shortened settlement cycle upon agreement of the submitting parties. The date established by the submitting parties for a transaction will be the date used for all trade processing relating to that particular transaction and could be as short as the same day or as long as seven business days.

As a result of the expansion of the types of businesses conducted by broker-dealers, the mutual fund industry has requested that NSCC modify the Fund/SERV system to enable broker-dealers to establish settlement dates with respect to specific transactions. For example, a transaction involving shares of traditional load mutual funds normally settles on a three business day settlement cycle, whereas a transaction for shares of the same fund involving a 401K account [4] normally settles on a next day settlement cycle. The proposed modifications to the Fund/SERV system will allow NSCC members to make an adjustment to the settlement cycle for mutual fund transactions in order to accommodate the need for different settlement cycles.

Under the proposed rules, a member which submits a mutual fund order and desires to establish a settlement cycle other than that established by the Fund/SERV system would include in the order data the date on which the transaction is to settle and a reason code for modifying the settlement cycle. The contraparty would then have the opportunity to accept or to reject the transaction. The transaction also would be rejected by NSCC if the specified settlement cycle is longer than seven business days. Once accepted NSCC will process the mutual fund transaction in accordance with the specified settlement cycle.

The proposed rule change is consistent with the requirements of Section 17A of the Act, and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions.[5]

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

NSCC does not believe that the proposed rule change will have an impact on 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

NSCC solicited comments from the Investment Company Institute Broker Dealer Advisory Committee on November 10, 1995. NSCC received one letter from Smith Barney [6] requesting certain formatting features. Based on this letter, NSCC has made certain modifications to the Fund/SERV system. NSCC will notify the Commission of any additional written comments 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 the self-regulatory organization 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 provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room in Washington, D.C. 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–96–10 and should be submitted by July 17, 1996.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–16293 Filed 6–25–96; 8:45 am]

BILLING CODE 8010–01–M

[4] A 401K account is a cash or deferred profit sharing plan as described in Section 401(k) of the Internal Revenue Code of 1986, as amended.

[5] 15 U.S.C. § 78q–1 (1988).

[6] Letter from Alan Rubin, Vice President, Smith Barney, to Chris Hayes, NSCC (January 15, 1996).

[Release No. 34–37322; File No. SR–PHLX–96–20]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Contrary Exercise Advices for Expiring Equity Options

June 18, 1996.

Pursuant to Section 19(b)(1) of the Securities Commission Act of 1934 ''(Act''), 15 U.S.C. § 78s(b)(1), notice is hereby given that on May 30, 1996, the Philadelphia Stock Exchange, Inc. (''PHLX'' 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

Pursuant to Rule 19b–4 of the Act, the PHLX proposes to adopt new Floor Procedure Advice (''Advice'') F–26, ''Equity Options Contrary Exercise Advices,'' to add certain provisions of paragraph (b), ''Exercise Cut-Off for Expiring Options,'' of PHLX Rule 1042, ''Exercise of Equity Option Contracts,'' to the PHLX's Floor Procedure Advice Handbook. The PHLX proposes to include Advice F–26 in the Exchange's minor rule violation enforcement and reporting plan (''minor rule plan'').[1]

[1] The Exchange's minor rule plan is administered pursuant to PHLX Rule 970, ''Floor Procedure Advices: Violations, Penalties, and Procedures,'' which contains Advices with accompanying fine schedules. Pursuant to paragraph (c)(1) of Rule 19d–1 under the Act, a self-regulatory organization (''SRO'') is required to file promptly with the Commission notice of any ''final'' disciplinary action taken by the SRO. Pursuant to paragraph (c)(2) of Rule 19d–1, any disciplinary action taken by the SRO for violation of an SRO rule that has been designated a minor rule violation pursuant to the plan shall not be considered ''final'' for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding $2500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his or her administrative remedies. By deeming unadjudicated minor violations as not final, the Commission permits the SRO to report violations on a periodic (quarterly), as opposed to immediate, basis.

Under the proposal, an initial violation of proposed Advice F–26 that is minor in nature will receive a warning and all subsequent violations within a one year period will be referred to the PHLX's Business Conduct Committee (''BCC''). In addition, an initial violation of proposed Advice F–26 that is deemed serious by the Exchange will be referred directly to the PHLX's BCC.[2]

The text of the proposed rule change is available at the Office of the Secretary, PHLX, and at the Commission.

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 self-regulatory organization 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 self-regulatory organization 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

The PHLX proposes to adopt Advice F–26 in order to add certain pertinent provisions of PHLX Rule 1042 regarding expiring equity options into the Exchange's Floor Procedure Advice Handbook. The PHLX believes that including these provisions in the Floor Procedure Advice Handbook should facilitate compliance with PHLX Rule 1042 due to ease of reference on the trading floor. Proposed Advice F–26 will be incorporated into the PHLX's minor rule plan; accordingly, the PHLX proposes to amend the minor rule plan to include proposed Advice F–26. Under the proposal, the first violation of proposed Advice F–26 that is minor in nature will be subject to a warning, and all subsequent violations within a one year calendar period will be referred to the Exchange's BCC for disciplinary action. In addition, an initial violation of proposed Advice F–26 that is deemed serious by the Exchange will be referred directly to the PHLX's BCC.[3]

PHLX Rule 1042 establishes the PHLX's cut-off procedure for expiring equity options. Specifically, PHLX Rule 1042(b) requires that final exercise decisions be communicated to the Exchange by 5:30 p.m. Eastern Time on the business day immediately prior to the expiration date by (1) taking no action and allowing exercise determinations to be made in accordance with Options Clearing Corporation's (''OCC'') Rule 805(d)(2), where applicable; [4] or (2) submitting a Contrary Exercise Advice (''CEA''), a form which commits an option holder either to not exercise an option that would otherwise be exercised automatically pursuant to OCC Rule 805, or to exercise an option that otherwise would not be exercised automatically pursuant to OCC Rule 805. The Exchange states that PHLX Rule 1042 is substantially similar to the exercise rules of the other options exchanges.

According to the PHLX, the current proposal was developed in conjunction with the other options exchanges. As part of this joint review of exercise procedures through the Intermarket Surveillance Group (''ISG''), the exchanges focused on the disciplinary result of violating the exercise rules, noting that a more streamlined process was needed. Thus, the PHLX states that the exchanges intend to permit the prompt issuance of a warning for minor violations of the exercise rules before triggering the full disciplinary process.[5]

The Exchange believes that PHLX Rule 1042 and proposed Advice F–26 contain important substantive requirements, including an exercise cut-off time, and specific submission requirements. The purpose of the proposal is to codify *minor* infractions into the PHLX's minor rule plan. In administering the minor rule plan, the PHLX understands that infractions cited pursuant to the minor rule plan are minor in nature and more serious violations are referred directly to the BCC. Thus, proposed Advice F–26 is intended only to cover minor infractions and specifically states this.[6] The Exchange does *not* believe that, by virtue of including the provisions as an Advice, all violations of Advice F–26 are thereby minor. PHLX Rule 1042 was intended to govern exercise procedures in order to prevent the occurrence of abuses and fraudulent activity. Incorporating part of PHLX Rule 1042 into an Advice does not diminish this critical purpose. The PHLX states that many other important, substantive provisions in the Exchange's rules are codified into Advices so that minor violations can be handled efficiently.[7]

The PHLX believes that the proposal is consistent with Section 6 of the Act, in general, and in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, as well as to protect investors and the public interest, by codifying the provisions of PHLX Rule 1042(b) into proposed Advice F–26.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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 were either solicited or received.

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

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90

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[2] A violation of proposed Advice F–26 that is not easily verifiable or that requires a complicated factual or interpretative inquiry would also be referred directly to the Exchange's BCC. Conversation between Edith Hallahan, Special Counsel, Regulatory Services, PHLX, and Yvonne Fraticelli, Attorney, Office of Market Supervision (''OMS''), Division of Market Regulation (''Division''), Commission, on June 17, 1996.

[3] *See* note 2, *supra.*

[4] Under OCC Rule 805(d)(2), a clearing member is deemed to have tendered to OCC an exercise notice for options with an exercise price below (in the case of a call) or above (in the case of a put) the closing price of the underlying security by (i) ¾ of a point or more, if the option contract is carried in a customer's account, or (ii) ¼ of a point or more, if the option contract is carried in any other account, unless the clearing member has instructed OCC to exercise none, or fewer than all, of such contracts. If a clearing member desires that any such contract not be exercised, the clearing member must give appropriate instructions to OCC in accordance with OCC Rule 805(b).

[5] One example of a minor violation of PHLX Rule 1042(b) would be submitting a CEA to the wrong place. Telephone conversation between Edith Hallahan, Special Counsel, Regulatory Services, PHLX, and Yvonne Fraticelli, Attorney, OMS, Division, Commission, on June 5, 1996.

[6] The fine schedule for proposed Advice F–26 provides a warning for a first offense for infractions of the CEA procedure which are minor in nature; any violation of the procedure which has been deemed serious by the Exchange will be referred directly to the Exchange's BCC where stronger sanctions may result. However, the Exchange notes that this does not affect the other Advices administered pursuant to the minor rule plan which do not specifically contain this statement; infractions cited pursuant to the minor rule plan are minor in nature regardless of whether this specific language was added to the Advice.

[7] *See e.g.*, Advice F–15, ''Minor Infractions of Position/Exercise Limits and Hedge Exemptions.''

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 the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicition 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 at 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 the principal office of the PHLX. All submissions should refer to File No. SR-PHLX–96–20 and should be submitted by July 17, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–16228 Filed 6–25–96; 8:45 am]

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[Release No. 34–37334; File No. SR–Phlx–96–03]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 thereto by the Philadelphia Stock Exchange, Inc. Relating to Component Additions to the Phlx Gold/Silver Index

June 19, 1996.

On April 1, 1996, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to revise the composition of the Phlx Gold/Silver Index (''XAU'' or ''Index'') by adding three underlying stocks and to adopt procedures to address replacements, additions and deletions of component stocks. On April 16, 1996, the Exchange filed Amendment No. 1 to the proposal.[3] Notice of the proposal was published for comment and appeared in the Federal Register on April 25, 1996.[4] No comment letters were received on the proposal. On June 5, 1996, the Exchange filed Amendment No. 2 to the proposal.[5] This order approves the Phlx's proposal as amended.

I. Description of the Proposal

The XAU is a capitalization weighted index currently composed of the stocks of nine widely held U.S. companies in the gold and silver mining industry. Options on the Index have an American style expiration and the settlement value is based on the closing values of the component issues on the day exercised or on the last trading day prior to expiration (*i.e.* ''P.M.-settled''). The Index was the first narrow-based or industry index approved for trading on the Exchange.[6] Pursuant to Footnote 10 to the Index Approval Order,[7] the Exchange previously agreed to submit to the Commission, pursuant to Rule 19b–4 under the Act, any changes to the stocks comprising the Index and to attempt to formulate a rule that would govern this process. Accordingly, pursuant to this rule filing, the Exchange is requesting approval to change the composition of the XAU by adding two stocks. The stocks are Santa Fe Pacific Gold Corp. (GLD) and TVX Gold Inc. (TVX) and they both currently trade on the New York Stock Exchange.[8] The Exchange believes that the addition of these two stocks will help ensure an even more accurate response to overall market activity in the precious metals mining industry. The Phlx represents[9] that the proposed change would increase the total capitalization of the Index from $28.63 billion to $34.01 billion. The two additional stocks combined will account for 10.19% of the revised Index by capitalization weight. The value of the XAU as of the close of trading on March 28, 1996 was 143.83.

The Exchange also proposes to adopt a procedure which will govern future replacements, additions or deletions of underlying stocks from the Index. If at any time a stock is deleted from the Index due to merger, acquisition or otherwise, and the Exchange determines to replace it, the Phlx will take into account the capitalization, liquidity, volatility and name recognition of any proposed replacement stock which fits the character of the Index. Moreover, the Phlx will ensure that the Index meets all of the maintenance criteria in Rule 1009A(c)[10] except the requirement that the Index be A.M.-settled.[11] The Phlx notes that this maintenance criteria, in part, requires it to ensure that no fewer than 90% of the stocks comprising the Index by weight, nor fewer than 80% of the total number of stocks in the Index,

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] In Amendment No. 1 the Phlx states that the Index is currently a P.M.-settled index and that it proposes to apply all of the maintenance criteria of Phlx Rule 1009(A)(c) except the requirement that the Index be designated as A.M.-settled. *See* letter from Michele R. Weisbaum, Associate General Counsel, Phlx, to James T. McHale, Attorney, Office of Market Supervision (''OMS''), Division of Market Regulation (''Division''), Commission, dated April 16, 1996 (''Amendment No. 1'').

[4] *See* Securities Exchange Act Release No. 37123 (April 18, 1996), 61 FR 18454 (April 25, 1996).

[5] In Amendment No. 2, the Exchange states that it has received oral comments that AMAX Gold Inc. (AU) would not be an appropriate stock to include in the XAU as it is not actually a gold or silver mining stock, but more of a ferrous metal company stock. Accordingly, the Exchange wishes to withdraw the proposed addition of AU to the Index. *See* Letter from Michele R. Weisbaum, Associate General Counsel, Phlx, to James T. McHale, Attorney, OMS, Division, Commission, dated May 15, 1996 (''Amendment No. 2'').

[6] *See* Securities Exchange Act Release No. 20437 (December 2, 1983) 48 FR 55229 (December 9, 1983) (''Index Approval Order'').

[7] *Id.*

[8] According to the Exchange, as of May 14, 1996, the capitalizations of Santa Fe Pacific Gold Corp. and TVX Gold Inc. were approximately $2 billion and $1.46 billion respectively.

[9] The following data is based on prices and shares outstanding as of May 14, 1996.

[10] The maintenance criteria set forth in Rule 1009A(c) are principally designed as index maintenance criteria that are required to be met by certain narrow-based index option products that were listed pursuant to Rule 1009A(b). Rule 1009A(c), among other things, requires that for a capitalization weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have an average monthly trading volume of at least 1,000,000 shares over the past six months. Rule 1009A(c) also requires each component security to have a market capitalization of at least $75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least $50 million. *See* Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994).

[11] *See* Amendment No. 1, *supra* note 3. The settlement value of an A.M.-settled index is based on the opening prices of the component securities, in contrast to a P.M.-settled index, which is based on closing prices. As mentioned above, the XAU is a P.M.-settled index.

[8] 17 CFR § 200.30–3(a)(12) (1995).