The Commission finds that the proposal to reduce the trading volume requirement for eligible linked securities will expand the number of securities that ELDs can be linked to while maintaining the requirement that the linked security be an actively traded, highly capitalized common stock or ADR. While the proposal reduces the trading volume criteria for securities with market capitalizations in the $1.5 billion and $500 million tiers to 10 million and 15 million shares, respectively (from 20 and 80 million shares, respectively), the Commission nevertheless believes that, together, the applicable capitalization and new trading volume requirements will continue to help ensure that ELDs are only issued on highly liquid securities of broadly capitalized companies. Accordingly, the Commission believes that these requirements will continue to help reduce the likelihood of any adverse market impact on the securities underlying ELDs.

Finally, the Commission notes that the Exchange has deleted the provision that allows it to list ELDs on securities not meeting the market capitalization and trading volume criteria if the Division of Market Regulation of the SEC concurs. The revised criteria will expand the number of securities eligible for ELDs trading. The increased flexibility in the listing criteria should effectively reduce or eliminate the need for additional discretion in this area, in addition to providing issuers and the Exchange with specific and clear guidance on the applicable listing criteria for a security to be eligible to underlie an ELD.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,[7] that the proposed rule change (SR–NYSE–95–39) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–7343 Filed 3–26–96; 8:45 am]

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[7] 15 U.S.C. 78s(b)(2) (1988).

[8] 17 CFR 200.30–3(a)(12) (1994).

[Release No. 34–36988; File No. SR–OCC–95–18]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Clarifying Rules Regarding the Unavailability of Current Index Values

March 20, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on November 24, 1995, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–OCC–95–18) as described in Items I, II, and III below, which items have been prepared primarily by OCC. On March 19, 1996, OCC amended the proposed rule change to make a technical correction and to incorporate changes made to its rules in a recently approved proposed rule change.[2] 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 purpose of the proposed rule change is to clarify the respective rights and responsibilities of OCC and the options exchanges [3] (''exchanges'') in the event that the primary market for securities representing a substantial part of the value of an underlying index is not trading at the time when the current index value would ordinarily be determined or in the event that the current index value is unreported or otherwise unavailable for purposes of calculating the exercise settlement amount. The proposed rule change also makes certain technical changes in OCC's by-laws and rules governing index options and Flexibly Structured Index Options Denominated in a Foreign Currency (''FX Index Options'').[4]

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] Letter from James C. Yong, First Vice President and General Counsel, OCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (March 19, 1996).

[3] The exchanges include the American Stock Exchange, the Chicago Board Options Exchange, the New York Stock Exchange, the Pacific Stock Exchange, and the Philadelphia Stock Exchange.

[4] For a complete description of FX Index Options, refer to Securities Exchange Act Release No. 35149 (January 3, 1995), 60 FR 158 [File No. SR–OCC–94–08] (order approving proposed rule change).

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

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[5]

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On July 15, 1994, technical difficulties delayed the opening of the National Association of Securities Dealers Automated Quote System (''NASDAQ'') until 11:55 a.m., Eastern Time, which was nearly 2½ hours after the time trading normally begins. However, prior to the delayed opening, transactions in NASDAQ listed securities occurred through the telephone and the Instinet on-line trading system. Prices reported in connection with those transactions (''preopening prices'') were transmitted to certain designated reporting authorities, and some or all of those reporting authorities used those prices in calculating values for certain stock index options settling at the opening.

An issue arose that day as to whether the exchanges would be able to provide OCC with settlement values for those index options settling on the opening of the market whose component securities included NASDAQ listed issues. The exchanges were concerned that they would be unable to provide OCC with settlement values prior to OCC's exercise processing cut-off time.[6]

While the NASDAQ incident was resolved without significant impact, the incident prompted OCC to take a closer look at its rules respecting the unavailability of current index values and to consider more fully what steps should be taken in such a situation. OCC determined that certain technical

[5] The Commission has modified the text of the summaries submitted by OCC.

[6] The designated reporting authorities were able to calculate and report the settlement values for the affected series to the exchanges, and the exchanges reported those settlement values to OCC in time for OCC to conduct its normal expiration processing. Although the exchanges reported the settlement values somewhat later than usual, OCC clearing member reports were not delayed, and there were no significant impact on OCC's processing.

changes should be made to its rules to clarify the respective rights and responsibilities of OCC and the exchanges with respect to the reporting of current index values and the determination of settlement values.

OCC is proposing to amend Article XVII, Section 4 of its by-laws, which empowers OCC to fix an exercise settlement amount in the event that OCC determines that the current index value is unreported or otherwise unavailable, to make it clear that OCC has the authority to fix an exercise settlement amount whenever the primary market for securities representing a substantial part of the value of an underlying index is not open for trading at the time when the current index value (*i.e.,* the value used for exercise settlement purposes) ordinarily would be determined. OCC believes this authority is implicit in the language of the present by-law because in such circumstances the current index value would generally be ''unreported or otherwise unavailable;'' however, the proposed rule change will make OCC's authority explicit.[7]

In addition, the proposed change assigns the responsibility for fixing exercise settlement amounts to a panel consisting of OCC's Chairman and two designated representatives of each exchange on which the affected series is open for trading, one of whom shall be such exchange's representative on OCC's Securities Committee. This procedure to assign the decision-making responsibility to an exchange-controlled panel conforms with the procedures used in making determinations with respect to adjustments made pursuant to Article VI, Section 11.[8] The proposed change authorizes the panel to fix the exercise settlement amount based on its judgment as to what is appropriate for the protection of investors and the public interest including, without limitation, fixing the exercise settlement amount on the basis of the reported level of the underlying index at the close of trading on the last preceding trading day for which a closing index level was reported.

Identical changes also are being made to Article XXIII, Section 5, which governs the fixing of exercise settlement amounts for FX Index Options. Under these proposed changes, the situation contemplated by the last two sentences of the definition of ''expiration date'' in Article XXIII, Section 1.E.(3) (*i.e.,* where the primary market for underlying securities representing a substantial part of the value of an index is closed on an expiration date) will be explicitly covered by Article XXIII, Section 5; therefore, the last two sentences of Article XXIII, Section 1.E.(3) will be deleted.

The remainder of the proposed changes to the by-laws are technical changes that are being made primarily for the purpose of conforming those by-laws to changes approved in SR–OCC–94–08.[9]

OCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of transactions in index options and FX Index Options.

(B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe the proposed rule change will impose any burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety 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 OCC consents, the Commission will:

(a) By order approve such 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 in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR–OCC–95–18 and should be submitted by April 17, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,

Deputy Secretary.

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[7] During the NASDAQ event, OCC stood ready to exercise this authority had it become necessary. However, questions arose as to how OCC would have determined the prices to fix exercise settlement amounts. OCC's proposed changes to Article XVII, Section 4 are intended to address those issues.

[8] Section 11 of Article VI sets forth the procedures by which adjustments are made to options.

[9] *Supra* note 2.

[10] 17 CFR 200.30–3(a)(12) (1995).

[Release No. 34–36998; File No. SR–Phlx–95–77]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1 and 2 Relating to the Rules of the Allocation, Evaluation and Securities Committee

March 21, 1996.

I. Introduction

On December 22, 1995, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to update its By-Laws and rules relating to the Allocation, Evaluation and Securities Committee.

The proposed rule change was published for comment in Securities Exchange Act Release No. 36752 (Jan. 22, 1996), 61 FR 2557 (Jan. 26, 1996). No comments were received on the proposal.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.