

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

The purpose of the change is to respond to the needs of our constituents with respect to overall competitive market conditions and customer satisfaction.

(2) Statutory Basis

The basis under the Act for the proposed rule change is the requirement under Section 6(b)(4) that an Exchange have rules that provide for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its services.

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

The Exchange believes that the proposed fee change will not 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

The Exchange has not solicited, and does not intend to solicit, comments regarding the proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e) of Rule 19b-4 thereunder. At any time within 60 days of the filing of such 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 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 File No. SR-NYSE-96-39 and should be submitted by January 28, 1997.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38103; File No. SR-OCC-96-11]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change Relating to Membership Standards

December 31, 1996.

On August 30, 1996, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-OCC-96-11) 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 October 11, 1996.² No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The proposed rule change amends OCC's by-laws and rules regarding OCC's initial membership standards and the ongoing duties of clearing members as follows.

A. Article V, Section 1 of the By-Laws

Clause d. has been added to Interpretation .02 of the Interpretations and Policies ("Interpretations") under Article V, Section 1 of OCC's by-laws.

Clause d. provides that the Membership/Margin Committee ("Committee") of the Board of Directors ("Board") will not recommend approval of an application for clearing membership unless the applicant's Designated Examining Authority ("DEA") has stated that it has no objections to the application for clearing membership.³ Pursuant to that clause, the Committee, if requested in writing by the applicant, is permitted to waive the requirement in exceptional cases and where good cause is shown.

Interpretation .03 is amended to require that if an applicant elects to use an associated person⁴ to satisfy the applicable requirements of clause a. through c. thereof, the designated associated person must be a full time employee of the applicant.⁵ Interpretation .03 also is amended to require that the key operations employees required to have attended applicable OCC operations readiness review sessions and successfully completed any applicable OCC operational and financial examinations for operations employees be full time employees and attend all such review sessions. Interpretation .04 is amended to eliminate the ability of an applicant for clearing membership to enter into a facilities management arrangement with a non-clearing member.⁶

Interpretation .05 is added to authorize the Committee to recommend to the Board that additional financial requirements be imposed on an applicant for clearing membership (e.g., an increase in net capital or a requirement to make and maintain

³ Under OCC's current membership review procedures, an applicant's DEA is contacted for information regarding the applicant and is requested to provide advice or any objections with respect to the applicant's ability to self-clear option transactions.

⁴ Associated person is defined in Interpretation .03 as any partner, officer, director, or branch manager of such applicant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such applicant, or any employee of such applicant.

⁵ Clauses a. through c. require that: an applicant that is a registered broker-dealer must be registered as a "Limited Principal—Financial Operations" with the National Association of Securities Dealers; an applicant that is applying for clearing membership as an exempt Canadian clearing member must be registered as a principal/director/officer and as a designated registered options principal with the Investment Dealers Association of Canada; and an applicant that is a non-U.S. securities firm must have completed any applicable OCC financial and operational examination for employees who are responsible for supervising the preparation of applicant's financial reports.

⁶ Currently, OCC has two clearing members that use the same non-clearing member facilities manager.

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 37792 (October 7, 1996), 61 FR 53475.

initial margin deposits) or that restrictions be imposed on the applicant's clearance of option transactions if the Committee has determined that the applicant's financial or operational condition in relation to the business that the applicant has proposed to transact through OCC makes such action necessary or advisable for the protection of OCC, clearing members, or the general public. The Board is required to review independently such a recommendation to determine whether it should be imposed on an applicant. Any requirements or restrictions so imposed would remain in force for the period determined by the Board but will last no longer than the end of the first three calendar months commencing after the applicant's admission to clearing membership. Furthermore, Interpretation .05 states that the imposition of any additional requirements or restrictions so imposed shall not preclude OCC from imposing contemporaneous requirements or restrictions pursuant to other provisions of OCC's by-laws and rules.⁷

B. Article V, Section 3 of the By-Laws

Interpretation .01 has been added to Section 3 of Article V. That interpretation requires an applicant approved for clearing membership subject to the satisfaction of specified conditions to meet those specified conditions within six months from the date on which its application is approved unless the Board prescribes a shorter time period at the time of approval. If an applicant fails to meet the specified conditions within the applicable time period, the approval of the application will be deemed withdrawn, and the application will be deemed to have lapsed unless the period to satisfy those conditions is extended by OCC. Any applicant seeking an extension will be required to make a written request specifying any material changes that have occurred in its ability to transact business with OCC. The Chairman or the President is vested with the authority to approve or disapprove an extension request. No deadline can be extended beyond one year from the date the application originally was approved.

C. Chapter II of the Rules

Rule 201 is amended (i) to delete the requirement that each clearing member maintain an office in the vicinity of the office of OCC and (ii) to require every clearing member to provide OCC with prompt written notice of the relocation

of its principal office or the office maintained by the clearing member to comply with the requirements of Rule 201(a) and with respect to a non-U.S. clearing member, prompt notice of a material change in the office arrangements OCC had previously found satisfactory.

Rule 214(a) is amended to require that only associated persons who are full time employees of a clearing member may satisfy the applicable requirements of that rule.⁸ Interpretation .02 thereunder is amended (i) to shorten the time period from one year to three months within which a clearing member must replace an associated person through whom a clearing member has been meeting the requirements of the rule and (ii) to require prompt, written notice of any separation between the clearing member and such associated person.

Rule 215 has been added to require each clearing member to provide OCC with prompt, prior, written notice of material changes to its operations including: (i) its involvement in any merger, combination, or consolidation; (ii) the acquisition of another entity; (iii) the sale of a significant portion of its assets; (iv) a change in its form of business organization or the name under which it does business; and (v) a change in the direct or indirect beneficial ownership of 10% or more of the equity of the clearing member. Clearing members will be required to provide OCC with such documents as OCC might require with respect to such events as well as a list of persons or entities that are the beneficial owners directly or indirectly of 10% or more of the equity of the clearing member.

II. Discussion

Section 17A(b)(3)(F)⁹ of the Act requires that the rules of a clearing agency be designed to safeguard securities and funds in its custody or control. The proposal should assist OCC in this regard by helping to ensure that only entities that meet certain standards are admitted to OCC membership. For example, seeking the approval of an applicant's DEA prior to admission should help OCC to confirm that the admission is consistent with the applicant's current operations. Furthermore, by allowing the Committee to recommend that additional requirements or restrictions be placed on an applicant, OCC should be better able to monitor such applicant

and evaluate the risks such applicant poses to OCC. Similarly, by requiring applicants to meet all conditions of membership within six months of admission, OCC limits the risk that such applicant poses to OCC while permitting an applicant a reasonable amount of time to comply with OCC rules.

Members are now required to provide OCC prompt notice of such events as a change in office or a material change in operations. By providing prompt notice of these changes, the proposal should enable OCC to better monitor the financial and operational status of its members. By admitting applicants subject to certain conditions and by monitoring members' conditions, OCC should be able to further reduce the risk of member default and thereby further reduce the risk that OCC may need to expend funds in satisfaction of a defaulting member's obligations. Thus, the proposal should assist OCC in safeguarding funds and securities.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular 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-96-11) be and hereby is approved.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38105; File No. SR-OCC-96-13]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change Relating to Unit Investment Trusts as Margin Collateral

December 31, 1996.

On September 6, 1996, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-OCC-96-13) 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

⁸ Rule 214(a) contains provisions similar to Interpretation .03 of Article V, Section 1 of the by-laws, *supra* notes 4 and 5 and accompanying text.

⁹ 15 U.S.C. 78q-1(b)(3)(F).

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

⁷ *E.g.*, OCC Rule 305.