

Director, Office of Information Technology, 450 Fifth Street, NW., Washington DC 20549 and the Clearance Officer for the Securities and Exchange Commission, Project Numbers 3235-0450, 3235-0448, and 3235-0451, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, DC 20503.

Dated: September 7, 1995.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-23474 Filed 9-20-95; 8:45 am]

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[Release No. 34-36238; File No. S7-29-95]

Contracting

AGENCY: Securities and Exchange Commission.

ACTION: Notice of intent to modify the prime dissemination contract to deregulate certain prices charged outside of the public reference rooms.

SUMMARY: The Securities and Exchange Commission (the "SEC" or the "Commission") is announcing that it has reached a preliminary agreement with its prime dissemination contractor,¹ Disclosure Information Services, Inc. ("Disclosure"), to modify the terms of its contract during Fiscal Year 1996. Pursuant to this agreement, the Commission intends to end its current practice of regulating the prices for microfiche and watch services that Disclosure sells to the public outside of the Commission's public reference rooms, effective January 1, 1996. The Commission is publishing this notice to solicit comments from interested persons.

DATES: Comments should be received on or before October 6, 1995.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Stop 6-9, Washington, D.C. 20549. All comment letters should refer to File No. S7-29-95. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 5th Street, NW., Washington, D.C.

FOR FURTHER INFORMATION CONTACT: Fernando Alegria, Contracting Officer, at (202) 942-4000, Office of Administrative and Personnel Management, Securities and Exchange

Commission, 450 Fifth Street NW., Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION: Under the prime dissemination contract, Disclosure furnishes the Commission and users of the Commission's public reference rooms with various document-related services, including microfiche-based copying services, and offers SEC-regulated microfiche and watch services for SEC filings to its commercial customers outside of the public reference rooms.² Disclosure's costs for providing these services are paid for by public reference room revenues, revenues derived by Disclosure from its regulated outside sales, and SEC payments to Disclosure.

The Commission's purpose in regulating the price of Disclosure's microfiche services offered outside of the public reference rooms was to ensure the availability of this records system for SEC filings pending the maturation of electronic technologies, particularly the Electronic Data Gathering Analysis and Retrieval ("EDGAR") system. EDGAR data now is readily available at very low cost through a variety of service organizations and over the Internet, however. In addition, the National Archives and Records Administration ("NARA") recently concluded that the Commission can use magnetic tape instead of silver halide microfilm to satisfy NARA's archival requirements, and the Commission soon will begin to use magnetic tape for this purpose. These developments demonstrate that electronic records technologies now are widely accepted. Under these circumstances it no longer makes sense for the Commission to subsidize or regulate the relatively antiquated technology of maintaining records of SEC filings in microfiche form. Accordingly, the Commission intends to end its payments for Edgar-based microfiche and deregulate Disclosure's microfiche prices outside the public reference rooms, effective January 1, 1996.³

²The cost for Disclosure's microfiche services outside the public reference rooms are to be recovered by disclosure through charging clients "not-to-exceed" regulated prices set forth in the agreement. The regulated price is two-tiered. Under Tier 1, Disclosure call sell microfiche to its commercial clients outside the public reference rooms at cost, but not to exceed .90 cents per microfiche card if they are advance annual subscription purchasers of 50,000 or more microfiche cards per year, or if they are universities or not for profit libraries irrespective of volume. All of Disclosure's other commercial microfiche clients outside of the public reference rooms must pay the Tier 2 price, i.e. at cost, but not to exceed \$1.05 per microfiche card.

³The affected commercial subscribers will include re-sellers that compete with Disclosure in

Notwithstanding deregulation, the existing contracts of regulated-rate microfiche subscribers will be honored by Disclosure until the end of their terms. It also appears that Disclosure and other companies will remain in the market to furnish microfiche of SEC paper filings.⁴ Thus, it appears that the supply of such fiche will not come to an abrupt end, although prices should be higher than Disclosure's current regulated rates. In addition, fiche of SEC paper filings will remain available through services Disclosure will provide to the Commission's public reference rooms, including services to public reference room user organizations through whom such fiche might be ordered. Once the Commission's agreement with Disclosure is modified, the Commission no longer will be supporting the production of any Edgar-based fiche, however. Thus, the economics of producing such fiche might not remain attractive to Disclosure, leading to a possible end to this source of supply once all of its existing regulated-rate contracts have been serviced.

Dated: September 15, 1995.

For the Commission, by the Executive Director, pursuant to delegated authority.

Jonathan G. Katz,

Secretary.

[FR Doc. 95-23376 Filed 9-20-95; 8:45 am]

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[Release No. 34-36226; File No. S7-24-89]

Joint Industry Plan; Solicitation of Comments and Order Approving Amendment No. 4 to Reporting Plan for Nasdaq/National Market Securities Traded on an Exchange on an Unlisted or Listed Basis, Submitted by the National Association of Securities Dealers, Inc., and the Boston, Chicago and Philadelphia Stock Exchanges

September 13, 1995.

On September 12, 1995, the National Association of Securities Dealers, Inc., and the Boston, Chicago, and Philadelphia Stock Exchanges (collectively, "Participants")¹ submitted

the aftermarket, and many university and not for profit libraries. Of course, all of Disclosure's sales inside the Commission's public reference rooms will continue to be at prices set by the Commission.

⁴After the next round of filer phase-ins on EDGAR, these mostly will consist of insider trading reports and regulated entity registration forms. The Commission is considering incorporating into EDGAR some or all of the few remaining form types that are filed on paper.

¹The signatories to the Plan, i.e., the National Association of Securities Dealers, Inc. ("NASD"), and the Chicago Stock Exchange, Inc. ("Chx")

¹The Commission's prime dissemination contractor furnishes various services to the Commission, the Commission's public reference rooms, and the outside commercial market, as discussed below, in connection with disseminating SEC filings to the public

to the Commission proposed Amendment No. 4 to a joint transaction reporting plan ("Plan") for Nasdaq/National Market securities traded on an exchange on an unlisted or listed basis.² The Commission is approving the proposed amendment to the Plan and trading pursuant to the Plan on a temporary basis to expire on October 12, 1995.

I. Background

The Commission originally approved the Plan on June 26, 1990.³ The Plan governs the collection, consolidation and dissemination of quotation and transaction information for Nasdaq/National Market securities listed on an exchange or traded on an exchange pursuant UTP. The Commission originally approved trading pursuant to the Plan on a one-year pilot basis, with the pilot period to commence when transaction reporting pursuant to the Plan commenced. Consequently, the pilot period commenced on July 12, 1993. As requested by the Participants in Amendment Nos. 1, 2, and 3, to the Plan, the Commission has extended the effectiveness of the Plan three times. Accordingly, the effectiveness of the

(previously, the Midwest Stock Exchange, Inc.) Philadelphia Stock Exchange, Inc. ("Phlx"), and the Boston Stock Exchange, Inc. ("BSE"), are the "Participants." The BSE, however, joined the Plan as a "Limited Participant," and reports quotation information and transaction reports only in Nasdaq/National Market (previously referred to as "Nasdaq/NMS") securities listed on the BSE. Originally, the American Stock Exchange, Inc., was a Participant to the Plan, but did not trade securities pursuant to the Plan, and withdrew from participation in the Plan in August 1994.

²The Commission notes that Section 12(f) of the Act describes the circumstances under which an exchange may trade a security that is not listed on the exchange, *i.e.*, by extending unlisted trading privileges ("UTP") to the security. Section 12(f) was amended on October 22, 1994, 15 U.S.C. 78f (1991) (as amended 1994). Prior to the amendment, Section 12(f) required exchanges to apply to the Commission before extending UTP to any security. In order to approve an exchange UTP application for a registered security not listed on any exchange ("OTC/UTP"), Section 12(f) required the Commission to determine that various criteria had been met concerning fair and orderly markets, the protection of investors, and certain national market initiatives. These requirements operated in conjunction with the Plan currently under review. The recent amendment to Section 12(f), among other matters, removes the application requirement and permits OTC/UTP only pursuant to a Commission order or rule. The order or rule is to be issued or promulgated under essentially the same standards that previously applied to Commission review of UTP applications. The present order fulfills these Section 12(f) requirements.

³See Securities Exchange Act Release No. 28146 (June 26, 1990), 55 FR 27917 ("1990 Approval Order"). For a detailed discussion of the history of UTP in OTC securities, and the events that led to the present plan and pilot program, see 1994 Extension Order, *infra* note 4.

Plan was scheduled to expire on September 12, 1995.⁴

As originally approved by the Commission, the Plan required the Participants to complete their negotiations regarding revenue sharing during the one-year pilot period. The January 1995 Extension Order approved the effectiveness of the Plan through August 12, 1995, and since that time the Commission has expected the Participants to conclude their financial negotiations promptly (at the time, before January 31, 1995), and to submit a filing to the Commission that reflected the results of the negotiations.⁵ To date, the Participants have not completed their financial negotiations.

Proposed Amendment No. 4 to the Plan would extend the effectiveness and the negotiation period for an additional month through October 12, 1995. The Commission believes it is appropriate to extend the effectiveness of the pilot program for an additional month in order to continue the pilot program in place while the Commission awaits the Participants' filing of a proposed Plan amendment concerning revenue sharing pursuant to the Plan.⁶

II. Extension of Certain Exemptive Relief

In conjunction with the Plan, on a temporary basis scheduled to expire on September 12, 1995, the Commission granted an exemption from Rule 11Ac1-2 under the Act regarding the calculated best bid and offer ("BBO"), and granted the BSE an exemption from the provision of Rule 11Aa3-1 under the Act that requires transaction reporting plans to include market identifiers for transaction reports and last sale data. At the request of the Participants, this

⁴ See Securities Exchange Act Release No. 34371 (July 13, 1994), 59 FR 37103 ("1994 Extension Order"). See also Securities Exchange Act Release No. 35221, (January 11, 1995), 60 FR 3886 ("January 1995 Extension Order"), and Securities Exchange Act Release No. 36102 (August 14, 1995), 60 FR 43626 ("August 1995 Extension Order").

⁵ See January 1995 Extension Order, *id.* at n. 6.

⁶ The NASD, in its letter attached to the present filing, states that all Plan Participants have made a good faith effort to reach final agreement on the revenue sharing plan in accordance with the Commission's direction in the most recent order extending the effectiveness of the Plan. See letter from Robert E. Aber, NASD, to Jonathan Katz, Commission, dated September 11, 1995.

Presumably, this is in reference to the Commission's August 1995 statement that: "The Commission also is directing the Participants to submit the filing [concerning revenue sharing] to the Commission on or before August 31, 1995." August 1995 Extension Order *supra* note 4. The Participants are reminded that they currently are in violation of the Commission order because no proposal concerning finances has been filed with the Commission. The Commission urges the Participants to comply with the Commission's request for the filing promptly.

order extends these exemptions through October 12, 1995, provided that the Plan continues in effect through that date pursuant to a commission order.⁷ The Commission continues to believe that exemptive relief from these provisions is appropriate through October 12, 1995.

III. Comments on the Operation of the Plan

In the January 1995 Extension Order and the August 1995 Extension Order, the Commission solicited, among other things, comment on: (1) Whether the BBO calculation for the relevant securities should be based on price and time only (as currently is the case) or if the calculation should include size of the quoted bid or offer; and (2) whether there is a need for an intermarket linkage for order routing and execution and an accompanying trade-through rule. The commission continues to solicit comment on these matters.

IV. Solicitation of Comment

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, 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 at the Commission's Public Reference Room. All submission should refer to File No. S7-24-89 and should be submitted by October 12, 1995.

V. Conclusion

The Commission finds that proposed Amendment No. 4 to the Plan to extend the operation of the Plan and the financial negotiation period for an additional month is appropriate and in furtherance of Section 11A of the Act. The Commission finds further that extensions of the exemptive relief requested through October 12, 1995, as

⁷In the August 1995 Extension Order, the Commission extended these exemptions from August 12, 1995, through September 12, 1995. Pursuant to a request made by the NASD, this order further extends the effectiveness of the relevant exemptions from September 12, 1995, through October 12, 1995. See letter dated September 11, 1995, *id.*

described above, also is consistent with the Act and the Rules thereunder. Specifically, the Commission believes that these extensions should serve to provide the Participants with more time to conclude their financial negotiations and with more information to evaluate the effects of and proposed course of action for the pilot program. This, in turn, should further the objects of the Act in general, and specifically those set forth in Sections 12(f) and 11A of the Act and in Rules 11Aa3-1 and 11Aa3-2 thereunder.

It is therefore ordered, pursuant to Sections 12(f) and 11A of the act and (c)(2) of Rule 11Aa3-2 thereunder, that Amendment No. 4 to the Joint Transaction Reporting Plan for Nasdaq/National Market securities traded on an exchange on an exchange on an unlisted or listed basis is hereby approved, and trading pursuant to the Plan is hereby approved on a temporary basis through October 12, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(29).

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36236; File No. SR-PSE-95-18]

Self-Regulatory Organizations; Pacific Stock Exchange, Inc.; Order Granting Partial, Accelerated Approval of a Proposed Rule Change Relating to the PSE Technology Index and Opening Price Settlement of Component Securities

September 14, 1995.

On August 21, 1995, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to increase the existing position and exercise limits for options on the PSE Technology Index ("Technology Index" or "Index") and change the terms of option contracts overlying the Index from closing price (p.m.) settlement to opening price (a.m.) settlement.

Notice of the proposed rule change was published for comment and appeared in the Federal Register on August 31, 1995.³ No comments were

received on the proposal. This order grants partial accelerated approval of that portion of the proposal relating to a.m. settlement of options on the Index.⁴

I. Description of the Proposal

On November 26, 1991, the Commission approved an exchange proposal to re-classify the Technology Index as a broad-based index for position limit and margin purposes.⁵ The Index is a price-weighted, European-style⁶ index comprised of 100 stocks that are intended to represent a broad spectrum of companies principally engaged in manufacturing and service-related products within advanced technology fields.

The Exchange is proposing that options on the Index be settled based on opening market prices for the underlying securities rather than based on closing market prices for such underlying securities as originally approved. Accordingly, the last day of trading for options on the Index shall be the business day preceding the last day of trading in the underlying securities prior to expiration. This day will generally be the Thursday preceding an expiration Friday. The current index value at the expiration of an opening price settled index option shall be determined based on opening prices on the last day of trading in the underlying securities prior to expiration (*i.e.*, the Friday immediately preceding the third Saturday of the month). In this regard, for settlement purposes, the first reported sale (opening) prices of the underlying securities on such day would be used, except that the last reported sale price of such a security from the previous day would be used in any case where the security does not open for trading on that day. There are no currently outstanding Technology Index option series.

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the

⁴ In partially approving the PSE proposal, the Commission is not approving, at this time, the portion of the proposal relating to increasing the position and exercise limits on the Technology Index from 15,000 contracts to 37,500 contracts, with no more than 22,500 of such contracts in the series with the nearest expiration month. That portion of the proposal has been published for comment. The comment period expires on September 21, 1995.

⁵ Securities Exchange Act Release No. 29994, 56 FR 63536 (Dec. 4, 1991). The Commission initially approved options trading on the Index in November 1983. See Securities Exchange Act Release Nos. 20424, 48 FR 54557 (Dec. 5, 1983); and 20499, 48 FR 58880 (Dec. 23, 1983).

⁶ A European-style option may only be exercised during a specified period prior to expiration.

rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5),⁷ in particular, in that it should help remove impediments to and perfect the mechanism of a free and open market, promote just and equitable principles of trade and protect investors and the public interest. Moreover, the Commission believes that the PSE's proposal to reclassify the Technology Index option from a closing price settled contract to an opening price settled contract may help ameliorate the price effects associated with expirations of Technology Index options.

Further, the Commission believes that the PSE's Technology Index option opening price settlement proposal is a reasonable attempt to address and ameliorate the effects on the equity markets that have been associated with, but not necessarily the result of, the expiration of index options.

The Commission has identified several benefits to opening-price settlement for broad-based index options. First, an opening price settlement method for Technology Index options can help facilitate the development of contra-side interest to alleviate order imbalances in underlying markets from the unwinding of index-related positions. In contrast to expirations associated with closing price settled options, firms providing contra-side interest will not necessarily assume overnight or weekend position risks because they will have the rest of the day to liquidate or trade out of their positions. Second, even if the opening price settlement results in a significant change in underlying stock prices, participants in the markets for those stocks will have the remainder of the trading day to adjust to those price movements and to determine whether those movements reflect changes in fundamental values or rather short-term supply/demand considerations. In addition, settling Technology Index options at the underlying market opening will allow corresponding stock positions associated with expiring Technology Index contracts to be subject to the NYSE's auxiliary opening procedures implemented on expiration Fridays, where applicable. These procedures provide for the orderly entry, dissemination and matching of orders. The Commission also notes that because currently there are no Technology Index options series with closing settlement values outstanding, approval of the proposal will not result in investor confusion. This will also

⁷ 15 U.S.C. 78f(b)(5)(1982).

¹ 15 U.S.C. 78s(b)(1) (1988 & Supp. V 1993).

² 17 CFR 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 36146 (August 23, 1995), 60 FR 45509.