

Act¹¹ and the rules and regulations thereunder. In addition, OCC believes that the hedge program reduces exposure to counterparty default by allowing for the substitution of OCC's AAA credit rating for that of each stock loan counterparty, by using increased payment netting, by reducing duplicative collateralization requirements, and by applying advanced clearing and risk management systems to the stock loan market. OCC therefore believes that the proposed changes are consistent with the purposes and requirements of the Act.

(B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change would 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 were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five 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 ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which OCC 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.

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 Act. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-98-03 and should be submitted by June 25, 1998.

For the Commission by the Division of Market Regulations, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40044; File No. SR-PCX-98-24]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. Relating to the Elimination of Suffixes Designating Tier II Equity Securities

May 29, 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 May 11, 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 and II below, which Items have been prepared by the Exchange. 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 PCX is proposing to eliminate its current practice of affixing a suffix to the ticker symbol for certain PCX equity securities. This practice is currently performed for the purpose of designating equity securities that are listed pursuant to the Exchange's Tier II requirements.

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

In its filing with the Commission, PCX 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. PCX 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

1. Purpose

On July 22, 1994, the Commission approved an Exchange proposal to modify its equity listing and maintenance criteria by adopting a "two-tiered" structure. While the creation of two tiers resulted in a new higher tier (Tier I), the Exchange did not change its existing listing standards (which became Tier II) or otherwise create a lower tier of listing standards. In its approval order, the Commission reiterated a statement from the Exchange's filing regarding Tier II securities (*i.e.*, securities of smaller companies with limited commercial operations, lower capitalization, and a lack of demonstrated earnings history) that:

"Transactions in Tier II [securities] will be identified by a special suffix to the ticker symbol so that these securities can be distinguished from other securities traded on the Exchange. The suffix will not be applied, however, to a security listed on either the NYSE, Amex, or NASDAQ/NMS even though it is designated by the Exchange as a Tier II security." (Exchange Act Release No. 34429 (July 22, 1994), 59 FR 38998, 38999 (August 1, 1994)).

The Exchange currently complies with this requirement by disseminating a ticker symbol with a "TT" suffix for Tier II securities. This is sent to vendors so that they can identify quotes and transactions in Tier II securities. But the Exchange now believes that it would be appropriate and expedient to discontinue this practice and to eliminate the use of the "TT" suffix for Tier II securities for the following reasons:

- Different data vendors are currently using different practices in displaying the Exchange's "TT" suffix. Some display them in reporting quotes and trades. Others include them only in their symbol books, and do not include

¹² 17 CAR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹¹ 15 U.S.C. 78q-1.

them in reporting quotes and trades. Thus, for example, if "XYZ" were traded only on the PCX, it might appear to an investor accessing information from different vendors that "XYZ" and "XYZTT" were two different securities.

- Use of the suffix can also lead to investor confusion over the correct symbol for the same security traded on two exchanges. For example, if the PCX trades a Tier II security designated as "XYZTT" and another exchange trades the same issues as "XYZ" (or "XYZT2"), vendors and other organizations will generally include both symbols in their databases as if they were different securities. Most vendors segregate symbols based on difference in the characters comprising the trading symbol. This causes bifurcation of quote and trade information, and consequently, investors received inaccurate information on quotes and trades.

- The use of the suffix is cumbersome, particular for PCX floor members (specialists and floor brokers), who have requested relief from what they believe to be an unnecessarily complicated designation that fails to serve a useful purpose.

- Investors may also incorrectly assume that the "TT" suffix designates a related, secondary security, such as preferred stock of the same company, if quotes and trades of two related symbols (such as "XYZ" and "XYZTT") are being disseminated either by different vendors or disseminated as separate issues by the same vendor.

- The current method of identifying PCX second-tier securities places the Exchange at a competitive disadvantage. Currently, when issues are listed on both a regional exchange and Nasdaq, different symbols must be used for each marketplace. Adding a suffix to a regional exchange's symbol creates the potential for investor confusion and quote fragmentation.

- A better alternative to the "TT" suffix is available. Second tier securities can be specifically identified by the vendors. Additionally, second tier securities can be designated in vendors' quote displays with a special indicator next to the figure for volume traded (or other location on the screen). Investors will see the indicator when they display quote or trade information. The Exchange is aware that one vendor uses this method for distinguishing between Nasdaq SmallCap securities (designated with an "S") and Nasdaq NM securities (designated with a "Q") in its symbol book. The Exchange also believes, based on discussions with several data vendors, that this practice (or a similar

one) could be employed by all data vendors.

The Exchange believes that the proposed solution is far superior to the current practice of adding a "TT" suffix to every Tier II security. To implement this solution, the Exchange would simply notify vendors of those securities that are Tier II equity securities. Nasdaq currently uses a similar method to distinguish between National Market securities and SmallCap securities. Vendors already have systems and codes in place for processing, disseminating, and displaying information on the specific sub-marketplace of an issue at the listing exchange or association.

The Exchange originally intended the use of "TT" suffix to be educational to investors, broker-dealers, vendors, and others. But now, after over three years of diligently using the suffix, it appears that its informative value is minimal and, in many instances, is likely to lead to confusion, errors and dissemination of inconsistent information.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the provisions of Section 6(b)³ of the Act, in general, and Section 6(b)(5),⁴ in particular, in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and to promote just and equitable principles of trade.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) does not become operative for 30 days from May 11, 1998, the date on which

it was filed, and the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder.⁵ At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, otherwise in furtherance of the purposes of the 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 Act. 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 persons, 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, NW, Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-98-24 and should be submitted by June 25, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

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⁵ 15 U.S.C. 78s(b)(3)(A) and 17 CFR 240.19b-4(e)(6).

⁶ In reviewing the proposal, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁷ 17 CFR 200.30-3(a)(12).

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).