

the Act that will include these changes by May 1, 1997.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act⁵ in that it is designed to prevent fraudulent and manipulative acts and practices and to perfect the mechanism of a free and open market.

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 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

Written comments on the proposed rule change were neither solicited nor 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 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. 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 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 Exchange. All submissions should refer to File No. SR-PSE-96-28 and should be submitted by September 18, 1996.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37593; File No. SR-Phlx-96-32]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Index Option Exercise Advices

Pursuant to Section 19(b)(1) of the Securities and Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 29, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") 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 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 Phlx, pursuant to Rule 19b-4 of the Act, proposes to amend Exchange Rule 1042A, Exercise of Option Contracts, and Floor Procedure Advice ("Advice") G-1, retitled Index Option Exercise Advice Forms, to provide that the deadline for submitting a memorandum to exercise and an exercise advice form will be "no later than 4:30 p.m. or fifteen minutes after the close of trading, if trading hours are modified or extended beyond 4:15 p.m." Currently, the deadline for such submissions is "no later than 4:30 p.m." In addition, the Phlx proposes to codify that anyone intending to exercise index options must complete a memorandum to exercise and/or an exercise advice form in compliance with the exercise cut-off time and must exercise that amount of option contracts indicated on such forms.

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4.

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

1. Purpose

Exchange Rule 1042A and Advice G-1 govern the exercise of index options.³ Specifically, Exchange Rule 1042A(a)(i) requires that a memorandum to exercise any American-style index option contract must be received or prepared by the Phlx member organization no later than 4:30 p.m. on the day of exercise. In addition, Exchange Rule 1042A(a)(ii) requires the submission of an exercise advice form to the Exchange no later than 4:30 p.m. when exercising American-style index option contracts.⁴

In this regard, the Exchange has attempted to create a level playing field among option investors by maintaining a cut-off time to ensure that all exercise decisions occur promptly after the close of trading. Consequently, to prevent fraud and unfairness, a long option holder is prohibited from exercising index options on non-expiration days

³ The Exchange notes that with respect to index option contracts, clearing members are also required to follow the procedures of the Options Clearing Corporation ("OCC") for tendering exercise notices. Exercise notices are the exercise instructions required by OCC and are distinct from exercise advices which are required by Exchange rules.

⁴ The Phlx notes that Exchange Rule 1042A previously allowed the submission of a memorandum to exercise and an exercise advice form until five minutes after the close of trading. See Securities Exchange Act Release No. 32991 (September 30, 1993), 58 FR 52337 (October 7, 1993) (File No. SR-Phlx-92-31). Specifically, the exercise cut-off time for narrow-based index options was 4:15 p.m. or five minutes after the close of trading, and for broad-based index options it was 4:20 pm or five minutes after the close of trading. When the exercise cut-off time was changed to 4:30 p.m., however, the language "or five minutes after the close of trading" was deleted. See Securities and Exchange Act Release No. 37077 (April 5, 1996), 61 FR 16156 (April 11, 1996) (File No. Phlx-95-86). As such, the Phlx's current proposal resurrects this concept.

⁵ 15 U.S.C. 78f(b)(5).

based on information obtained after the cut-off.⁵

The Exchange currently proposes to amend these provisions such that the exercise cut-off time would be 4:30 p.m. or fifteen minutes after the close of trading, where trading hours are modified or extended beyond 4:15 p.m. For instance, on certain days prior to a holiday, the Exchange may cease trading broad-based index options at 1:15 p.m. Under the current rule, however, the exercise cut-off time would remain at 4:30 p.m., regardless of when trading ceased. In comparison, under the proposal, the exercise cut-off time in the above example would change to 1:30 p.m.

With respect to trading hours extending beyond 4:15 p.m., the Exchange notes that in certain situations a trading rotation may occur after the ordinary 4:10 or 4:15 p.m. close of trading. For instance, if a halt in the trading of a component issue causes an index option to halt trading, and if the index option re-opens at 4:00 p.m., an opening rotation may need to be conducted. Because such rotation may result in extended trading hours, the exercise cut-off time under the proposal would be fifteen minutes after the end of the rotation. In this manner, a cut-off of fifteen minutes after the close of trading will ensure that index option traders and investors have adequate time to make exercise decisions.

In addition, the Exchange proposes to adopt an amendment procedure to facilitate changes in exercise decisions prior to the cut-off time. The amended exercise advice form and amendment procedure should add certainty to the exercise process by clarifying how a change in a decision to exercise should be indicated to the Exchange. In this manner, when amending an exercise decision, a new exercise advice form must be filed with the Exchange, listing all exercise decisions, not just the one being amended. Omitting one series means that no exercise of that series is intended and a violation of the rule occurs if that series is exercised. Further, all exercise advice forms, whether original or those amending previous submissions, must be filed prior to the exercise cut-off time.

⁵ Pursuant to Exchange Rule 1042A(b), however, these requirements are not applicable on the last business day before expiration, generally an "expiration Friday." The above requirements are also not applicable to European-style index options which, by definition, cannot be exercised prior to expiration. Lastly, the Exchange notes that the procedures for exercising equity option contracts, contained in Exchange Rule 1042, are not affected by this rule proposal.

2. Statutory Basis

The Phlx believes that its proposal is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to securities, as well as to protect investors and the public interest, by allowing a reasonable amount of time to submit an exercise decision when trading hours are modified or extended.

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

The self-regulatory organization 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

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 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 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. 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 changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 filings also will be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-96-32 and should be submitted by September 18, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

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COMMITTEE FOR THE IMPLEMENTATION OF TEXTILE AGREEMENTS

Adjustment of Import Limits for Certain Cotton and Man-Made Fiber Textile Products Produced or Manufactured in Bangladesh

August 22, 1996.

AGENCY: Committee for the Implementation of Textile Agreements (CITA).

ACTION: Issuing a directive to the Commissioner of Customs adjusting limits.

EFFECTIVE DATE: August 26, 1996.

FOR FURTHER INFORMATION CONTACT: Ross Arnold, International Trade Specialist, Office of Textiles and Apparel, U.S. Department of Commerce, (202) 482-4212. For information on the quota status of these limits, refer to the Quota Status Reports posted on the bulletin boards of each Customs port or call (202) 927-5850. For information on embargoes and quota re-openings, call (202) 482-3715.

SUPPLEMENTARY INFORMATION:

Authority: Executive Order 11651 of March 3, 1972, as amended; section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854); Uruguay Round Agreements Act.

The current limits for certain categories are being adjusted, variously, for swing and carryforward.

A description of the textile and apparel categories in terms of HTS numbers is available in the **CORRELATION: Textile and Apparel Categories with the Harmonized Tariff Schedule of the United States** (see Federal Register notice 60 FR 65299, published on December 19, 1995). Also

⁶ 17 CFR 200.30-3 (a)(12).