

from RECAPS. An as-of trade enables a member to submit a transaction to RECAPS if it failed to submit the transaction as initial RECAPS input at the start of the RECAPS cycle.

The proposed rule change will make several modifications to NSCC's Procedure II(G) regarding RECAPS supplemental input. First, the proposed rule change will expand the range of responses by a member to a transaction submitted by a contraside that has not been reconfirmed after processing of initial RECAPS input ("unreconfirmed RECAP") by adding "don't knows" ("DKs") and rejects. The proposed rule change will require a member to respond to an unreconfirmed RECAP by submitting an advisory, a DK, or a reject and in the case of a reject by also indicating the reasons for the rejection (e.g., trade previously settled or different quantity).

The proposed rule change will provide that failure to respond to an unreconfirmed RECAP will result in the transaction being deemed DK'ed. The proposed rule change also will provide that a DK'ed transaction will extinguish the rights, if any, of the DK'ing member with respect to the transaction. Transactions of a member that have been DK'ed will be subject to the rules of the appropriate marketplace.

Second, the proposed rule change will eliminate deletes as a type of RECAPS supplemental input. The delete function is being removed because members do not use it, and therefore, there is no longer a need to maintain the delete function as part of the RECAPS system.

Third, the proposed rule change will add a new report to RECAPS. NSCC will make available to members a RECAPS activity report at the end of the RECAPS cycle. The RECAPS activity report will contain summary information regarding the member's overall activity during a particular RECAPS cycle, including the number of transactions submitted, the number of transactions that were reconfirmed, and the number of transactions that were DK'ed, rejected, or for which there was no response.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will promote the prompt and accurate clearance and settlement of securities transactions and will assure the safeguarding of securities and funds in the custody or control of NSCC or for which NSCC is responsible.

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

NSCC does not believe that the proposed rule change will impact or impose a burden on competition.

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

No written comments have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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 NSCC 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, NW., Washington, DC 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, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of NSCC.

All submissions should refer to the file number SR-NSCC-96-18 and should be submitted by November 22, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

⁴ 17 CFR 200.30-3(a)(12)(1996).

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-28078 Filed 10-31-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37872; File No. SR-OCC-96-08]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change Regarding the Exercise of Certain Foreign Currency Options

October 25, 1996.

On July 18, 1996 The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-96-08) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ to permit the exercise of certain foreign currency options on the business day immediately preceding the expiration date of such options. Notice of the proposal was published in the Federal Register on September 12, 1996.² 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, OCC will permit the exercise of American-style³ foreign currency and cross-rate foreign currency options (collectively, "currency options") on the business day immediately preceding their expiration date. OCC Rule 801(c) formerly prohibited the exercise of option contracts on the business day immediately preceding their expiration unless such options were American-style flexibly structured options.

At the time this exercise restriction was incorporated into OCC's rules, all option contracts expired on Saturday. The restriction ensured that there was adequate time for all unmatched transactions to be resolved and for OCC to receive and process exercise notices for the preliminary and final exercise by exception processing cycles that were then in effect. Since the implementation of the exercise restriction in Rule 801(c), OCC has adopted Friday night as the expiration date for all standardized

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Securities Exchange Act Release No. 37655 (September 6, 1996), 61 FR 48193.

³ An "American" or "American style" option contract is an option contract that may be exercised at any time from its commencement time until its expiration. In contrast, a "European style" option contract is an option contract that may only be exercised on its expiration.

currency options⁴ and has replaced its preliminary and final processing procedure with a single processing procedure for currency options. Furthermore, OCC clearing members have requested that OCC lift the restriction with respect to currency options because their non-U.S. customers have expressed a desire to be allowed to submit exercises on Thursday due to time zone differences with the United States.

II. Discussion

Section 17A(b)(3)(F) of the Act⁵ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes the proposed rule change is consistent with OCC's obligations under the Act because the extra time to process transactions previously afforded by Rule 801(c) (*i.e.*, exercise restrictions) is no longer necessary for currency options because of OCC's single cycle expiration processing procedures and because currency options expire on Friday instead of Saturday. Therefore, by permitting the currency options to be exercised on Thursday by U.S. and non-U.S. customers of OCC participants and by removing an unnecessary OCC clearance and settlement procedure, the prompt and accurate clearance and settlement of securities transactions should be enhanced.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of 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-96-08) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-27999 Filed 10-31-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37874; File No. SR-PSE-96-38]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Stock Exchange Relating to Transaction Fees

October 28, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 15, 1996, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 PSE hereby is proposing to adopt a new charge applicable to Lead Market Makers ("LMMs") who participate in the Exchange's LMM Book Pilot Program.

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 PSE 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 PSE 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

On March 29, 1996, the Exchange filed a proposal with the Commission to adopt a pilot program under which a limited number of LMMs would be able to assume operational responsibility for the options public limit order book ("Book") in a limited number of issues

("Book Pilot Program").² The Commission approved the Book Pilot Program as a one year pilot program on October 11, 1996.³ Under the Book Pilot Program, the designated LMMs manage the Book function, take responsibility for trading disputes and errors, set rates for book execution, and pay the Exchange a fee for staffing and services. The Book Pilot Program has been implemented on a limited basis, and will involve no more than three LMMs and/or forty option symbols during the one year pilot phase. During the pilot phase, the Exchange is providing staffing to assist the LMM in the management of the Book function.

The Exchange is now proposing to amend its Schedule of Rates to establish a staffing charge to LMMs who participate in the Book Pilot Program. The proposed charge is \$.50 per contract for each contract executed by the Book under the Book Pilot Program. LMMs would be subject to a minimum monthly charge of \$200 and a maximum monthly charge of \$16,000 for all issues in which the LMM is participating in the Book Pilot Program.

The proposed charge is intended to cover the Exchange's cost of providing staff who will assist the LMM in operating the Book during the Book Pilot Program.

The Exchange believes that the proposed rule change is consistent with Section 6⁴ of the Act in general and with Section 6(b)(4)⁵ in particular in that it provides for the equitable allocation of reasonable charges among its members and persons using its facilities.

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 unnecessary or inappropriate 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 were neither solicited nor received with respect to the proposed rule change.

² Securities Exchange Act Release No. 37335 (June 19, 1996), 61 FR 33568.

³ Securities Exchange Act Release No. 37810 (October 11, 1996).

⁴ 15 U.S.C. 78f.

⁵ 15 U.S.C. 78f(b)(4).

⁴ For a completion description of the conversion of the expiration date for all standardized currency options from Saturday to Friday, refer to Securities Exchange Act Release Nos. 32458 (June 11, 1993), [File No. SR-OCC-93-09] (notice of filing and order granting accelerated approval on a temporary basis of a proposed rule change that changed the expiration day for American-style foreign currency options from Saturday to Friday) and 38800 (July 14, 1993), [File No. SR-OCC-93-15] (order granting permanent approval on an accelerated basis of a proposed rule change that changed the expiration day for American-style foreign currency options and cross-rate foreign currency options from Saturday to Friday).

⁵ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

⁶ 17 CFR 200.30-3(a)(12) (1996).

¹ 15 U.S.C. 78s(b)(1).