

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.<sup>2</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>3</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>4</sup> 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

<sup>2</sup>The 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.

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 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.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## 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"),<sup>1</sup> 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.

<sup>5</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 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.<sup>2</sup>

#### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>3</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>4</sup> 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.

<sup>2</sup>The 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.

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

*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, NW., Washington, DC 20545. 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, NW., Washington, DC 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-97-16 and should be submitted by June 4, 1997.

**IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change**

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with the

requirements of Section 6 and Section 11A of the Act.<sup>5</sup>

Recently, there has been a movement within the industry to reduce the minimum trading and quotation increments imposed by the various SROs. The Amex recently reduced its minimum trading increment, and Nasdaq has proposed to reduce its minimum quotation increment.<sup>6</sup> In addition, several third market makers have begun quoting securities in increments smaller than the primary markets. The proposed rule change will allow the PCX the flexibility it needs to address this development and remain competitive with these markets.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof into the **Federal Register**.<sup>7</sup> As discussed above, the proposal provides the PCX with the ability to quickly modify its trading increment to meet changing market conditions. This will enable the PCX to quote competitively with other markets. Waiting the full statutory review period for the proposed rule change could place the PCX at a significant competitive disadvantage to other markets. At the same time, the proposal is effective for only ninety days. This will provide the Commission with a sufficient period to receive and assess comments on the PCX's proposal before it is adopted on a permanent basis.<sup>8</sup> Therefore, the Commission believes it is consistent with Section 6(b)(5) and Section 19(b)(2) of the Act to grant accelerated approval on a temporary basis to the proposed rule change.<sup>9</sup>

**V. Conclusion**

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-PCX-97-16)

is hereby approved on an accelerated basis through August 3, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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**SOCIAL SECURITY ADMINISTRATION**

**Agency Information Collection Activities: Proposed Collection Requests**

This notice lists information collection packages that will require submission to the Office of Management and Budget (OMB), in compliance with PL. 104-13 effective October 1, 1995, The Paperwork Reduction Act of 1995.

Request to Resolve Questionable Quarters of Coverage (SSA-512); Request for Quarters of Coverage History Based on Relationship (SSA-513)—0960-NEW. The Personal Responsibility and Work Opportunity Reconciliation Act states that aliens admitted for lawful residence who have worked and earned 40 qualifying quarters of coverage (QC) for Social Security purposes can generally receive State benefits. QCs can also be allocated to a spouse and/or to a child under age 18, if needed to obtain 40 qualifying QCs for the alien. The form SSA-512 is used by the States to request clarification from SSA on questionable QC information. The form SSA-513 is used by States to request QC information for an alien's spouse or child in cases where the alien does not sign a consent form giving permission to access his/her social security records. The respondents are State agencies which require QC information in order to determine eligibility for benefits.

	SSA-512	SSA-513
Number of Responses .....	200,000 .....	350,000.
Frequency of Response .....	1 .....	1.
Average Burden Per Response: .....	2 minutes .....	2 minutes.
Estimated Annual Burden .....	6,667 hours .....	11,667 hours.

**2. Statement for Determining Continuing Eligibility for Supplemental**

<sup>5</sup> 15 U.S.C. §§ 78f(b) and 78k-1. In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. *Id.* § 78c(f).

<sup>6</sup> Securities Exchange Act Release No. 39571 (May 5, 1997) (approving Amex proposal to reduce the minimum trading increment from 1/8 to 1/16 for Amex-listed equity securities priced at or above \$10.00); Securities Exchange Act Release No. 38531 (Apr. 21 1997), 62 FR 20233 (Apr. 25, 1997)

**Security Income Payments—0960-0416. The information collected by the Social**

(publishing notice of a proposed rule change by the Nasdaq Stock Market to reduce the minimum quotation increment from 1/8 to 1/16 for Nasdaq-listed securities priced equal to or greater than \$10.00).

<sup>7</sup> A prior proposal by another exchange to reduce its minimum fractional change was published for the full statutory comment period without any comments being received by the Commission. Securities Exchange Act Release No. 38571 (May 5, 1997) (approving a proposed rule change by the

**Security Administration on form SSA-8203 is used to determine whether SSI**

Amex to reduce the minimum trading differential from 1/8 to 1/16 for equity securities priced at or above \$10.00).

<sup>8</sup> The Exchange has submitted a companion filing that requests permanent approval of the procedures described herein. See File No. SR-PCX-97-15.

<sup>9</sup> 15 U.S.C. §§ 78f(b)(5) and 78s(b)(2).

<sup>10</sup> 15 U.S.C. 78s (b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).