

pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder.⁴

A proposed rule change filed under Rule 19b-4(e)⁵ does not become operative prior to thirty days after the date of filing or such shorter time as the Commission may designate if such action is consistent with the protection of investors and the public interest. CHX has requested, in order for it to encourage CHX specialists to add more stocks to automated price improvement algorithm programs as soon as possible, that the Commission accelerate the implementation of the proposed rule change so that it may take effect prior to the thirty days specified under Rule 19b-4(e)(6)(iii).⁶ The Commission finds that the proposed rule change is consistent with the protection of investors and the public interest and therefore has determined to make the proposed rule change operative as of the date of this order.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-96-01 and should be submitted by February 22, 1996.

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

Margert H. McFarland,

Deputy Secretary.

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[Release No. 34-36778; File No. SR-CBOE-95-62]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving a Proposed Rule Change Regarding Book-Entry Settlement of Securities Transactions and Depository Eligibility Requirements

January 26, 1996.

On October 19, 1995, the Chicago Board Options Exchange, Incorporated ("CBOE") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-CBOE-95-62) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ On October 26, 1995, CBOE filed an amendment to the proposed rule change.² Notice of the proposed rule change was published in the Federal Register on December 18, 1995.³ 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, CBOE has added Rules 30.136 and 30.137 to Chapter XXX of its rules in an effort to encourage book-entry settlement of securities transaction.⁴ The new rules are in response to recommendations of the Group of Thirty, U.S. Working Committee ("U.S. Working Committee"), Clearance and Settlement Project ("Project"), regarding book-entry settlement of securities transactions.⁵ In

connection with the Project, the U.S. Working Committee recommended that settlements of transactions in corporate and municipal securities among financial intermediaries (brokers, dealers, and banks) and between financial intermediaries and their institutional clients be effected only by book-entry movements within a depository.⁶ Thereafter, six national securities exchanges and the National Association of Securities Dealers, Inc. ("NASD") adopted uniform book-entry settlement rules in conformity with the Committee's recommendations.⁷ Both of the CBOE's new rules are substantially the same as rules previously adopted by six other national securities exchanges and the NASD, which rules are designed to ensure that the vast majority of securities transactions effected in the U.S. will be settled by book-entry.⁸

Subject to certain exceptions set forth in the text of the rule and described below, CBOE Rule 30.136 requires the use of the facilities of a registered securities depository for the book-entry settlement of all transactions in depository eligible securities (1) between a CBOE member and a financial intermediary or a member of a national securities exchange or a registered securities association and (2) between a CBOE member and its customers if settlement is to be effected on a delivery-versus-payment ("DVP") or receipt-versus-payment ("RVP") basis. As is the case under comparable rules adopted by other self-regulatory organizations, Rule 30.136 does not apply to or affect the manner in which member firms settle (1) transactions with traditional retail customers (who typically do not have DVP/RVP privileges), (2) transactions in securities that are not depository eligible,⁹ or (3)

organizations was formed to study the existing U.S. clearance and settlement system and to recommend reforms consistent with the Group of Thirty recommendations.

⁶ U.S. Working Committee, Implementing the Group of Thirty Recommendations in the United States (November 1990).

⁷ Securities Exchange Act Release No. 32455 (June 11, 1993), 58 FR 33679 (order approving proposed rule changes of the American Stock Exchange ("Amex"), Boston Stock Exchange ("BSE"), Midwest Stock Exchange [now the Chicago Stock Exchange ("CHX")], New York Stock Exchange ("NYSE"), Pacific Stock Exchange ("PSE"), Philadelphia Stock Exchange ("PHLX"), and NASD requiring book-entry settlement of securities transactions).

⁸ Because CBOE did not then provide a market in depository eligible securities, it did not adopt the uniform rule at that time.

⁹ Under Rule 30.136(d), depository eligible securities is defined to mean securities that (i) are part of an issue (as identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (ii) with respect to a

Continued

⁴ 17 CFR 240.19b-4(e)(6) (1994).

⁵ 17 CFR 240.19b-4(e).

⁶ 17 CFR 240.19b-4(e)(6)(iii).

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from Michael L. Meyer, Schiff, Hardin & Waite, to Mark Steffensen, Division of Market Regulation ("Division"), Commission (October 16, 1995).

³ Securities Exchange Act Release No. 36568 (December 8, 1995), 60 FR 65074.

⁴ The rules in Chapter XXX govern the listing and trading of debt and equity securities, warrants, UIT interests, and such other securities as may be determined by CBOE's Board of Directors. Chapter XXX does not apply to the trading of option contracts.

⁵ The Group of Thirty is an independent, nonpartisan, nonprofit organization established in 1978. In its March 1989 report, the Group of Thirty made nine recommendations, including the recommendation that final settlement of securities transactions should occur by T+3, for harmonizing clearance and settlement practices worldwide. The U.S. Working committee, comprised of representatives from brokerage firms, banks, other financial intermediaries, and major industry

transactions in which settlement occurs outside the U.S. Rule 30.136 also does not apply to transactions where the securities to be delivered in settlement of a transaction are not on deposit at a securities depository and (1) the transaction is for same-day settlement and the deliverer cannot by reasonable efforts deposit the securities prior to the depository's cut-off time for same-day crediting of deposited securities or (2) the deliverer cannot by reasonable efforts deposit the securities prior to a cut-off time established for that issue by the depository. The latter exception is intended to address corporate reorganizations and other extraordinary activities.

CBOE Rule 30.137 also reflects a response to a directive from the Group of Thirty to address the need to raise clearing and settlement standards.¹⁰ Rule 30.137 requires that before any issue of a domestic issuer's securities is listed for trading on CBOE the issuer must represent to CBOE that the CUSIP number identifying the issue has been included in the file of eligible issues maintained by a registered securities depository. This requirement does not apply to a security if the terms of the security cannot be reasonably modified to meet the criteria for depository eligibility at all securities depositories. In addition, the rule does not apply to American Depositary Receipts for securities of a foreign issuer.

Rule 30.137 also sets forth additional requirements that must be met before a security will be deemed to be depository eligible within the meaning of the rule. These requirements are premised upon whether a new issue is distributed by an underwriting syndicate before or after the date a securities depository system is available for monitoring repurchases of the distributed shares by syndicate members (*i.e.*, a "flipping tracking system").

Currently, a flipping tracking system is being developed that: (1) Can be activated upon the request of the managing underwriter for a period of time that the managing underwriter specifies (2) in certain circumstances, will require the delivering participant to provide to the depository information

sufficient to identify the seller of such shares as a precondition to the processing of book-entry delivery instructions for distributed shares, and (3) will report to the managing underwriter the identity of any other syndicate member or selling group member whose customer(s) sold distributed shares (but will not report to the managing underwriter the identity of such customer[s]) and in certain circumstances will report to such syndicate member or selling group member the identity of such customer(s). Prior to the availability of a flipping tracking system, the managing underwriter may delay the date a security is deemed depository eligible for up to three months after trading has commenced in the security. After the availability of a flipping tracking system, a new issue must be depository eligible before commencement of trading on CBOE.

II. Discussion

The Commission believes that the rule change is consistent with Section 6(b)(5).¹¹ Section 6(b)(5), among other things, requires that the rules of a national securities exchange be designed to remove impediments to and perfect a national market system. Both the book-entry settlement and depository eligibility requirements should reduce the problems associated with settling securities transactions by means of physical delivery of certificates and thereby should promote the perfection of a national market system and should promote efficiencies within that system.

Furthermore, the Commission believes the rule change should promote the purposes of Section 17A of the Act.¹² In Section 17A, Congress called for the establishment of a national system for the prompt and accurate clearance and settlement of securities transactions. In Section 17A(e),¹³ Congress directed the Commission to use its authority to end the physical movement of securities certificates in connection with the settlement among brokers and dealers of transactions in securities.

Book-entry settlement of interdealer securities transactions has been a goal since Congress enacted the Securities Acts Amendments of 1975.¹⁴ Since 1975, substantial progress has been made in reducing the flow of physical certificates for settlement of interdealer

and institutional securities transactions.¹⁵ In 1993, the Commission approved the uniform book-entry settlement rules applicable to certain transactions in depository eligible securities¹⁶ as a means to facilitate the conversion from a five-day settlement cycle to a three-day settlement cycle, which occurred on June 7, 1995.¹⁷ The present rule change is designed to facilitate efficient and timely settlement of trades through the various market facilities and to further aid the transition to a three-day settlement cycle by requiring book-entry settlement of depository eligible issues and by increasing the number of such depository eligible securities.¹⁸ CBOE's addition of book-entry and depository eligibility requirements should reduce costs, risks, and delays associated with the physical delivery of securities certificates and should eliminate many of the labor intensive functions associated with physical delivery of nondepository eligibility securities.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposals are consistent with Sections 6 and 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁹ that the proposed rule change (File No. SR-

¹⁵ *E.g.*, Securities Exchange Act Release Nos. 22021 (September 23, 1983), 48 FR 45167 (order granting full registration to nine clearing agencies); 19698 (April 15, 1983), 48 FR 17604 (order implementing The Depository Trust Company's ("DTC") Fast Automated Securities Transfer program); 30283 (January 23, 1992), 57 FR 3658 (order implementing DTC's Deposit/Withdrawal at Custodian program); 30505 (March 20 1992), 57 FR 10683 (order eliminating DTC's Certificate on Demand service for most corporate issues); 31645 (December 23, 1992), 57 FR 62407 (order approving rule change requiring that most interdealer transactions in municipal securities be settled by book-entry through a depository); and 32455 (June 11, 1993), 58 FR 33679 (order approving uniform book-entry settlement rules).

¹⁶ *Supra* note 7 and accompanying text.

¹⁷ Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (adoption of Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (change of effective date of Rule 15c6-1 from June 1, 1995, to June 7, 1995).

¹⁸ Although the rule change should serve to further reduce the number of transactions in depository eligible securities for which settlement is effected by the delivery of physical certificates, it will not eliminate the ability of investors to obtain physical certificates after settlement of the transaction. As the Commission previously has noted, subject to an issuer's determination whether to make physical certificates available to shareholders, the Commission believes investors should be able to obtain negotiable certificates on request. Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 [File No. S7-34-94] at note 17.

¹⁹ 15 U.S.C. § 78s(b)(2) (1988).

particular transaction are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

¹⁰ The rule is substantially identical to a uniform depository eligible rule that was developed through the coordinated efforts of six national securities exchanges and the NASD and has been incorporated in the rules of those self-regulatory organizations. Securities Exchange Act Release No. 35798 (June 1, 1995), 60 FR 30909 (order approving proposed rule change of Amex, BSE, CHX, NYSE, PSE, PHLX, and NASD regarding uniform depository eligibility rules).

¹¹ 15 U.S.C. § 78f(b)(5) (1988).

¹² 15 U.S.C. § 78q-1 (1988).

¹³ 15 U.S.C. § 78q-1(e) (1988).

¹⁴ Pub. L. No. 94-29, 89 Stat. 97 (1975) (codified at 15 U.S.C. §§ 77-80h (1988)).

CBOE-95-62) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²⁰

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-2057 Filed 1-31-96; 8:45 am]

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[Release No. 34-36772; File No. SR-DGOC-96-01]

Self-Regulatory Organizations; Delta Government Options Corp.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Establishment of Fees Charged for Repurchase Agreements

January 25, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 16, 1996, Delta Government Options Corp. ("DGOC") 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 primarily by DGOC. 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 establish DGOC's fee schedule for repurchase and reverse repurchase agreements trades involving U.S. Treasury securities as the underlying instrument ("repos").

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

In its filing with the Commission, DGOC included statements concerning the purpose of and statutory basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DGOC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

The purpose of the proposed rule change is to establish DGOC's fee schedule for repo trades. On October 13, 1995, DGOC commenced its clearance and settlement system for repos.³ At that time, DGOC did not propose any fees. DGOC has now set fees for repo trades as follows.

Term of the trade	Fee based on invoice price ⁴
0-30 days05 Basis Points ⁵ per day.
Greater than 30 days	.033 Basis Points/per day.

DGOC believes that the proposed rule change is consistent with Section 17A(b)(3)(D) of the Act,⁶ which requires that the rules of a registered clearing agency provide for equitable allocation of reasonable dues, fees, and other charges for services it provides to its participants.

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

DGOC does not believe that the proposed rule change will impose 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 others

Comments were neither solicited nor received.

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by DGOC, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁷ and Rule 19b-4(e)(2) thereunder.⁸ At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the

³ For a description of DGOC's repo system, see Securities Exchange Act Release No. 36367 (October 13, 1995), 60 FR 54095.

⁴ Invoice price equals the amount for which the reverse repurchase agreement is settled (principal amount of the underlying securities plus the repo interest).

⁵ A basis point equals 1/100th of a percent.

⁶ 15 U.S.C. 78q-1(b)(3)(D) (1988).

⁷ 15 U.S.C. 78q-1(b)(3)(A) (1988).

⁸ 17 CFR 240.19b-4(e)(2) (1994).

public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 DGOC. All submissions should refer to the File No. SR-DGOC-96-01 and should be submitted by February 22, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-2013 Filed 1-31-96; 8:45 am]

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[Release No. 34-36780; File No. SR-NASD-96-03]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Association's FOCUS Filing Plan

January 26, 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 January 24, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD.¹ The

⁹ 17 CFR 200.30-3 (a)(12) (1994).

¹ The proposal was originally filed with the Commission on January 16, 1996. The NASD

²⁰ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² The Commission has modified parts of these statements.