

Options maturity	Fee
91 days up to 2 years	\$15 per option contract per participant.

The proposed rule change complies with Section 17A(b)(3)(D) of the Act<sup>3</sup>, which requires that the rules of a registered clearing agency provide for equitable allocation of reasonable dues, fees, and other charges for services which it provides to its participants. DCC believes the proposed rule change will result in increased utilization of its clearing services thereby resulting in more securities transactions being cleared and settled through a registered clearing agency environment.

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

DCC 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. Comments were neither solicited nor received.

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

#### **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 DCC, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>4</sup> and Rule 19b-4(e)(2) thereunder.<sup>5</sup> 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 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 DCC. All submissions should refer to the File No. SR-DCC-96-15 and should be submitted by February 11, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-38162; File No. SR-MSRB-96-13]

#### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Interpretation of Rule G-12(h) on Close-Outs**

January 13, 1997.

On December 23, 1996, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-96-13), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. 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 Board is filing an interpretive notice concerning rule G-12(h) on Close-Outs (hereinafter referred to as "the proposed rule change"). The rule currently requires that a dealer taking action in a close-out must provide telephonic notice to the appropriate party, followed no later than the next business day with a written notice.<sup>2</sup> The

rule further requires that written notices be sent "return receipt requested." The Board previously has interpreted this provision to allow the use of certified mail, registered mail, messenger services, and Depository Trust Company's Participant Exchange Service ("PEX") system. Use of these procedures allows the sender to obtain acknowledgment of delivery of the notice from the recipient.

#### **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 Board 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 Board 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*

##### **(1) Purpose**

Dealers have asked whether the use of a facsimile transmission would satisfy the requirement in the rule that written notices be sent "return receipt requested." The Board has determined that the requirements of the rule would be satisfied by the facsimile transmission of written notices as long as the facsimile transmission provides the sender with an acknowledgment of successful delivery of the notice. The Board emphasizes that, prior to the sending of written notices, dealers are required to notify the appropriate parties by telephone of their intention to take action under Board rule G-12(h) on close-outs.

##### **(2) Statutory Basis**

The Board believes the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act,<sup>3</sup> which provides that the Board's rules shall:

Be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open

Out Procedures contains a detailed explanation of the procedures required by rule G-12(h).

<sup>3</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Telephonic and written notices are required when dealers (i) originate a close-out; (ii) retransmit a close-out; (iii) extend delivery dates; and (iv) execute a close-out. The Board's Manual on Close-

<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(e)(2).

market in municipal securities, and, in general, to protect investors and the public interest \* \* \*.

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

The Board does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, since it would apply equally to all brokers, dealers, and municipal securities dealers.

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

The Board has not solicited or received comments on the proposed rule change.

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

The foregoing rule change constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of the Board's existing rule G-12(h), and therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>4</sup> and subparagraph (e) of Rule 19b-4<sup>5</sup> thereunder. At any time within 60 days of filing of the proposed rule change, the Commission may summarily abrogate the 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 people are invited to submit written data, views, and arguments concerning the foregoing. People 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. Copies of the filing will also be available for inspection and copying at

the Board's principal offices. All submissions should refer to File No. SR-MSRB-96-13 and should be submitted by February 11, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-38165; File No. SR-OCC-96-19]

#### **Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Accelerated Approval of a Proposed Rule Change Relating to the Expiration Time and Assignment Processing Procedures for Certain Flexibly Structured Foreign Currency Options**

January 14, 1997.

On December 17, 1996, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-OCC-96-19) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") to modify the expiration time and assignment processing procedures for certain flexibly structured foreign currency options.<sup>1</sup> Notice of the proposal was published in the Federal Register on December 23, 1996.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

#### *I. Description*

The rule change modifies the expiration time and assignment processing procedures for certain flexibly structured foreign currency options, including certain flexibly structured cross-rate foreign currency options. Under the rule, all flexibly structured foreign currency options and flexibly structured cross-rate foreign currency options (collectively referred to as "flexibly structured FCOs") listed for trading after January 14, 1997, and expiring on or after April 1, 1997, will expire at 10:15 a.m. Eastern Time ("ET") instead of 11:59 p.m. ET. Furthermore, all flexibly structured FCOs will be subject to pro rata assignment instead of random assignment.

<sup>6</sup> 17 CFR 200-30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 38070 (December 20, 1996), 61 FR 68807.

The Philadelphia Stock Exchange ("PHLX") presently trades two types of flexibly structured FCO contracts. They are (1) flexibly structured FCOs for which market participants do not specify an expiration date ("standard flex FCOs") which expire on standard mid-month and end-of-month expiration dates at 11:59 p.m. ET (this expiration time is consistent with standard foreign currency options); and (2) custom dated flexibly structured FCOs ("custom dated flex FCOs") for which market participants specify the expiration date and which expire at 10:15 a.m. ET on such expiration date. Exercise notices regarding standard flex FCOs are subject to random assignment processing. Exercise notices regarding custom dated flex FCOs are subject to pro rata assignment processing.

PHLX requested that OCC modify its rules to provide that the expiration time for both types of flexibly structured FCOs be 10:15 a.m. ET on their expiration date, and that exercises involving such flexibly structured FCOs be assigned pursuant to OCC's pro rata procedures.<sup>3</sup> PHLX also requested that this change be effective for any standard flex FCOs listed for trading after January 14, 1997, with an expiration on or after April 1, 1997. Accordingly, any standard flex FCO contract established on or before January 14, 1997, will expire at 11:59 p.m. ET and be subject to a random assignment process. Currently, there is open interest in standard flex FCOs expiring mid-month and end-of-month for the months of March, April, July, September, and October 1997.<sup>4</sup> Because the existing standard flex FCOs will be exempt from the new procedures, OCC will be required to execute two separate processing cycles, one in the morning and one in the evening. OCC has represented to the Commission that the execution of two separate processing cycles will not adversely affect OCC or its participants.<sup>5</sup>

<sup>3</sup> The Commission has approved a proposed rule change by PHLX regarding the trading hours, expiration times, assignment procedures and other operational procedures for flexibly structured FCOs. Securities Exchange Act Release No. 37718 (September 24, 1996), 61 FR 51479 [File No. SR-PHLX-96-13] (order approving proposed rule change).

<sup>4</sup> Notwithstanding the above, PHLX has indicated that it may ask holders of existing series to direct OCC to adjust the expiration time so that such contracts will expire at 10:15 a.m. ET with pro rata assignment. If the holders and the writers direct OCC to make these adjustments, OCC will act accordingly provided that OCC receives the proper authorizations from all parties involved.

<sup>5</sup> Additionally, OCC believes that the change in assignment processing is merely a change in OCC's procedures and does not affect the methodologies of either the random or pro rata assignment process.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4.