

## 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>4</sup>

### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Equity TIMS utilizes options price theory (*i.e.*, an option pricing model) to project the cost of liquidating each clearing member's long and short equity option positions on which OCC is entitled to assert a lien in the event of a "worst case" theoretical change in the price of the underlying securities. This projected liquidation cost is then used by Equity TIMS to calculate for each clearing member a margin requirement to cover that cost.

OCC presented a report to Commission staff in April 1995 pursuant to staff inquiries as to whether volatility for a ten-year period should be used to determine equity options margin intervals. OCC's analysis suggests that a ten-year time frame presents problems in adequately assessing the potential future volatility of individual equities. OCC asserts that some equities (*e.g.*, those in initial public offerings) with traded options experienced high volatility less than ten years ago but now are well established, less volatile securities. However, some equities with traded options that historically have experienced lower volatility have experienced volatility increases due to market factors or changes in the business climate.

Accordingly, OCC explored alternatives to using a ten-year period for determining equity options margin intervals. As a result of its research into such alternatives, OCC believes that the use of a four-year stable distribution for the purposes of determining equity margin intervals within Equity TIMS should address the Commission's concerns. Stable distributions essentially seek to fit a probability distribution to a sample of historical data without any implicit assumptions of normalcy. OCC believes that stable

distribution parameters will provide it with a greater breadth and quality of information from a given period of historical data and proposes to use a four-year period for purposes of setting option margin intervals.

OCC believes the proposed rule change is consistent with the requirements of Section 17A of Act and the rules and regulations promulgated thereunder because Equity TIMS should enhance OCC's ability to safeguard the securities and funds for which it is responsible.

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

OCC does not believe that 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 to the proposed rule change and none have been received.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes that OCC's proposal to utilize Equity TIMS meets this requirement. Because the Commission wanted to analyze and to monitor the results of the use of Equity TIMS before determining whether to grant permanent approval, the Commission previously approved the proposed rule change on a temporary basis. Because OCC's use of Equity TIMS during the temporary approval period has resulted in better assessments of OCC's risk exposure associated with the clearance and settlement of its clearing members' equity option positions and has resulted in calculations of clearing margin that more accurately reflect the risk exposure, the Commission is now permanently approving Equity TIMS.

OCC has requested that the Commission find good cause for approving the proposal prior to the thirtieth day after the publication of notice of filing of the proposed rule change. The Commission finds good cause for approving OCC's proposal prior to the thirtieth day after publication of notice of filing because accelerated approval will allow OCC to

continue to use Equity TIMS without interruption at the conclusion of the current temporary approval period. The Commission notes that during the previous temporary approval periods neither OCC nor the Commission have received any adverse comments regarding Equity TIMS, and none are expected with regard to this filing.

## 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 submissions, 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 filings will also be available for inspection and copying at the principal office of OCC. All submissions should refer to file number SR-OCC-96-16 and should be submitted by December 26, 1996.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-96-16) be, and hereby is, approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-37993; File No. SR-OCC-96-14]

## Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Revision of Fees

November 27, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on

<sup>4</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>5</sup> 17 CFR 200.30-3(a)(12) (1996).

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

October 29, 1996, 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. 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 proposed rule change amends OCC's schedule of fees to reflect the replacement of microfiche with CD-ROM as the media for providing subscribing clearing members with copies of OCC generated reports.

**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>2</sup>

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

The purpose of the proposed rule change is to amend OCC's schedule of fees to reflect the replacement of microfiche with CD-ROM as the media for providing subscribing clearing members with copies of OCC generated reports.<sup>3</sup> OCC currently provides subscribing clearing members with microfiche copies of OCC generated reports on a fee per fiche basis. OCC now is proposing to change the media on which the clearing reports are stored from microfiche to CD-ROM. OCC will create the CD-ROMs containing reports for subscribing clearing members on a monthly basis. A reader for the CD-ROMs has been added to the enhanced clearing member interface equipment ("ECMI Equipment") used by clearing members, which will allow subscribing clearing members to access reports on their ECMI Equipment. OCC also will offer to convert the most immediate

thirty-six months' worth of historical reports to the CD-ROM format for those clearing members desiring to subscribe to that portion of the service.

The conversion to CD-ROM requires a change in OCC's schedule of fees. OCC proposes to charge subscribing clearing members \$75 per month per CD-ROM. OCC estimates that one month's worth of reports for each subscribing clearing member will currently fit into one CD-ROM. The same fee structure (*i.e.*, \$75 per month per CD-ROM) will be applied to any clearing member desiring to obtain historical reports. During the conversion period, OCC will waive the first month fee for a CD-ROM if a clearing member also receives microfiche. While OCC intends to complete the conversion by December 1996, it has not finalized a conversion schedule. Accordingly, the fee applicable to reports on microfiche has not been deleted from OCC's schedule of fees. OCC anticipates that the conversion to CD-ROM will generate savings of nearly \$7,000 per month to its overall membership although certain individual clearing members might experience a small increase in their current monthly costs.

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(D) of the Act<sup>4</sup> and the rules and regulations thereunder because it provides for the equitable allocation of reasonable dues, fees, and other charges among OCC's participants.

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

OCC 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.

**(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. OCC will notify the Commission of any written comments received by OCC.

**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)(ii) of the Act<sup>5</sup> and pursuant to Rule 19b-4(e)(2)<sup>6</sup> promulgated thereunder because the proposal changes a due, fee, or other charge

imposed by OCC. At any time within sixty days of the filing of such 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 also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-96-14 and should be submitted by December 26, 1996.

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

Margaret H. McFarland,  
*Deputy Secretary.*

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**DEPARTMENT OF TRANSPORTATION**

**Federal Railroad Administration**

[FRA Docket No. RST-95-3]

**Addendum to Petition for Waiver of Compliance**

In accordance with Part 211 of Title 49 Code of Federal Regulations (CFR), notice is hereby given that the New York State Department of Transportation (NYDOT) requested an addendum to its request for a waiver of compliance with certain requirements of the CFR in order to operate various types of equipment at higher cant deficiencies.

<sup>2</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>3</sup> These reports contain information regarding clearing members' daily clearance and settlement activity.

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(D) (1988).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(ii) (1988).

<sup>6</sup> 17 CFR 240.19b-4(e)(2) (1996).

<sup>7</sup> 17 CFR 200.30-3(a)(12) (1996).