

In the lengthy release accompanying its new rule, the Commission said it won't remove existing exchange restrictions on principal transactions until both the SEC and the National Market Advisory Board have time to study "the consequences" of such action.

"In addition," the release said, "the Commission needs additional time to develop and propose such new rules (and to eliminate such existing rules) as may be necessary or appropriate in the context of an environment permitting off-board market making by retail firms."

The SEC said it would reconsider whether to remove trading restrictions for principal transactions no later than March 1, 1977. By that date, the SEC said, the Commission will have had an opportunity to consider the "views and recommendations" of the Market Advisory Board on the subject.

Significantly, the Commission said its action on the off-board rules was designed to crystallize industry action on creation of a composite limit order "book" that would tie together all exchanges and all third market makers.

"The Commission believes that the answer to the problem of providing adequate protection for public limit orders is not to maintain existing rules which perforce provide only imperfect protection and have certain undesirable anticompetitive effects, but rather to use the advanced technology now available to provide for a computerized central limit order repository, or composite book. . . . The Commission believes that substantial progress can be made in developing a composite book prior to the date established for elimination of agency restrictions on off-board trading."

Additionally, the SEC said it would propose another rule requesting self-regulators and/or securities information processors ("vendors" such as Bunker Ramo or GTE) to submit plans for creation of an electronic book that would not be "dominated or controlled" by a single market center.

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ENVIRONMENT: EPA PROPOSES PROGRAM FOR ELIMINATING PCB PRODUCTION, USE

A program to reduce the "serious threat" of polychlorinated biphenyls (PCBs) by eliminating their production, importation, and use "as rapidly as possible" was announced today by Environmental Protection Agency Administrator Russell E. Train.

"PCBs constitute a significant hazard to human health and the environment and must be immediately and effectively controlled with every means at our disposal," Train told a press conference. However, he said, EPA has no authority under existing law to stop or restrict uses of PCBs, and until passage of toxic substances control legislation, "we must rely heavily on voluntary actions by industry."

The EPA program consists of the following regulatory and administrative actions:

EPA regional offices are to work with the states to establish requirements under the National Pollutant Discharge Elimination System to eliminate PCBs from the process wastes of all manufacturers of PCBs and of capacitors and transformers that use PCBs.

Manufacturers of PCBs, capacitors, and transformers are requested to develop as rapidly as possible "safe and environmentally acceptable alternatives" for PCBs. Train said a meeting with manufacturers will be scheduled in January to "discuss and lay out" specific plans.

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Electric utility companies and other major users of capacitors and transformers were requested to control the use and disposal of their PCBs. A meeting to discuss this goal also will be scheduled on January, Train said.

State governors will be asked to "examine and apply their authorities to deal with the PCB problem."

Federal agencies will be asked to inventory their uses of PCBs and PCB-containing materials in order to develop plans for their adequate management and safe disposal.

Programs will be initiated to find ways for eliminating discharges from other sources of PCBs, such as paper recycling operations, the investment casting industry, and the disposal of electrical consumer products.

Under Section 311 of the Federal Water Pollution Control Act, regulations will be proposed soon to control environmental damage from spills of hazardous substances, including PCBs.

Proposed Regulations: The proposed regulations will include a list of more than 300 chemicals the discharge of which would pose a danger to public health, based on the results of toxicity tests conducted on mammals, fish and aquatic plants. Train said the list may be modified as needed, and he said inclusion of a particular substance on the list depends on evaluation of toxicological data as well as information on production, distribution and use.

The proposals will state that the designated substances are considered "nonremovable" due to chemical and physical characteristics, a determination which "does not relieve the discharger from the responsibility to take emergency response action to limit a spill's harmful effects on the environment," Train said.

The proposed regulations will group the designated substances in four categories based on their relative potential hazard to the aquatic environment. A "harmful quantity" figure will be assigned to each group, to apply to all substances within the group.

The proposal also will include fines up to \$5 million for illegal discharge or spill of the designated substances. However, a fine of more than \$5,000 can be assessed only in cases where gross negligence is shown to be the cause of the spill or where there is failure to take action to limit the harmful effects.

The proposed regulations will apply to all discharge sources, including transportation systems such as tankers, and to fixed facilities such as industrial plants. They will complement existing oil spill control programs which EPA conducts with the Coast Guard, the agency said.

Train told the press conference that an estimated 700 million pounds of PCBs have been produced and used in the U.S. in the past 45 years. Although some of this has been degraded, the majority of it is contained in landfills and bottom sediments of lakes and rivers and in air and water concentrations, he said. About 300 million pounds are currently in use, he added.

Train said the PCBs already in the environment are the most troublesome problem to be faced because they are about 20 times as persistent as DDT.

Train said the Monsanto Industrial Chemicals Company is the sole producer of PCBs in the U.S., with an annual production of 40 million pounds. Another one million pounds are imported annually by transformer and capacitor manufacturers, he said. There is "no reason to expect non-cooperation" from industry in this program, Train said.

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Steps that could be taken by industry, Train said, are to label products which contain PCBs, to eliminate the use of PCBs if alternatives exist, to accelerate research on and testing of substitutes, and to ensure that PCB-containing products remain in closed cycles during use and when disposed.

Train said he hopes toxic substances control legislation will be passed in the next session of Congress, but he "did not want to use the lack of legislation as a crutch for EPA inaction." He said the proposed program would not lead to "quick and easy reduction" of the amounts of PCBs already in the environment, but control of discharges would help arrest the rapid growth of the problem.

"Ultimately, however, only the elimination of PCBs will yield a significant and permanent solution," Train said.

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MONETARY POLICY: YEO DENIES BIS WILL ACT OTHER THAN AS COMPETITIVE BIDDER IN GOLD AUCTION

Reports that the Bank for International Settlements, in Zurich, Switzerland, will act as a "safety net" in the upcoming regular gold auctions by the International Monetary Fund through its trust fund are unfounded, Treasury Undersecretary for Monetary Affairs Edwin Yeo said at a news conference today in Washington, D.C.

There is "no understanding that any one institution would behave in any other way than as a competitive bidder," Yeo said. BIS, other banks, and dealers will be "free to submit competitive bids in the traditional way," he added. The mechanisms for accomplishing the transfer are still being worked out.

"It is legally the Fund's gold," Yeo said. "Gold is an asset, and those assets are being used . . . for the financing of (remedies to) balance of payments difficulties. The BIS and other bidders will reflect the interests of those they see in the market." IMF will set the schedule for the auctions early next year, he said.

Asked if the United States would bid through BIS for any gold, Yeo replied, "I can't think of any circumstances (in which it would)." He said BIS' role is not as a central bank.

Yeo said the IMF auctions "do not rule out" Treasury gold sales.

Group of 10: Yeo reported on the results of the December 19 Group of 10 finance ministers meeting in Paris. "The spirit of Rambouillet was very much in evidence" at the G-10 meeting, as well as at the ministers' conference, he said.

He referred to a sense of cooperation and willingness to "develop accommodations" that he said also characterized the November economic summit. He cited the understanding on exchange rates reached between the United States and French Finance Minister Jean-Pierre Fourcade as "a firm one, a very constructive one."

Exchange Rates: Article 4 of the ministerial meeting communique, which deals with exchange rates, will be revised and presented at a January meeting of finance ministers in Jamaica, Yeo said. As now worded, the article agreed to broaden consultations and to counter erratic exchange rate fluctuations, to keep IMF Managing Director H. Johannes Witteveen informed of progress, and to proceed on a "pragmatic" basis.

Before the Jamaica meeting, IMF will thoroughly review the text of the interim agreement and make recommendations aiming at "an end result of underlying economic and financial equilibrium," rather than a system imposed from outside, Yeo said.