

impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.<sup>11</sup>

This pilot program is part of an effort by the Exchange to institute safeguards to minimize excess market volatility that may arise from the liquidation of stock positions related to trading strategies involving index derivative products. For instance, since 1986, the NYSE has utilized auxiliary closing procedures on expiration days. These procedures allow NYSE specialists to obtain an indication of the buying and selling interest in MOC orders at expiration and, if there is a substantial imbalance on one side of the market, to provide the investing public with timely and reliable notice thereof and with an opportunity to make appropriate investment decisions in response.

The NYSE auxiliary closing procedures have worked relatively well and may have resulted in more orderly markets on expiration days. Nevertheless, both the Commission and the NYSE remain concerned about the potential for excess market volatility, particularly at the close on expiration days. Although, to date, the NYSE has been able to attract sufficient contra-side interest to effectuate an orderly closing, adverse market conditions could converge on an expiration day to create a situation in which member firms and their customers would be unwilling to acquire significant positions.

The Commission continues to believe preliminarily that LOC orders should provide the NYSE with an additional means of attracting contra-side interest to help alleviate MOC order imbalances both on expiration and non-expiration days. As a practical matter, the Commission believes that LOC orders will appeal to certain market participants who otherwise might be reluctant to commit capital at the close. Specifically, unlike a MOC order, which results in significant exposure to adverse price movements, a LOC order will allow each investor to determine the maximum/minimum price at which he or she is willing to buy/sell. To the extent that such risk management benefits encourage NYSE member firms and their customers to enter orders to offset MOC order imbalances of 50,000 shares or more, thereby adding liquidity to the market, the Commission agrees with the NYSE that LOC orders could become a useful investment vehicle for

curbing excess price volatility at the close.

The Commission also finds that the NYSE has established appropriate procedures for the balancing of LOC orders and that the NYSE's existing surveillance should be adequate to monitor compliance with those procedures. Because LOC orders will be required to yield priority to conventional limit orders at the same price, the Commission is satisfied that public customer orders on the specialist's book will not be disadvantaged by this proposal. In the Commission's opinion, the prohibition on cancelling LOC orders is consistent with the Exchange's auxiliary closing procedures and, like those procedures, should allow specialists to make a timely and reliable assessment of order flow and its potential impact on the closing price.

The Commission notes that the LOC order pilot program has been ongoing since 1994 and the NYSE has submitted detailed reports describing its experience with the pilot program. The Exchange represents that LOC orders have not been widely used and that the Exchange requires an additional year to educate members about LOC orders and to observe the use of LOC orders on the Exchange.<sup>12</sup> The Commission expects the Exchange to seek permanent approval of the procedures or to determine to discontinue the program, after the Exchange analyzes the data for the report due on May 31, 1998. If the Exchange decides to seek permanent approval of the pilot procedures, any such request should also be submitted to the Commission by May 31, 1998, as a proposed rule change pursuant to Section 19(b) of the Act.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register** because there are no changes being made to the current provisions, which originally were subject to the full notice and comment procedures. In addition, accelerated approval would enable the Exchange to continue the program on an uninterrupted basis.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>13</sup> that the proposed rule change (SR-NYSE-97-19) is approved, and accordingly, that

<sup>12</sup> Telephone conversation between Agnes Gautier, Vice President, Market Surveillance, NYSE and David Sieradzki, Attorney, Division of Market Regulation, SEC (July 16, 1997).

<sup>13</sup> 15 U.S.C. 78s(b)(2).

the LOC pilot program is extended until July 31, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Jonathan G. Katz,**

Secretary.

[FR Doc. 97-20050 Filed 7-29-97; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38864; File No. SR-Phlx-97-32]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Respecting the Public Order Exposure System for PACE Orders

July 23, 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 June 30, 1997, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 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, pursuant to Rule 19b-4 under the Act,<sup>1</sup> proposes to amend Supplementary Material .05 of Rule 229, to reflect a 30 second order exposure time period, or "widow," in lieu of 15 seconds, and to title Supplementary Material .05 as the "Public Order Exposure System" or "POES," as it is known at the Exchange. The operation of the Philadelphia Stock Exchange Automatic Communications and Execution ("PACE") System is governed by Phlx Rule 229 ("PACE Rule"). PACE is the Exchange's automatic order routing and execution system for securities on the equity trading floor. Currently, Supplementary Material .05 to the PACE Rule provides that market orders are stopped for 15 seconds to provide an opportunity for price improvement, except where the market

<sup>11</sup> In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>14</sup> 17 C.F.R. 200.30-3(a)(12).

<sup>15</sup> 17 CFR 240.19b-4.

for the security is quoted at 1/8 point or less.<sup>2</sup>

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, 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

Generally, the PACE Rule governs the operation of the PACE system and defines its objectives and parameters. PACE accepts orders for automatic or manual execution in accordance with the provisions of the PACE Rule. The PACE Rule establishes execution parameters for orders depending in type (market or limit) and size.

With respect to market orders, currently, Supplementary Material .05 to the PACE Rule provides that round-lot market orders up to 500 shares and partial round-lot ("PRL") market orders up to 599 shares, which combine a round-lot with an odd-lot order, are stopped at the PACE<sup>3</sup> at the time of their entry into PACE ("stop price") for 15 seconds to provide the Phlx specialist with the opportunity to effect price improvement when the spread between PACE Quote exceeds an 1/8 of a point. Market orders greater than 599 shares that a specialist voluntarily agrees to automatically execute also are entitled to participation in POES.<sup>4</sup>

POES ensures that stopped orders are automatically executed at the stop price after the time expires. Thus, although these orders are executable immediately upon their entry into PACE at the PACE

Quote, POES allows an opportunity for price improvement, but guarantees that the order receive at least the stop price. The purpose of stopping an order is to permit the specialist to seek a better price for the order, by probing the market further or facilitating the order in the specialist's proprietary account at a better price.

POES was adopted in early 1995;<sup>5</sup> thereafter, following Floor Procedure Committee ("FPC") approval in December 1995, the POES order exposure time period, or "window," was increased from 15 to 30 seconds.<sup>6</sup> At this time, the Exchange proposes to codify the 30 second time period into Supplementary Material .05, which currently reflects the prior 15 second window. The Exchange believes that extending the POES window to 30 seconds enables the specialist to better gauge the market and thus, improves the likelihood of price improvement. The Exchange has learned, in its two years of experience with POES, that additional time is needed for a meaningful opportunity for price improvement to be afforded to such orders. The 30 second window enables the specialist to better locate between-the-market interest and probe other market centers.<sup>7</sup>

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act in general,<sup>8</sup> and in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade, remove

impediments to and perfect the mechanism of a free and open market and a national market system, as well as to protect investors and the public interest by codifying the extension of the POES order exposure window to 30 seconds. The Exchange believes that a 30 second POES window is appropriate, as automatically executed orders continue to receive the important benefits of speedy execution and reporting, while also receiving a more meaningful opportunity for price improvement.

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

The Phlx 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, NW., Washington, DC 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 Section, 450 Fifth Street, NW.,

<sup>2</sup> The Exchange recently has proposed additional amendments to both Supplementary Material .05 and other portions of Rule 229. See Securities Exchange Act Release No. 38544 (July April 24, 1997), 62 FR 24525 (May 5, 1997) (File No. SR-Phlx-97-11) (notice of proposed rule change).

<sup>3</sup> The PACE Quote consists of the best bid/offer among the American, Boston, Cincinnati, Chicago, New York, Pacific and Philadelphia Stock Exchanges as well as the Intermarket Trading System/Computer Assisted Execution System ("ITS/CAES") See PACE Rule.

<sup>4</sup> See Supplementary Material .05 to the PACE Rule ("subject to these procedures").

<sup>5</sup> Securities Exchange Act Release No. 35283 (January 26, 1995), 60 FR 6333 (February 1, 1995) (File No. SR-Phlx-94-58).

<sup>6</sup> By Exchange oversight, this change was not filed with the SEC as a proposed rule change pursuant to Section 19(b) of the Act, 15 U.S.C. 78s(b), and Rule 19b-4 thereunder prior to its implementation. Upon its discovery in the course of drafting changes to the PACE Rule, the change was promptly filed with the Commission. See Securities Exchange Act Release No. 37479 (July 25, 1996), 61 FR 40276 (August 1, 1996) (File No. SR-Phlx-96-25). It is now being re-filed as a separate proposed rule change due to the withdrawal of File No. SR-Phlx-96-25. To date, the Exchange has not distributed marketing material reflecting an order exposure window of 30 seconds.

<sup>7</sup> The Exchange previously had stated the reasoning behind the expansion of the POES window, in an amendment letter respecting File No. SR-Phlx-96-25. See Letter from Gerald D. O'Connell, Senior Vice President, Phlx, to Jennifer Choi, Attorney, SEC, dated July 19, 1996. Specifically, the Exchange stated that the FPC recognized that 15 seconds was often too short of a time period for the specialist to act. Specialists indicated that by the time they noticed an order was stopped, it had been automatically executed. The Exchange's decision to expand the POES window to 30 seconds is rooted in the logical principle that more time means more opportunity for price improvement.

<sup>8</sup> 15 U.S.C. 78f.

Washington, DC 20549. 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-Phlx-97-32 and should be submitted by August 20, 1997.

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

**Jonathan G. Katz,**  
Secretary.

[FR Doc. 97-20051 Filed 7-29-97; 8:45 am]

BILLING CODE 8010-01-M

## SOCIAL SECURITY ADMINISTRATION

### Statement of Organization, Functions and Delegations of Authority

This statement amends part T of the Statement of the Organization, Functions and Delegations of Authority which covers the Social Security Administration (SSA). Chapter TA covers the Deputy Commissioner for Programs and Policy. Notice is given that Subchapter TAS, the Office of Program Support (OPS) is being reissued in its entirety to reflect the establishment of subordinate components within the office. The reprinted chapter reads as follows:

#### Chapter TAS

##### *Office of the Associate Commissioner, Program Support*

TAS.00 Mission  
TAS.10 Organization  
TAS.20 Functions

**Section TAS.00** The Office of the Associate Commissioner, Program Support—(Mission)

The Office of Program Support (OPS) serves as a focal point within OPP for program-related activities which cross component lines and activities which support Agency-level or Deputy Commissioner-level initiatives. OPS oversees the Agency's Regulatory Program including development of SSA's Regulatory Plan and the Agency's portion of the Unified Agenda of Federal Regulations. Provides leadership in overseeing the Agency's system of programmatic instructions and notices to the public by developing and maintaining standards governing the translation of strategic policy decisions into operational policies, procedures and notices. Directs the development and evaluation of Agency policies which utilize technologies in providing service to the public. Develops and interprets SSA policy governing requests for disclosure of

information from Agency records under the provisions of the Privacy Act and the Freedom of Information Act. Oversees the implementation of the provisions of the Computer Matching and Privacy Protection Act of 1988 by directing matching activities, including establishment of matching policies and operating guidelines, evaluation of matches and development of evaluation guidelines. Develops, implements and maintains automated information and communications systems for OPP components. Oversees OPP's strategic planning activities and management of the OPP ITS budget. Directs the OPP programs supporting reengineering/redesign initiatives and change management activities.

#### **Section TAS.10** The Office of Program Support—(Organization)

The Office of Program Support, under the leadership of the Associate Commissioner for Program Support includes:

A. The Associate Commissioner for Program Support (TAS).

B. The Deputy Associate Commissioner for Program Support (TAS).

C. The Immediate Office of the Associate Commissioner for Program Support (TAS).

1. The Electronic Services Staff (TAS-1).

D. The Office of Policy Technology Management (TASA).

1. Center for Policy Management (TASA1).

2. Center for Technology Management (TASA2).

E. The Office of Process and Innovation Management (TASB).

1. Center for Process Management (TASB1).

2. Center for Innovation Management (TASB2).

F. The Office of Disclosure Policy (TASC).

1.-2. Disclosure Team 1 and 2 (TASC 1 & 2).

3. Computer Matching Program and Policy Team (TASC3).

#### **Section TAS.20** The Office of Program Support—(Functions)

A. The Associate Commissioner for Program Support (TAS) is directly responsible to the Deputy Commissioner, Programs and Policy for carrying out OPS' mission and providing managerial direction to OPS.

B. The Deputy Associate Commissioner for Program Support (TAS) assists the Associate Commissioner in carrying out his/her responsibilities and performs other duties as the Associate Commissioner may prescribe.

C. The Immediate Office of the Associate Commissioner for Program Support (TAS) provides the Associate Commissioner with staff assistance on the full range of his/her responsibilities.

1. The Electronic Services Staff (TAS-1).

a. Provides leadership to the development and implementation of the Agency's policies governing electronic service delivery, including SSA's on-line (Internet) services.

b. Directs initiatives to identify policies that can be changed and emerging technologies that can be used to improve SSA's service to the public.

c. Directs the analysis and evaluation of electronic service delivery issues as they relate to the Agency's core business processes.

d. Fosters partnerships with public and private entities to solve global electronic service delivery issues and develop a global electronic service delivery infrastructure supportive of SSA's service delivery goals.

e. Represents SSA on boards and committees charged with exploring the use of technology in providing service to the public.

D. The Office of Policy Technology Management (TASA).

1. Center for Policy Management (TASA1).

a. Directs the management of all activities supporting production and delivery of SSA's program operational instructions system.

b. Oversees the production and nationwide distribution of the electronic and paper instructions to users throughout the Agency.

c. Directs technical research into improved methods of delivering complex policy knowledge.

d. Directs the ongoing coordination of publication, distribution, indexing and warehousing of paper program instructional material.

e. Oversees SSA's Policy Repository which supports Agency policy development and the delivery of regulations, notices and instructions.

f. Oversees maintenance of SSA's technical documents including the Compilation of the Social Security Act.

2. Center for Technology Management (TASA2).

a. Directs OPP's systems support program.

b. Develops, recommends, negotiates, implements, integrates and then supports broad automated systems strategies for OPP components which take into account current and emerging technologies, Agency systems policies and standards and their impact on the OPP environment.

c. Directs the preparation and management of OPP's ITS budget,