

[Release No. 34-37799; File No. SR-PSE-96-30]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Stock Exchange Incorporated Relating to the Use of Member Badges on, and the Admission of Visitors to, the Equity Floors of the Exchange

October 9, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder, notice is hereby given that on August 22, 1996, the Pacific Stock Exchange Incorporated ("PSE" 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 self-regulatory organization. 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 Pacific Stock Exchange Incorporated ("PSE" or "Exchange") is proposing to amend its Equity Floor Procedure Advice ("EFPA") 1-C relating to the use of Member badges on, and the admission of visitors to, the Equity Floors of the Exchange. The text of the proposed rule change is stated below, new text is italicized, deletions are in brackets:

* * * * *

EQUITY FLOOR PROCEDURE ADVICES

* * * * *

1-C

¶ 7610 Badges and Visitors on the [Equity] *Equities Trading Floors*

(i) Admission of Members

The security of individuals and proprietary trading information on the Equities Trading Floors requires the following provisions be adopted with respect to admission on the Trading Floor:

(a) [1] Admission to the Equities Trading Floors shall be by badge only.

(b) [2] Members working on the Equities Trading Floors who seek admission to a Floor without a badge must identify themselves at the reception desk and obtain a temporary badge.

(c) [3] Exchange employees working on the Trading Floor who seek admission to the Floor without a badge must be identified by the appropriate Equities Floor Manager, and issued a temporary badge.

(d) [4] Member Firm employees working on the Trading Floor seeking admission to the Floor without a badge must be identified by a Member with a badge, and issued a temporary badge.

(e) [5] Repeated failure of Members or Member Firm personnel to have a permanent badge on admission to the Trading Floor may subject the Member or Member Firm to *the following fines*: [a fine.]

1st Offense [\$10.00] *\$25.00*

2nd Offense [\$25.00] *\$50.00*

3rd Offense [\$50.00] *\$100.00*

(ii) Badge Transfers

(a) A Member may transfer his or her membership privileges to another person of the same Member Firm for one or more days, provided that the Member must first obtain the approval of the Exchange. A Member who allows another person to use that Member's badge for one full day or longer and who fails to obtain Exchange approval for such transfer will be subject to the following fines:

1st Offense \$100.00

2nd Offense \$250.00

3rd Offense \$500.00

(iii) Admission of Visitors

(a) [6] Visitors must be the invited guests of Exchange Members or Exchange Officials. Visitors must be signed in at the reception desk by the inviting Member or staff personnel. Visitors will be issued a temporary badge to wear at all times while on the Floor. Visitors shall be accompanied at all times on the Floor.

(b) [7] Allied Members shall be considered visitors for the purposes of this Advice.

(c) [8] The Floor Trading Committee Members of each respective trading floor may restrict the access of any visitor to the Floor when the Committee Members deem that the visitor's presence interferes with orderly Floor procedures.

A Member who is responsible for a violation of these provisions on the admission of visitors will be subject to the following fines:

1st Offense \$25.00

2nd Offense \$50.00

3rd Offense \$100.00

Violations of this Advice 1-C shall be cumulative and the number of offenses for a violation of Equity Floor Procedure Advice 1-C shall be calculated on a twelve-month rotating basis. Therefore, a violation in January would be removed from the calculation in January of the following year.

* * * * *

¶6133 Minor Rule Plan

Rule 10.13 (a)-(h)—No change.

(i) Minor Rule Plan: Equity Floor Decorum and Minor Trading Rule Violations

(1)-(2)—No change.

(3) *Admission of Members to [Use of Badges on] the Equity Floor. (EFPA 1-C(i))*

(4)-(9)—No change.

(10) *Badge Transfers. (EFPA 1-C(ii))*

(11) *Admission of Visitors to the Equity Floor (EFPA 1-C(iii))*

* * * * *

MINOR RULE PLAN, RECOMMENDED FINE SCHEDULE

* * * * *

Rule 10.13(i)

Equity Floor Decorum and Minor Trading Rule Violations ¹

¹ Fines for multiple violations of Equity Floor Decorum and Minor Trading Rules are calculated on a running two-year basis, except that violations denoted with an asterisk are calculated on a running one-year basis.

	1st viol.	2nd viol.	3rd viol.
(1)-(2)—No change.			
(3) Admission of Members to [Use of Badges on] the Equity Floor (EFPA 1-C(i))	[\$10] \$25	[\$25] \$50	[\$50] \$100
(4)-(9)—No change.			
(10) Badge Transfers (EFPA 1-C(ii))	\$100	\$250	\$500
(11) Admission of Visitors to the Equity Floor (EFPA 1-C(iii))	[\$10] \$25	[\$25] \$50	[\$50] \$100

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

In its filing with the Commission, the self-regulatory organization 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 self-regulatory organization has prepared summaries, set forth in sections (A) and (B) below, of the most significant aspects of such statements.

A. Purpose

EFPA 1-C currently sets forth the rules and procedures on the admission to the trading floor and the use of badges by Members. Violations of these rules may currently result in recommended fines of \$10, \$25 and \$50 for first-, second- and third-time violations under the Exchange's Minor Rule Plan ("MRP").²

The Exchange is proposing to modify EFPA 1-C and, correspondingly, the MRP in two respects. First, the Exchange is proposing to add a provision, entitled "Badge Transfers," to EFPA 1-C, stating that a Member may transfer his or her membership privileges to another person of the same Member Firm for one or more days, provided that the Member must first obtain the approval of the Exchange.³ The provision further states that a Member who allows another person to use that Member's badge for one full day or longer and who fails to obtain Exchange approval for such transfer will be subject to the following fines: \$100

² See PSE Rule 10.13 (Procedures under the MRP); see also File No. SR-PSE-96-26 (pending proposal to grant Exchange staff the authority to make findings of violations and to impose monetary fines under the MRP).

³ See Exchange Act Release No. 37373 (June 26, 1996), 61 FR 34918 (July 3, 1996) (approving proposal to establish a new fee of \$50 for one-day transfers of membership, and noting that the fee for temporary intrafirm transfers of membership (i.e., transfers for a consecutive period lasting from two days to less than 30 days) is \$100.

for first offense, \$250 for a second offense and \$500 for a third offense.⁴

Second, the Exchange is proposing to raise the recommended fines for violations of the provisions in EFPA 1-C relating to the Admission of Members and Admission of Visitors.⁵ Accordingly, a Member (or Member Firm personnel) who repeatedly fails to have a permanent badge on admission to the Trading Floor will be subject to fines of \$25 (first offense), \$50 (second offense), and \$100 (third offense).⁶ In addition, a Member who is responsible for a violation of the provisions on the Admission of Visitors⁷ will also be subject to fines of \$25 (first offense), \$50 (second offense), and \$100 (third offense), under the proposed rule change.

B. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act, in general, and Section 6(b)(6), in particular, in that it is designed to assure that Exchange members and persons associated with such members are appropriately disciplined for violations of the Rules of the Exchange.

III. 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 that is not necessary or appropriate in furtherance of the purposes of the Act.

IV. 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.

⁴ Violations of EFPA 1-C are cumulative and the number of offenses for a violation of that Advice are calculated on a twelve-month rotating basis. Therefore, a violation in January would be removed from the calculation in January of the following year. See EFPA 1-C.

⁵ These fines are currently \$10, \$25 and \$50 for first, second and third violations, respectively.

⁶ See Note 3, *supra*.

⁷ These are specified in current subsections (6)-(8) of EFPA 1-C.

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

Within 35 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 90 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 the self-regulatory organization 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.

VI. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the PSE. All submissions should refer to File No. SR-PSE-96-30 and should be submitted by November 8, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-26714 Filed 10-17-96; 8:45 am]