

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

Philadep believes that the proposed rule change poses no appreciable threat or burden on competition and should foster competition because it provides for an administratively more effective vault protocol.

*(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.

**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 Philadep 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 Philadep. All submissions should refer to the file number SR-PHILADEP-96-11 and should be submitted by September 11, 1996.

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. 34-37571; File No. SR-PHILADEP-96-12]**

**Self-Regulatory Organizations; Philadelphia Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Legal Deposit Processing**

August 14, 1996.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on June 28, 1996, the Philadelphia Depository Trust Company ("Philadep") 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 Philadep. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

Philadep proposes to allow its participants to access Philadep's legal deposit processing services through the participants' Philanet terminal system.

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

In its filing with the Commission, Philadep 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. Philadep 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 permit Philadep

participants to access Philadep's legal processing services through the participants' Philanet terminal system.<sup>3</sup> Currently, participants access Philadep's legal deposit processing services by forwarding to Philadep a security certificate with a manually-completed legal deposit ticket attached.<sup>4</sup> Under the proposed rule change, participants will be able to initiate legal deposit processing by utilizing their Philanet terminals to input legal deposit information directly to Philadep. Once the information is entered by the participant, the Philanet system will print a deposit ticket at the participant's local printer for attachment to the securities to be deposited at Philadep. Participants then will forward the securities and deposit ticket to Philadep, and legal deposit processing will proceed in the regular manner according to Philadep's current rules and procedures.

The proposed rule change also includes one system enhancement to legal deposit processing. Because information regarding the securities to be deposited will be transmitted directly to Philadep through the Philanet terminals, legal deposit processing can begin before Philadep receives the physical certificates from its participants.<sup>5</sup> This additional processing time will permit Philadep to compare its participants' deposit information against the Security Information Center ("S.I.C.")<sup>6</sup> database to determine whether a certificate has been reported lost or stolen. The proposed rule change should permit Philadep to alert its participants by phone or facsimile if a certificate has been reported lost or stolen prior to the

<sup>3</sup> Philanet is an electronic communication system that links Philadep to its participants. Philanet allows participants to access information affecting their accounts through a terminal located at participants' offices. For a more complete description of the Philanet system, refer to Securities Exchange Act Release No. 34250 (June 23, 1994), 59 FR 33808 [File No. SR-PHILADEP-93-02] (notice and order granting accelerated approval of the Philanet system on a permanent basis).

<sup>4</sup> The legal deposit ticket contains information regarding the identity of the depositing participant, the number of shares deposited, and the CUSIP and certificate numbers relating to the deposited securities.

<sup>5</sup> Although preliminary processing may begin prior to receipt of the certificates, Philadep will not credit any participant's account prior to the receipt of such certificates. Telephone Conversation between Joseph E. DiNunzio, Senior Vice President, Philadep, and Mark A. Steffensen, Senior Counsel, Division of Market Regulation, Commission (August 6, 1996).

<sup>6</sup> S.I.C. is the Commission's current designee to receive, store, and disseminate information with regard to missing, lost, counterfeit, or stolen securities pursuant to Section 17(f) of the Act and Rule 17f-1 thereunder.

<sup>5</sup> 17 CFR 200.30-3(a)(12) (1995).

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

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

completion of full legal deposit processing and before a participant credits its customer's account.

Philadep believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> because it fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and assures the safeguarding of securities which are in the custody and control of Philadep or for which it is responsible.

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

Philadep believes the proposed rule change will not impose a 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 neither solicited nor received with respect to the proposed rule change. However, several participants have requested that Philadep enhance Philanet as described in this proposed rule change.

**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)(iii)<sup>8</sup> of the Act and pursuant to Rule 19b-4(e)(4)<sup>9</sup> promulgated thereunder because the proposal effects a change in an existing service of a registered clearing agency that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. 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 will also be available for inspection and copying at the principal office of Philadep. All submissions should refer to File No. SR-PHILADEP-96-12 and should be submitted by September 11, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Margaret H. McFarland,  
Deputy Secretary.

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**[Release No. 34-37575; File No. SR-Phlx-96-18]**

**Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change to Trade a European-style National Over-the-Counter Index Option**

August 15, 1996.

On May 28, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "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 change the execution style of the National Over-the-Counter Index ("Index") option, from American-style to European-style.

The proposed rule change was published for comment in Securities Exchange Act Release No. 37355 (June 24, 1996), 61 FR 33790 (June 28, 1996). No comments were received on the proposal.

The Exchange began trading the Index in 1985. The Index is a capitalization-weighted market (broad-based) index composed of the 100 largest capitalized stocks trading over-the-counter. The

Phlx proposes to change the exercise style of the Index option from American-style to European-style. Under the Exchange's rules, an American-style option is an option contract that may be exercised at any time from the opening of the position until its expiration, whereas a European-style option is an option contract that can be exercised only on the day it expires.<sup>3</sup>

The Exchange stated that it received requests to change the expiration style of the Index from many investors who prefer to trade index options that cannot be exercised except on the day they expire. The Exchange notes that European-style index options have certain advantages, including the elimination of the risk of early exercise. According to the Exchange, investors holding spread positions in European-style index options do not have to be concerned that one leg of a short position will be exercised prior to expiration. Moreover, the Exchange believes that sellers generally will benefit from the European-style exercise feature, because absent concerns about early exercise, they will be free to engage in long-range planning and strategies.

The Exchange has proposed to convert the Index from American-style to European-style exercise on a prospective basis. After Commission approval of the Phlx proposal, the Exchange will add expiration series with European-style exercise following the next expiration date of the Index option. The Exchange will continue trading the American-style option until the listed series expire or no longer have open interest. Except during this wind-down period, the Exchange does not intend to continue trading American-style options side-by-side with European options on the Index.

The Exchange stated that it will provide adequate notice of the new European-style option by way of memoranda to the Phlx membership.<sup>4</sup> In addition, the Exchange intends to preserve the investment community's familiarity with the symbol XOC, which the option has been trading under since its introduction, by retaining the use of this symbol for the new European-style options on the Index and trading the

<sup>7</sup> 15 U.S.C. § 78q-1 (1988).

<sup>8</sup> 15 U.S.C. § 78s(b)(3)(A)(iii) (1988).

<sup>9</sup> 17 CFR 240.19b-4(e)(4) (1996).

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1995).

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

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

<sup>3</sup> See Phlx Rules 1000(b)(34) and (35).

<sup>4</sup> The Exchange already has begun the process of informing its membership of the impending change in the exercise style of the Index option. See Phlx Market Surveillance Release No. 249-96, dated July 1, 1996.