

Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by June 2, 1997.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38576; File No. SR-Phlx-97-16]

### Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating To Option Quote Spread Parameters

May 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on April 2, 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. 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

Pursuant to Rule 19b-4 of the Act,<sup>2</sup> Phlx proposes to amend the maximum bid/ask differentials (i.e., quote spread parameters) applicable to equity and index options. Specifically, the Exchange proposes to amend Rule 1014(c)(i)(A) and Floor Procedure Advice ("Advice") F-6, Option Quote Parameters, by eliminating the  $\frac{1}{8}$  maximum quote spread currently applicable to options where the bid is less than \$.50. As a result, the maximum quote spread for equity and index options where the bid is less than \$2.00 will be  $\frac{1}{4}$ .

The Exchange also proposes to adopt a provision enabling the maximum quote spread in an equity option to be widened with regard to in-the-money series where the market for the underlying security is wider than the

differentials set forth in the chart below. For such series, the bid/ask differential may be as wide as the quotation for the underlying security on the primary market.

The following chart summarizes the proposed option quote spread parameters with additions italicized and deletions in brackets:

Equity option	Maximum quote spread
Less than [\$.50] .....	<i>[<math>\frac{1}{8}</math>]</i>
\$.50 to less than] \$2.00 .....	$\frac{1}{4}$
\$2.00 to less than \$5.00 .....	$\frac{3}{8}$
\$5.00 to less than \$10.00 .....	$\frac{1}{2}$
\$10.00 to less than \$20.00 .....	$\frac{3}{4}$
\$20.00 and greater .....	1

*The bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market.*

The complete text of the proposed rule change is attached as Exhibit B to file No. SR-Phlx-97-16.<sup>3</sup>

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

In its filing with the Commission, Phlx included statements concerning the purpose of and 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 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

Quote spread parameters govern the width of market quotations, establishing a maximum width based on the option bid.<sup>4</sup> Currently, Rule 1014(c)(i)(A) and Advice F-6 contain the quote spread parameters applicable to equity and index options.

This proposal is intended to update the Exchange's option quote spread parameters, in view of the parameters applicable on other option exchanges. The first aspect of the proposal is to

eliminate the maximum quote spread of  $\frac{1}{8}$ , currently applicable to options where the bid is less than \$.50, such that the maximum quote spread for options where the bid is less than \$2.00 will be  $\frac{1}{4}$ . This is identical to the quote spread parameters of the other options exchanges.<sup>5</sup>

Second, the proposal is intended to recognize that in certain market conditions, the existing parameters are too restrictive and should not apply. More specifically, for equity options only, the maximum quote spread for in-the-money series<sup>6</sup> where the market for the underlying security is wider, the applicable parameter may be as wide as the quotation for the underlying security on the primary market. For instance, where the market for the underlying security is 20-21, and the bid for an in-the-money series is \$7, the applicable maximum quote spread should be  $\frac{1}{2}$ , but under the proposed language, the parameter would be \$1, which is the spread in the underlying security. The Exchange believes that this proposal is a reasonable response to market conditions and consistent with the rules of other exchanges.<sup>7</sup>

The Exchange notes that a violation of the maximum quote spread parameter may result in a fine pursuant to Options Floor Procedure Advice ("Advice") F-6.<sup>8</sup> Because the Exchange is proposing to amend an Advice to which a fine pursuant to the minor rule applies, it follows that the minor rule plan will incorporate this amendment.<sup>9</sup> It should be noted, however, that quote spread parameters are not applicable during fast market conditions, pursuant to Floor Procedure Advice F-10, Extraordinary Market Conditions, and

<sup>5</sup> See e.g., Amex Rule 958(c)(i); and CBOE Rule 8.7(b)(iv).

<sup>6</sup> In-the-money series are defined as those series where, in the case of a call option, the current market price of the stock is *higher* than the strike price, or, in the case of a put, the current market price of the stock is *lower* than the strike price.

<sup>7</sup> See supra note 5.

<sup>8</sup> Violations of Advice F-6 may result in the issuance of a fine pursuant to the Exchange's minor rule violation enforcement and reporting plan ("minor rule plan"). For fine schedule, see Exhibit B of File No. SR-PHLX-97-16.

<sup>9</sup> The Phlx's minor rule plan, codified in Phlx Rule 970, contains floor procedure advices, such as Advice F-6, with accompanying fine schedules. Exchange Act Rule 19d-1(c)(2) authorizes national securities exchanges to adopt minor rule violation plans for summary discipline and abbreviated reporting; Exchange Act Rule 19d-1(c)(1) requires prompt filing with the Commission of any final disciplinary actions. However, minor rule violations not exceeding \$2,500 are deemed not final, thereby permitting periodic, as opposed to immediate, reporting.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Complete copies of the proposed rule change and Exhibit B are available for review at the primary office of the Phlx, and in the Public Reference Room at the Commission.

<sup>4</sup> For example, if the maximum quote spread for an equity option is  $\frac{1}{4}$ , then the following is an acceptable quotation:  $1\frac{1}{4}-1\frac{1}{2}$ .

different quote spread parameters are not a violation of Advice F-6.<sup>10</sup>

The Exchange believes that the proposed rule change is necessary in light of competitive conditions, and consistent with Section 6(b)(5) of the Act,<sup>11</sup> in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, as well as protect investors and the public interest.

Specifically, the Exchange believes the proposal should facilitate the market making function by adjusting the quote spread parameter to reflect the market for the underlying security and current market conditions, thereby promoting just and equitable principles of trade. Although the proposed quote spread parameters may result in wide quotes in certain circumstances, the Exchange believes that such quote spread parameters are nevertheless reasonable, in line with other options exchanges, and continue to perform a regulatory function in the options marketplace, which is consistent with the objectives of the Act, by preventing fraudulent and manipulative acts and practices and protecting investors and the public interest.

#### *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.

<sup>10</sup> Advice F-10 states that, in the interest of a fair and orderly market, two floor officials may declare a "fast market," during which displayed quotes are not firm and the volume guarantees of Advice A-11 are not applicable; nevertheless, best efforts are required to display quotes and fill orders.

<sup>11</sup> 15 U.S.C. 78f(b)(5).

### **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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspections and copying at the principal office of Phlx. All submissions should refer to File No. SR-Phlx-97-16 and should be submitted by June 2, 1997.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-12352 Filed 5-9-97; 8:45 am]

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### **SMALL BUSINESS ADMINISTRATION**

#### **Data Collection Available for Public Comments and Recommendations**

**ACTION:** Notice and request for comments.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995, this notice announces the Small Business Administration's intentions to request approval on a new, and/or currently approved information collection.

**DATES:** Comments should be submitted on or before July 11, 1997.

**FOR FURTHER INFORMATION CONTACT:** Curtis B. Rich, Management Analyst, Small Business Administration, 409 3rd Street, SW., Suite 5000, Washington, D.C. 20416. Phone Number: 202-205-6629.

#### **SUPPLEMENTARY INFORMATION:**

*Title:* "Survey of Disaster Loan Recipients".

*Type of Request:* New Information Collection.

*Form No.:* N/A.  
*Description of Respondents:* Disaster Loan Recipients.

*Annual Responses:* 3,000.

*Annual Burden:* 300.

*Title:* "Survey of Minority Enterprise Development Program Participants".

*Type of Request:* New Information Collection.

*Form No.:* N/A.

*Description of Respondents:* MED Participants.

*Annual Responses:* 3,000.

*Annual Burden:* 300.

*Title:* "Survey of the Service Corps of Retired Executives".

*Type of Request:* New Information Collection.

*Form No.:* N/A.

*Description of Respondents:* SCORE Members.

*Annual Responses:* 3,000.

*Annual Burden:* 300.

*Title:* "Survey of Small Business Development Centers".

*Type of Request:* New Information Collection.

*Form No.:* N/A.

*Description of Respondents:* SBDC's.

*Annual Responses:* 1,000.

*Annual Burden:* 100.

*Title:* "Survey of National Advisory Council Members".

*Type of Request:* New Information Collection.

*Form No.:* N/A.

*Description of Respondents:* National Advisory Council Members.

*Annual Responses:* 115.

*Annual Burden:* 11.5.

*Title:* "Survey of U.S. Export Assistance Centers Customers".

*Type of Request:* New Information Collection.

*Form No.:* N/A.

*Description of Respondents:* USEAC Users.

*Annual Responses:* 2,000.

*Annual Burden:* 200.

*Title:* "Survey of Women-owned Businesses".

*Type of Request:* New Information Collection.

*Form No.:* N/A.

*Description of Respondents:* Women Owned Businesses.

*Annual Responses:* 3,000.

*Annual Burden:* 300.

*Title:* "Survey of Minority-Owned Businesses".

*Type of Request:* New Information Collection.

*Form No.:* N/A.

*Description of Respondents:* Minority-Owned Businesses.

*Annual Responses:* 6,000.

*Annual Burden:* 600.

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