securities. The Commission believes that permitting the Exchange to establish trading differentials for option contracts upon the filing of a proposal under Section 19(b)(3)(A) of the Act will provide greater flexibility to the Exchange and thereby enhance the quality of the market for affected CBOE-listed options. Allowing the CBOE to quote in finer increments will facilitate quote competition. This should help produce more accurate pricing of options and should result in tighter quotations. Furthermore, if the quoted markets are improved by reducing the minimum increment, the change could result in added benefits to the markets such as reduced transaction costs.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR-CBOE-97-49) 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. 34-39735; File No. SR-PCX-97-39]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Trading Differentials for Option Contracts

March 9, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 21, 1997, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. On December 10, 1997, the Exchange submitted to the Commission an amendment to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval to the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its rules to allow the Exchange to establish, upon the filing of a rule change proposal pursuant to Section 19(b)(3)(A) of the Exchange Act, the trading differentials for option contracts traded on the Exchange. The Exchange also proposes to amend its rules to clarify that the Exchange shall file a rule change proposal with the Commission pursuant to Section 19(b)(3)(A) of the Exchange Act when it determines to change the trading differentials for equity securities.⁴ The text of the proposed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Michael D. Pierson, PCX, to Christine Richardson, Division of Market Regulation, Commission (December 10, 1997) ("Amendment No. 1").

⁴ The Exchange already has the authority to determine the trading differentials for equity securities traded on the Exchange. See Exchange Act Release No. 38780 (June 26, 1997), 62 FR 36087 (July 3, 1997) (order approving SR-PCX-97-15). The approval order for SR-PCX-97-15 stated that, when the Exchange determined to change a trading differential for an equity security, the Exchange would file with the Commission a rule change proposal pursuant to Section 19(b)(3)(A) of the Exchange Act (effective upon filing).

The Exchange is now proposing to add Commentary .01 to Rule 5.3(b) to clarify that, when it determines to change a trading differential for an

rule change is available at the Office of the Secretary, PCX and at the Commission.

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, Statutory Basis for, the Proposed Rule Change

1. Purpose

PCX Rule 6.72 currently provides that bids and offers in option contracts shall be expressed in eighths of \$1, unless a different fraction of \$1 is approved by the Exchange's Options Floor Trading Committee for an option contract of a particular series. Commentary .01 to Rule 6.72 currently provides that the Options Floor Trading Committee has determined that bids and offers for all option series trading below \$3 shall be expressed in sixteenths of a dollar.

The Exchange is now proposing to amend Rule 6.72 to provide that the Exchange shall determine the trading differentials for option contracts traded on the Exchange. The Exchange is proposing this rule change in order to provide itself with greater flexibility, so that it can change the trading differentials for option contracts traded on the Exchange on an expedited basis. Amendment No. 1 amends Commentary .01 to Rule 6.72 to clarify that when the Exchange determines to change the trading increments for option contracts, the Exchange will designate such change as a stated policy, practice, or interpretation with respect to the administration of Rule 6.72 within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act and will file a rule change for immediate effectiveness upon filing with the Commission. The Exchange notes that the proposed rule change is

equity security, it shall file with the Commission a rule change proposal pursuant to Section 19(b)(3)(A) of the Exchange Act. See Amendment No. 1, *supra* note 3. This new language will conform the Exchange's Rule 5.3(b) to what is required by the order that gives the Exchange its authority to change the trading differentials for equity securities.

⁵ See 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.* at 78c(f).

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).

substantively similar to a recently approved PCX rule change proposal governing equity securities traded on the Exchange.⁵

The Exchange recognizes that there has been a movement within the securities industry to reduce the minimum trading and quotation increments for equity securities imposed by the various self-regulatory organizations ("SROs"). The NYSE, The Nasdaq Stock Market ("Nasdaq"), and the Amex have recently reduced their minimum increments.⁶ Furthermore, several third market makers have begun quoting equity securities in increments smaller than the primary markets. As derivative securities, the prices of options are determined in reference to the prices of the underlying securities. Consequently, the Exchange believes that the proposed rule change will give it the flexibility it needs to change the minimum trading and quotation increments for option contracts traded on the Exchange.

In addition to adding the Section 19(b)(3)(A) filing requirement to the text of the proposed rule change for option contracts trading differentials, Amendment No. 1 to the filing also adds the same requirement to Rule 5.3(b) concerning a change in trading differentials for equity securities. Amendment No. 1 adds Commentary .01 to Rule 5.3(b) to clarify that, when the Exchange determines to change the trading increments for equity securities, it will designate such change as a stated policy, practice, or interpretation with respect to the administration of Rule 5.3(b) within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act and will file a rule change for immediate effectiveness upon filing with the Commission.

⁵ See Exchange Act Release No. 38780 (June 26, 1997), 62 FR 36087 (July 3, 1997) (order approving File No. SR-PCX-97-15, modifying PCX Rule 5.3(b) to provide that "The Exchange shall determine the trading differentials for equity securities traded on the Exchange"); see also Exchange Act Release No. 38575 (May 6, 1997), 62 FR 26606 (May 14, 1997) (order granting temporary accelerated approval, for a ninety-day period, of rule change relating to trading differentials for equity securities) (File No. SR-PCX-97-16).

⁶ See, e.g., Exchange Act Release No. 38744 (June 18, 1997), 62 FR 34334 (June 25, 1997) (granting temporary accelerated approval to a NYSE proposal to replace eighths with sixteenths as the minimum trading increment for NYSE-listed equity 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 from 1/8 to 1/16 for Amex-listed equity securities); Exchange Act Release No. 38678 (May 27, 1997), 62 FR 30363 (June 6, 1997) (approving a proposed rule change by Nasdaq to reduce the minimum quotation increment from 1/8 to 1/16 for Nasdaq-listed equity securities).

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act⁷ in general and furthers the objectives of Section 6(b)(5)⁸ in particular in that it is designed to facilitate transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and to promote just and equitable principles of trade.

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

No written comments were either solicited or received.

III. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission has determined to approve the proposed rule change on an accelerated basis, thereby permitting the Exchange to establish a procedure whereby it may determine the trading differentials for option contracts traded on the Exchange, as well as to permit the Exchange to clarify in its rules the necessary procedure to be followed by the Exchange when it determines to change the trading differentials for equity securities. 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 finds that the proposal comports with the requirements of Section 6 and Section 11A of the Act.⁹ Specifically, the Commission believes that permitting the Exchange to establish trading differentials for option contracts upon the filing of a proposal under Section 19(b)(3)(A) will help to facilitate securities transactions, to remove impediments to and perfect the mechanism of a free and open market, to foster competition and coordination with persons engaged in regulating securities, and to promote just and equitable principles of trade. The

Commission believes that permitting the Exchange to establish trading differentials for option contracts upon the filing of a proposal under Section 19(b)(3)(A) will provide greater flexibility to the Exchange and thereby enhance the quality of the market for the affected PCX-listed options. Allowing the PCX to quote in finer increments will facilitate quote competition. This should help produce more accurate pricing of options and should result in tighter quotations. Furthermore, 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.

The Commission finds good cause for approving the proposed rule change, as amended, prior to the thirtieth day after the date of publication of the notice thereof in the **Federal Register**. As noted above, the Commission previously has approved a similar set of procedures applicable to PCX equity securities.

The Commission also notes that substantively similar rule proposals submitted by the Chicago Board Options Exchange ("CBOE") and American Stock Exchange ("Amex")¹⁰ are being approved contemporaneously with the approval of this PCX filing. Notice of the CBOE and Amex proposals was published in the **Federal Register** and no comments were received.¹¹ Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the proposed rule change on an accelerated basis.

The Commission also finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of the notice thereof in the **Federal Register**. Specifically, the Commission believes that, by adding the Section 19(b)(3)(A) filing requirement to the text of Rule 6.72, the Exchange clarifies the necessary procedure to be followed upon a determination to change the trading differentials for option contracts. The Commission further believes that the clarifying language being added to the PCX's Rule 5.3(b), concerning the Exchange's authority to establish trading differentials for equity securities, conforms the rule to what is required by

¹⁰ See File Nos. SR-CBOE-97-49 and SR-Amex-97-41.

¹¹ See Exchange Act Release No. 39348 (November 21, 1997), 62 FR 63577 (December 1, 1997) (notice for File No. SR-CBOE-97-49); Exchange Act Release No. 39347 (November 21, 1997), 62 FR 63576 (December 1, 1997) (notice for File No. SR-Amex-97-41).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ See 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.* at 78c(f).

the original approval order.¹² The Commission recognizes that this proposed additional language does not raise any new regulatory issues because the Exchange merely is seeking to clarify the process that it is already required to follow upon a determination to change trading differentials for equity securities. Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 1 to the proposed rule change on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., 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 Room. 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-PCX-97-39 and should be submitted by April 6, 1998.

V. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change, as amended, (SR-PCX-97-39) is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

¹² See Exchange Act Release No. 38780 (June 26, 1997), 62 FR 36087 (July 3, 1997) (order approving SR-PCX-97-15).

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-6660 Filed 3-13-98; 8:45 am]

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SOCIAL SECURITY ADMINISTRATION

Agency Information Collection Activities: Request for Emergency Review by the Office of Management and Budget

The Social Security Administration publishes a list of information collection packages that will require clearance by OMB in compliance with Public Law 104-13 effective October 1, 1995, The Paperwork Reduction Act of 1995. The information collections listed below have been submitted to OMB for emergency clearance. OMB approval has been requested by March 20, 1998:

0960-NEW. The Government Performance and Results Act (GPRA) requires agencies to evaluate the effectiveness of their programs. In compliance with GPRA and as part of the Agency's strategic planning process, one of SSA's major goals is "To Strengthen Public Understanding of the Social Security Programs." The Agency Strategic Plan provides that SSA develop an overall public education strategy to ensure that, by the year 2005, 9 of 10 adults are knowledgeable in five broad areas of the Social Security program. As a first step towards its goal, the Agency proposes to conduct focus groups with adults age 18 and over to assess their understanding of the program and determine what they wish to know. The information from the focus group testing will be used for the development of a subsequent national survey which will measure the public's baseline knowledge of Social Security programs.

Number of Respondents: 90.

Frequency of Response: 1.

Average Burden Per Response: 2 hours.

Estimated Annual Burden: 180 hours.

To receive a copy of the form or clearance packages, call the SSA Reports Clearance Officer on (410) 965-4125 or write to him at the address listed below. Written comments and recommendations regarding the information collection(s) should be directed to the OMB Desk Officer and SSA Reports Clearance Officer at the following addresses:

(OMB)

Office of Management and Budget,
OIRA, Attn: Laura Oliven, New
Executive Office Building, Room

10230, 725 17th St., NW, Washington,
D.C. 20503

(SSA)

Social Security Administration,
DCFAM, Attn: Nicholas E. Tagliareni,
6401 Security Blvd., 1-A-21
Operations Bldg., Baltimore, MD
21235

Date: March 10, 1998.

Nicholas E. Tagliareni,

Reports Clearance Officer, Social Security Administration.

[FR Doc. 98-6743 Filed 3-13-98; 8:45 am]

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DEPARTMENT OF STATE

[Public Notice 2761]

Agency Information Collection Activities: Submission For OMB Review; Comment Request

AGENCY: Bureau of Consular Affairs, Department of State.

ACTION: 30-Day Notice of Proposed Information Collection; Application for Passport by Mail (DSP-82).

SUMMARY: The Department of State has submitted the following information collection request to the Office of Management and Budget (OMB) for approval in accordance with the Paperwork Reduction Act of 1995. Comments should be submitted to OMB within 30 days of the publication of this notice.

The following summarizes the information collection proposal submitted to OMB:

Type of Request: Extension of a currently approved collection.

Originating Office: Bureau of Consular Affairs.

Title of Information Collection: Application for Passport by Mail.

Frequency: On occasion.

Form Number: DSP-82.

Respondents: U.S. Citizens and Nationals of the United States.

Estimated Number of Respondents: 1,700,000.

Average Hours Per Response: 15 minutes.

Total Estimated Burden: 425,000 hours.

Public comments are being solicited to permit the agency to—

- Evaluate whether the proposed information collection is necessary for the proper performance of the agency functions.

- Evaluate the accuracy of the agency's estimate of the burden of the proposed collection.