

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

DTC has not solicited comments from its participants on the proposed rule change. A number of DTC participants have requested that DTC develop a custody service and informally have committed to using such a service.

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

Within thirty-five 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 ninety 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 DTC consents, the Commission will:

(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-96-08 and should be submitted by June 28, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-14357 Filed 6-6-96; 8:45 am]

**BILLING CODE 8010-01-M**

[Release No. 34-37258; File No. SR-OCC-95-17]

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Modifying the Escrow Deposit Program**

May 30, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 2, 1995, The Options Clearing Corporation ("OCC") 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 OCC. OCC amended the proposed rule change on March 22, 1996.<sup>2</sup> 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 amend OCC's escrow deposit program to permit escrow deposits for stock put contracts and stock index put contracts and to make other conforming changes to OCC's rules.

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>3</sup>

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

OCC proposes to modify its escrow deposit program to (i) permit escrow deposits for stock put options and stock index put options; (ii) delete provisions regarding OCC's batch system for processing escrow receipts; (iii) change provisions regarding the timing of the release of escrow deposits; and (iv)

delete provisions for bulk deposits for call options and deposits of Treasury bills for put options. In addition, OCC proposes to modify other OCC rules to conform to this rule change.

Pursuant to OCC rules, clearing members may deposit with an OCC approved custodian shares of stock which may be in the form of escrow deposits, underlying certain options in lieu of margin. Escrow deposits are specific deposits of assets held by OCC at an approved custodian for the account of a specific customer. Presently, OCC's rules restrict escrow deposits to short positions in stock calls and stock index calls. For stock call options, the underlying security may be deposited in escrow with an OCC-approved custodian and for stock index call options, any combination of cash, short-term government securities, or marginable equity securities may be deposited in escrow with an OCC-approved custodian.

Permitting escrow deposits with respect to stock put contracts and stock index put contracts had been deferred until sufficient interest existed and an acceptable system could be developed to process escrow deposits for put options. OCC recently received requests to expand its escrow program to include such deposits for stock and stock index puts. Those requests prompted OCC to review its escrow program and its processing systems that support the escrow program. As a result thereof, OCC determined to make several enhancements and modifications to its escrow program as described below.

First, OCC proposes to expand its escrow program to permit escrow deposits for stock put contracts and stock index put contracts and process those deposits through its on-line Escrow Receipt Depository ("ERD") system.<sup>4</sup> To accomplish the proposed expansion of its escrow program, certain changes to OCC Rules 610 and 1801 are necessary. In general, the changes will accommodate the Deposit of any combination of cash and short-term government securities for put contracts, will provide for the valuation and substitution of deposited assets and, in the event of the value of the property declines below a specified amount, will permit OCC to disregard the escrow

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

<sup>2</sup> Letter from Jean M. Cawley, OCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (March 20, 1996).

<sup>3</sup> The Commission has modified the text of the statements prepared by OCC.

<sup>4</sup> For a complete description of the batch ERD system and the transition to the on-line ERD system, refer to Securities Exchange Act Release No. 31595 (December 11, 1992), 57 FR 61139 [SR-OCC-92-30] (order approving on an accelerated basis a proposed rule change relating to the conversion of OCC's current batch ERD system to an on-line system).

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1995).

deposit and require the clearing member to deposit margin upon notice.

Second, OCC proposes to eliminate its batch ERD system for processing escrow receipts. OCC always contemplated that the on-line ERD system would eventually replace the batch ERD system after a reasonable transition period. OCC believes that clearing members and custodian banks now have completed their transition to the on-line system because the batch ERD system is no longer used. To eliminate the batch ERD system, the proposed changes will eliminate references to escrow receipts in Rule 610 and 1801, and the batch processing system described in Rule 613(a).

Third, OCC proposes to modify the time at which it releases escrow deposits. OCC currently releases an escrow deposit on the second business day following the expiration of the short position covered by the deposit, and thereafter if assigned, collects margin for the position formerly covered by the deposit until the next business day after the exercise settlement date. OCC now proposes to hold an escrow deposit covering a short position to which an exercise has been allocated until the business day after the exercise settlement date and will no longer collect margin.

Fourth, OCC proposes to eliminate bulk deposits of underlying securities for call options and the deposit of Treasury bills for put options because these capabilities have been rarely, if ever, used by clearing members. Furthermore, the provisions for depositing Treasury bills for put options is being superseded by the new provisions for put escrow deposits.

Finally, OCC proposes to modify rules that relate to the suspension and liquidation of a clearing member to conform the rules to the changes to OCC's escrow deposit program described above.

## Changes to OCC's Rules

### Rule 610

Rule 610 is being amended to permit deposits of cash and/or short-term Government securities (with such securities being valued at the lesser of par value or 100% of current market value) with respect to short positions in put options. The proposal also adds Section 2 to the Interpretations and Policies ("Interpretations") under Rule 610, which interpretation states that for purposes of Rule 610 the term short-term government securities means securities with a fixed principal amount that are issued or guaranteed by the U.S. and that have one year or less to

maturity. As proposed, the total value of the deposited property at the trade date (*i.e.*, the date on which the put covered by the deposit was written) will have to be not less than 105% of the aggregate exercise price (*i.e.*, the exercise price times the number of contracts). This requirement in conjunction with OCC's ability under proposed paragraph (h) to require margin if the value of the deposited property falls below 97.5% of the aggregate exercise price should provide ample protection against adverse market moves. Substitution of deposited property will be permitted provided that the substituted property is at least equal to the value of the property being replaced.

Paragraph (k) is being added to Rule 610 to make explicit OCC's authority to receive from the depository if a clearing member fails to make timely settlement with respect to an assignment (i) in the case of call options, the underlying security or (ii) in the case of put options, an amount in cash (out of the deposited property or its proceeds) equal to the aggregate exercise price plus commissions and other charges.

Rule 610 also is being amended to make various other changes, including changes to make clear that underlying securities may be deposited only with respect to short positions in call options, to eliminate unnecessary provisions of the rule, and to reletter the rule to reflect the deletion and addition of certain paragraphs.<sup>5</sup>

### Rule 1801

The proposed changes to OCC rule 1801 are intended to permit escrow deposits with respect to short positions in put index options carried in clearing members' customers' accounts. Currently, such deposits must relate to short positions in call index options carried in customers' accounts. In

general, the changes to rule 1801 parallel those being made to Rule 610 to accommodate escrow deposits for put options.

Under amended rule 1801, only cash and short-term government securities will be permitted to be deposited for index put option contracts. A proposed Interpretation to Rule 1801 clarifies that short-term government securities means securities that have a fixed principal amount, that are issued or guaranteed by the U.S., and that have one year or less to maturity. The total value of the deposited property at the trade date (*i.e.*, the date on which the put covered by the deposit was written) cannot be less than the aggregate exercise price per contract. The 5% cushion above the aggregate exercise price that OCC proposes to require for equity put escrow deposits is unnecessary for index put escrow deposits because the settlement amount payable on exercise of an index put is not the gross exercise price but rather is the excess of the exercise price over the closing index value. An escrow deposit with a value equal to 100% of the aggregate exercise price would thus exceed the exercise settlement amount so long as the underlying index value remained above zero. Requiring an escrow deposit with a value equal to 100% of aggregate exercise price in conjunction with OCC's ability under the proposed amendment to rule 1801(e) to require margin if the value of the deposited property falls below 50% of the aggregate exercise price per contract should provide ample protection against adverse market moves. Substitution of deposited property will be permitted provided that the substituted property is at least equal to the value of the property being replaced.

New paragraph (i) is being added to rule 1801 to make explicit OCC's authority to receive from the depository if a clearing member fails to make timely settlement with respect to an assignment an amount in cash (out of the deposited property or its proceeds) equal to the product of the number of contracts covered by the assignment (up to the aggregate number of contracts covered by the escrow deposit) and the exercise settlement amount per contract plus commissions and other charges.

Rule 1801 also is being amended for various other reasons, including to make clear that marginable equity securities may be deposited only with respect to short positions in index call option contracts, to eliminate provisions for hard copy escrow receipts, and to reletter the rule to reflect the addition of new paragraph (i).

<sup>5</sup> Provisions for bulk deposits are being deleted as clearing members have rarely, if ever, made such deposits with OCC. Provisions for hard copy escrow receipts are being deleted as are provisions for hard copy third party pledge depository receipts. However, a newly proposed Interpretation of OCC Rule 610 is intended to permit depositories that currently issue hard copy depository receipts to OCC and that are "clearing corporations" as defined in Article 8 of the Uniform Commercial Code to continue to issue such depository receipts to OCC until such time as they develop an EDP System.

The current EDP Pledge System is operated by DTC and allows OCC members who are participants in DTC's participant terminal system ("PTS") to electronically pledge to OCC securities on deposit at DTC. For a complete description of DTC's EDP Pledge System refer to Securities Exchange Act Release No. 22887 (February 18, 1986), 51 FR 5823 [File No. SR-OCC-86-01] (notice of filing and immediate effectiveness of proposed rule change permitting OCC clearing members to use EDP Pledge System to pledge securities to meet margin and clearing fund obligations).

**Rule 613**

Rule 613 is being amended to change the time at which an escrow deposit may be released. OCC's current practice is to release all escrow deposits on the second business day following the expiration of the short position covered by the deposit. OCC now proposes to hold an escrow deposit covering a short position to which an exercise has been allocated until the business day after the exercise settlement date and no longer will collect margin. Accordingly, a new provision is being added to Rule 613 that will prohibit the release of an escrow deposit covering a short position for which an exercise notice has been allocated until the first business day after the exercise settlement date (if the exercise is settled through a correspondent clearing corporation) or after OCC receives confirmation of settlement (if the exercise was settled otherwise as directed by OCC).

Rule 613 is being amended further to replace references to "ERD banks" with "Escrow banks" and to provide for the obligations of an Escrow bank to deliver the aggregate exercise price of the puts covered by an escrow deposit (plus all applicable commissions and charges) upon delivery of a duly executed payment order.

Finally, rule 613 is being amended to delete the references to the batch ERD system for processing escrow receipts and to reletter the rule to reflect the elimination of those provisions.

**Rule 612**

Rule 612, which permits the deposit of Treasury bills with respect to short positions in put options, is being deleted because clearing members rarely, if ever, use this capability. The alternative of escrow deposits for put options now will be permitted under the changes proposed herein.

**Rule 1107**

Rule 1107 sets forth the method of settlement of exercised option contracts to which a suspended clearing member is a party and is being amended to reflect the addition of escrow deposits for puts and the deletion of bulk deposits and deposits of Treasury bills for puts. Rule 1107(a)(1) is being amended to include the method of settlement where the suspended clearing member was the assigned clearing member with respect to any exercised option contract and where the exercise notice was allocated by the suspended clearing member (or is allocated by OCC pursuant to provisions of the rule) to a short position for which a specific deposit or an escrow deposit has been made.

Rule 1107(a)(2) is being amended to provide for cases where the custodian of a specific deposit or escrow deposit made for the account of a suspended clearing member fails to perform its obligations to OCC on a timely basis. Rule 1107(a)(2) applies where the customers' account of a suspended clearing member contains pending assignments that are not guaranteed by a stock clearing corporation but are covered by specific or escrow deposits. The rule contemplates that in such a situation that OCC would do the following.

1. In the case of an assigned short call position in stock options, OCC would obtain delivery of the deposited stock from the custodian (against payment of the exercise price in the case of an escrow deposit) and redeliver the stock to the exercising clearing member against payment of the exercise price.

2. In the case of an assigned short put position in stock options, OCC would obtain payment of the exercise price from the custodian (against delivery of the underlying stock in the case of an escrow deposit) and pay the exercise price to the exercising clearing member against delivery of the underlying stock.

3. In the case of an assigned short position in index put or calls, OCC would obtain payment of the exercise settlement amount from the escrow bank and pay it to the exercising clearing member.

However, it is possible that OCC might experience a delay in obtaining delivery or payment from a custodian. Under Rule 1107(a)(2) in its present form, OCC would be obligated to settle with the exercising clearing member in the ordinary course notwithstanding the custodians' failure to perform. In order to do that in the case of a stock option, OCC would have to either buy the underlying stock for delivery to the exercising clearing member (in the case of a call option) or resell the underlying stock on receipt from the exercising clearing member (in the case of a put option). The proposed amendment would give OCC the option of directing the exercising clearing member to buy-in (in the case of a call option) or sell out (in the case of a put option) the underlying stock. OCC would then settle with the exercising clearing member on a net basis pursuant to Rule 1107(a)(6) for the excess of the buy-in cost over the exercise price (in the case of a call option) or the excess of the exercise price over the sell out price (in the case of a put option). Settling on a net basis would relieve OCC of the transaction costs associated with buying or reselling the underlying stock.

**Conforming Changes to Rules**

The proposed rule change also makes changes to other OCC rules in order to conform those rules to the amendments described above. Rules 305, 601, and 602 are being amended to accommodate escrow deposits for put options and to reflect the deletion of rule 612.

Rule 908 concerning the delivery of underlying securities deposited under rule 610 is being deleted as the requirements of the rule seem impractical in the current three business day settlement environment, especially when an assigned clearing member may not learn of an assignment until T+1.

Rules 1104, and 1106<sup>6</sup> and are being amended to reflect the addition of escrow deposits for puts and the deletion of bulk deposits and deposits of Treasury bills for puts. Subsections (2) and (3) to rule 1106(b) are being amended to eliminate references to hard copy escrow receipts and depository receipts. Rule 1106(b)(2) is being amended to make explicit that OCC will make timely settlement on an exercise assigned to a covered short position of a suspended clearing member even if the depository has not turned over the deposited property to OCC at the time of settlement. OCC will be entitled to reimburse itself for the cost of effecting such settlement from the deposited property when such property is remitted to OCC.

Rules 1301 and 1401 are being amended to reflect the deletion of the provisions relating to bulk deposits and the relettering of rule 610. Rules 1302, 1402, 1502, 1601, 1701, 1808, 1901, 2101, 2301, and 2411 are either being deleted or amended to reflect the deletion of rule 612.

OCC believes the proposed rule change is consistent with Section 17A of Act in that it promotes the prompt and accurate clearance and settlement of securities transactions by enhancing OCC's escrow deposit program.

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

OCC does not believe the proposed rule change will impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect

<sup>6</sup>The amendments to Rule 1106 contemplate the prior approval of SR-OCC-95-20. However, if SR-OCC-95-20 is not approved prior to the current filing, OCC has provided an alternative version of the amendments to Rule 1106 to accomplish the desired changes.

to the proposed rule change, and none have been received.

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

Within thirty-five 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 ninety 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 OCC consents, the Commission will:

- (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 statement 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 also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-95-17 and should be submitted by June 28, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-14358 Filed 6-6-96; 8:45 am]

BILLING CODE 8010-01-M

## DEPARTMENT OF TRANSPORTATION

### Aviation Proceedings; Agreements Filed During the Week Ending May 31, 1996

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-96-1407.

*Date filed:* May 28, 1996.

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

*Subject:*

TC3 Telex Mail Vote 804

Japan-South East Asia fares

r-1-076e r-2-081pp

Intended effective date: July 16, 1996

*Docket Number:* OST-96-1408

*Date filed:* May 28, 1996

*Parties:* Members of the International Air Transport Association

*Subject:*

TC3 Telex Mail Vote 803

Korea-China fare specification

Intended effective date: June 3, 1996

*Docket Number:* OST-96-1409

*Date filed:* May 28, 1996

*Parties:* Members of the International Air Transport Association

*Subject:*

COMP Telex Mail Vote 805

Fares from Malawi

Intended effective date: July 1, 1996

*Docket Number:* OST-96-1420

*Date filed:* May 30, 1996

*Parties:* Members of the International Air Transport Association

*Subject:*

TC23 Telex Mail Vote 806

Europe-Japan/Korea Reso 010r

Intended effective date: July 1, 1996

Paulette V. Twine,

Chief, Documentary Services Division.

[FR Doc. 96-14442 Filed 6-6-96; 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 May 31, 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-96-1423.

*Date filed:* May 31, 1996.

*Due Date for Answers, Conforming Applications, or Motion to Modify Scope:* June 28, 1996.

*Description:* Application of Continental Airlines, Inc., pursuant to 49 U.S.C. Section

41102 and Subpart Q of the Department's Rules of Practice, requests renewal of the authority on Segment 12 of its certificate of public convenience and necessity for Route 29-F authorizing Continental to provide scheduled foreign air transportation of persons, property and mail between New York (Newark) and Madrid and Barcelona via the Azores and Lisbon and beyond to points in Algeria, Tunisia, Egypt, Uganda, Kenya, Tanzania, Turkey, Jordan, Syria, Bahrain, Kuwait, Oman, Qatar, Yemen, United Arab Emirates, Iran, Afghanistan, Pakistan, and India.

*Docket Number:* OST-96-1426.

*Date filed:* May 31, 1996.

*Due Date for Answers, Conforming Applications, or Motion to Modify Scope:* June 28, 1996.

*Description:* Application of SouthStar Airlines, Inc., pursuant to 49 U.S.C. Section 41102 and Subpart Q of the Regulations, requests a certificate of public convenience and necessity to engage in interstate scheduled air transportation of persons, property and mail.

Paulette V. Twine,

Chief, Documentary Services Division.

[FR Doc. 96-14443 Filed 6-6-96; 8:45 am]

BILLING CODE 4910-62-P

## Federal Aviation Administration

### RTCA, Inc., Special Committee 182, Minimum Operational Performance Standards (MOPS) for an Avionics Computer Resource (ACR)

Pursuant to section 10(a) (2) of the Federal Advisory Committee Act (P.L. 92-463, 5 U.S.C., Appendix 2), notice is hereby given for Special Committee 182 meeting to be held July 17-19, 1996, starting at 9:00 a.m. The meeting will be held at RTCA, Inc., 1140 Connecticut Avenue, N.W., Suite 1020, Washington, DC, 20036.

The agenda will include: (1) Chairman's Introductory Remarks; (2) Review and Approval of Meeting Agenda; (3) Review and Approval of Minutes from the Previous Meeting; (4) Continue to Develop MOPS Draft Revision 2; (5) Update Glossary; (6) Working Group Report; (7) Other Business; (8) Date and Place of Next Meeting.

Attendance is open to the interested public but limited to space availability. With the approval of the chairman, members of the public may present oral statements at the meeting. Persons wishing to present statements or obtain information should contact the RTCA Secretariat, 1140 Connecticut Avenue, N.W., Suite 1020, Washington, D.C. 20036; (202) 833-9339 (phone) or (202) 833-9434 (fax). Members of the public may present a written statement to the committee at any time.

<sup>7</sup> 17 CFR 200.30-3(a)(12) (1995).