

(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 Room, 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 DTC. All submissions should refer to the file number SR-DTC-96-09 should be submitted by July 9, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37287; File No. SR-Phlx-96-13]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to Trading Hours and Expiration Times for Customized Foreign Currency Options

June 7, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on May 7, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Phlx. 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 proposes to amend certain Exchange rules to: (1) adjust the time that all customized FCOs cease trading on expiration day from 9:00 a.m. and 2:30 p.m. until 8:00 a.m.; (2) adopt a uniform expiration time for all customized FCOs of 10:15 a.m. (instead of 11:59 p.m.) (all time references are to eastern standard time); and (3) make all customized FCOs subject to pro-rata assignment.

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. Phlx has prepared summaries, set forth in Sections (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

The Exchange has different expiration times and procedures and trading hours for both regular and customized FCOs. Regular non-customized FCOs cease trading at 2:30 p.m., expire at 11:59 p.m. on their expiration date, and are subject to a random assignment process. Customized FCOs which expire on any trading day except a regular mid-month or end-of-month expiration are referred to as "custom dated FCOs." Custom dated FCOs currently cease trading at 9:00 a.m., expire at 10:15 a.m. on their expiration date, and are subject to a pro-rata assignment process.

The third type of FCO (which is the subject of this rule filing) is the customized FCO which does not have a custom date (*i.e.*, the option expires on a mid-month or end-of-month expiration date).¹ These option contracts are treated the same as regular expiring FCOs, *i.e.*, they cease trading at 2:30 p.m., expire at 11:59 p.m., and are subject to random assignment. The Exchange proposes to change this scheme to correspond with custom

dated FCOs. Accordingly, Phlx proposes to alter the expiration times for customized FCOs with mid-month or end-of-month expirations so that they cease trading at 8:00 a.m.,² expire at 10:15 a.m. on their expiration date, and are subject to pro-rata assignment. As a result, all customized FCOs will have the same expiration process regardless of when they expire.

According to Phlx, customized FCOs are mainly traded by institutional customers who often by the options as a hedge against over-the-counter contracts. Because the over-the-counter options typically expire at 10:00 a.m., these customers cannot effectively hedge their risk with customized FCOs unless they know their assignment exposure at the same time. Thus, custom dated options have been a very useful trading vehicle for the institutional market due to their 10:15 a.m. expiration (with pro-rata exercise notification at 10:00 a.m.). Customized FCOs with mid-month or end-of-month expirations, however, have not been as useful for offsetting purposes since customers do not know their assignment exposure until the following day. The Exchange therefore believes that by having all customized FCOs expire at 10:15 a.m., it will add liquidity to the market and encourage institutions to take advantage of all types of exchange traded FCOs. Furthermore, the Phlx believes that by revising the expiration times on the mid-month and end-of-month expiration days, it will increase the volume for customized FCOs and thereby reduce the amount of paperwork at expiration.

The Exchange proposes to implement this change as of the August 1996 mid-month expiration. Currently, open interest exists in customized FCO contracts expiring on September 13, 1996 (mid-month expiration), December 13 1996 (mid-month expiration) and March 27, 1997 (end-of-month expiration). If this open interest still exists at the time that this rule change is approved, the Exchange will exempt these expirations from the new procedure (*i.e.*, they will continue to cease trading at 2:30 p.m., expire at 11:59 p.m., and be subject to random assignment). This exemption will be noted in Phlx Rule 1000(b)(21)(iv), which defines the term Expiration Date and will be publicized in numerous memoranda to the membership.³

² Although custom-dated FCOs currently cease trading at 9:00 a.m., the Phlx, as discussed below, proposes to amend this time such that all customized FCOs cease trading at 8:00 a.m.

³ This transitional process will be similar to the one used when the Exchange changed the expiration from the Saturday preceding the third

⁵ 17 CFR 200.30-3(a)(12) (1995).

¹ An example of this would be an FCO which has a custom strike price or is quoted as an inverse option.

Second, in order to facilitate back office processing, the Exchange proposes to extend by one hour the amount of time between the period when an option ceases trading and expiration. Accordingly, Phlx proposes to have all customized FCOs cease trading at 8:00 a.m. (rather than at 9:00 a.m.) on the day of expiration. Presently, member firms only have one hour (between 9:00 a.m. and 10:00 a.m.) to prepare and accept exercise instructions and submit them to the Option Clearing Corporation ("OCC"), which then processes and disseminates a preliminary indication of the percent of contracts exercised for each series. The contracts then expire at 10:15 a.m. and a pro-rata assignment process is used. By ceasing trading one hour earlier (8:00 a.m.), the firms and OCC would double the amount of time in which they have to process these instructions.

Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5) that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes that the proposed rule change will not result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Other

Comments were neither solicited nor received.

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 self-regulatory organization 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 in 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 rule number SR-Phlx-96-13 and should be submitted by July 9, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-15348 Filed 6-17-96; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

Notice of Intent To Rule on Application To Impose and Use the Revenue From a Passenger Facility Charge (PFC) at Charlottesville-Albermarle Airport, Charlottesville, VA

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of intent to rule on application.

SUMMARY: The FAA proposes to rule and invites public comment on the application to impose and use the revenue from a PFC at Charlottesville-Albermarle Airport under the provisions of the Aviation Safety and Capacity

Expansion Act of 1990 (Title IX of the Omnibus Budget Reconciliation Act of 1990) (Public Law 101-508) and Part 158 of the Federal Aviation Regulations (14 CFR Part 158).

DATES: Comments must be received on or before July 18, 1996.

ADDRESSES: Comments on this application may be mailed or delivered in triplicate to the FAA at the following address: Mr. Robert Mendez, Manager, Washington Airports District Office, 101 West Broad Street, Suite 300, Falls Church, Virginia 22046.

In addition, one copy of any comments submitted to the FAA must be mailed or delivered to Mr. Bryan O. Elliott, Airport Manager of the Charlottesville-Albermarle Airport at the following address: Charlottesville-Albermarle Airport, 201 Bowen Loop, Charlottesville, Virginia 22901.

Air carriers and foreign air carriers may submit copies of written comments previously provided to the Charlottesville-Albermarle Airport Authority under Section 158.23 of Part 158.

FOR FURTHER INFORMATION CONTACT: Mr. Robert Mendez, Manager, Washington Airports District Office, 101 West Broad Street, Suite 300, Falls Church, Virginia, 22046 (Tel. (703) 285-2570). The application may be reviewed in person at this same location.

SUPPLEMENTARY INFORMATION: The FAA proposes to rule and invites public comment on the application to impose and use the revenue from a PFC at Charlottesville-Albermarle Airport under the provisions of the Aviation Safety and Capacity Expansion Act of 1990 (Title IX of the Omnibus Budget Reconciliation Act of 1990) (Public Law 101-508) and Part 158 of the Federal Aviation Regulations (14 CFR Part 158).

On May 1, 1996, the FAA determined that the application to impose and use the revenue from a PFC submitted by the Charlottesville-Albermarle Airport Authority was substantially complete within the requirements of Section 158.25 of Part 158. The FAA will approve or disapprove the application, in whole or in part, no later than August 8, 1996.

The following is a brief overview of the application.

Level of the proposed PFC: \$3.00.

Proposed charge effective date: February 1, 2002.

Proposed charge expiration date: October 1, 2004.

Total estimated PFC revenue: \$3,745,504.

Brief description of proposed projects:—Overlay and groove runway 3-21 including making and signage, paving

Wednesday of the expiration month to the Friday preceding the third Wednesday. See Securities Exchange Act Release No. 32452 (July 13, 1993).

⁴ 17 CFR § 200.30-3(a)(12).