

Category 301pt. Should such a solution be reached in consultations with the Government of Pakistan, further notice will be published in the **Federal Register**.

A description of the textile and apparel categories in terms of HTS numbers is available in the CORRELATION: Textile and Apparel Categories with the Harmonized Tariff Schedule of the United States (see **Federal Register** notice 61 FR 66263, published on December 17, 1996).

**Troy H. Cribb,**

*Chairman, Committee for the Implementation of Textile Agreements.*

**Summary of Statement in Support of Request for Consultations Under Article 6 of the ATC—Pakistan**

**Cotton Yarn—Category 301pt.**

**April 1997**

The USG has determined that the increase in imports of yarn for sale, 85 percent or more by weight combed cotton ring spun, Category 301 Part, has caused serious damage, or actual threat thereof, to the industry in the United States producing like and/or directly competitive yarn for sale.

Imports of the subject yarn from all sources increased by 64 percent from 1994 to 1996, a net increase of 6.2 million kilograms. During this time, domestic shipments dropped substantially, falling by 5.1 million kilograms. Orders lost to imported yarns also resulted in a 1.5 percent reduction in production during this period, and caused inventories to increase sharply, by 50 percent. Increasing low-valued imports forced domestic margins to fall. Mills scrambled to cut prices in the last half of 1995 and 1996 to keep the remaining customers they had not already lost to imports. Despite price cuts, mills continued to lose orders, with unfilled orders dropping 30 percent from 1994 to 1996.

Capacity utilization declined as production and shipments fell, causing severe margin pressure as fixed costs had to be allocated over fewer sales, which cut gross margins. Seventy three percent of the companies reported declining profitability from 1994 to 1996 on the yarn in question. Seven mills fell victim to the margin squeeze and shut down, and production worker employment in the defined industry lost a total of 767 jobs between 1994 and 1996.

The USG concluded that the increase in imports between 1994 and 1996 was the direct cause of serious damage to the industry as reflected in the industry's declining shipments, the substantial increase in inventories, and the

significant fall in unfilled orders and employment.

The USG also determined that serious damage to this industry was directly attributable to the sharp and substantial increase in imports of the subject yarn from Pakistan. Imports from Pakistan had increased significantly, both absolutely and relative to domestic production and world imports, thereby increasing Pakistan's share of U.S. imports and the U.S. market. Pakistan's low-valued imports adversely affected U.S. domestic prices.

There were no imports of the subject yarn from Pakistan before 1995. U.S. imports of the subject yarn from Pakistan began in May 1995 and reached 471,758 kilograms by the end of 1995. Imports from Pakistan of the subject yarn surged to 2,319,944 kilograms in year-ending January 1997, an increase of 392 percent above the total level imported during 1995.

The USG further determined that the significant increase in imports of the subject yarn from all sources constituted the actual threat of serious damage or the exacerbation of serious damage to the defined domestic industry producing like and/or directly competitive yarn, and that, based on the sharp and substantial increase in imports of the subject yarn from Pakistan, such threat was attributable to Pakistan.

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**COMMODITY FUTURES TRADING COMMISSION**

**Comex Division of the New York Mercantile Exchange Petition for Exemption From the Dual Trading Prohibition in Affected Contract Markets**

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Order.

**SUMMARY:** The Commodity Futures Trading Commission ("Commission") is granting the petition of the Comex Division of the New York Mercantile Exchange ("Comex" or "Exchange") for exemption from the prohibition against dual trading in its gold and silver futures contracts.

**DATES:** This Order is effective May 6, 1997.

**FOR FURTHER INFORMATION CONTACT:** Duane C. Andersen, Special Counsel, Division of Trading and Markets, Commodity Futures Trading Commission, Three Lafayette Centre,

1155 21st St., NW., Washington, DC 20581; telephone (202) 418-5490.

**SUPPLEMENTARY INFORMATION:** On October 21, 1993, the Commodity Exchange, Inc., now the Comex Division ("Comex" or "Exchange") of the New York Mercantile Exchange, submitted a Petition for Exemption from the Dual Trading Prohibition for its gold and silver futures contracts. Subsequently, the Exchange submitted a corrected petition, a supplement, and an update on November 30, 1993, January 5, 1994, and January 17, 1997, respectively. Upon consideration of these petitions and other matters of record, including staff review of Exchange audit trail test results to Commission-specified tests, compliance with the order ticket customer identification requirement of Commission Regulation 1.35, dual trading surveillance data required under the Commission's August 12, 1996 Audit Trail Report, and disciplinary and investigatory actions undertaken by the Exchange between January 1995 and December 1996, the Commission hereby finds that Comex meets the standards for granting a dual trading exemption contained in section 4j(a) of the Commodity Exchange Act ("Act") as interpreted in Commission Regulation 155.5.<sup>1</sup>

Subject to Comex's continuing ability to demonstrate that it meets applicable requirements, the Commission specifically finds that Comex maintains a trade monitoring system which is capable of detecting and deterring, and is used on a regular basis to detect and to deter, all types of violations attributable to dual trading and, to the full extent feasible, all other violations involving the making of trades and execution of customer orders, as required by section 5a(b) and Commission Regulation 155.5. The Commission further finds that Comex's trade monitoring system includes audit trail and recordkeeping systems that satisfy the Act and regulations.<sup>2</sup>

<sup>1</sup> The record consists of the information, views, and arguments presented in writing in the Comex Division's petition and its attachments, supplements and update thereto, and other relevant information identified by the Commission, which includes the audit trail test conducted by the Exchange in June 1996 and reviewed by the Commission in November 1996, the audit trail re-test conducted by the Commission in December, 1996, and documents submitted by the Exchange as part of a rule enforcement review of the Exchange initiated by the Commission in January 1997.

<sup>2</sup> Sections 4j(a)(3) and 5a(b) of the Commodity Exchange Act and Commission Regulations 155.5 and 1.35, 17 CFR 1.35, 155.5(d). Section 4j(a)(3) requires the Commission to exempt a contract market from the prohibition against dual trading, either unconditionally or on stated conditions, upon finding that the trade monitoring system in place at the contract market satisfies the

With respect to each required component of the trade monitoring system, the Commission finds as follows:

**(a) Physical Observation of Trading Areas**

Comex's trade monitoring system satisfies the requirement of section 5a(b)(1)(A) in that Comex maintains and executes an adequate program for physical observation of Exchange trading areas and integrates the information obtained from such observation into its compliance programs. The Exchange physically observes trading areas by conducting daily floor surveillance during the open, close, and at random times during each trading day. Comex also performs floor surveillance when warranted by special market conditions, such as exceptional volatility or contract expirations. The Exchange uses information obtained from such surveillance in evaluating audit trail data and otherwise in executing its compliance programs.

**(b) Audit Trail System**

The Exchange's trade monitoring system satisfies the audit trail standards of section 5a(b)(1) in that it is capable of capturing essential data on the terms, participants, and sequence of transactions. The system obtains relevant data on unmatched trades and outrades to the level of precision, accuracy, and frequency required by sections 5a(b)(2) and (3) of the Act and Regulation 1.35. The Commission further finds that Comex accurately and promptly records the essential data on terms, participants, times (in increments of no more than one minute in length), and sequence through a means that is unalterable, continual, independent, reliable, and precise, as required by section 5a(b)(3) of the Act. Consistent with the guidelines to Regulation 155.5, the Commission finds that Comex also demonstrated the use of trade timing data in its surveillance systems for dual trading-related and other abuses.

**(1) One-Minute Execution Time Accuracy and Sequencing**

Comex's manual trade timing system captures a one-minute time for both the buy and sell sides of every trade and sequences all customer and proprietary trades. In two audit trail tests,

requirements of section 5a(b), governing audit trails and trade monitoring systems, with regard to violations attributable to dual trading at such contract market. Commission Regulation 155.5 requires a contract market to demonstrate that its trade monitoring system is capable of and is used to detect and to deter dual trading abuses and to demonstrate that it meets each element required of the components of such a system.

conducted by the Exchange in January 1996 and by the Commission in October 1996, the accuracy and sequencing rates of Comex's trade times exceeded 90 percent. Separately, the Exchange provided the Commission with four months of 1996 data demonstrating that 90 percent or more of trade times in gold and silver futures were consistent with time and sales data during this time period.

**(2) Unalterable, Continual, Independent, Reliable, and Precise Times**

The Commission finds that trade records generated by Comex, including order tickets and trading cards, are recorded in nonerasable ink and that alterations are completely recorded. Trade data are, to the extent practicable, absent enhanced electronic means, provided continually to the Exchange at no more than hourly intervals. Trading card collections occur within 15 minutes after each half-hour time bracket, and members must submit trade data by one-half hour after each one-half hour trading period.

Trade times are independently obtained through a reliable means, to the extent practicable, since individual times separately submitted for each side of a trade can be compared to each other, to underlying trade data, and to time and sales. Comex's trade timing system also produces precise sequencing.

**(3) Broker Receipt Time**

The Commission finds that it is not practicable at this time for Comex to record the time each order is received by a floor broker for execution at Comex. Immediately executable flashed orders, however, are in substantial compliance with the objectives of section 5a(b)(3)(B), as stated previously by the Commission in its Order on flashed orders and broker receipt times.<sup>3</sup>

**(c) Recordkeeping System**

Comex satisfies the requirements of section 5a(b)(1)(B) by maintaining an adequate recordkeeping system that is able to capture essential data on the terms, participants, and sequence of transactions. The Exchange uses such information and information on violations of such requirements on a consistent basis to bring appropriate disciplinary actions.

Comex conducts monthly trading card and quarterly order ticket reviews for a representative sample of customer orders and uses information from these reviews to generate investigations.

<sup>3</sup> 60 FR 58049 (Nov. 24, 1995).

Comex's trade register contains account numbers that identify customers. The Commission's review of a sample of order ticket account identifiers demonstrated in excess of 90 percent compliance with the requirement that the account identification relate back to the ultimate customer account.

**(d) Surveillance Systems and Disciplinary Actions**

As required by section 5a(b)(1) (C), (D) and (F), Comex uses information generated by its trade monitoring and audit trail systems on a consistent basis to bring appropriate disciplinary action for violations relating to the making of trades and execution of customer orders. In addition, Comex assesses meaningful penalties against violators and refers appropriate cases to the Commission.

On a daily basis, Comex reviews trade registers and computerized surveillance reports to detect dual trading-related and other trading abuses. All relevant trade data, including account numbers, are included in these reviews. The Exchange reviews its trade register for one randomly selected day each week and surveillance exception reports on a daily basis. The exception reports are designed to identify such suspicious trading activity as trading ahead, trading against, preferential trading (withholding or disclosing orders), accommodation trading, prearranged trading, improper cross trading, and money-passing schemes.<sup>4</sup>

From 1995 to 1996, the Exchange initiated 111 investigations into all types of possible abuses. Based on examination of its computerized surveillance reports, Comex initiated 28 dual trading-related investigations in 1996. Twenty-one such investigations were closed in 1996. In 1996, Comex assessed \$75,500 in fines and suspended members for 244 days in five dual trading-related cases involving six members.

**(e) Commitment of Resources**

The Commission finds that Comex meets the requirements of section 5a(b)(1)(E) by committing sufficient resources for its trade monitoring system to be effective in detecting and deterring violations and by maintaining an adequate staff to investigate and to prosecute disciplinary actions. For fiscal year 1996, Comex and Nymex committed 29 personnel to trade practice and audit surveillance and reported its compliance budget in

<sup>4</sup> For example, Comex's trading ahead review on a recent date identified .004 percent of trades in all futures contracts for further review.

accordance with consistent standards across exchanges as \$11,507,951.

Accordingly, on this date, the Commission HEREBY GRANTS Comex's Petition for Exemption from the dual trading prohibition for trading in its gold and silver futures contracts.

For this exemption to remain in effect, Comex must demonstrate on a continuing basis that it meets the relevant statutory and regulatory requirements. The Commission will monitor continued compliance through its rule enforcement review program and based on any other information it may obtain about Comex's program. With respect to this continuing obligation, Comex needs to ensure that it fully integrates floor surveillance into its compliance program and takes appropriate disciplinary actions. Although the Commission has found that Comex meets the standards of independence and continued provision of data to the extent practicable and has found that it is not practicable at this time to capture a broker receipt time, the Commission reserves the ability to reconsider what is practicable as technology for order routing becomes more widely available.

The provisions of this Opinion and Order shall be effective on the date on which it is issued and shall remain in effect unless and until it is revoked in accordance with section 8e(b)(3)(B) of the Commodity Exchange Act, 7 U.S.C. 12e(b)(3)(B). If other Comex contracts become affected contracts after the date of this Order, the Commission may expand this Order in response to an updated petition that includes those contracts.

It is so ordered.

Dated: May 6, 1997.

By the Commission.

**Jean A. Webb,**

*Secretary to the Commission.*

[FR Doc. 97-12533 Filed 5-13-97; 8:45 am]

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## DEPARTMENT OF DEFENSE

### GENERAL SERVICES ADMINISTRATION

### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[OMB Control No. 9000-0115]

#### Proposed Collection; Comment Request Entitled Notification of Ownership Changes

**AGENCIES:** Department of Defense (DOD), General Services Administration (GSA),

and National Aeronautics and Space Administration (NASA).

**ACTION:** Notice of request for public comments regarding an extension to an existing OMB clearance (9000-0115).

**SUMMARY:** Under the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the Federal Acquisition Regulation (FAR) Secretariat will be submitting to the Office of Management and Budget (OMB) a request to review and approve an extension of a currently approved information collection requirement concerning Notification of Ownership Changes. This OMB clearance expires on September 30, 1997.

**DATES:** Comment Due Date: July 14, 1997.

**ADDRESSES:** Comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, should be submitted to: FAR Desk Officer, OMB, Room 10102, NEOB, Washington, DC 20503, and a copy to the General Services Administration, FAR Secretariat, 1800 F Street, NW., Room 4037, Washington, DC 20405. Please cite OMB Control No. 9000-0115 in all correspondence.

**FOR FURTHER INFORMATION CONTACT:** Mr. Jerry Olson, Federal Acquisition Policy Division, GSA (202) 501-3221.

#### SUPPLEMENTARY INFORMATION:

##### A. Purpose

Allowable costs of assets are limited in the event of change in ownership of a contractor. Contractors are required to provide the Government adequate and timely notice of this event per the FAR clause at 52.215-40, Notification of Ownership Changes.

##### B. Annual Reporting Burden

Public reporting burden for this collection of information is estimated at 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The annual reporting burden is estimated as follows: Respondents, 100; responses per respondent, 1; total annual responses, 100; preparation hours per response, 1; and total response burden hours, 100.

##### C. Annual Recordkeeping Burden

The annual recordkeeping burden is estimated as follows: Recordkeepers, 100; hours per recordkeeper, .25; and total recordkeeping burden hours, 25.

#### Obtaining Copies of Proposals

Requester may obtain copies of OMB applications or justifications from the General Services Administration, FAR Secretariat (VRS), Room 4037, 1800 F Street, NW., Washington, DC 20405, telephone (202) 501-4755. Please cite OMB Control No. 9000-0115, Notification of Ownership Changes, in all correspondence.

Dated: May, 8, 1997.

**Sharon A. Kiser,**

*FAR Secretariat.*

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## DEPARTMENT OF DEFENSE

### GENERAL SERVICES ADMINISTRATION

### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[OMB Control No. 9000-0133]

#### Proposed Collection; Comment Request Entitled Defense Production Act Amendments

**AGENCIES:** Department of Defense (DOD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Notice of request for public comments regarding an extension to an existing OMB clearance (9000-0133).

**SUMMARY:** Under the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the Federal Acquisition Regulation (FAR) Secretariat will be submitting to the Office of Management and Budget (OMB) a request to review and approve an extension of a currently approved information collection requirement concerning Defense Production Act Amendments. This OMB clearance expires on September 30, 1997.

**DATES:** Comment Due Date: July 14, 1997.

**ADDRESSES:** Comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, should be submitted to: FAR Desk Officer, OMB, Room 10102, NEOB, Washington, DC 20503, and a copy to the General Services Administration, FAR Secretariat, 1800 F Street, NW., Room 4037, Washington, DC 20405. Please cite OMB Control No. 9000-0133 in all correspondence.

**FOR FURTHER INFORMATION CONTACT:** Mr. Jack O'Neill, Federal Acquisition Policy Division, GSA (202) 501-3856.