

consistent with clearing agency responsibilities under Section 17A of the Act. Cross-margining programs, among other things, enhance clearing member liquidity and systemic liquidity both in times of normal trading and in times of market stress. Under routine trading, clearing members who participate in a cross-margining program have lower initial margin deposits. Reduced margin requirements help clearing members manage their cash flow by increasing available cash to be used for other purposes. In times of market stress and high volatility, lower initial margin requirements could prove crucial in maintaining the liquidity of clearing members and therefore would enhance liquidity in the market as a whole. By enhancing market liquidity, cross-margining arrangements remove impediments to and help perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.¹³

The cross-margining program in the present proposed rule change is based on the OCC/ICC/CME model and retains virtually all of the important safety provisions of the OCC/ICC/CME cross-margining program, the Commission believes the cross-margining programs proposed here is consistent with clearing agencies' statutory requirements to assure the safeguarding of funds and securities which are in their custody or control or for which they are responsible.

OCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of the filing because accelerated approval will allow OCC, CME, and CCC to establish the cross-margining program and will allow the continuity of clearance and settlement services for NYFE products after CCC assumes the clearance and settlement of NYSE products. In addition, the Commission does not

¹³ Shortly after the 1987 market break, then Treasury Secretary Nicholas F. Brady referred to the clearance and settlement system as the weakest link in the nation's financial system and noted that improvements to the clearance and settlement system, such as those provided by cross-margining arrangements, would "help ensure that a securities market failure does not become a credit market failure." The Market Reform Act of 1989: Joint Hearings on S. 648 before Subcom. on Securities and the Senate Comm. on Banking, Housing and Urban Affairs, 101 st Cong., 1st Sess. 225 (Oct. 26, 1989) (statement of Nicholas F. Brady, Secretary of the Treasury).

expect to receive any adverse comments on the present rule change.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR-OCC-97-04 and should be submitted by June 4, 1997.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-97-04) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-12638 Filed 5-13-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38580; File No. SR-PCX-15]

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change by the Pacific Exchange, Inc. Relating to Trading Differentials for Equity Securities

May 7, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 5, 1997, the Pacific Exchange, Inc. ("PCX") or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed

¹⁴ 17 CFR 200.30-3(a)(12).

¹⁵ 5 U.S.C. 78s(b)(1).

rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization ("SRO"). 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 modify its Rule 5.3(b) to allow the Exchange to establish trading differentials for equity securities at its discretion. The text of the proposed rule change is available at the PCX and at the Commission.

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 III below. The self-regulatory organization has prepared summaries, set forth in Section 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

PCX Rule 5.3(b) currently provides that, unless specifically ruled otherwise, the trading differentials on stocks shall be as follows: On stocks other than those traded on the New York Stock Exchange ("NYSE") or American Stock Exchange ("Amex"); if the selling price is below $\frac{1}{2}$ of \$1, the trading differential is $\frac{1}{32}$; if the selling price is $\frac{1}{2}$ of \$1 but under \$5, the trading differential is $\frac{1}{16}$; and if the selling price is \$5 and above, the trading differential is $\frac{1}{8}$. The rule further provides that on stocks also traded on the NYSE or the Amex, the trading differentials shall be the same as those prescribed by such exchanges.

The Exchange is proposing to modify Rule 5.3(b) to provide that the Exchange shall determine the trading differentials for equity securities traded on the Exchange. The Exchange is proposing this change in order to add flexibility, so that it can change the trading differentials on an immediate basis. The Exchange notes that some exchanges do not have specific rules on trading differentials and are able to change them on an immediate basis. The Exchange

intends to base any changes to trading differentials on competitive considerations and other factors as appropriate, but such trading differentials will conform to any applicable Intermarket Trading System ("ITS") rules.²

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)³ of the Act in general and furthers the objectives of Section 6(b)(5)⁴ in particular in that it is designed to facilitate transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and to promote just and equitable principles of trade.

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

The Exchange believes the proposed rule change will impose no burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 written comments.

III. 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 at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-97-15

²The PCX indicated to the Commission that it intends to take into account the manner in which ITS is operating at the time the Exchange is considering changes to its trading differentials.

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

and should be submitted by June 4, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-12546 Filed 5-13-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38575; File No. SR-PCX-97-16]

Self-Regulatory Organizations; Notice of Filing and Order Granting Temporary Accelerated Approval of a Proposed Rule Change by the Pacific Exchange, Inc. Relating to Trading Differentials for Equity Securities

May 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 5, 1997, the Pacific Exchange, Inc. ("PCX" 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 self-regulatory organization ("SRO"). The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval on a temporary basis to the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to adopt a procedure, effective for ninety days, under which the Exchange may establish trading differentials for equity securities at its discretion.

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 III below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

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

1. Purpose

PCX Rule 5.3(b) currently provides that, unless specifically ruled otherwise, the trading differentials on stocks shall be as follows: On stocks other than those traded on the New York Stock Exchange ("NYSE") or American Stock Exchange ("Amex"): if the selling price is below 1/2 of \$1, the trading differential is 1/32; if the selling price is 1/2 of \$1 but under \$5, the trading differential is 1/16; and if the selling price is \$5 and above, the trading differential is 1/8. The rule further provides that on stocks also traded on the NYSE or the Amex, the trading differentials shall be the same as those prescribed by such exchanges.

The Exchange is proposing to establish a procedure, effective for ninety days, under which the Exchange may determine the trading differentials for equity securities traded on the Exchange. The Exchange is proposing this change in order to add flexibility, so that it can change the trading differentials on an immediate basis. The Exchange notes that some exchanges do not have specific rules on trading differentials and are able to change them on an immediate basis. The Exchange intends to base any changes to trading differentials on competitive considerations and other factors as appropriate, but such trading differentials will conform to any applicable Intermarket Trading System ("ITS") rules.²

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)³ of the Act in general and furthers the objectives of Section 6(b)(5)⁴ in particular in that it is designed to facilitate transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and to promote just and equitable principles of trade.

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

The Exchange believes the proposed rule change will impose no burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

²The PCX indicated to the Commission that it intends to take into account the manner in which ITS is operating at the time the Exchange is considering changes to its trading differentials.

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).