

of a national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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.¹¹ Section 15A(b)(9) requires that the rules of the Association not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.¹² Section 15A(b)(11) requires the NASD to, among other things, formulate rules designed to produce fair and informative quotations.¹³ Nasdaq also notes that the proposed rule change is consistent with statements made by the Commission in its approval order for the Order Execution Rules and by the Commission's Division of Market Regulation in its Market 2000 Study.¹⁴

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

Nasdaq believes the proposed rule change will not result in 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 Association has neither solicited nor received written comments.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) As the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the 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, NW., Washington, DC 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, 450 Fifth Street, NW., Washington, DC 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-97-27 and should be submitted by May 16, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret M. McFarland,
Deputy Secretary.

[FR Doc. 97-10761 Filed 4-24-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38528; File No. SR-PCX-97-10]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Margin Requirements for Options

April 18, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 14, 1997, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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 Exchange is proposing to amend its Rule 2.16 ("Margin Requirements"). The proposed amendments include codification of permitted market maker and specialist offset positions that are being eliminated from Regulation T of the Federal Reserve Board ("FRB") and an incorporation of specific provisions of Rule 15c3-1 under the Act ("the Net Capital Rule"). The proposed rule change also incorporates in Rule 2.16 cash account transactions permitted by the FRB and the Commission, as well as incorporating several definitions. Proposed new language is italicized; proposed deletions are in brackets.

Text of the Proposed Rule Change

Margins

¶3423

Rule 2.15(a)-(e)—No change.

¶3437 Margin Requirements

Rule 2.16(a)-(d)(2)(I)—No change.

(J) Option Specialists, Market Makers and Traders. *Notwithstanding the other provisions of this sub-section (d)(2), a member organization may clear and carry the listed option transactions of one or more registered specialists, registered market makers or registered traders in options (which registered traders are deemed specialists for all purposes under the Securities Exchange Act of 1934 pursuant to the rules of a national securities exchange) (hereafter referred to as "specialist(s)"), upon a "Good Faith" margin basis satisfactory to the concerned parties, provided the "Good Faith" margin requirement is not less than the Net Capital haircut deduction of the member organization carrying the transaction pursuant to SEC Rule 15c3-1. In lieu of collecting the "Good Faith" margin requirement, a carrying member organization may elect to deduct in computing its Net Capital the amount of any deficiency between the equity maintained in the account and the "Good Faith" margin required.*

For purposes of the subsection (d)(2)(J), a permitted offset position means, in the case of an option in which a specialist makes a market, a position in the underlying asset or other related assets, and in the case of other securities in which a specialist makes a market, a position in options overlying the securities in which a specialist makes a market. Accordingly, a specialist in options may establish, on a share-for-share basis, a long, or short position in the securities underlying the

¹¹ 15 U.S.C. § 78o-3(b)(6).

¹² 15 U.S.C. § 78o-3(b)(9).

¹³ 15 U.S.C. § 78o-3(b)(11).

¹⁴ See Order Execution Rules Approval Order, *supra* note 3, at 61 FR 48315 n.282; SEC, Division of Market Regulation, *Market 2000: An Examination of Current Equity Market Developments* 18 (Jan. 1994).

¹⁵ 17 C.F.R. 200.30-3(a)(12).

¹ U.S.C. 78s(b)(1) (1982).

² 17 CFR 240.19b-4 (1991).

options in which the specialist makes a market, and a specialist in securities other than options may purchase or write options overlying the securities in which the specialist makes a market, if the account holds the following permitted offset positions:

(i) A short option that is "in or at the money" and is not offset by a long or short option position for an equal or greater number of shares of the same underlying security that is "in the money";

(ii) A long option position that is "in or at the money" and is not offset by a long or short option position for an equal or greater number of shares of the same underlying security that is "in the money";

(iii) A short option position against which an exercise notice was tendered;

(iv) A long option position that was exercised;

(v) A net long position in a security (other than an option) in which a specialist makes a market;

(vi) A net short position in a security (other than an option) in which a specialist makes a market; or

(vii) A specified portfolio type as referred to in SEC Rule 15c3-1, Appendix A.

For purposes of this paragraph (d)(2)(J), the term "in or at the money" means the current market price of the underlying security is not more than two standard exercise intervals below (with respect to a call option) or above (with respect to a put option) the exercise price of the option; the term "in the money" means the current market price of the underlying asset or index is not below (with respect to a call option) or above (with respect to a put option) the exercise price of the option; and, the term "overlying option" means a put option purchased or a call option written against a long position in an underlying asset; or a call option purchased or a put option written against a short position in an underlying asset.

Securities, including options, in such accounts shall be valued conservatively in the light of current market prices and the amount that might be realized upon liquidation. Substantial additional margin must be required or excess Net Capital maintained in all cases where the securities carried: (i) Are subject to unusually rapid or violent changes in value including volatility in the expiration months of options, (ii) do not have an active market, or (iii) in one or more or all accounts, including proprietary accounts combined, are such that they cannot be liquidated promptly or represent under concentration of risk in view of the

carrying organization's Net Capital and its overall exposure to material loss.

[(i) Notwithstanding the other provisions of this section, a member or member firm may clear and carry the listed option transactions of one or more registered specialists, registered market makers or registered traders in options upon a margin basis which is mutually satisfactory.

(ii) In the case of a joint account carried by a member firm for a registered specialist, registered market-maker or registered trader in listed options in which the member firm participates, the margin deposited by the other participants may be in any amount which is mutually satisfactory.]

(K) The Exchange may at any time impose higher margin requirements with respect to any option or warrant position(s) if it deems such higher margin requirements are appropriate.

(L) Exclusive designation.—A customer may designate at the time an option order is entered which security position held in the account is to serve in lieu of the required margin, if such service is offered by the member organization; or the customer may have a standing agreement with the member organization as to the method to be used for determining on any given day which security position will be used in lieu of the margin to support an option transaction. Any security held in the account that serves in lieu of the required margin for a short put or short call shall be unavailable to support any other option transaction in the account.

(M) Cash account transactions.—A member organization may make option transactions in a customer's cash account, providing:

(i) The transaction is permissible under Section 220.8 of Regulation T of the Board of Governors of the Federal Reserve System; or

(ii) the transaction is a debit put spread in listed broad-based index options with European-style exercise comprised of a long put(s) coupled with a short put(s) overlying the same broad-based index with an equivalent underlying aggregate index value and the short put(s) and long put(s) expire simultaneously, and the strike price of the long put(s) exceed the strike price of the short put(s).

Rule 2.16(d) (3)–(9)—No change.

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, and Statutory Basis for, the Proposed Rule Change

Regulation T of the FRB currently prescribes option margin requirements. In April 1996, the FRB amended Regulation T effectively to delegate margin requirements for options transactions for both customers and market makers/specialists, shifting responsibility for establishing margin requirements for such transactions to the self-regulatory organizations. This amendment to Regulation T will become effective June 1, 1997. Accordingly, the proposed amendments incorporate the current FRB requirements into Exchange Rule 2.16 so that they may remain in effect after June 1, 1997. The proposed amendments also incorporate certain treatments of positions recognized under the Net Capital Rule.

More specifically, the proposed amendments to Rule 2.16 adopt provisions regarding permitted market maker and specialist offset positions from Regulation T and the Net Capital Rule. These offset positions would be subject to the same "good faith" margin treatment as currently afforded under Regulation T and would require the clearing/carrying firm to comply with the applicable haircut requirements of the Net Capital Rule for any cash margin deficiency (e.g., the difference between the margin required under Rule 2.16 and the amount received from the specialist/market maker). The proposal also incorporates the current Regulation R definitions of the terms "in or at the money," "in the money" and "overlying options." The parameters for permitted offsets within the "in or at the money" definition have been expanded from one to two "standard exercise intervals." In addition, Section (d)(2)(J) of the rule has been revised in order to clarify the existing definition of "good faith" margin requirements. Moreover, a new subsection (d)(2)(K) has been added, stating that the Exchange may at any time impose higher margin requirements with respect to any option or warrant position(s) if it deems such higher margin requirements are appropriate. Furthermore, a new provision has been added (Section (d)(2)(L)) to incorporate the provisions currently contained in Regulation T

regarding "exclusive designation" that allow a customer to designate which security position in an account is to be utilized to cover the required margin at the time an option order is entered; provided the member organization offers such a service. Finally, Section (d)(2)(M) has been added to incorporate those cash account transactions currently permitted under Regulation T and the debit put spread currently allowed pursuant to the Commission's no-action letter on "theoretical pricing."

Statutory Basis

The proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act which provides that the rules of the Exchange be designed to promote just and equitable principles of trade and to protect the investing public. The proposed rule change is also consistent with the rules and regulations of the Board of Governors of the Federal Reserve System for the purpose of preventing the excessive use of credit for the purchase or carrying of securities, pursuant to Section 7(a) of the Act.

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

Written comments on the proposed rule change 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 of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will—

- (A) By order approve such 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, NW., Washington, DC 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, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-97-10 and should be submitted by May 16, 1997.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-10763 Filed 4-24-97; 8:45 am]
BILLING CODE 8010-01-M

DEPARTMENT OF STATE

[Public Notice No. 2533]

Shipping Coordinating Committee; Maritime Safety Committee; Notice of Meeting

The Shipping Coordinating Committee will conduct an open meeting at 9:30 a.m. on Wednesday, May 21, 1997, in Room 2415, at U.S. Coast Guard Headquarters, 2100 2nd Street, SW, Washington, DC. The purpose of this meeting will be to finalize preparations for the 68th Session of the Maritime Safety Committee, and associated bodies of the International Maritime Organization (IMO), which is scheduled for May 28-June 6, 1997 at IMO Headquarters in London, England. At the meeting, papers received and the draft U.S. positions will be discussed.

Among other things, the items of particular interest are:

- a. Adoption of amendments to the Safety of Life at Sea Convention
- b. Bulk carrier safety
- c. Role of the human element
- d. Formal safety assessment, and
- e. Report of the following Subcommittees:

- (i) Training and watchkeeping
- (ii) Fire protection
- (iii) Flag State implementation
- (iv) Radio communications and search and rescue
- (v) Ship design and equipment
- (vi) Dangerous goods, solids cargoes and containers.

Members of the public may attend this meeting up to the seating capacity of the room. Interested persons may seek information by writing to Mr. Joseph J. Angelo, Commandant (G-MS), U.S. Coast Guard, 2100 2nd Street, SW, Room 1218, Washington, DC 20593-0001 or by calling (202) 267-2970.

Dated: April 16, 1997.

Russell A. La Mantia,
Chairman, Shipping Coordinating Committee.
[FR Doc. 97-10682 Filed 4-24-97; 8:45 am]
BILLING CODE 4710-07-M

DEPARTMENT OF TRANSPORTATION

Coast Guard

[CGD08-97-012]

Houston/Galveston Navigation Safety Advisory Committee Meeting

AGENCY: Coast Guard, DOT.

ACTION: Notice of subcommittee meetings.

SUMMARY: The two Subcommittee (Waterways and Navigation) of their Houston/Galveston Navigation Safety Advisory Committee (HOGANSAC) will meet to discuss waterway improvements, aids to navigation, current meters, and various other navigation safety matters affecting the Houston/Galveston area. Both meetings will be open to the public. Members of the public may present written or oral statements at the meetings.

DATES: The meeting of the Navigation Subcommittee will be held on Thursday, May 1, 1997 at 9:30 a.m. and immediately following, the Waterways Subcommittee will meet.

ADDRESSES: The subcommittee meetings will be held at the Houston Yacht Club, 3620 Miramar, Houston, Texas 77571.

FOR FURTHER INFORMATION CONTACT: Captain Kevin Eldridge, Executive Director of HOGANSAC, telephone (713) 671-5199, or Commander Paula Carroll, Executive Secretary of HOGANSAC, telephone (713) 671-5164.

SUPPLEMENTARY INFORMATION: Notice of this meeting is given pursuant to the Federal Advisory Committee Act, 5 U.S.C. App. 2.