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For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷⁷

Jonathan G. Katz,

Secretary.

[FR Doc. 95-26231 Filed 10-23-95; 8:45 am]

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[Release No. 34-36385; File No. SR-OCC-95-10]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change to Enhance Saturday Expiration Date Processing Procedures

October 18, 1995.

On July 11, 1995, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-95-10) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the Federal Register on August 31, 1995.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description of the Proposal

Under the rule change, OCC is enhancing its Saturday expiration processing cycles by instituting a single real-time procedure for the updating of expiring positions of its clearing members. Prior to the amendment, OCC's Saturday expiration processing procedure for index and equity options did not provide real-time updates to clearing members on their expiring positions. Accordingly, two processing cycles, a preliminary and a final cycle, were necessary to reflect the results of post-trade activity (e.g., reconciliation of unmatched trades) affecting expiring positions and to give clearing members the opportunity to edit their preliminary exercise instructions in response to updated reports from OCC.

OCC previously has implemented an expiration processing system for options expiring on business days³ that

provides real-time updates to clearing members on their expiring positions. Such real-time updates eliminate the need for a preliminary and final processing cycle. OCC now will employ this same real-time system for its Saturday expirations in order to reduce Saturday expiration processing to one cycle.

To accomplish the enhancement to Saturday expiration processing, certain changes have been made to OCC's by-laws and rules. The rule change eliminates references to preliminary and final processing cycles and reports. The rule change also amends OCC's by-laws and rules to reflect that the expiration exercise procedure is carried out utilizing an on-line transmission of instructions and reports to and from clearing members instead of by physical delivery of hard copy reports. The rule change also makes it clear that expiration processing cannot be extended beyond the normal expiration time except when the following day is not a business day and provides for emergency automatic exercises not only when OCC is unable to issued exercise reports but also when it is unable to receive exercise instructions properly submitted by clearing members.

Specifically, a new defined term, "Expiration Exercise Report," which refers to the on-line exercise reports (including intraday updates) that OCC will make available to its clearing members has been added to Article I, Section 1 of OCC's by-laws. Technical and conforming changes have been made to Interpretations and Policies .02 under Article VI, Section 1.

Article VI, Section 18 has been amended to allow exercise processing to continue into the day after the expiration date only when that day is not a business day.⁴ The purpose is to avoid the abuses that might result from allowing post-expiration exercise instructions to be given at times when U.S. markets were open. Section (a) of Article I, Section 18 now requires a clearing member to submit exercise

instructions to OCC within such times as OCC shall prescribe.⁵

Section (b) of Article VI, Section 18 provides a "backstop" automatic exercise procedure in cases where OCC is unable to produce the reports required for expiration exercise processing within applicable deadlines. The rule change provides for automatic exercise not only in those cases but also in cases where OCC is unable to receive properly submitted exercise instructions within applicable deadlines. Cases of the latter type are currently covered by Section (c), which is being deleted.⁶

Rule 805, which specifies the exercise processing procedures for Saturday expirations, provides expressly for on-line processing and covers weekday as well as Saturday expirations. OCC has deleted from the rule references to preliminary and final exercise reports. OCC will utilize its on-line C/MACS system to make the Expiration Exercise Reports available to clearing members.⁷ The Expiration Exercise Report will list all of the clearing member's expiring positions. Once the Expiration Exercise Report is made available, clearing members can submit exercise instructions in response to such report on separate C/MACS report screens. The response screens will be updated on a real-time basis.

Paragraph (b) of Rule 805 has been amended to reflect a change in the deadline for submitting exercise instructions. Previously, responses to the preliminary exercise report had to be submitted by 9:00 a.m. Central Time, and responses to the final report had to be submitted by 4:00 p.m. Central Time. Under the new system, clearing members are required to submit exercise instructions in response to the Expiration Exercise Report before such time as OCC shall specify.⁸

⁵ Prior to approval of this proposed rule change, a clearing member had to respond within two hours of receiving a report.

⁶ Section (c) of Article VI, Section 18 previously provided that if a preliminary or final exercise report is made available by OCC to a clearing member and if OCC cannot keep any of its offices open until the time prescribed for the return of such report, OCC will reopen its offices to receive such report which shall then be deemed to have been filed on a timely basis.

⁷ OCC will specify in its Operations Manual the deadline for making Expiration Exercise Reports available to clearing members. Initially, OCC proposes to specify as the deadline 7:00 a.m. Central Time on the expiration date, which is the current deadline for issuing preliminary exercise reports.

⁸ OCC will specify this deadline in its Operations Manual. Initially, the deadline will be 1:00 p.m. Central Time. This new cut-off time will allow OCC to begin its critical expiration processing earlier and should reduce the amount of time clearing members will be required to maintain staff on expiration Saturdays.

⁷⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(B)(1) (1988).

² Securities Exchange Act Release No. 36149 (August 23, 1995), 60 FR 45507.

³ Some examples of such options include flexibly structured options, Quarterly-Index Expiration Options or QIXs, and foreign currency option contracts.

⁴ This limitation is not new. It was imposed when options expiring on business days were first introduced. Securities Exchange Act Release No. 23004 (March 19, 1986), 51 FR 9563 [File No. SR-OCC-85-18] (order approving amendments to OCC by-laws and rules to accommodate the issuance, clearance, and settlement of European-style Treasury bill options). However, the limitation was deleted as part of a number of related OCC rule changes in 1993. Securities Exchange Act Release No. 33158 (November 4, 1993), 58 FR 60229 [File No. SR-OCC-93-8] (order approving amendments to OCC by-laws and rules to accommodate the clearance and settlement of Quarterly-Index Expiration Options to be traded on the New York Stock Exchange).

Paragraphs (c) and (d) of Rule 805 have been deleted because a final exercise report will no longer be distributed. Paragraphs (e) through (h) [now designated as paragraphs (c) through (f)] and (j) through (l) [now designated as paragraphs (g) through (i)] of Rule 805 and the interpretations thereto have been amended to eliminate references to preliminary and final exercise reports and to clarify that exercise instructions must be submitted using the on-line system rather than by hard copy reports. Paragraph (h) [now designated as paragraph (f)] also has been amended to allow OCC to prescribe alternative exercise procedures if unusual or unforeseen conditions prevent OCC from making Expiration Exercise Reports available on a timely basis or prevent clearing members from submitting timely on-line responses. However, as is presently the case, OCC will not extend the deadline for submitting exercise instructions beyond the expiration time except pursuant to Article VI, Section 18 of OCC's by-laws.

Paragraph (i) of Rule 805 is eliminated because the on-line system will not permit clearing members to submit untimely exercise instructions. Instead, clearing members desiring to submit late exercise instructions must tender written exercise notices pursuant to paragraph (c) of Rule 805.

Rule 806 has been deleted because there no longer will be a need for separate exercise processing procedures for options that expire on weekdays. The procedures prescribed by Rule 805 will apply to all expiring options, regardless of expiration date. Finally, Rules 801, 802, 1304, 1404, 1504, 1603, 1702, 1804, 2103, 2302, and 2403 have been amended to reflect the relettering of the paragraphs of Rule 805 and the elimination of Rule 806.

II. Discussion

Section 17A(b)(3)(F) of the Act⁹ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. Additionally, Section 17A(a)(1)(B) of the Act¹⁰ sets forth a Congressional finding that inefficient procedures for clearance and settlement impose unnecessary costs on investors and others.

The Commission believes that OCC's proposed rule change is consistent with OCC's obligations under the Act because OCC's proposal will allow the processing of Saturday expiring options pursuant to existing OCC systems, rules,

and procedures already in place for options expiring on weekdays. The system currently in place for options expiring on weekdays is a computerized, real-time system. The prior system for processing Saturday expiration options relied on the physical delivery of hard copy reports which was more time consuming and inefficient. Implementation of a single real-time processing cycle for Saturday expiring options should provide a more effective way to process these options and should result in a more efficient and less costly service to OCC's clearing members.

III. 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-OCC-95-10) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹¹

[FR Doc. 95-26285 Filed 10-23-95; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

Revocation of License of Small Business Investment Company

Pursuant to the authority granted to the United States Small Business Administration by the Order of the United States District Court for the District of New Hampshire, dated August 14, 1995, the United States Small Business Administration hereby revokes the license of VenCap, Inc., a Delaware corporation, to function as a small business investment company under the Small Business Investment Company License No. 01/01-0330 issued to Lotus Capital Corporation on January 10, 1985 (whose name was later changed to VenCap, Inc.) and said license is hereby declared null and void as of September 14, 1995.

United States Small Business Administration.

Dated: October 18, 1995.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 95-26354 Filed 10-23-95; 8:45 am]

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DEPARTMENT OF STATE

[Public Notice No. 2272]

United States International Telecommunications Advisory Committee (ITAC) Study Group B; Meeting Notice

The Department of State announces that the United States International Telecommunications Advisory Committee (ITAC), Study Group B will meet on Thursday, November 2, 1995, in room 1414, U.S. Department of Commerce, Herbert C. Hoover Building from 9:30 a.m. to 4:30 p.m., and on Thursday, December 14, 1995, Room 1912 at the U.S. Department of State, 2201 "C" Street, NW, Washington, DC 20520 from 9:30 a.m. to 4:30 p.m.

The agenda for the Study Group B meeting of November 2, will review results of the July meeting of SG 13, and of contributions for the November meetings of the Working Parties of Study Groups 9 and 13, as well as any other business of SG B. Please bring 35 copies of proposed contributions to the meetings unless documents have been previously mailed. In the later case, bring only 5 copies. Alternately, contributions endorsed by a U.S. standards body can be brought in for consideration and approval. For agenda planning purposes, please notify Marcie Geisinger on 303-497-5810 not later than 5 days before the meeting if you plan to attend the November 2 meeting. The agenda for the December 14 meeting will review the results of the November meetings of Study Group 9 and 10, consider contributions for the January 29 to February 16 meeting of Study Group 11, consider nominations for a U.S. delegation to the meeting of Study Group 11, and any other business relevant to U.S. Study Group B. Please bring 35 copies of documents to be considered at the December 14 meeting. If document has been mailed, bring only 5 copies.

PLEASE NOTE: Persons intending to attend the December 14 U.S. Study Group B meeting must announce this not later than 48 hours before the meeting to the Department of State by sending a fax to 202-647-7407. The announcement must include name, Social Security number and date of birth. The above includes government and non-government attendees. One of the following valid photo ID's will be required for admittance: U.S. driver's license with picture, U.S. passport, U.S. government ID (company ID's are no longer accepted by Diplomatic Security). Enter from the "C" Street Main Lobby.

⁹ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

¹⁰ 15 U.S.C. § 78q-1(a)(1)(B) (1988).

¹¹ 17 CFR 200.30-3(a)(12) (1994).