

first) or such other price deemed appropriate under prevailing market conditions by the member organization designated by the Exchange to act as a market maker for odd-lot orders.⁶ The Exchange believes this would provide more appropriate pricing of odd-lot orders as it would reflect actual round-lot market prices at the time the odd-lot orders are executed.

III. Discussion

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(b).⁷ Specifically, the Commission believes the proposal is consistent with the section 6(b)(5)⁸ requirements that the rules of an exchange be designed to remove impediments to and perfect the mechanism of a free and open market, to facilitate transactions in securities and, in general, to protect investors and the public interest.⁹

The Commission believes it is adequate for the NYSE to price standard odd-lot market orders at the price of the next Exchange round-lot sale when the BPQ is unavailable. Although the current pricing algorithm provides investors with more advantageous prices in a steadily declining market than the proposed algorithm, utilizing the next Exchange round-lot sale price when the BPQ is unavailable is a reasonable choice by the Exchange that is not inconsistent with the Act. The

⁶ These uncodified guidelines currently provide for the following maximum valid spread ranges:

- Common stock for prices less than or equal to \$50, the valid spread is 1 point
 - for prices between \$50 1/64 and \$100, the valid spread is 1 3/4 points
 - for prices greater than \$100, the valid spread is 2 1/2 points
- Preferred stock:
 - for prices less than or equal to \$50, the valid spread is 2 points
 - for prices between 50 1/64 and 100, the valid spread is 2 1/4 points
 - for prices greater than \$100, the valid spread is 2 1/2 points
- Spread between quote and last sale must not exceed:
 - prices less than or equal to \$10, the valid spread is 3/8 point
 - prices between 10 1/8 and \$25, the valid spread is 1/2 point
 - prices between 25 1/8 and \$40, the valid spread is 5/8 point
 - prices greater than \$40, the valid spread is 2 1/2 points

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ In approving this rule, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with section 3 of the Act. 15 U.S.C. § 78c(f).

proposal continues to provide procedures that facilitate the execution of odd-lot orders when use of the ITS quote may not be appropriate.

The Commission also believes it is appropriate for the Exchange to price odd-lot orders by utilizing the price of the next Exchange round-lot sale or the next Exchange quote that is within the odd-lot system guidelines (whichever occurs first) in instances where the quote in a security does not meet the Exchange's odd-lot system guidelines. The Commission has previously found that it is appropriate for the Exchange to impose certain, limited prerequisites on quotes from other market centers before incorporating such quotes into the Exchange's odd-lot pricing system.¹⁰ The Commission stated that such limitations help protect the automatic execution features of the Exchange's odd-lot pricing system against the inclusion of aberrant quotations.¹¹ Similarly, the maximum valid spread parameters, as drafted, should help to exclude stale quotations from the odd-lot system. If the Exchange chooses to narrow these parameters, it must file the proposed change with the Commission pursuant to Section 19(b) of the Act.¹²

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (SR-NYSE-96-33) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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¹⁰ NYSE Rule 124 generally provides that odd-lot market orders will be executed at the price of the "adjusted ITS bid (offer)" at the time the order is received by the Exchange. NYSE Rule 124.60 states that a quotation in a stock from another ITS market center will be considered if: (1) The stock is included in ITS in that market center, (2) the size of the quotation is greater than 100 shares, (3) the bid or offer is not more than one-quarter dollar away from the bid (offer) disseminated by the Exchange, (4) the quotation conforms to the Exchange's requirements concerning minimum fractional changes, (5) the quotation does not result in a "loket market," (6) the market center is not experiencing operational or system problems with respect to the dissemination of quotation information, and (7) the bid or offer is "firm" pursuant to the Commission's and the market's rules.

¹¹ Securities Exchange Act Release No. 27971 (May 2, 1990), 55 FR 19409 (May 9, 1990) (approving File No. SR-NYSE-90-60).

¹² 15 U.S.C. 78s(b).

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).

SOCIAL SECURITY ADMINISTRATION

Testing Modifications to the Disability Determination Procedures; Federal Processing Center Testing

AGENCY: Social Security Administration.

ACTION: Notice of an additional test site and the duration of testing involving modifications to the disability determination procedures.

SUMMARY: The Social Security Administration (SSA) is announcing the location of additional testing that it will conduct under the current rules at 20 CFR 404.906, 404.943, 416.1406, and 416.1443. Those rules authorize the testing of several modifications to the disability determination procedures that we normally follow in adjudicating claims for disability insurance benefits under title II of the Social Security Act (the Act) and claims for supplemental security income based on disability under title XVI of the Act. This notice announces the test site and duration of testing involving a combination of features of the proposed redesigned disability process. The notice also describes additional features that will allow us to test the effectiveness of processing cases under a combination of the models in a Federal processing center.

FOR FURTHER INFORMATION CONTACT: Harry Pippin, Disability Models Team Leader, Office of Disability, Disability Process Redesign Staff, Social Security Administration, 6401 Security Boulevard, Baltimore, Maryland 21235, 410-965-9203.

SUPPLEMENTARY INFORMATION: Current regulations at 20 CFR §§ 404.906, 404.943, 416.1406, and 416.1443 authorize us to test different modifications to the disability determination procedures. We describe the use of four features of the testing modifications to the disability determination procedures as the full process model. Those modifications are: the use of a single decisionmaker who may make the disability determination without requiring the signature of a medical consultant; the conducting of a predecisional interview in which a claimant, for whom SSA does not have sufficient information to make a fully favorable determination or for whom the evidence would require an initial determination denying the claim, can present additional information to the decisionmaker before an initial determination is made; the elimination

of the reconsideration step in the administrative review process; and the use of an adjudication officer who will conduct prehearing procedures and, if appropriate, will issue a decision wholly favorable to the claimant.

On April 4, 1997, we published in the **Federal Register** (62 FR 16209) a notice that testing of this model would take place at the SSA's Western Program Service Center in Richmond, California. That testing was to begin on or about April 28, 1997, and case selection was to continue for approximately one year with cases processed for an additional six months. We stated that additional federal sites might be added later.

We are now announcing that testing also will take place at the following site: Social Security Administration, Office of Disability and International Operations, 1500 Woodlawn Drive, Baltimore, MD 21241. The test in Baltimore will involve claims by individuals who wish to file by telephone. These cases will be referred to the Baltimore processing center by teleservice centers that service residents of Kentucky. We will begin selecting cases for processing in this test on or about August 11, 1997, will continue to select cases for approximately one year, and may continue to have cases processed for an additional six months. In addition, we may choose to extend the test to obtain additional data. We will publish another notice in the **Federal Register** if we extend the duration of the test. We may add other Federal sites later. If we add other Federal sites, we will publish another notice in the **Federal Register** identifying the added sites.

This test will combine the four process modifications mentioned above, plus two features designed to maximize the resources of a Federal processing center: having a two-person team complete the application interview by telephone; and effectuating, in the processing center, the payment of benefits to claimants who are found disabled. The adjudication officers under this model will process cases as they are doing in those States in which that feature is being tested separately. (Refer to 20 CFR §§ 404.943 and 416.1443.) The single decisionmaker will process cases as single decisionmakers are doing in those States in which that feature is being tested separately (see 20 CFR §§ 404.906(b)(2) and 416.1406(b)(2)), except that the single decisionmaker in this model also will assist in the claims interview and will offer a predecisional interview to a claimant for whom a fully favorable determination cannot be made based on the initial information obtained. If a

claimant is dissatisfied with the initial determination, he or she may appeal directly to an administrative law judge. The adjudication officer will be the claimant's primary point of contact before a hearing is held with an administrative law judge. Claims authorizers will participate in the telephone claims interview and will effectuate payment to claimants who are found disabled.

Dated: July 28, 1997.

Glenna Donnelly,

Assistant Deputy Commissioner for Programs and Policy.

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SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions and Delegations of Authority

This statement amends Part S of the Statement of the Organization, Functions and Delegations of Authority which covers the Social Security Administration (SSA). Notice is given that Chapter S8 for the Office of the Inspector General (OIG) is being amended to reflect organizational and internal functional realignments within the Office of the Inspector General (S8). The functional realignments affect the Office of Investigations (OI) (S8B), the Office of Audit (OA) (S8C) and the Office of Management Services (OMS) (S8G). Due to the realignments, the subordinate divisional structures will be altered for the following two main offices: the Office of Investigations and the Office of Audit. Notice is further given that a new office, the Office of Operations (S8J), will be established. The changes are as follows:

Section S8.10 The Office of the Inspector General—(Organization)

Establish:

H. The Office of Operations (OP) (S8J).

Section S8.20 The Office of the Inspector General—(Functions)

B. The Deputy Inspector General (S8).
Delete last sentence.

Amend to read as follows:

E. The Office of Audit (OA) (S8C) conducts comprehensive financial and performance audits of SSA's programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow.

Performance audits review the economy, efficiency and effectiveness of SSA's programs. The OA also conducts short-term management and program evaluations focused on issues of concern to SSA, the Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

F. The Office of Management Services (OMS) (S8G) provides staff assistance to the Inspector General (IG) and Deputy Inspector General. OMS formulates and assists the IG with the execution of the OIG budget and confers with the Office of the Commissioner, the Office of Management and Budget and the Congress on budget matters. The office is responsible for the OIG Hotline; which plans, conducts, directs and assists criminal investigations of alleged violations of the Social Security laws; and manages and maintains the OIG Allegation Management System (AMS) data base for all allegations reported to the OIG nationwide. OMS conducts management analyses and establishes and coordinates general management policies of the OIG. This office serves as the OIG liaison on personnel management and other administrative and management policies and practices, as well as on equal employment opportunity and civil rights matters. This office is also responsible for the development, design and redesign of major automated systems throughout the Office of the Inspector General.

Establish:

H. The Office of Operations (OP)(S8J) is responsible for and coordinates the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act; public affairs; interagency activities; OIG reporting requirements and publications; and responses to Congressional inquiries.

Section S8B.10 The Office of Investigations—(Organization)

Retitle:

D. "The Special Operations Division (SOD) (S8BA)" to "The Strategic Enforcement Division (SED) (S8BA)."

Delete:

E. The Headquarters Operations Division (HOD) (S8BB).

Establish:

E. The Enforcement Operations Division (EOD) (S8BC).

F. The Special Inquiries Division (SID) (S8BE).

G. The New York Field Division (NYFD) (S8BG).