

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 filings will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR-OCC-97-06 and should be submitted by October 16, 1997.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-97-06) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-25446 Filed 9-24-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39087; File No. SR-PCX-97-29]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Amendment No. 1 Thereto and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 Thereto by the Pacific Exchange, Inc. Relating to the Listing and Trading of Options on the Morgan Stanley Emerging Growth Index

September 17, 1997.

I. Introduction

On July 8, 1997, the Pacific Exchange, Inc. ("PCX" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade options on the Morgan Stanley Emerging Growth Index ("Index"). On July 29, 1997, the Exchange submitted an amendment to the proposal.³ Notice

of the proposed rule change and Amendment No. 1 appeared in the **Federal Register** on August 5, 1997.⁴ No comment letters were received concerning the proposed rule change. On September 17, 1997, the Exchange submitted Amendment No. 2.⁵ This order approves the PCX's proposal, as amended.

II. Description of the Proposal

The purpose of the proposed rule change is to permit the Exchange to list and trade European-style, cash-settled options on the Index, a market capitalization-weighted, broad-based index developed by Morgan Stanley & Co. Incorporated ("Morgan Stanley") comprised of the common stocks of 50 domestic emerging growth securities representing 26 different industry groups.

A. Design of the Index

The Index is comprised of 50 representative stocks⁶ traded on the New York Stock Exchange, Incorporated ("NYSE"), the American Stock Exchange, Incorporated ("Amex") and through the facilities of the National Association of Securities Dealers,

Regulation ("Division"), SEC, dated July 29, 1997 ("Amendment No. 1"). Amendment No. 1, among other issues, addressed maintenance standards and revised the Exchange's limitation of liability rule, PCX Rule 7.13.

⁴ See Securities Exchange Act Release No. 38884 (July 29, 1997), 62 FR 42150 (August 5, 1997).

⁵ See Letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, PCX to Marianne H. Duffy, Special Counsel, Division, SEC, dated September 17, 1997 ("Amendment No. 2"). Amendment No. 2 proposed an additional maintenance standard regarding options eligibility of the Index components.

⁶ The 50 stocks comprising the Index are: BMC Software Inc. (BMCS), Parametric Technology Corp. (PMTC), Diamond Offshore Drilling, Inc. (DO), Ascend Communications Inc. (ASND), Cabletron Systems (CS), Altera Corp. (ALTR), Ciena Corp. (CIEN), Linear Technology Inc. (LLTC), Paychex Inc. (PAYX), Compuware Corp. (CPWR), XILINX Inc. (XLNX), Maxim Integrated Products (MXIM), Health Management Assoc. (HMA), McAfee Associates Inc. (MCAF), Sterling Commerce Inc. (SE), Iomega Corp. (IOM), Robert Half Intl. Inc. (RHI), AT&T Corp. (ATML), Bed Bath & Beyond Inc. (BBBY), American Power Conversion (APCC), Planet Hollywood Intl. Inc. (PHIH), Synopsys Inc. (SNPS), Reading and Bates Corp. (RB), Viking Office Prods. Inc. (VKNG), Micron Electronics Inc. (MUEL), Cambridge Technology Partners (CAPT), Blyth Industries Inc. (BTH), Jabil Circuit Inc. (JBIL), Novellus Systems Inc. (NVLS), Dollar Tree Stores Inc. (DLTR), Jones Medical Inds. Inc. (JMEDI), Pairgain Technologies Inc. (PAIR), Rexall Sundown Inc. (RXSD), CDW Computer Centers Inc. (CDWC), Titanium Metals Corp. (TIMT), Remedy Corp. (RMDY), Aspect Telecommunications (ASPT), Delta & Pine Land Co. (DLP), Telco Communications Grp. Inc. (TCGX), APAC Teleservices Inc. (APAC), Learning Tree Intl. Inc. (LTRE), Visio Corp. (VSIO), Catalina Marketing Corp. (POS), Nautica Enterprises Inc. (NAUT), Boston Technology Inc. (BSN), ETEC Systems Inc. (ETEC), Mentor Corp. (MNTR), Gentex Corp. (GNTX), Veritas Software Co. (VRTS), and Bio Technology General Corp. (BTGS).

Incorporated ("NASD") automated quotation system and are reported national market system securities.

The Index was designed by Morgan Stanley to reflect the emerging growth equity market. The component securities were selected for their market capitalization, price per share, longterm debt as a percentage of total capital, mean estimated longterm (three year) earnings per share growth rate, net sales and return on average total equity. Specifically, stocks were selected based on whether they are "emerging" stocks (in general, having current sales figures of between \$25 million and \$2 billion annually) and "growth" stocks (in general, having a high mean I/B/E/S⁷ anticipated earnings growth rate). A primary consideration in determining "growth" is whether a stock's expected growth rate is significantly higher than that of other stocks. In addition, currently all of the issues are traded in the United States and there are no foreign issues or American Depositary Receipts ("ADRs") included in the Index.⁸

The Exchange represents that the Index currently is representative of the domestic emerging growth stock market as a whole, and therefore, believes it is a broad-based index. In support of this, the PCX notes that the Index is comprised of companies in 26 different industry groups, which range from apparel (.76%) to auto parts (.63%) to restaurants (1.79%).⁹ Although

⁷ The term I/B/E/S refers to the Institutional Broker's Estimate System, a source of analysts' earnings expectation data that is obtained from over 7,000 analysts working for approximately 750 research organizations.

⁸ In the future, should the Index include non-U.S. registered securities, such securities will not in the aggregate comprise more than 10% of the Index weight and will not represent more than 3 Index components. Prior to reaching these limits, PCX will notify the Commission to determine if a new filing under Rule 19b-4 is required.

⁹ The industry groupings and their Index weight are as follows: apparel (0.76%); auto parts (0.63%); biotechnology (0.56%); catalog/specialty distribution (2.55%); computer communications (5.66%); computer local area networks (4.52%); computer software (20.45%); contract drilling (6.29%); discount stores (1.14%); diversified commercial services (8.37%); electronic data processing peripherals (2.55%); electronic data processing services (4.06%); electrical products (1.82%); electronic data processing (1.53%); electronic production equipment (3.18%); farming/seeds/milling (0.86%); hospital/nursing management (2.88%); medical specialties (0.64%); other metals/minerals (0.91%); other pharmaceuticals (2.15%); other specialty stores (1.89%); other telephone/communications (0.84%); packaged goods/cosmetics (1.35%); restaurants (1.79%); semiconductors (16.99%); and telecommunications equipment (5.63%). The industry groupings are based upon the classifications used by FactSet Research Systems, Inc., an electronic market data provider of information that is available by subscription in the securities industry.

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, PCX to James T. McHale, Special Counsel, Division of Market

technology issues comprise 61% of the market capitalization of the Index, these companies are included in nine different industries ranging from computer software to semiconductors to computer services.

The Index is weighted by the market capitalization of the component stocks. As of June 18, 1997, the total market capitalization of the Index was \$112.7 billion, and the average market capitalization of the component stocks was \$2.3 billion. The individual market capitalization of the stocks ranged from \$629 million (Bio Technology General Corp.) to \$5.9 billion (BMC Software, Inc.) on the same date. The largest component stock accounted for 5.20% of the Index, while the smallest accounted for 0.56%. The top five stocks in the Index by weight accounted for 24.05% of the Index. The average daily trading volume in the component securities for the period from December 18, 1996 through June 18, 1997, ranged from a low of 94,688 shares to a high of 6,291,777 shares, with an average daily trading volume for all the component stocks of approximately 926,131 shares per day.

B. Maintenance of the Index

The Index will be maintained by PCX in conjunction with Morgan Stanley. Index maintenance includes monitoring Index criteria and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends and stock price adjustments due to events such as company restructurings or spin-offs, as well as a semi-annual rebalancing and quarterly review.¹⁰ In order to ensure that the Index continues to represent the overall character of the emerging growth equity market, any changes made to the Index, including those made at the time of semi-annual rebalancing and quarterly review, will be in compliance with the following initial inclusion and maintenance criteria: (a) the number of component stocks in the Index will be no less than 42 and no greater than 58; (b) the top weighted component stock will not account for more than 25% of the weight of the Index; (c) the top five weighted component stocks will not

account for more than 50% of the weight of the Index; (d) no component stock will have a market capitalization of below \$75 million; (e) no component issue will have an average trading volume of less than 20,000 shares per day; (f) no component issue will have an average trading value of less than \$100,000 per day; (g) no component will have a price per share of less than \$3; (h) at least 80% of the issues comprising the Index and at least 90% of the Index weight will meet the initial listing requirements for options trading pursuant to PCX Rule 3.6; and (i) the minimum market capitalization for all of the issues included in the Index, collectively, will be \$60 billion.

In the event that the Index does not comply with any of these criteria at the time of semi-annual rebalancing and quarterly review, the Exchange either will: (i) make adjustments to the composition of the Index to place it in compliance with such criteria; or (ii) notify Commission staff to determine the appropriate regulatory response, which could include, but is not limited to, the removal of securities from the Index, prohibiting opening transactions, or discontinuing the listing of new series of Index options.

C. Calculation and Dissemination of Index Value

The value of the Index is determined by multiplying the price of each stock by the number of shares outstanding, adding those sums and dividing by a divisor which resulted in an Index value of 300.00 on its base date of February 7, 1997. The Index value will be calculated by Bridge Data Corporation and will be disseminated at 15-second intervals during regular PCX trading hours to market information vendors via the Consolidated Tape Authority. Notice of component changes will be disseminated to vendors and Member Firms via facsimile and over the Options News Network.

D. Trading of the Index Options

The Exchange proposes to base trading in options on the Index on the full value of the Index as expressed in U.S. dollars. The Exchange also may provide for the listing of long-term index option series ("LEAPS") and for FLEX options on the Index. The Exchange will list expiration months for Index options and Index LEAPS in accordance with PCX Rule 7.8. Strike prices will be set to bracket the Index in 5 point increments. The minimum tick size for series trading below \$3 will be

1/16th and the minimum tick size for all other series will be 1/8th.¹¹

E. Position Limits

The Exchange is proposing to establish position limits for Index options equal to 37,500 contracts on the same side of the market, with no more than 22,500 contracts in the series with the nearest expiration date. These limits are roughly equivalent, in dollar terms, to the limits applicable to options on other indices.¹² Furthermore, the hedge exemption rule applicable to broad-based index options, Commentary .02 to PCX Rule 7.6, will apply to Index options. With regard to FLEX Index options, the Exchange is proposing to establish position limits of 200,000 contracts on the same side of the market pursuant to PCX Rule 8.107(a). The PCX also represents that it has the necessary systems capacity to support new series that would result from the introduction of the Index options.¹³

F. Exercise and Settlement

The proposed options on the Index will expire on the Saturday following the third Friday of the expiration month and trading in the expiring contract month on the PCX will normally cease at 1:15 p.m. (Pacific Time) on the business day preceding the last day of trading in the component securities of the Index (ordinarily the Thursday before expiration Saturday, unless there is an intervening holiday). The exercise settlement value of Index options at expiration will be determined from opening prices established at the open of the regular Friday trading sessions at the appropriate exchange or market system. If a stock does not trade during

¹¹ See PCX Rule 6.72.

¹² For example, on June 18, 1997, a position of 37,500 contracts would have a dollar value of \$1,168,800,000 (37,500 times the Index value of 311.68 times the Index multiplier of 100). For a comparison of position limits on similar indices, see Securities Exchange Act Release No. 32554 (June 29, 1993) 58 FR 36492 (July 7, 1993) (order approving increase in position and exercise limits on the Wilshire Small Cap Index to 37,500 contracts on the same side of the market with no more than 22,500 of such contracts in the series with the nearest expiration date) and Securities Exchange Act Release No. 36504 (November 22, 1995) 60 FR 61275 (November 29, 1995) (order approving increase in position and exercise limits on the PSE Technology Index to 37,500 contracts on the same side of the market with no more than 22,500 on such contracts in the series with the nearest expiration date).

¹³ In addition, the Options Price Reporting Authority ("OPRA") has represented that it has the necessary systems capacity to support those new series of index options that would result from the introduction of Index options and long-term Index options. See letter from Joe Corrigan, Executive Director, OPRA, to Kim Koppien, Vice President-Operations, Options Division, PCX, dated August 18, 1997.

¹⁰ Routine corporate actions, such as stock splits and stock dividends that require simple changes in the common shares outstanding and the stock prices of the companies in the Index will be handled by PCX through a contract with Bridge Data. Non-routine corporate actions and other material changes such as share issuances that change the market value of the Index and require an Index divisor adjustment are performed by Morgan Stanley. In addition, Morgan Stanley will select all of the stocks that are added to the Index at the time of the semi-annual rebalancing and quarterly review.

this interval or if it fails to open for trading, the last available price of the stock will be used in the calculation of the Index.¹⁴ When the last trading day is moved in accordance with Exchange holidays (such as when the PCX is closed on the Friday before expiration), the last trading day for expiring options will be Wednesday and the exercise settlement value of Index options at expiration will be determined at the open of the regular Thursday trading sessions.

G. Surveillance

The Exchange will apply its existing index option surveillance procedures to Index options. These procedures include complete access to trading activity in the underlying securities. Further, the Intermarket Surveillance Group ("ISG") Agreement, dated July 14, 1983, as amended on January 29, 1990, will be applicable to the trading of options on the Index.¹⁵

H. Other Exchange Matters

Finally, the Exchange proposes to amend PCX Rule 7.13 regarding limitation of liability in order to be consistent with the limitation of liability rules of other self-regulatory organizations ("SROs").¹⁶

III. Commission Findings and Conclusions

The Commission finds that the proposed rule change is consistent with

¹⁴ If a stock does not trade during the opening of the regular Friday trading session at the appropriate exchange or market system, or if it fails to open for trading, then pursuant to PCX Rule 7.8(e), the last reported sale price of stock will be used in the calculation of the Index, unless the exercise settlement amount is fixed in accordance with the Rules and By-Laws of The Options Clearing Corporation.

¹⁵ ISG was formed on July 14, 1983 to, among other things, coordinate more effectively surveillance and investigative information sharing arrangements in the stock and options markets. See Intermarket Surveillance Group Agreement, July 14, 1983. The most recent amendment to the ISG Agreement, which incorporates the original agreement and all amendments made thereafter, was signed by ISG members on January 29, 1990. See Second Amendment to the Intermarket Surveillance Group Agreement, January 29, 1990. The members of the ISG are: the Amex; the Boston Stock Exchange, Inc.; the Chicago Board Options Exchange, Inc. ("CBOE"); the Chicago Stock Exchange, Inc.; the NASD; the NYSE; the PCX; and the Philadelphia Stock Exchange, Inc. Because of potential opportunities for trading abuses involving stock index futures, stock options, and the underlying stock, and the need for greater sharing of surveillance information for these potential intermarket trading abuses, the major stock index futures exchanges (e.g., the Chicago Mercantile Exchange and the Chicago Board of Trade) joined the ISG as affiliate members in 1990.

¹⁶ See Amendment No. 1, *supra* note 3. The Commission notes that the text of new Rule 7.13 is substantially similar to the limitation of liability provisions of other SROs. See CBOE Rule 24.14.

the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5).¹⁷ Further, the trading of options on the Index will allow investors holding positions in some or all of the securities underlying the Index to hedge the risk associated with their portfolios. Specifically, the Commission finds that the listing and trading of options on the Index, including LEAPS and FLEX Index options, will serve to promote the public interest and help to remove impediments to a free and open securities market by providing investors with a means to hedge exposure to market risk associated with the emerging growth equity market¹⁸ and promote efficiency, competition, and capital formation.¹⁹

Nevertheless, the trading of options on the Index raises several concerns related to the design and maintenance of the Index, customer protection, surveillance and market impact. The Commission believes, however, for the reasons discussed below, that the PCX has adequately addressed these concerns.

A. Design and Maintenance of the Index

The Commission finds that it is appropriate and consistent with the Act for the PCX to designate the Index as broad-based for purposes of index options trading. First, the Index is composed of 50 companies from 26 industry groups including: computer software; semiconductors; consumer goods; energy; capital equipment; basic materials; agriculture/food and financial services.²⁰ Second, no particular stock

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ Pursuant to Section 6(b)(5) of the Act, the Commission must predicate approval of any new securities product upon a finding that the introduction of such product is in the public interest. Such a finding would be difficult with respect to a product that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns. In this regard, the trading of listed options on the Index will provide investors with a hedging vehicle that should reflect the overall movement of the stocks representing companies in the emerging growth sector in the U.S. stock markets.

¹⁹ 15 U.S.C. 78c(f).

²⁰ Although technology issues comprise 61% of the market capitalization of the Index, these companies are included in nine different industries ranging from computer software to semiconductors to computer services. In addition, the Commission previously has approved the listing and trading of options on a broad-based index designed to measure the performance of high capitalization technology stocks. See e.g., Securities Exchange Act Release No. 37693 (September 17, 1996) 61 FR 50362 (September 25, 1996) (order approving the

or group of stocks dominates the Index. Specifically, as of June 18, 1997, the largest stock accounted for 5.20% of the Index weight, while the smallest accounted for 0.56%. The top five stocks in the Index by weight accounted for 24.05%. Accordingly, the Commission believes that it is appropriate for the PCX to apply its rules governing broad-based index options to trading in the proposed Index options. The Commission notes that with respect to the maintenance of the Index, Morgan Stanley has implemented several safeguards in connection with the listing and trading of the Index options that will serve to ensure that the Index components are highly capitalized, diversified and actively-traded. In this regard, Morgan Stanley will maintain the Index so that: (a) the number of component stocks in the Index will be no less than 42 and no greater than 58; (b) the top weighted component stock will not account for more than 25% of the weight of the Index; (c) the top five weighted component stocks will not account for more than 50% of the weight of the Index; (d) no component stock will have a market capitalization of below \$75 million; (e) no component issue will have an average trading volume of less than 20,000 shares per day; (f) no component issue will have an average trading value of less than \$100,000 per day; (g) no component will have a price per share of less than \$3; (h) at least 80% of the issues comprising the Index and 90% of the Index weight will meet the initial listing requirements for options trading pursuant to PCX Rule 3.6; and (i) the minimum market capitalization for all of the issues included in the Index, collectively, will be \$60 billion.

In addition, the Commission notes that Morgan Stanley has adopted appropriate procedures to be followed by those responsible for maintaining the Index in order to help to prevent and to deter the misuse of any informational advantages with respect to changes in the composition of the Index.²¹ Such procedures include, for example, informational barriers.

B. Customer Protection

The Commission believes that a regulatory system designed to protect public customers must be in place before the trading of sophisticated financial instruments, such as Index

listing and trading of options on the Goldman Sachs Technology Composite Index).

²¹ See Letter from Carol Shahmoon, Counsel, Morgan Stanley, to Sharon Lawson, Senior Special Counsel, Division of Market Regulations, Commission, dated August 7, 1997.

options, can commence on a national securities exchange. The Commission notes that the trading of standardized exchange-traded options occurs in an environment that is designed to ensure, among other things, that (1) the special risks of options are disclosed to public customers; (2) only investors capable of evaluating and bearing the risks of options trading are engaged in such trading; and (3) special compliance procedures are applicable to options accounts. Accordingly, because the Index options will be subject to the same regulatory regime as the other standardized options currently traded on the PCX, the Commission believes that adequate safeguards are in place to ensure the protection of investors in Index options. In addition, the PCX plans to distribute a circular to its membership calling attention to specific risks associated with options on the Index.

C. Surveillance

In evaluating new derivative instruments, the Commission, consistent with the protection of investors, considers the degree to which the derivative instrument is susceptible to manipulation. The ability to obtain information necessary to detect and deter market manipulation and other trading abuses is a critical factor in the Commission's evaluation. It is for this reason that the Commission requires that there be a comprehensive surveillance sharing agreement ("CSSA") in place between an exchange listing or trading a derivative product and the exchanges trading the stocks underlying the derivative contract that specifically enables officials to surveil trading in the derivative product and its underlying stocks.²² Such agreements provide a necessary deterrent to manipulation because they facilitate the availability of information needed to fully investigate a potential manipulation if it were to occur. For foreign stock index derivative products, these agreements are especially important to facilitate the collection of necessary regulatory, surveillance and other information from foreign jurisdictions.²³

²² The Commission believes that a CSSA should provide the parties thereto with the ability to obtain information necessary to detect and deter market manipulation and other trading abuses. Consequently, the Commission generally requires that a CSSA require that the parties to the agreement provide each other, upon request, information about market trading activity, clearing activity, and the identity of the ultimate purchasers and sellers of securities. See Securities Exchange Act Release No. 31529 (November 27, 1992).

²³ As noted above, presently there are no stocks of foreign issuers in the Index.

In order to address the above noted concerns, the Exchange will apply its existing index option surveillance procedures to Index options. In addition, as previously discussed, the markets on which all component stocks trade are members of the ISG which provides for the exchange of all necessary surveillance information.²⁴

D. Market Impact

The Commission believes that the listing and trading of Index options on the PCX should not adversely impact the securities markets in the United States.²⁵ First, the existing index option surveillance procedures of the PCX will apply to options based on the Index. Second, the Commission notes that the Index is broadbased and diversified and includes highly capitalized securities that are actively traded. Third, the position limit of 37,500 contracts on the same side of the market, provided no more than 22,500 of such contracts are in series in the nearest expiration month, will serve to minimize potential manipulation and market impact concerns. Fourth, the risk to investors of contra-party non-performance will be minimized because Index and regular and long-term options will be issued and guaranteed by the Options Clearing Corporation just like any other standardized option traded into the United States. Accordingly, the Commission does not believe that the introduction of Index options on the PCX will have a significant effect on the underlying securities markets.

E. Other Exchange Matters

The Commission finds that the proposed limitation of liability language will provide the PCX with protection that is substantively similar to protection already afforded other SROs.²⁶ The Commission believes that by amending the Exchange's limitation of liability rule, entities will not be discouraged from creating new products or calculating and disseminating settlement values.²⁷ Therefore, derivative products, that provide

²⁴ See *supra* note 14.

²⁵ The Commission notes that both the Exchange and OPRA have represented that they have the necessary systems capacity to support those new series of index options that would result from the introduction of options on the Index. See *supra* note 13 and accompanying text.

²⁶ See e.g., CBOE Rule 24.14, *supra* note 15. In order to conform its limitation of liability provisions to those of other SROs, the PSE will not rely on this rule to limit its liability for intentional misconduct or for any violation of the federal securities laws.

²⁷ See e.g., Securities Exchange Act Release No. 34125 (May 27, 1994) 59 FR 29307 (June 6, 1994).

hedging or other economic functions, should remain available to investors.

For the reasons described above, the Commission finds good cause to approve Amendment No. 2 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 2 provides, 90% of the Index weight will meet the initial listing requirements for options trading pursuant to PCX Rule 3.6.

Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2)²⁸ of the Act, to find that good cause exists to approve Amendment No. 2 on an accelerated basis.

IV. Solicitation of Comments and Conclusion

Interested persons are invited to submit written data, views and arguments concerning Amendments 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 in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to the File No. SR-PCX-97-29 and should be submitted by October 16, 1997.

For the foregoing reasons, the Commission finds that the PCX's proposal to list and trade options based on the Morgan Stanley Emerging Growth Index 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, that the proposed rule change (SR-PCX-97-29), as amended, is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²⁹

²⁸ 15 U.S.C. 78s(b)(2).

²⁹ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-25376 Filed 9-24-97; 8:45 am]

BILLING CODE 8010-01-M

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Generalized System of Preferences (GSP); Schedule of Hearings and Deadlines for Submitting Comments on One Additional Petition for the GSP 1997 Product Review

AGENCY: Office of the United States
Trade Representative (USTR).

ACTION: Notice.

SUMMARY: This is to notify that one
product has been added to the 1997 GSP

Product Review and to set forth the
timetable for hearings, and for providing
public comments on a petition to waive
the GSP competitive need limit on
imports of sugar from Brazil.

FOR FURTHER INFORMATION CONTACT: GSP
Subcommittee, Office of the United
States Trade Representative, 600 17th
Street, NW, Room 518, Washington, DC
20508 (Tel. 202/395-6971). Public
versions of all documents relating to
this review may be seen by appointment
in the USTR public Reading Room
between 9:30-12 a.m. and 1-4 p.m. (Tel.
202/395-6186).

SUPPLEMENTARY INFORMATION: The GSP
program is authorized pursuant to Title
V of the Trade Act of 1974, as amended
("the Trade Act") (19 U.S.C. 2461 et
seq.). The GSP program grants duty-free

treatment to designated eligible articles
that are imported from designated
beneficiary developing countries. In a
Federal Register notice dated August
13, 1997 (62 FR 43408), USTR
announced the acceptance of product
petitions for review and in a subsequent
notice dated September 4, 1997 (62 FR
46792) USTR announced deadlines for
hearings and submissions related to
them.

I. Subject of reviews

USTR has accepted one petition for a
waiver of the competitive need limit for
the following article in addition to those
petitions described in part C of the
Annex to the **Federal Register** notice
dated August 13, 1997 (62 FR 43408).

PETITION FOR WAIVER OF COMPETITIVE NEED LIMIT FOR A PRODUCT ON THE LIST OF ELIGIBLE PRODUCTS FOR THE GENERALIZED SYSTEM OF PREFERENCES

Case No.	HTS subheading	Article	Petitioner
97-26	1701.11.10 (Brazil)	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavoring or coloring matter Cane sugar: Described in additional U.S. note 5 to this chapter and entered pursuant to its provisions.	Sindicato da Industria do Azucar e do alcool do Estado de Pernambuco, Brazil.

II. Opportunities For Public Comment And Inspection Of Comments And Notice Of Public Hearings

The GSP Subcommittee of the Trade
Policy Staff Committee (TPSC) invites
comments in support of, or in
opposition to, any petition which is the
subject of this notice. Submissions
should comply with 15 CFR Part 2007,
including sections 2007.0, and 2007.1.
Instructions and dates for submitting
statements, schedule of public hearings
and requests to make statements at the
public hearings should, with one
exception, conform to the instructions
in the **Federal Register** notice of
September 4, 1997 (62 FR 46792). The
one exception to these **Federal Register**
instructions, and the final date of
submitting statements on the product
that is the subject of this notice and for
requesting permission to make a
statement on this product at the public
hearing is not September 30, 1997, but
has been set at 5:00 p.m. on October 10,
1997.

Frederick L. Montgomery,

Chairman, Trade Policy Staff Committee.

[FR Doc. 97-25370 Filed 9-24-97; 8:45 am]

BILLING CODE 3190-01-M

DEPARTMENT OF TRANSPORTATION

Office of the Secretary

Reports, Forms and Recordkeeping Requirements; Agency Information Collection Activity Under Office of Management and Budget Review

AGENCY: Office of the Secretary, (DOT).

ACTION: Notice.

SUMMARY: The Department of
Transportation, as part of its continuing
effort to reduce paperwork and
respondent burden, invites the general
public, grantee organizations, and State,
local and other Federal agencies to
comment on proposed and/or
continuing information collections, as
required by the Paperwork Reduction
Act of 1995 944, U.S.C. 3506(c)(2)(A).
The Act requires Federal agencies to
publish notice in the **Federal Register**
concerning each proposed collection of
information, including each proposed
extension of an existing collection, and
to allow 60 days for public comment in
response to the notice. The Department
is currently seeking comments
concerning collection requirements for
grants to State and local governments,
and for grants to institutions of higher
learning, hospitals, and other nonprofit
institutions.

DATES: Written comments should be
received on or before November 24,
1997 to be assured of consideration.

ADDRESSES: Submit written comments
to Mr. Ladd Hakes, U.S. Department of
Transportation (M-62), 400 Seventh
Street SW., Washington, DC 20590.
Written comments may be faxed to (202)
366-7510. Identify comments regarding
collection requirements for grants to
State and local governments by the
OMB Control Number 2105-0520.
Identify comments regarding
requirements for grants to institutions of
higher learning, hospitals, and other
nonprofit institutions by the OMB
Control Number 2105-0531.

FOR FURTHER INFORMATION CONTACT: Mr.
Ladd Hakes, (202) 366-4268; refer to the
control numbers above.

ADDITIONAL SUPPLEMENTARY INFORMATION:

Title: Uniform Administrative
Requirements for Grants and
Cooperative Agreements to State and
Local Governments.

Forms: SF 269, SF 270, SF 271, SF
272, and SF 424.

OMB Control Number: 2105-0520.

Affected Public: State and local
governments receiving Federal financial
assistance from the Department of
Transportation (DOT).

Abstract: Requirements for Federal
administration of financial assistance to
State and Local governments is