

if a buy order, or minus if a sell order, an odd lot differential, if any).

Third, with regard to stop orders, the proposal states that an odd lot stop order to buy shall become a market order when a regular way round lot transaction takes place at or above the price of the stop order on the primary market.<sup>6</sup> An odd lot stop order to sell shall become a market order when a regular way round lot transaction takes place at or below the price of the stop order on the primary market.<sup>7</sup> (The current rule states that an odd lot stop order becomes a market order when a round lot transaction takes place on the primary market, which in the case of a buy order is at or above the stop price; or which in the case of a sell order is at or below the stop price; and it further states, that the order shall then be filled at the price of the next round lot transaction which takes place on the primary market, plus if a buy order, or minus if a sell order, an odd lot differential, if any.)

Fourth, the proposed rule states that it shall be inconsistent with the purpose and intent of this Rule to engage in the following actions: (a) The unbundling of round-lots for the purpose of entering odd-lot limit orders in the comparable amounts; (b) the failure to aggregate odd-lot orders into round-lots when such orders are for the same account or for various accounts in which there is a common monetary interest; and (c) the entry of both buy and sell odd-lot limit orders in the same stock before one of the orders is executed for the purpose of capturing the "spread" in the stock. It further states that, in general, the Exchange views order entry practices that are intended to circumvent the round-lot auction market as abuses of the intent and purpose of the odd-lot system and such practices shall be considered violations of these rules.

Finally, the Exchange is proposing to remove several provisions from the rules relating to odd lot executions that no longer apply. First, the Exchange is proposing to eliminate all provisions in Rule 5.34(b) on odd lot differentials. Second, the proposal modifies rule 5.34(b) to eliminate the distinction between "PMP stocks" and "non-PMP stocks."<sup>8</sup>

## 2. Basis

The Exchange believes that the proposal is consistent with section 6(b)

of the Act, in general, and Section 6(b)(5) of the Act, in particular, in that it is designed to facilitate transactions in securities and to promote just and equitable principles of trade.

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

The Exchange 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*

Written comments on the proposed rule change were neither solicited nor received.

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

Within 35 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 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 such 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 submission 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 the PSE. All submissions should refer to File No. SR-PSE-96-35

and should be submitted by January 27, 1997.

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

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 97-151 Filed 1-3-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38093; File No. SR-Phlx-96-32]

## **Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 to Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Index Options Exercise Advices**

December 27, 1996.

### I. Introduction

On July 29, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Exchange Rule 1042A, Exercise of Option Contracts, and Floor Procedure Advice ("Advice") G-1, retitled Index Option Exercise Advice Forms. On December 4, 1996, the Exchange submitted Amendment No. 1 to their proposal to provide that the deadline for submitting a memorandum to exercise and an exercise advice form will be "no later than 4:30 p.m. or fifteen minutes after the close of trading, if it occurs at a time other than the regular close of trading."<sup>3</sup> Currently, the deadline for such submissions is "no later than 4:30 p.m." In addition, the Phlx proposed to codify that anyone intending to exercise index options must complete a memorandum to exercise and/or an exercise advice form in compliance with the exercise cut-off time and must exercise the amount of

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Letter from Philip H. Becker, Senior Vice President, Chief Regulatory Officer, Phlx, to Matthew Morris, Office of Market Supervision, Division of Market Regulation, Commission, dated December 4, 1996 ("Amendment No. 1"). According to the Phlx, the purpose of this change is to clarify that modified hours are not limited to trading hours extending beyond 4:15 p.m., but include any modification to Exchange trading hours, including an early close. As such, the Phlx's revised rule language does not alter the Exchange's original intent. (The Commission notes that the Exchange inadvertently filed Amendment No. 1 to the rule proposal as Amendment No. 2.)

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> "PMP" stocks are those for which Exchange specialists provide primary market protection. Today, such protection applies to all stocks that may be executed on P/COAST, the Exchange's automatic execution system for equity securities.

option contracts indicated on such forms.

The proposed rule change appeared in the Federal Register on August 28, 1996.<sup>4</sup> No comments were received on the proposed rule change. This order approves the Phlx's proposal, as amended.

## II. Background and Description

Exchange Rule 1042A and Advice G-1 govern the exercise of index options.<sup>5</sup> Specifically, Exchange Rule 1042A(a)(i) requires that a memorandum to exercise any American-style index option contract must be received or prepared by the Phlx member organization no later than 4:30 p.m. on the day of exercise. In addition, Exchange Rule 1042A(a)(ii) requires the submission of an exercise advice form to the Exchange no later than 4:30 p.m. when exercising American-style index option contracts.<sup>6</sup>

In this regard, the Exchange has attempted to create a level playing field among option investors by maintaining a cut-off time to ensure that all exercise decisions occur promptly after the close of trading. Consequently, to prevent fraud and unfairness, a long option holder is prohibited from exercising index options on non-expiration days based on information obtained after the cut-off.<sup>7</sup>

The Exchange currently proposes to amend these provisions such that the exercise cut-off time would be 4:30 p.m.

<sup>4</sup> See Securities Exchange Act Release No. 37593 (August 21, 1996), 61 FR 44379 (August 28, 1996).

<sup>5</sup> The Exchange notes that with respect to index option contracts, clearing members are also required to follow the procedures of the Options Clearing Corporation ("OCC") for tendering exercise notices. Exercise notices are the exercise instructions required by OCC and are distinct from exercise advices which are required by Exchange rules.

<sup>6</sup> The Phlx notes that Exchange Rule 1042A previously allowed the submission of a memorandum to exercise and an exercise advice form until five minutes after the close of trading. See Securities Exchange Act Release No. 32991 (September 30, 1993), 58 FR 52337 (October 7, 1993) (File No. SR-Phlx-92-31). Specifically, the exercise cut-off time for narrow-based index options was 4:15 p.m. or five minutes after the close of trading, and for broad-based index options it was 4:20 p.m. or five minutes after the close of trading. When the exercise cut-off time was changed to 4:30 p.m., however, the language "or five minutes after the close of trading" was deleted. See Securities Exchange Act Release No. 37077 (April 5, 1996), 61 FR 16156 (April 11, 1996) (File No. Phlx-95-86). As such, the Phlx's current proposal resurrects this concept.

<sup>7</sup> Pursuant to Exchange Rule 1042A(b), however, these requirements are not applicable on the last business day before expiration, generally an "expiration Friday." The above requirements are also not applicable to European-style index options which, by definition, cannot be exercised prior to expiration. Lastly, the Exchange notes that the procedures for exercising equity option contracts, contained in Exchange Rule 1042, are not affected by this rule proposal.

or fifteen minutes after the close of trading, if it occurs at a time other than the regular close of trading. For instance, on certain days prior to a holiday, the Exchange may cease trading broad-based index options at 1:15 p.m. Under the current rule, however, the exercise cut-off time would remain at 4:30 p.m., regardless of when trading ceased. In comparison, under the proposal, the exercise cut-off time in the above example would change to 1:30 p.m.

With respect to trading hours extending beyond 4:15 p.m., the Exchange notes that in certain situations a trading rotation may occur after the ordinary 4:10 or 4:15 p.m. close of trading. For instance, if a halt in the trading of a component issue causes an index option to halt trading, and if the index option re-opens at 4:00 p.m., an opening rotation may need to be conducted. Because such rotation may result in extended trading hours, the exercise cut-off time under the proposal would be fifteen minutes after the end of the rotation. In this manner, a cut-off time of fifteen minutes after the close of trading will ensure that index option traders and investors have adequate time to make exercise decisions.

In addition, the Exchange proposes to adopt an amendment procedure to facilitate changes in exercise decisions prior to the cut-off time. The amended exercise advice form and amendment procedure should add certainty to the exercise process by clarifying how a change in a decision to exercise should be indicated to the Exchange. In this manner, when amending an exercise decision, a new exercise advice form must be filed with the Exchange, listing all exercise decisions, not just the one being amended. Omitting one series means that no exercise of that series is intended and a violation of the rule occurs if that series is exercised. Further, all exercise advice forms, whether original or those amending previous submissions, must be filed prior to the exercise cut-off time.

## III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b)(5),<sup>8</sup> in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in

regulating, clearing, settling, and processing information with respect to securities, as well as to protect investors and the public interest, by allowing a reasonable amount of time to submit an exercise decision when trading hours are modified or extended. The Commission believes that the amendments to Exchange Rule 1042A and Advice G-1 which modify the deadline for submitting exercise advice forms and memoranda will benefit market participants by enabling them to make investment decisions based upon the evaluation of their final positions after having completed trading for the day. Specifically, the proposal clarifies the application of Exchange Rule 1042A and Advice G-1 during periods when trading ends at a non-regular time. This clarification should help ensure that market participants have neither an inadequate nor an excessive amount of time in order to make their option exercise decisions after the close of trading.<sup>9</sup>

The Commission finds good cause to approve Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. Specifically, because the revised rule language contained in Amendment No. 1 only serves to clarify the Exchange's submitted proposal, no new regulatory concerns are raised. In addition, the Phlx's rule proposal was subject to a full notice and comment period, and no comments were received. Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 1 to the proposed rule change on an accelerated basis.

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1 to the rule proposal. 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

<sup>9</sup> The Commission notes that any change to the Phlx's regular trading hours for affected options would require an amendment to Exchange Rule 1042A and Advice G-1 in order to maintain the appropriate time interval allowed between the close of trading and the required submission of exercise forms and memoranda.

<sup>8</sup> 15 U.S.C. § 78f(b) (1988).

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 also will be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-96-32 and should be submitted by January 27, 1997.

#### IV. Conclusion

For the foregoing reasons, the Commission finds that the Phlx's proposal is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-Phlx-96-32), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 97-148 Filed 1-3-97; 8:45 am]

BILLING CODE 8010-01-M

---

## DEPARTMENT OF TRANSPORTATION

### Aviation Proceedings; Agreements Filed During the Week Ending 12/20/96

The following Agreements were filed with the Department of Transportation under the provisions of 49 U.S.C. 412 and 414. Answers may be filed within 21 days of date of filing.

*Docket Number:* OST-96-2026.

*Date filed:* December 17, 1996.

*Parties:* Members of the International Air Transport Association.

*Subject:* PTC3 0026 dated December 10, 1996 r1; Within Southeast Asia (US Territories); PTC3 0031 dated December 10, 1996 r2; Southeast Asia-SW Pacific (US Territories); (Summary attached.); Intended effective date: expedited January 15, 1996.

*Docket Number:* OST-96-2027.

*Date filed:* December 17, 1996.

*Parties:* Members of the International Air Transport Association.

*Subject:* PTC3 0024 dated December 10, 1996 r1; PTC3 0025 dated December 10, 1996 r2-3; PTC3 0027 dated December 10, 1996 r4; PTC3 0028 dated December 10, 1996 r5-6; PTC3 0029 dated December 10, 1996 r7; PTC3 0030 dated December 10, 1996 r8; PTC3 0032 dated December 10, 1996 r9; PTC3 0033 dated December 10, 1996 r10; PTC3

0034 dated December 10, 1996 r11; Expedited TC3 Resolutions; Intended effective date: expedited January 15, 1996.

*Docket Number:* OST-96-2031.

*Date filed:* December 19, 1996.

*Parties:* Members of the International Air Transport Association.

*Subject:* COMP Telex Reso 033f; Local Currency Rate Changes—Pakistan; Intended effective date: upon government approvals.

Paulette V. Twine,

*Chief, Documentary Services.*

[FR Doc. 97-124 Filed 1-3-97; 8:45 am]

BILLING CODE 4910-62-P

---

### Notice of Applications for Certificates of Public Convenience and Necessity and Foreign Air Carrier Permits Filed Under Subpart Q During the Week Ending December 20, 1996

The following Applications for Certificates of Public Convenience and Necessity and Foreign Air Carrier Permits were filed under Subpart Q of the Department of Transportation's Procedural Regulations (See 14 CFR 302.1701 et. seq.). The due date for Answers, Conforming Applications, or Motions to modify Scope are set forth below for each application. Following the Answer period DOT may process the application by expedited procedures. Such procedures may consist of the adoption of a show-cause order, a tentative order, or in appropriate cases a final order without further proceedings.

*Docket Number:* OST-96-2028.

*Date filed:* December 17, 1996.

*Due Date for Answers, Conforming Applications, or Motion to Modify Scope:* January 14, 1997.

*Description:* Application of United Air Lines, Inc., pursuant to 49 U.S.C. Section 41101, and Subpart Q of the Regulations, applies for renewal of authority to engage in scheduled foreign air transportation of persons, property, and mail between the terminal point Los Angeles, California, and Mexico City, Mexico, and beyond Mexico City to the following points: Guatemala City, Guatemala; San Salvador, El Salvador; Tegucigalpa, Honduras; Managua, Nicaragua; San Jose, Costa Rica; Panama City, Panama; Barranquilla, Colombia; Maracaibo and Caracas, Venezuela; Port of Spain, Trinidad and Tobago; Georgetown, Guyana; Paramaribo, Suriname; Sao Paulo, Rio de Janeiro, Brasilia and Belem, Brazil; Montevideo, Uruguay; and Buenos Aires, Argentina.

These services are authorized on segment 4 of United's Certificate of

Public Convenience and Necessity for Route 566.

Paulette V. Twine,

*Chief, Documentary Services.*

[FR Doc. 97-125 Filed 1-3-97; 8:45 am]

BILLING CODE 4910-62-P

---

### Office of the Secretary of Transportation

[Docket No. OST-96-1188]

#### National Freight Transportation Policy

**AGENCY:** Office of the Secretary of Transportation, Department of Transportation.

**ACTION:** Final Policy Statement.

**SUMMARY:** The Department of Transportation is publishing a final policy statement on freight transportation that establishes the most important principles that will guide Federal decisions affecting freight transportation across all modes. The aim of these guiding principles is to direct decisions to improve the Nation's freight transportation systems to serve its citizens better by supporting economic growth, enhancing international competitiveness and ensuring the system's continued safety, efficiency and reliability while protecting the environment. We are maintaining Docket No. OST-96-1188 to receive comments or suggestions that could be useful in preparing future editions of this policy statement. It is our intention to update the statement periodically as warranted by changing conditions and events.

**EFFECTIVE DATE:** January 6, 1997.

**ADDRESSES:** Submit written, signed comments to Docket No. OST-96-1188, the Docket Clerk, U.S. Department of Transportation, Room PL-401, C-55, 400 Seventh Street, SW., Washington, DC 20590. All comments received will be available for examination at the above address between 9:00 a.m. and 5:00 p.m., ET, Monday through Friday, except Federal holidays. Those desiring notification of receipt of comments must include a self-addressed, stamped envelope or postcard.

**FOR FURTHER INFORMATION CONTACT:** Mr. Carl Swerdloff, Office of Economics, at (202) 366-5427, Office of the Secretary, 400 Seventh Street, SW., Washington, DC 20590. Office hours are from 8:30 a.m. to 5:00 p.m. ET, Monday through Friday, except Federal holidays.

Summary of Written Submissions to the Docket

Written responses to the Notice of Proposed Policy (NPP) were received

<sup>10</sup> 15 U.S.C. § 78s(b)(2) (1988).

<sup>11</sup> 17 CFR 200.30-3(a)(12).