

than the price of the first round lot transaction in the primary market, will result in orders which should receive execution at prices which more accurately reflect market conditions than would otherwise be the case under the former procedures.

The PSE also has proposed an alternative method of pricing odd lot market orders in the event that the condition provided for in the proposed rule do not apply.<sup>14</sup> In such an event, an odd lot market order will be executed at the price of the next round lot sale on the primary market or will be executed by the odd lot dealer at a price deemed appropriate under prevailing market conditions. Using this method, the PSE can continue to provide procedures which will facilitate the execution of odd lot orders. The Commission recognizes that it is difficult to develop a method of pricing odd lot orders that under all market conditions would reflect appropriately the current market price. The Commission finds that it is reasonable for the PSE to have determined that use of the next sale price is appropriate under the several enumerated circumstances.

The Commission believes that the proposal with regard to odd lot limit orders also represents an improvement in the execution of such orders for investors. Allowing such limit orders to establish precedence without regard to priority of existing round lot bids or offers at that price will afford odd lot limit orders highly efficient and price superior execution services.

With respect to stop orders, the Commission finds that the proposal will provide improve execution for investors. Once a stop order becomes a market order under the terms of the amended rule, it will be treated in the same manner as a standard odd lot market order under the amended rule. Therefore, rather than receiving an execution at the price of the next round lot transaction which takes place on the primary market, as under the rule prior to amendment, investors will receive execution at the best bid or offer reflected in the consolidated quote system.

The Commission finds appropriate the proposal's explicit enumeration of those activities that shall be inconsistent with the intent of the rule, such as the unbundling of round lot orders for the purpose of entering odd lot limit orders in comparable amounts; the failure to aggregate odd lot orders into round lots when such orders are for the same account or for various accounts in which there is a common monetary

interest; and the entry of both buy and sell odd lot limit orders in the same stock before one of the orders is executed for the purpose of capturing the "spread" in the stock. The Commission finds reasonable the Exchange's statement that, in general, order entry practices that are intended to circumvent the round lot auction market will be viewed as abuses of the intent and purpose of the odd lot system and such practices shall be considered violations of these rules.

The Commission believes that the proposal's provision removing discussion of odd lot differentials is a technical correction that is consistent with the Exchange's previous elimination of odd-lot differentials.<sup>15</sup> The Commission also finds appropriate the elimination of the distinction between "PMP stocks" and "non-PMP stocks" in light of the fact that all stocks that may be executed on P/COAST, the exchange's automatic execution system, currently receive such primary market protection.

The Commission finds good cause to approve Amendment No. 2 to the proposed rule change prior to the thirtieth day after the publication of notice thereof in the **Federal Register**. Amendment No. 2 creates an alternate pricing mechanism that strengthens the proposal. Accordingly, the Commission believes there is good cause, consistent with Section 6(b)(5) and 19(b)(2) of the Act, to approve Amendment No. 2 to the proposal on an accelerated basis.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 2. 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, 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 the PSE. All submissions

should refer to File No. SR-PSE-96-35 and should be submitted by June 12, 1997.

#### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>16</sup> that the proposed rule change (SR-PSE-96-35), and amendments thereto, be and hereby are, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>17</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Dos. 97-13456 Filed 5-21-97; 8:45 am]

BILLING CODE 8010-01-M

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38642; File No. SR-PSE-96-41]

#### Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Pacific Stock Exchange, Inc. Establishing a 1:02 p.m. Closing Time for Equity Options Trading

May 14, 1997.

#### I. Introduction

On October 25, 1996, the Pacific Stock Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup>

Notice of the substance of the proposed rule change was provided by issuance of a release<sup>3</sup> and by publication in the **Federal Register**.<sup>4</sup> No comments were received. This order approves the proposed rule change.

#### II. Description of the Proposal

The Exchange proposes to amend Rule 4.2, Commentary .01 to change the 1:10 p.m. closing time for equity options to 1:02 p.m.<sup>5</sup> Currently, the ten minute period for trading equity options after the close of the underlying securities allows options traders to respond to late reports of closing prices over the consolidated tape. The proposed change will result in the close of trading in

<sup>16</sup> 15 U.S.C. § 78s(b)(2).

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

<sup>1</sup> 15 U.S.C. § 78s(b)(1).

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

<sup>3</sup> Securities Exchange Act Release No. 37920 (November 4, 1996).

<sup>4</sup> 61 FR 58434 (November 14, 1996).

<sup>5</sup> All time references are in Pacific Time.

<sup>14</sup> *Supra* note 7.

<sup>15</sup> See PSE Rule 5.4.

equity options at 1:02 p.m. instead of the existing close of 1:10 p.m.

The Exchange also proposes to amend Rule 6.64, Commentary .01(b), regarding transactions which may be effected in a class of options after the close, to conform to the change to a 1:02 p.m. close. Finally, the Exchange proposes to amend Rule 7.15, which specifies a cut-off time of 1:20 p.m. or a time designated to be five minutes after the close for preparing or submitting either a memorandum to exercise or an "exercise advice" for the exercise of index option contracts. The Exchange proposes to eliminate the references to 1:20 p.m. so that under amended Rule 7.15 such memoranda and advices will have to be submitted no later than five minutes after the close of index option trading.<sup>6</sup>

### III. Discussion

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, and in particular, Section 6(b)(5).<sup>7</sup> Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, perfect the mechanism of a free and open national market, and in general, to further investor protection and the public interest.

The Commission believes that it is reasonable for the Exchange to amend its rules to close trading in equity options at 1:02 p.m., versus the existing 1:10 p.m. close. Changing the closing time for these options to 1:02 p.m. preserves the Exchange's stated need to continue trading options for some period of time after the close of trading in the underlying securities. The Exchange has stated that this two minute extension from the close of the stock markets will allow options traders to respond to late reports of closing prices over the consolidated tape, thereby bringing options quotes into line with the closing price of the underlying security. Due to improvements in the processing and reporting of transactions, the Exchange believes that two minutes of options trading after the underlying equities close is sufficient to bring options quotes into line with the closing prices of the underlying securities.

As discussed in similar rule filings submitted to the Commission, the

Chicago Board Options Exchange, Inc. ("CBOE") and the American Stock Exchange, Inc. ("Amex") state that a number of issuers have adopted the practice of disseminating important corporate news after the close of trading on the primary equity exchange in order to minimize the short-term disruptive effect of the news on the market price of the stock by allowing investors the opportunity to digest the significance of the news after the markets have closed.<sup>8</sup> These announcements, if made while options markets are still trading, impact narrow-based index options, as well as equity options, because a significant news announcement on one component of a narrow-based index may have substantial impact on that index. As a result, the exchanges are often deluged with option orders as a result of such significant news announcements after 3:00 p.m. The exchanges state that these orders may have a disruptive effect on the options market at a time when the exchanges are attempting to close in a fair and orderly fashion.

Accordingly, the Commission finds that a closing time of 1:02 p.m. for equity options is a reasonable means to address the Exchange's desire to balance the need for some extended trading period with the need to prevent negative impact from issuers' major news announcements made while only the options markets remain open.

The Commission also finds that it is reasonable for the Exchange to amend Rule 7.15 to remove the reference to the closing time, and instead to specify that index option stock contract exercise notices must be given five minutes after the close of trading. Finally, the Commission finds it is reasonable for the Exchange to amend Rules 6.64, Commentary .01(b) and 7.15 to conform to the change to a 1:02 p.m. close.

It is contemplated that the Exchange will implement this rule change on or about June 23, 1997.<sup>9</sup>

### IV. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act, and, in particular, Section 6 of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-PSE-96-41) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

<sup>8</sup> See SR-CBOE-96-71 and SR-AMEX-96-45.

<sup>9</sup> Phone conversation between Michael Pearson, Exchange and Janice Mitnick, Commission, May 14, 1997.

<sup>10</sup> 15 U.S.C. § 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

[FR Doc. 97-13459 Filed 5-21-97; 8:45 am]

BILLING CODE 8010-01-M

## SELECTIVE SERVICE SYSTEM

### Form Submitted to the Office of Management and Budget for Extension of Clearance

The form described below has been modified and submitted to the Office of Management and Budget (OMB) for extension of clearance in compliance with the Paperwork Reduction Act (44 U.S.C. Chapter 35):

#### SSS Form 22

*Title:* Claim Documentation Form—Conscientious Objector.

*Purpose:* Is used to document a claim for classification as a conscientious objector.

*Respondents:* Registrants who claim to be conscientious objectors.

*Frequency:* One-time.

*Burden:* The reporting burden is one hour per individual.

Copies of the above identified form can be obtained upon written request to the Selective Service System, Reports Clearance Officer, Arlington, Virginia, 22209-2425.

Written comments and recommendations for the proposed extension of clearance of the form should be sent within 30 days of publication of this notice to the Selective Service System, Reports Clearance Officer, Arlington, Virginia, 22209-2425.

A copy of the comments should be sent to Office of Information and Regulatory Affairs, Attention: Desk Officer, Selective Service System, Office of Management and Budget, New Executive Office Building, Room 3235, Washington, D.C. 20435.

Dated: May 14, 1997.

**Gil Coronado,**

*Director.*

[FR Doc. 97-13474 Filed 5-21-97; 8:45 am]

BILLING CODE 8015-01-M

## SELECTIVE SERVICE SYSTEM

### Privacy Act of 1974; Computer Matching Between the Selective Service System and the Department of Education

**AGENCY:** Selective Service System.

**ACTION:** Notice.

In accordance with the Privacy Act of 1974 (5 U.S.C. 552a), as amended by the Computer Matching and Privacy Protection Act of 1988 (Pub. L. 100-

<sup>6</sup> The Exchange is not proposing to change the related rule on equity options, Rule 6.24, which provides for an exercise cut-off time of 2:30 p.m.

<sup>7</sup> 15 U.S.C. § 78f(b)(5).