

subsequent denial of an application for a hedge exemption thereunder.

Finally, the Commission believes that it is reasonable for the PHLX to allow firm and proprietary traders, as well as public customers, to utilize the proposed hedge exemption. The Commission believes that extending the narrow-based index option hedge exemption to firm and proprietary traders may help to increase the depth and liquidity of the market for industry index options and may help to ensure that public customers receive the full benefit of the exemption. Moreover, the PHLX's monitoring procedures, as described above, should be able to detect abuses and ensure that the options position, whether firm, proprietary trader, or customer, is properly hedged.

The Commission finds good cause for approving Amendment Nos. 1, 2, and 3 to the proposed rule change prior to the thirtieth day after the date of publication of the notice thereof in the Federal Register. Specifically, Amendment No. 1, is designed to protect investors and the public interest by providing additional requirements and surveillance procedures which the Exchange will use in monitoring the narrow-based index option hedge exemption. Amendment No. 2 clarifies the Exchange's proposal by indicating that the hedge exemption allows a market participant to hold up to two times, rather than three times, the current position limit because the hedged position is held in addition to the contracts permitted under PHLX Rule 1001A. In addition, Amendment No. 2 strengthens the PHLX's proposal by providing that options on stock index futures must be deducted when calculating the value of the hedging portfolio. Amendment No. 3 strengthens the PHLX's proposal by making technical revisions that clarify, among other things, that economically equivalent positions must be deducted when calculating the value of the hedging portfolio. Accordingly, the Commission believes that there is good cause, consistent with Sections 6(b)(5) and 19(b)(2) of the Act, to approve Amendment Nos. 1, 2, and 3 to the proposal on an accelerated basis.

Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 1, 2, and 3. 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 Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by March 19, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁶ that the proposed rule change (SR-PHLX-95-45), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-4313 Filed 2-26-96; 8:45 a.m.]

BILLING CODE 8010-01-M

[Release No. 34-36862; File No. SR-Phlx-95-86]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Index Options Exercise Advices

February 20, 1996

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 28, 1995, 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 Phlx, pursuant to Rule 19b-4 of the Act, proposes to amend Phlx Rule

1042A, Exercise of Option Contracts, and Floor Procedure Advice ("Advice") G-1, Exercise Requirements, by extending the deadline for the receipt or preparation of a memorandum to exercise, as well as the submission of an exercise advice form, from five minutes after the close of trading to 4:30 p.m. In addition, as minor changes to paragraph (ii) will result in the inclusion of the National Over-the-Counter Index option, Phlx Rule 1042A(a)(iii) is being deleted. The text of the proposed rule change is available at the Office of the Secretary, the Phlx, and the Commission.

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 Phlx 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 Phlx has prepared summaries, set forth in Section 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

Phlx Rule 1042A and Advice G-1 govern the exercise of index options. These provisions state that with respect to index option contracts, clearing members are required to follow the procedures of the Options Clearing Corporation ("OCC") for tendering exercise notices. Phlx member organizations are also required to comply with the following procedures. First, a memorandum to exercise any American style index option must be received or prepared by the Phlx member organization no later than five minutes after the close of trading on the day of exercise. Thus, the current deadline is 4:15 p.m. for narrow-based index options and 4:20 p.m. for broadbased index options. Second, when exercising 25 or more American style index option contracts, other than an option contract on the National Over-the-Counter Index, submission on an exercise advice form to the Exchange is required no later than five minutes after the close of trading on the day of exercise. Third, with respect to options on the National Over-the-Counter Index, the deadline for compliance with the

¹⁶ 15 U.S.C. 78s(b)(2) (1982).

¹⁷ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

above provisions is 4:20 p.m. or five minutes after the close of trading.

Purasant to Phlx Rule 1042A(b), however, the above requirements are not applicable with respect to any series of stock index options on the last day of trading prior to the expiration date of such series of options. The above stated requirements are also not applicable to European style index options which, by definition, cannot be exercised prior to expiration. Lastly, the Exchange notes that the procedures for exercising equity option contracts contained in Phlx Rule 1042, are not affected by this rule proposal.

The Phlx proposes to establish a 4:30 p.m. deadline for both a memorandum to exercise and exercise advice forms for all index options. This will extend the cut-off time by 15 minutes for narrow-based index options and by 10 minutes for broad-based index options. According to the Phlx, the purpose of this rule change is to provide additional time for the preparation and transmission of the required exercise information. After the close of trading, index option position holders are not instantly aware of their final positions, including hedges in the underlying security and futures contracts. According to the Phlx, knowing the exact, final position is often crucial to making a determination of whether to exercise.

In addition, the current procedure for these submissions presents logistical problems for compliance within five minutes after the close of trading. For example, the distance between trading stations for certain index options on the Phlx trading floor (e.g., Gold/Silver Index) and the depository for advice submissions is not easy to traverse within five minutes, especially at the close of trading when there is a great deal of movement on the trading floor. If a trade occurs during the final minute of trading, this situation is exacerbated since additional time might be used to ensure that the trade ticket and participation was properly submitted. And, as stated above, reports from futures orders placed to hedge option positions must still be ascertained, usually by going to another location on the floor (e.g., the booth where telephones and clerks are located). The Phlx believes that it is in the interest of order and safety to change this process.

The Phlx believes that the current deadline not only creates time pressure and uncertainty, but may also force index option traders not to participate in large or complex trades, especially near the close, thereby hampering liquidity. The Phlx believes that the

extra time is reasonable under these circumstances.

Lastly, to improve clarity, the Exchange proposes to delete paragraph (a)(iii) of Phlx Rule 1042A and incorporate the exercise requirements pertaining to options on the National Over-the-Counter Index in paragraph (a)(ii).

2. Statutory Basis

The Phlx believes that the proposed rule change is consistent with Section 6(b) of the Act in general, and with Section 6(b)(5) in particular,³ in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, by eliminating the hardship to all index option investors and traders that is caused by having insufficient time after the close to make exercise decisions, will serve to protect investors and the public interest.

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 solicited or received with respect to the proposed rule change.

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 Phlx 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-95-86 and should be submitted by March 19, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-4353 Filed 2-26-96; 8:45 am]

BILLING CODE 8010-01-M

SOCIAL SECURITY ADMINISTRATION

Privacy Act 1974; Computer Matching Programs (Model for SSA/State and Local Governments Match of Prisoner Data, Match #1002)

AGENCY: Social Security Administration.

ACTION: Notice of Computer Matching Programs.

SUMMARY: In accordance with the provisions of the Privacy Act, as amended, this notice announces computer matching programs that SSA plans to conduct.

DATES: SSA will file a report of the subject matching programs with the Committee on Governmental Affairs of the Senate, the Committee on Government Reform and Oversight of the House of Representatives and the Office of Information and Regulatory Affairs, Office of Management and Budget (OMB). The matching programs will be effective as indicated below.

ADDRESSES: Interested parties may comment on this notice by either facsimile to (410) 966-5138 or writing to the Associate Commissioner for Program and Integrity Reviews, 860 Altmeyer Building, 6401 Security Boulevard, Baltimore, MD 21235. All comments received will be available for public inspection at this address.

FOR FURTHER INFORMATION CONTACT: The Associate Commissioner for Program

³ 15 U.S.C. § 78f (b)(5) (1988).

⁴ 17 CFR 200.30-3 (a)(12) (1994).