

the issuer and to receive a statement of ownership instead of a certificate.⁵ Since issuance of the Concept Release, a basic structure for DRS has been developed and implemented by a joint committee of representatives of the Securities Industry Association, the Securities Transfer Association, the Corporate Transfer Agents Association, and the registered securities depositories. Using DRS, investors have a new way, in addition to holding a certificate or holding in street name at a broker-dealer, to hold their securities positions.

A key component of DRS is the electronic linkage of issuers or their transfer agents with broker-dealers through registered securities depositories. Assuming an issuer and its transfer agent participate in DRS, this link allows a broker-dealer to deliver to a transfer agent on customer's request that his purchased securities be registered on the books of the issuer in book-entry form. The linkage also provides for the book-entry movement between broker-dealers and issuers of customers' existing positions.

The Depository Trust Company ("DTC") has received Commission approval of its procedures implementing DRS.⁶ Under DTC's procedures, to participate in DRS a transfer agent needs to become a DRS "limited participant" at DTC.⁷

Therefore, Nasdaq proposed to amend NASD's rules to establish a qualification requirement for all securities to be included in Nasdaq that if the issuer establishes a direct registration program it shall participate in an electronic link with a securities depository in order to facilitate the electronic transfer of securities held pursuant to the direct registration program. The electronic link may be direct or through the issuer's transfer agent.

III. Discussion

Section 15A(b)(6) of the Act⁸ requires that the rules of a national securities

⁵ Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 ("Concept Release").

⁶ Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600 [File No. SR-DTC-96-15].

⁷ According to DTC, a party wishing to be a "limited participant" must: (1) be registered as a transfer agent with the SEC; (2) participate as a transfer agent in DTC's Fast Automated Securities Transfer ("FAST") program; (3) provide "direct mail service" on transfers; and (4) communicate with DTC through a computer-to-computer interface using DTC's CCF platforms. *Id.* The Philadelphia Depository Trust Company has received Commission approval of similar DRS procedures. Securities Exchange Act Release No. 37933 (November 8, 1997), 61 FR 59269 [File No. SR-Philadep-96-14].

⁸ 15 U.S.C. 78o-3(b)(6).

association be designed to foster cooperation with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. The Commission believes that the proposed rule change is consistent with Section 15A(b)(6) because it requires Nasdaq issuers participating in DRS to establish a link with a registered securities depository before operating DRS services. This requirement should increase cooperation among Nasdaq issuers, their transfer agents, broker-dealers, and DTC.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NASD-97-51) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-31684 Filed 12-2-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39358; File No. SR-PCX-97-43]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to an Extension of the Exchange's Specialist Evaluation Pilot Program

November 25, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on November 17, 1997,¹ the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") 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

⁹ 17 CFR 200.30-3(a)(12).

¹ See letter from Jeffrey S. Norris, Manager, Regulatory Development, PCX, to Heather Seidel, Attorney, Market Regulation, Commission, dated November 24, 1997 ("Amendment No. 1"). The substance of Amendment No. 1 is incorporated into the notice.

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

PCX is proposing to extend its pilot program regarding the evaluation of its equity specialists until January 1, 1999. In addition, the Exchange is proposing to implement certain changes to the pilot program.

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, 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

On June 3, 1997, the Commission approved a six-month extension of the pilot program for the evaluation of equity specialists.² The reason for the extension was to allow the PCX more time to evaluate the impact of the SEC's new order handling rules on the performance criteria and to determine an appropriate overall passing score and individual passing scores for each criterion. The Exchange now is proposing to extend the pilot program until January 1, 1999. The PCX has established an overall passing score and individual passing scores for each criterion and has determined when specialists that do not attain the minimum passing scores should meet with the Equity Allocation Committee ("EAC"). The Exchange is also proposing to replace the "Bettering the Quote" criterion with Price Improvement and to lower the weighting of the Specialist Evaluation Questionnaire from 15% to 10% so that Price Improvement can be given a weight of 10%. Since the Bettering the Quote criterion is now measured against the NBBO instead of the primary market, the PCX believes it is no longer

² See Securities Exchange Act Release No. 38712 (June 3, 1997), 62 FR 17941 (July 8, 1997).

a viable criterion. Previously, the "Bettering the Quote" criterion was measured against the primary market, which provided opportunities for the specialist to better the primary market quote. However, since the NBBO by definition is the best market, it does not provide the same opportunities for specialists to better the quote, especially when the PCX is the NBBO. The PCX believes that Price Improvement is a meaningful criterion that should be given a 10% weighting, which should be accomplished by lowering the Specialist Evaluation Questionnaire weighting to 10%. This will allow the Exchange to achieve its goal of providing its specialists with a more objective rating system. The description of the Price Improvement criterion as well as the overall passing score and individual passing scores are as follows:

a. Price improvement. "Price Improvement" measures the number of trades involving market and marketable limit orders that improve the NBBO if the NBBO quote spread at the time the original order is received is greater than or equal to two trading differentials, but less than or equal to eight trading differentials for that security. The execution price for stopped market or marketable limit orders will be compared with the guaranteed price (which is the NBBO at the time the order was received).

Orders completely or partially executed will be considered for price improvement. All *one-sided* market or marketable limit orders³ with an NBBO quote spread greater than 1/8 point are eligible for price improvement. Only agency orders entered or received by an exchange are eligible for price improvement. Orders with time-in-force designations such as good until canceled (GTC), good through day of entry (DAY), immediate or cancel (IOC), and good until executed will be eligible for price improvement. In addition, stocks, rights, warrants, preferred stock, when issued, and when distributed equity securities will be eligible for price improvement.

The following types of orders will not be considered under the category of price improvement: all preopening market and limit orders, limit order executions out of the limit book (i.e., booked orders), electronically entered limit orders whose price falls in between the NBBO, non-regular-way trades (i.e., cash, next day and seller's option), negotiated trades or trades

³The regional exchanges have agreed to the following definition for marketable limit orders: A marketable limit order to buy is priced at or above the NBBO offer, a marketable limit order to sell is priced at or below the NBBO bid.

identified as crosses, bonds, orders designated as possible duplicates (POSS DUPE) or try to stop (TTS), canceled orders, odd-lot market and odd-lot limit orders, orders designated as all or none (AON), all tick sensitive executions (i.e., buy minus, sell plus, sell short, etc.), market quotations under 200 shares, and principal and program trade account types.⁴

Specialists will be measured on the percentage of trades that are price improved. The following table gives the parameters and corresponding point values:

Percent of eligible trades improved	Points
40 +	10
36-39.99	9
32-35.99	8
28-31.99	7
24-27.99	6
20-23.99	5

Limit order executions out of the limit book (i.e., booked orders) were not included because they are filled as the market moves toward them, not when they are outside of the NBBO. Electronically entered limit orders whose price falls in between the NBBO were excluded because these are not executable at the time they are entered, unless the specialist chooses to fill them. Non-regular-way trades (i.e., cash, next day and seller's option) and negotiated trades are not included because they are negotiated and the price does not necessarily depend upon the NBBO. Trades identified as crosses were excluded because specialists do not participate in crosses, by definition. Bonds and orders designated as possible duplicates (POSS DUPE) were not included because they are entered manually. Canceled orders were excluded because orders cannot be improved upon if they are not allowed to be executed. Odd-lot market and odd-lot limit orders were not included because they are executed automatically in the background, and the specialist never has the opportunity to improve upon them. Orders designated as all or none (AON) and all tick sensitive executions (i.e., buy minus, sell plus, sell short, etc.) were excluded because they are conditional orders. Market quotations under 200 shares were not included because they are usually computer generated and the specialists generally have no opportunity to improve them. Principal orders were excluded because they cannot be sent via PCOAST. Program trades were not included because they involve a large portfolio of stocks and derivative index products, which are not generally routed to a regional exchange for execution.

16-19.99	4
12-15.99	3
8-11.99	2

⁴Preopening market and limit orders were excluded because all such orders are entered prior to there being a market that is trading, so there is no market to improve upon.

Percent of eligible trades improved	Points
4-7.99	1
Below 4	0

b. Overall Passing Score. The PCX has established an overall passing score of 60 as the minimum standard that each specialist must attain each quarter. A specialist will have to obtain better than a passing score in each individual criterion (see minimum passing scores shown below) to obtain a minimum passing score of 60. Any specialist who falls below the minimum passing score will have to appear before the EAC and will be subject to the following restrictions: no new allocations and no trading in alternate specialist stocks for the quarter following the quarter that the specialist was evaluated. Such specialists will have the right to request the lifting of one or more of the restrictions based upon mitigating circumstances. Any specialist who does not attain a passing score in any three out of four quarters will also be subject to other restrictions imposed by the EAC, including reallocation of one or more stocks. The EAC will evaluate the effectiveness of the overall passing score and will adjust it accordingly.

c. Individual Criterion Passing Scores. The PCX has established individual passing scores for each individual criterion based upon third quarter 1997 evaluation results. The third quarter of 1997 was the first evaluation period that the Trading Between the Quote, Book Display Time, and Quote Performance calculations were based upon the NBBO instead of the primary market. In addition, the evaluation results in the third quarter were based upon one-sixteenth trading increments instead of one-eighth increments. As a result of the NBBO changes and the change to sixteenths, individual passing scores in the affected criteria were lower than in previous quarters. Previous quarter scores were not used to determine individual criterion passing scores because of the aforementioned changes. The EAC will evaluate the effectiveness of the individual passing scores and will adjust them accordingly. The individual passing scores for each criterion are as follows:

Evaluation criterion	Passing score
Turnaround Time	12.0
Holding Orders Without Action	7.5
Trading Between the Quote	5.0
Executions in Size Greater Than NBBO	2.0
Specialist Evaluation Questionnaire Survey	5.0

Evaluation criterion	Passing score
Book Display Time	10.5
Equal or Better Quote Performance	1.0
Post 1 P.M. Parameters	3.0
Price Improvement	4.0

Any specialist who does not attain a minimum passing score in a particular criterion for two or more consecutive quarters or more will be subject to the following:

1. If a specialist does not attain an overall passing score in any particular individual criterion for 2 consecutive quarters, the specialist will have to appear before the EAC. The EAC will meet with the specialist with the intent of helping the specialist to improve the score.

2. If a specialist does not attain an overall passing score in any particular individual criterion for 3 out of 4 consecutive quarters, the specialist will either not be permitted to trade any alternate specialist stocks or not be able to apply for any new stocks for one quarter. The Equity Allocation Committee will decide which restriction will apply.

3. If a specialist does not attain an overall passing score in any particular individual criterion for 4 out of 5 consecutive quarters, 5 out of 6 quarters, etc., the specialist will be subject to both the alternate specialist and no new stock restrictions for one quarter. The EAC may also, at its discretion, impose other restrictions, including reallocating one or more of the specialist stocks

The EAC will have the discretion not to impose any of these restrictions if there are mitigating circumstances.

The PCX intends to file a rule change to PCX 5.37 to reflect all of the aforementioned changes to its Specialist Evaluation Pilot Program.

The Commission has requested that the Exchange file a report regarding the Exchange's experience with the Pilot, for the period from April 1, 1997 to September 30, 1997, and this report has been filed under separate cover.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and Section 6(b)(5) in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

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

Within 35 days of the 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 the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. 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. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-PCX-97-43 and should be submitted by December 24, 1997.

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

Margaret H. McFarland,
Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

Senior Executive Service Performance Review Board Members

ACTION: Listing of personnel serving as members of this agency's Senior Executive Service Performance Review Boards.

SUMMARY: Section 4314(c)(4) of Title 5, U.S.C. requires that Federal agencies publish notification of the appointment of individuals who serve as members of that Agency's Performance Review Boards (PRB). The following is a listing of those individuals currently serving as members of this Agency's PRB;

1. Chris Sale, Chief Operating Officer;
2. John Whitmore, Deputy to the Associate Deputy Administrator for Government Contracting and Minority Enterprise Development;
3. Mary K. Swedin, Assistant Administrator for Congressional and Legislative Affairs;
4. John Gray, Associate Deputy Administrator for Economic Development;
5. Carolyn J. Smith, Assistant Administrator for Human Resources;
6. Herbert Mitchell, Deputy Associate Administrator for Disaster Assistance;
7. Mark Stephens, Deputy General Counsel;
8. John Smith, District Director (Chicago);
9. Erlene Patrick, Assistant Administrator for Equal Employment Opportunity and Civil Rights Compliance;
10. Darryl Dennis, Counselor to the Administrator;
11. Charles Anderson, District Director (Miami);
12. Monika Harrison, Associate Administrator for Business Initiatives;
13. Judith Roussel, Associate Administrator for Government Contracting;
14. Mark Quinn, District Director (San Francisco);
15. Larry Wilson, Chief Financial Officer;
16. Jeanne Saddler, Counselor to the Administrator.

Dated: November 24, 1997.

Aida Alvarez,
Administrator.

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⁵ 15 U.S.C. 78f(b).