

Commissioner Johnson, as duty officer, determined that no earlier notice thereof was possible.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

Dated: September 15, 1997.

Jonathan G. Katz,
Secretary.

[FR Doc. 97-24867 Filed 9-15-97; 3:55 pm]

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SECURITIES AND EXCHANGE COMMISSION

[File No. 500-1]

Legend Sports, Inc.; Order of Suspension of Trading

September 15, 1997.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Legend Sports, Inc. ("Legends") because of questions regarding, among other things, the current financial condition of Legends.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in the securities of the above-listed company.

Therefore, it is ordered, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the above-listed company is suspended for the period from 9:30 a.m., EDT, September 15, 1997 through 11:59 p.m. EDT, on September 26, 1997.

By the Commission.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-24826 Filed 9-15-97; 12:38 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39049; File No. SR-NASD-97-66]

Self-Regulatory Organization; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to a Change to its Policy Regarding Limit Order Protection

September 10, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is

hereby given that on September 4, 1997, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Nasdaq Stock Market, Inc. ("Nasdaq"). The NASD and Nasdaq have designated this proposal as one constituting a stated policy and interpretation with respect to the meaning of an existing rule under Section 19(b)(3)(A)(i) of the Act, which renders the rule effective upon the Commission's receipt of this filing. 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 NASD is proposing to amend an interpretation to its existing Limit Order Protection Rule, IM 2110-2.

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

In its filing with the Commission, Nasdaq 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. Nasdaq 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

The NASD has determined to revise its existing policy interpretation regarding a member's trading ahead of a customer limit order when the member offers price improvement over that limit order. The NASD's Limit Order Protection Rule, IM-2110-2 (commonly referred to as the "Manning Rule"), prohibits any member from trading at the same price as, or at a price inferior to, a customer limit order that it holds. When the Limit Order Protection Rule was first expanded in 1995,¹ members inquired about the effect of this rule on their trading activity when the member traded with another customer at a price better than the customer limit order. Of particular concern was the amount better at which a member could trade without violating the Manning Rule. In

Notice To Members 95-43, the NASD interpreted the Manning Rule to require members to trade at least 1/64th better than the held customer limit order.

Since the statement of this policy in Notice To Members 95-43, several significant changes have occurred in The Nasdaq Stock Market, including the SEC's adoption of the Order Execution Rules, in particular Rule 11Ac1-4, refinements to best execution policies as stated in the SEC's release adopting the Order Execution Rules,² and the move to quotation increments of sixteenths. These changes to improve the treatment of customer orders have resulted in re-evaluation by the NASD of its Manning Rule policy regarding price improvement. The new policy is set forth below and will be announced to all members in Notice To Members 97-57 (September, 1997).

To enable members to understand the new policy the Notice will set out the following example:

- Nasdaq Inside Market: 20—20 1/4 (10 × 10).
- MMA receives a customer limit order to buy at 20 1/16 for 2,000 shares.
- MMA changes its quote to 20 1/16 for 2,000 shares to reflect the price of the customer limit order.
- MMA receives a market order to sell 2,500 shares.

May MMA offer the market price improvement over the 20 1/16th limit order and execute the market order for its own account? If so, what is the minimum amount of price improvement allowable?

Under the new policy, MMA is allowed to execute the market order at a price better than the limit order. However, the NASD and Nasdaq, after consultation with the Quality of Markets Committee, believe that the minimum amount of price improvement that would permit a market maker to avoid a violation of the Manning Rule is 1/16th, where the actual quotation spread is greater than 1/16th; however, where the actual quotation spread is the minimum quotation increment, the minimum price improvement is one-half of the normal minimum quote increment. In the example above, since the actual spread is 20 1/16—20 1/4, the minimum price improvement is 1/16th. Thus, MMA could trade ahead of the limit order at 20 1/8th. If the actual spread were 20 1/16—20 1/8, since the security is priced at more than \$10 per share, the minimum quote increment is 1/16th. If the market maker want to trade with an incoming market order to sell without

² Securities Exchange Act Release No. 37619A (September 6, 1996), 61 FR 48290 (September 12, 1996).

¹ See Notice to Members 95-43.

triggering its Manning obligations to the buy limit order, the market maker must buy from the sell order at $20\frac{3}{32}$ nds. Similarly, if the security were priced under \$10 and quoted at $5\frac{1}{32}$ — $5\frac{1}{16}$, the minimum price improvement to avoid a violation of the Manning Rule would be $\frac{1}{64}$ th 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 $\frac{1}{64}$ th 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.

[FR Doc. 97-24589 Filed 9-16-97; 8:45 am]

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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.