

designed on the pilot's proposed start date of July 1, 1998. Under the one-month look-back provision in the PMM pilot program, Nasdaq will consider the previous calendar month and the current month to determine a market maker's continued PMM eligibility if the market maker attained PMM status in a security during the previous month, but fails to meet the applicable thresholds for the current month. Nasdaq recognizes that once the pilot begins on July 1, 1998, PMMs will not have the ability to avail themselves of the one-month look-back provision because there will be no meaningful trading to analyze prior to July 1, 1998. Thus, to give PMMs the full benefit of the one-month look-back period and to allow market makers time to adjust their trading activity to the new standards, Nasdaq proposes to implement the new standards so that no market maker that is designated as a PMM when the pilot begins on July 1, 1998, will lose its PMM status—based on a failure to meet the new PMM standards—until September 3, 1998. Nasdaq believes, and the Commission agrees, that it is fair to give market makers this time to make necessary adjustments to their trading activity to help them maintain their PMM designation, particularly since PMM standards have been suspended for more than a year and the new PMM standards are more stringent than the previous standards. The PMM pilot, pursuant to Amendment No. 3, would run until January 4, 1999.

The Commission finds good cause for approving the extension of the suspension of existing PMM standards prior to the 30th day after the date of publication of notice of filing thereof. It could be disruptive to market making to reintroduce outdated PMM standards for a brief period prior to implementing a new PMM pilot. Further, the current PMM standards have been suspended until May 1, 1998, at which time the old PMM standards—which are not a meaningful measure of a market maker's liquidity-providing activity—would be used again to determine market makers' PMM status. To ensure continuity in the PMM standards and the regulation of short selling activity, to maintain orderly markets, and to avoid confusion, it is necessary to continue the suspension of the prior PMM standards until the new standards are implemented on July 1, 1998.

IV. Solicitation of Comments

Given the proposal's complexity and the Commission's desire to give the public sufficient time to consider the proposal, the Commission hereby grants Nasdaq's request to extend the comment

period for the proposed rule changes, as amended, to May 27, 1998. Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule changes are consistent with the Exchange Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC 20549. Copies of the submissions, 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 such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-98-26 and should be submitted by May 27, 1998.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,⁹ that Amendment No. 3 to the proposed rule change, SR-NASD-98-26, which extends, on an accelerated basis, the suspension of the current PMM standards to July 1, 1998, be and hereby is approved.¹⁰

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39934; File No. SR-PCX-98-20]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. To Discontinue the Exchange's SCOR Marketplace

April 30, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 16, 1998, 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 Exchange.³ The Exchange has designated this proposal as one that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and by its terms does not become operative for 30 days after the date of the filing. In addition, the Exchange gave the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change. As a result, the proposal is effective upon filing under Exchange Act Section 19(b)(3)(A)(iii) and Rule 19b-4(e)(6) thereunder. 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 discontinue its Small Corporate Offering Registration ("SCOR") Marketplace and to remove its rules on the SCOR Marketplace from the Rules of the Exchange. The text of the proposed rule change is attached as Exhibit A.

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ In approving the proposal, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. The proposal likely will provide the Commission with data necessary to enable it to evaluate the impact of the proposed PMM standards on the Nasdaq market and market participants. 15 U.S.C. 78c(f).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange also submitted a technical amendment to the proposed rule change to correct typographical errors in the original filing. See Letter from Michael D. Pierson, Senior Attorney, Regulatory Policy, Exchange, to Jeffrey Schwartz, Special Counsel, Division of Market Regulation, Commission, dated April 28, 1998.

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

In its filing with the Commission, the Exchange 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 Exchange 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

Purpose

On April 19, 1995, the Commission approved an Exchange proposal to permit the Exchange to list and trade SCOR securities, *i.e.*, single classes of common or preferred stock that were issued pursuant to either Regulation A ("Reg. A") or Rule 504 under the Securities Act of 1933 ("Securities Act").⁴ The proposal was approved as a three-year pilot program, which expired on April 19, 1998. At the time this proposed rule change was filed with the Commission, there were no SCOR securities listed or traded on the Exchange and there were no applications pending for participation in the SCOR program.

The SCOR Marketplace was created as a secondary market for small companies sponsoring direct public offerings (DPOs), selling stock directly to investors under federal Reg. A standards, or state laws for SCOR issues. These federal and state programs are intended to help small businesses raise public capital, without following the rigorous filing and reporting requirements normally applied to securities offerings sponsored by larger companies, and without the support of a securities underwriter. Reg. A offerings are limited to \$5 million; SCOR offerings to \$1 million.

The Exchange was approached in 1992 by small business advocates who believed that the two programs were not being fully used, in part due to the absence of a well regulated, liquid

secondary market for the trading of SCOR and Reg. A stocks. At that time, secondary market activity in these offerings was limited to the Nasdaq Bulletin Board, or to a single stock broker (usually operating in the sponsoring company's hometown) willing to keep a physical record of potential buyers and sellers. The PCX spend nearly three years working with state and federal securities regulators to develop the SCOR Marketplace, which was approved by the Commission in 1995.⁵

From 1996 through the middle of 1997, 178 companies completed SCOR or Reg. A offerings, according to statistics compiled by PCX staff. Many of these firms contacted the PCX about listing on the SCOR Marketplace. None, however, completed the listing application process at the Exchange, and only a handful were listed by other markets: two on the Nasdaq Small Cap market, one on the Toronto Stock Exchange, five on the OTC bulletin board, and one on the Pink Sheets. Although one company applied to list its SCOR securities on the PCX, it later withdrew its application.

Accordingly, the Exchange has determined, after careful consideration, to discontinue its SCOR Marketplace.

Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Exchange Act, in general, and Section 6(b)(5), in particular, in that it is designed to facilitate transactions in securities, promote just and equitable principles of trade, and to protect investors and The public interest. The Exchange does not believe that the proposal will affect the protection of investors or the public interest because no securities are currently listed or traded under the SCOR Marketplace. In addition, the Exchange does not believe that discontinuing the program will impose any burden on competition because the rule change will not establish any new rules or requirements.

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.

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

The foregoing rule change shall become operative 30 days after the date of filing, pursuant to subparagraph (e)(6)(iii) of Exchange Act Rule 19b-4. At any time within 60 days of the date of filing of such proposed rule change, 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 Exchange Act.⁶

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., 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. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-PCX-98-20 and should be submitted by May 28, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

⁴ See Exchange Act Release No. 35628 (April 19, 1995) 60 FR 20787 (April 27, 1995) (order approving SR-PSE-94-31); *see also* Exchange Act Release No. 35636 (April 21, 1995) 60 FR 20781 (April 27, 1995) (order approving new listing fees for SCOR Securities, SR-PSE-95-03).

⁵ See note 3 above.

⁶ In reviewing this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. The proposal likely will not affect efficiency, competition, or capital formation given that no securities are traded on the SCOR Marketplace and none were likely to do so in the near future. 15 U.S.C. 78c(f).

⁷ 17 CFR 200.30-3(a)(12).

Jonathan G. Katz,
Secretary.

Exhibit A

Text of the Proposed Rule Change ⁸

RULE 3

LISTINGS

¶ 356 General Provisions and Definitions

Rule 3.1(a). No change.

Rule 3.1(b) Definitions. The following terms used in Rules 3.2 through 3.5 shall, unless otherwise indicated, have the meanings herein specified:

* * * * *

[(14) The term "Small Corporate Offering Registration Securities" ("SCOR Securities") means a single class of an issuer that has been designated as common stock and/or preferred stock issued pursuant to:

(i) Regulation A under the Securities Act of 1933 ("Securities Act") and using the prescribed form as applicable; or

(ii) Rule 504 under the Securities Act and using Form U-7 of the North American Securities Administrators Association ("NASAA") (or state variation of such form with substantially similar requirements).

(15) Once SCOR Securities have been accepted for listing on the Exchange, all securities of that class shall be considered to be SCOR Securities for purposes of this rule 3.1(b)(14), except those securities of the class that are subject to restrictions (i.e., securities restricted pursuant to federal or state securities laws, by any other law, by agreement, or in any other manner) that make them ineligible for trading on the Exchange.]

* * * * *

¶ 3567 Applications to List

Rule 3.2(a) No change.

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Listing Requirements

General

Rule 3.2(b) The Exchange has a [multi-tiered] *two-tier* listing structure. Any security listed pursuant to this Rule 3.2, paragraphs (c) through (j), and any equity option listed in accordance with Rule 3.6 and any index product listed in accordance with Rules 7 or 8 shall be designated as a Tier I security except for any security listed under Tier II [or SCOR] listing requirements; provided, however, that a security that is convertible into or carries a right to subscribe to purchase common stock

will be a Tier II security unless the common stock into which it is convertible qualifies for inclusion under the Tier I designation. Furthermore, in cases where a company's security does not qualify for inclusion under the Tier I designation, yet the security is listed or has been approved for listing on either the New York Stock Exchange ("NYSE"), American Stock Exchange ("AMEX") (except for so-called "ECM" securities), or NASDAQ National Market System ("NASDAQ/NMS"), the Exchange may list such security under Tier II in reliance upon the listing requirements of the applicable exchange (or association).

A listing under the Tier I designation generally signifies that the company has achieved maturity and high status in its industry in terms of assets, earnings and shareholder interest and acceptance. The Tier II designation is limited, except for specific circumstances as discussed above, to the listing of common stock, preferred stock, bonds and debentures, and warrants. A listing under the Tier II designation generally signifies that the company has limited commercial operations, lower capitalization, and lacks a demonstrated earnings history. [Any security listed under the SCOR listing requirements constitute a third tier, however, solely for purposes of the application of "exchange listing" exemptions applicable to "issuer" transactions under the securities laws of the various states and territories of the United States, SCOR securities are not deemed to be "listed" on the Exchange.]

* * * * *

Designation of Tier I Securities Initial Listing Requirements

Common Stock—Select Market Companies

Rule 3.2(c) No change.

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Basic Listing Requirements

* * * * *

No change.

Alternate Listing Requirements

* * * * *

No change.

Preferred Stock and Similar Issues

Rule 3.2(d) No change.

* * * * *

Bonds and Debentures

Rule 3.2(e) No change.

* * * * *

Warrants

Rule 3.2(f) No change.

* * * * *

Contingent Value Rights ("CVRs")

Rule 3.2(g) No change.

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Unit Investment Trusts ("UTs")

Rule 3.2(h) No change.

* * * * *

Limited Partnerships

Rule 3.2(i) No change.

* * * * *

Other Securities

Rule 3.2(j)(1) No change.

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Paragraphs (k) through (m). Reserved.

Designation of Tier II Securities

Initial Listing Requirements

Common Stock—Development Stage Companies

Rule 3.2(n) No change.

* * * * *

Basic Listing Requirements

No change.

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Alternate Listing Requirements

No change.

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Rule 3.2(o) No change.

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Bonds and Debentures

Rules 3.2(p) No change.

* * * * *

Warrants

Rule 3.2(q) No change.

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[Rule 3.2(r)—Deleted]

Paragraphs (r), (s) and (t). Reserved.

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¶ 3573 Corporate Governance and Disclosure Policies

Rule 3.3. The Exchange shall require that specific corporate governance and disclosure policies be established by domestic issuers of any equity security listed pursuant to Rule 3.2. The Exchange, however, will not require an issuer of such security under [either] the Tier II [or SCOR] designation[s] to comply with the provision for an audit committee as set forth in this Rule 3.3(b).

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Corporate Governance

Rule 3.3(a) No change.

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⁸Proposed new text is italicized, deleted text is bracketed.

Rule 3.3(b) No change.
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Rule 3.3(c) No change.
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Rule 3.3(d) No change.
 * * * * *

Rule 3.3(e) No change.
 * * * * *

Rule 3.3(f) No change.
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Rule 3.3(g) No change.
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Rule 3.3(h) No change.
 * * * * *

Paragraphs (i) through (s). Reserved.

Disclosure Policies

Rule 3.3(t) No change.
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¶3579 Suspension of Issuer Withdrawal from Listing

Rule 3.4(a). No change.
Rule 3.4(b). No change.

¶3585 Maintenance Requirements and Delisting Procedures

Rule 3.5(a). No change.
 * * * * *

Tier I Securities

Maintenance Requirements

Common Stock—Select Market Companies

Rule 3.5(b) No change.
 * * * * *

Preferred Stock and Similar Issues

Rule 3.5(c) No change.
 * * * * *

Bonds and Debentures

Rule 3.5(d) No change.
 * * * * *

Warrants

Rule 3.5(e) No change.
 * * * * *

Contingent Value Rights ("CVRs")

Rule 3.5(f) No change.

Unit Investment Trusts ("UITs")

* * * * *

Rule 3.5(g) No change.
 * * * * *

Paragraphs (h) through (l). Reserved.

Tier II Securities

Maintenance Requirements

Common Stock—Development Stage Companies

Rule 3.5(m) No change.
 * * * * *

Preferred Stock and Similar Issues

Rule 3.5(n) No change.
 * * * * *

Bonds and Debentures

Rule 3.5(o) No change.
 * * * * *

Warrants

Rule 3.5(p). No change.
 * * * * *

Paragraphs (q) and (r). Reserved.
 [Rule 3.5(r)—Deleted]

Other Reasons for Suspending or Delisting

Rule 3.5(s) No change.
 * * * * *

Delisting Procedures

Rule 3.5(t) No change.
 * * * * *

Options

¶ 3591

Rule 3.6 No change.
Rule 3.6(a) No change.
 * * * * *

Rule 3.6(b) No change.
 * * * * *

Rule 3.6(c) No change.
 * * * * *

Rule 3.6(d) No change.
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¶3598 Withdrawal of Approval of Underlying Securities

Rule 3.7(a). No change.
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Rule 3.7(b). No change.
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[SCOR Marketplace]⁹

Original Listings

The Original Listing fees are fixed fees and issuers are not charged by the number of shares being listed.

Common Stock—\$5,000.00

Preferred Stock—\$5,000.00

Processing Fee

*Per Original Listing Application—\$500.00

Name Change—\$250.00

Change in Par Value—\$250.00

* This is a fixed charge for the review of potential listings and is non-refundable. Issues approved for listing may have this charge credited toward the original listing fee.

⁹ This fee schedule was part of a previous Exchange rule filing. See Exchange Act Release No. 35636 (April 21, 1995) 60 FR 20781 (April 27, 1995) (order approving new listing fees for SCOR Securities, SR-PSE-95-03).

Substitution of Original Listing

Per Application: Fixed charge of \$750.00

Substitution may occur as a result of a change in state of incorporation, reincorporation under laws of same state, a reverse stock split, recapitalizations, or similar events.

Listing of Additional Shares

Per Application: \$.0025 per share
 Minimum charge of \$500.00
 Maximum charge of \$2,500.00
 Maximum charge of \$5,000.00 per annum

Annual Maintenance Fee

For one issue—\$1,000.00
 For each additional issue—\$500.00
 Payable January of each year following listing.

Conversion Fee

Conversion from the SCOR Marketplace to Tiers I or II.
 Common Stock—\$15,000.00

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BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39940; International Series Release No. 1131; File No. SR-PHLX-98-17]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Listing and Trading Options on the European Currency Unit

April 30, 1998.

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 6, 1998, the Philadelphia Stock Exchange ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the PHLX. On April 27, 1998, the Exchange filed Amendment No. 1 to the proposed rule change.³ The

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the PHLX proposes to amend its filing so that the position limits for the European Currency Unit will be 200,000 contracts on the same side of the market, rather than 100,000 contracts, as originally proposed. In addition, in Amendment No. 1, the PHLX agrees that it will consult with the Commission, prior to the conversion to the Euro on January 1, 1999, to determine whether a Rule 19b-4 filing is necessary.