

submissions should refer to File No. SR-PCX-99-24 and should be submitted by October 1, 1999.

## V. Conclusion

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>16</sup> that the Pilot program proposed in Amendment No. 2 to SR-PCX-99-24 be and hereby is approved on an accelerated basis to expire October 1, 1999.<sup>17</sup>

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>18</sup>

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

[FR Doc. 99-23613 Filed 9-9-99; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41823; File No. SR-PCX-99-04]

### Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 4 by the Pacific Exchange, Inc. Relating to the Maximum Size of Option Orders That My Be Executed Automatically

September 1, 1999.

## I. Introduction

On February 10, 1999, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change amending its rules on the automatic execution of options orders to increase the maximum number of contracts that may be designated for automatic execution on an issue-by-issue basis. On February 25, 1999 the Exchange submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> On May

25, 1999 the Exchange submitted Amendment No. 2 to the proposed rule change.<sup>4</sup> On July 2, 1999 the Exchange submitted Amendment No. 3 to the proposed rule change.<sup>5</sup> Notice of the proposal was published in the **Federal Register** on July 22, 1999.<sup>6</sup> On September 1, 1999 the Exchange filed Amendment No. 4 to the proposed rule change. The Commission received no comment on the proposal. This order approves the proposal.<sup>7</sup>

## II. Description of the Proposal

Generally, public customer market and marketable limit orders for up to twenty options contracts may be automatically executed through the Exchange's Auto-Ex system. The Exchange proposes to change its rules on the automatic execution of equity and index option orders by increasing the maximum number of contracts that may be designated for automatic execution, on an issue-by-issue basis, to fifty contracts.<sup>8</sup> The PCX proposes to

Director, Division of Market Regulation, Commission, dated February 24, 1999.

<sup>4</sup> In Amendment No. 2 the Exchange proposed to add subsection (k) to PCX Rule 6.87 to address the allocation of Auto-Ex orders. See letter from Robert P. Pacileo, Staff Attorney, PCX, to Michael A. Walinskas, Associate Director, Division of Market Regulation, Commission, dated May 24, 1999.

<sup>5</sup> In Amendment No. 3 the Exchange replaced the proposal in its entirety to restate and clarify the purpose of the proposal, to address technical modifications to PCX Rule 6.87 made in a separate filing with the Commission (SR-PCX-99-23), and to add a proposal to amend PCX Rule 6.86 regarding trading crowd firm disseminated market quotes. See letter from Robert P. Pacileo, Staff Attorney, PCX, to Michael A. Walinskas, Associate Director, Division of Market Regulation, Commission, dated July 1, 1999.

<sup>6</sup> See Securities Exchange Act Release No. 41611 (July 9, 1999), 64 FR 39548.

<sup>7</sup> In Amendment No. 4 the Exchange proposed to allow a notice and comment period for market makers and Lead Market Makers ("LMMs") subject to PCX Rule 6.87(k)(1)(C). See letter from Robert P. Pacileo, Staff Attorney, PCX, to Michael A. Walinskas, Associate Director, Division of Market Regulation, Commission, dated August 31, 1999 ("Amendment No. 4").

<sup>8</sup> The Commission approved the Pacific Options Exchange Trading System ("POETS") and its Auto-Ex feature as a pilot program in January 1990. See Securities Exchange Act Release No. 27633 (January 18, 1990), 55 FR 2466 (January 24, 1990) (order approving File No. SR-PSE-89-26). On July 30, 1993, the Commission approved the program on a permanent basis. See Securities Exchange Act Release No. 32703 (July 30, 1993), 58 FR 42117 (August 6, 1993). The Auto-Ex system permits eligible market or marketable limit orders sent from member firms to be executed automatically at the displayed bid or offering price. Participating market makers are designated as a contra side to each Auto-Ex order. Participating market makers are assigned by Auto-Ex on a rotating basis, with the first market maker selected at random from the list of signed-on market makers. Auto-Ex preserves Book priority in all options. Automatic executions through Auto-Ex are currently available for public customer orders of ten contracts or less (or in certain issues, for twenty contracts or less) in all series of options traded on the Options Floor of the Exchange.

distinguish between equity and index options for matters relating to increasing the maximum number of contracts that may be designated for automatic execution.<sup>9</sup> The Exchange proposes to increase the maximum size of equity option orders that the Options Floor Trading Committee ("OFTC") may designate for automatic execution in an increase from twenty to fifty contracts and to allow the OFTC to determine the size of index options orders that are eligible to be executed through Auto-Ex with a maximum order size of fifty contracts for the following Index Options: (1) The PSE Technology Index; (2) the Wilshire Small Cap Index; and (3) the Morgan Stanley Emerging Growth Index.<sup>10</sup>

In addition, the Exchange proposes to add subsection (k) to PCX Rule 6.87 to address the allocation of Auto-Ex orders. Specifically, the Exchange proposes that the OFTC will determine, on an issue-by-issue basis, the manner in which orders entered through the Auto-Ex system will be assigned to individual market makers for execution. Each market maker who is participating on the Auto-Ex system will be required to execute a maximum of ten option contracts per Auto-Ex trade, except that the OFTC may permit individual market makers and LMM to be allocated a number of contracts greater than ten and no more than fifty, upon the request of the individual market maker or LMM. Further, the Exchange proposes that, in accordance with the provision of LMMs' guaranteed participation in PCX Rule 6.82(d)92), the LMM in an issue will be required to either (i) participate in every other trade executed on Auto-Ex in that issue or (ii) participate in a percentage of every trade consistent with the amount of the LMM's guaranteed participation.

<sup>9</sup> Currently, PCX Rule 6.87(c) provides: "The Options Floor Trading Committee may increase the size of Auto-Ex-eligible orders in one or more classes of multiply traded equity options to the extent that other options exchanges permit such larger-size orders in multiply traded equity options of the same class or classes to be entered into their own automated execution systems. If the Options Floor Trading Committee intends to increase the Auto-Ex order size eligibility pursuant to this subsection, the Exchange will notify the Securities and Exchange Commission pursuant to Section 19(b)(3)(A) of the Exchange Act." In addition, PCX Rule 6.28(9) provides that the Exchange may increase the permissible size of orders that may be automatically executed over the Auto-Ex system to up to 50 contracts only during high volume or high volatility emergency situations. See Securities Exchange Act Release No. 41481 (June 4, 1999), 64 FR 31674 (June 11, 1999).

<sup>10</sup> The PCX Technology Department has confirmed that POETS is capable of, and has the capacity to, execute trade at 50-up on an issue-by-issue basis, which can equate to floor-wide 50-up if done for all issues.

<sup>16</sup> 15 U.S.C. 78s(b)(2).

<sup>17</sup> In approving Amendment No. 2, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>18</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1 the Exchange proposed to set the maximum order size for execution through its Automatic Execution System ("Auto-Ex") for equity options and for index options on the PSE Technology Index, the Wilshire Small Cap Index, and the Morgan Stanley Emerging Growth Index at fifty contracts. Additionally, in Amendment No. 1 the PCX withdrew SR-PCX-99-05, which was filed with the Commission on February 22, 1999. See Letter from Robert P. Pacileo, Staff Attorney, PCX, to Michael A. Walinskas, Deputy Associate

The Exchange also proposes that the OFTC may require market makers or an LMM who is participating on Auto-Ex in a particular issue to execute a number of contracts greater than ten. Before doing so, however, the OFTC must take into account whether this would place a market maker at undue risk based on that market maker's capitalization. In addition, prior to imposing any requirement to increase to a number of contracts greater than ten under proposed PCX Rule 6.87(k)(1)(C), the Exchange proposes to allow market makers and LMMs a one-day notice and comment period to express their views and opinions on the proposed increase.<sup>11</sup>

The Exchange proposes that the OFTC seek to assure that each market maker participating on Auto-Ex in a particular issue will be assigned up to the same maximum number of option contracts per Auto-Ex trade. The OFTC may permit exceptions to this procedure only in unusual situations where the OFTC finds good cause for permitting differences in the maximum number of contracts executed by individual market makers.

The Exchange believes that these changes will help it to meet the changing needs of customers in the market place and give the Exchange better means of competing with other options exchanges for order flow, particularly in multiply traded issues. The exchange also believes that the proposal will allow the Exchange to enhance its operational efficiency, particularly during times when large influxes of manual orders create undue congestion in particular trading crowds.

The Exchange also proposes to amend PCX Rule 6.86, governing trading crowd firm disseminated market quotes. Specifically, the Exchange proposes to add subsection (g) to PCX Rule 6.86 to require that, if the OFTC determines, pursuant to PCX Rule 6.87(b), the size of orders in an issue that are eligible to be executed on Auto-Ex will be greater than twenty contracts, then the trading crowd will be required to provide a market depth in that greater amount. The exchange proposes this rule change to update, clarify and keep consistent PCX rules governing size of market orders and market depth.

### III. Discussion

After careful review, 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.<sup>12</sup> 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, the requirements of Section 6 of the Act.<sup>13</sup> Section 6(b)(5)<sup>14</sup> of the Act states that the rules of an exchange must be designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating securities transactions. These rules also must help to remove impediments to and perfect the mechanism of a free and open market.

Moreover, the Commission finds good cause for approving Amendment No. 4 prior to the 30th day after notice of the Amendment is published in the **Federal Register** pursuant to Section 19(b)(2) of the Act.<sup>15</sup> Amendment No. 4 provides that market makers or LMMs must receive notice and the opportunity to comment prior to an OFTC requirement to execute a number of contracts greater than ten under proposed PCX Rule 6.87(k)(1)(C). The Commission finds that accelerated approval of Amendment No. 4 is appropriate due to the immediate need for market makers and LMMs to be informed of and comment on any proposed requirement to execute an increased number of contracts on Auto-Ex.

The Commission does not object at this time to extending the benefits available through the use of the Exchange's Auto-Ex system to larger-size customer orders up to 50 contracts. The Commission believes that increasing to 50 the number of option contracts executable through the Exchange's Auto-Ex order execution system will enable the Exchange to more effectively and efficiently manage increased order flow in actively traded option classes consistent with its obligations under the Act. In addition, this increase should bring to speed and efficiency of automated execution to a greater number of retail orders. We also believe that the PCX should have flexibility to compete for order flow with other exchanges without being limited to responding to increases in automatic execution eligibility levels initiated by those other exchanges. The Commission notes that it has approved similar proposals by other exchanges that increased to fifty the maximum size

of orders that may be executed automatically.<sup>16</sup>

The Commission believes, based on representations by the Exchange, that the increase will not expose the Exchange's Auto-Ex system to risk of failure or operational break-down. Our approval of this increase is expressly conditioned on PCX's representation that its systems capacity is sufficient to accommodate the increased number of automatic executions anticipated to result from implementation of this proposal.<sup>17</sup>

Although we have a degree of comfort with respect to the proposed increase, we note that any proposed increases above fifty contracts may raise additional issues, including such matters as market maker financial exposure, price improvement, and quote dissemination. Because of these concerns, the Commission welcomes the opportunity to review the Exchange's experience with any increase in maximum order size to fifty contracts. If, in the future, exchanges seek to increase order size levels above fifty contracts, this examination will help us assess whether any such increases are appropriate and, if so, whether we should seek additional assurances regarding such increases.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 4, including whether it is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-99-04 and should be submitted by October 1, 1999.

<sup>12</sup> The Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(5).

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

<sup>16</sup> See Securities Exchange Act Release No. 36601 (December 18, 1995), 60 FR 66817 (December 26, 1995) (SR-PHLX-95-39) and Securities Exchange Act Release No. 41821 (September 1, 1999) (SR-CBOE-99-17).

<sup>17</sup> See *supra* note 10.

<sup>11</sup> See Amendment No. 4, *supra* note 7.

## V. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with Section 6(b)(5).<sup>18</sup>

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>19</sup> that the proposed rule change (SR-PCX-99-04) is approved; and that Amendment No. 4 is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>20</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-23614 Filed 9-9-99; 8:45 am]

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## SMALL BUSINESS ADMINISTRATION

### Data Collection Available for Public Comments and Recommendations

**ACTION:** Notice and request for comments.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995, this notice announces the Small Business Administration's intention to request approval on a new and/or currently approved information collection.

**DATES:** Submit comments on or before November 9, 1999.

**ADDRESSES:** Send all comments regarding whether this information collection is necessary for the proper performance of the function of the agency, whether the burden estimate is accurate, and if there are ways to minimize the estimated burden and enhance the quality of the collection, to Mr. Charles Thomas, Small Business Administration, Office of Financial Assistance, 409 3rd Street SW., Suite 8300, Washington, DC 20416.

**FOR FURTHER INFORMATION CONTACT:** Charles Thomas, Financial Assistance, 202-205-6656 or Curtis B. Rich, Management Analyst, 202-205-7030.

#### SUPPLEMENTARY INFORMATION:

*Title:* SBAExpress/Community Express Borrower Information Form.  
*Type of Request:* New Information Collection.

*Form No:* SBA Form 1919.  
*Description of Respondents:* Borrowers.

*Annual Responses:* 12,000.  
*Annual Burden:* 4,800.

*Title:* Request for SBAExpress/Community Express Loan Number.

*Type of Request:* New Information Collection.

*Form Number:* SBA Form 1920.

*Description of Respondents:* Lenders/Borrowers.

*Annual Responses:* 12,000.

*Annual Burden:* 1,200.

*Title:* Eligibility Information Required for SBAExpress/Community Express Submission.

*Type of Request:* New Information Collection.

*Form Number:* SBA Form 2092.

*Description of Respondents:* Lenders/Borrowers.

*Annual Responses:* 12,000.

*Annual Burden:* 12,000.

*Title:* Supplemental Information for PLP Express/Community Express Processing.

*Type of Request:* New Information Collection.

*Form Number:* SBA Form 2093.

*Description of Respondents:* Lenders/Borrowers.

*Annual Responses:* 12,000.

*Annual Burden:* 4,800.

Dated: September 3, 1999.

**Jacqueline White,**

*Chief, Administrative Information Branch.*

[FR Doc. 99-23496 Filed 9-9-99; 8:45 am]

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## OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

### North American Free Trade Agreement: Sanitary and Phytosanitary Committee

**AGENCY:** Office of the United States Trade Representative.

**ACTION:** Notice of public meeting and request for comments.

**SUMMARY:** In accordance with legislation implementing the North American Free Trade Agreement, we are informing the public of a meeting to be held Tuesday, September 21, 1999 at the U.S. Department of Agriculture (USDA) in Washington, D.C. The purpose of this meeting is to solicit public comment on proposed agenda items for the next scheduled meeting of the North American Free Trade Agreement (NAFTA) Sanitary and Phytosanitary (SPS) Committee, November 2-3, 1999, in Ottawa, Canada. It is also to seek public input in identifying any new issues of concern that should be considered for the agenda. Representatives from each of the SPS Committee's eight Technical Working Groups (TWGs) will also be present to

apprise the public of each TWG's progress and to respond to questions.

The November meeting will be the Eighth Meeting of the NAFTA SPS Committee and will include co-chairs or other representatives from the TWGs that report to the Committee. The purpose of the NAFTA SPS Committee is to address sanitary and phytosanitary trade issues affecting the entry of agricultural products among the three member countries.

**DATES:** The public meeting date will take place Tuesday, September 21, 1999, 9:00 a.m. to 11:00 a.m., USDA South Building (at the back of USDA cafeteria, 1st floor), 14th Street and Independence Avenue, SW, Washington, DC. Written comments should be submitted by September 16, 1999.

**FOR FURTHER INFORMATION CONTACT:** Carolyn T. Cohen, Foreign Agricultural Service, International Trade Policy, Food Safety and Technical Services Division, Room 5545, South Building, 14th Street and Independence Avenue SW, Washington DC, 20250, (202) 720-1301; or e-mail ofsts@fas.usda.gov.

**SUPPLEMENTARY INFORMATION:** In accordance with Article 722 of NAFTA, the NAFTA SPS Committee is responsible for facilitating: (a) the enhancement of food safety and sanitary and phytosanitary conditions in the territories of the parties; (b) activities of the Parties pursuant to Articles 713 and 714 relating respectively to international standards and equivalence; (c) technical cooperation; and (d) consultation on specific bilateral issues. An SPS issue can be raised by any party and is sent to the Committee for consideration. The Committee will either consider the matter itself or refer the issue to an individual, working group or relevant standard setting organization for technical advice.

Since the entry into force of NAFTA on January 1, 1994, the NAFTA SPS Committee has met on seven separate occasions: March 24, 1994, in Washington, DC; October 6, 1994, in Washington, DC; September 21, 1995, in Mexico City; February 14, 1996, in Mexico City; June 20, 1996, in Ottawa; November 18-19, 1997, in Washington, DC; and November 4-5, 1998, in Mexico City. The Committee meets at least once a year with meetings rotating among the three countries. Starting in 1998, the dates for meetings of the NAFTA SPS Committee are fixed for the first week in November. Each TWG is to send at least one representative to the annual Committee meeting to report on its progress and activity. The eight TWGs under the NAFTA SPS Committee and their points of contacts are as follows:

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> 15 U.S.C. 78s(b)(2).

<sup>20</sup> 17 CFR 200.30-3(a)(12).