

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 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. 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-NYSE-99-18 and should be submitted by July 8, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41506; File No. SR-OCC-99-7]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending OCC's By-Laws Concerning End-of-Month Foreign Currency Options

June 10, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 10, 1999, 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 from interested persons on the proposed rule change.

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

The purpose of the proposed rule change is to reconcile a difference between OCC's By-Laws and the Rules of the Philadelphia Stock Exchange ("PHLX").

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.²

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

The proposed rule change will reconcile a difference between OCC's By-Laws and PHLX's Rules concerning the expiration date of end-of-month foreign currency options. OCC's By-Laws and PHLX's Rules both provide that end-of-month foreign currency options expire on the last Friday of the expiration month. However, PHLX's Rules provide that if the last Friday of the expiration month is December 31st, the options expire on "the Friday immediately preceding December 24th."³ OCC's By-Laws provide that if the last Friday of the expiration month is December 31st, the options expire on "the Friday immediately preceding December 25th."⁴ OCC's By-Laws also provide that if a foreign currency option expires on a holiday, the expiration date is the business day immediately preceding the holiday.⁵

The respective rules of OCC and PHLX provide for conflicting expiration dates for end-of-month options in 1999. December 31, 1999, is a Friday, so under PHLX's Rules the expiration date would be December 17, 1999, which is the Friday immediately preceding December 24th. Under OCC's By-Laws, the expiration date would ordinarily be December 24th, but this is a holiday, so the date would change to December 23rd. After consultation with PHLX, OCC has agreed that the expiration date for the end-of-month foreign currency options should be December 17, 1999. To implement this change, OCC is amending the definition of "expiration date" in Article XV, Section 1 of its By-Laws to provide that the expiration date for end-of-month foreign currency options be the Friday immediately

preceding December 24th, rather than December 25th, if December 31st falls on a Friday. This change will ensure that OCC's By-Laws and PHLX's Rules establish the same December expiration date for these options in 1999 and in future years.

OCC believes that the proposed rule change is consistent with Section 17A of the Act⁶ and the rules and regulations thereunder because it promotes the prompt and accurate clearance and settlement of transactions in foreign currency options by ensuring that the expiration date for such options is the same under OCC's By-Laws and PHLX's Rules.

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

OCC does not believe that the proposed rule change would 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)⁷ of the Act and pursuant to Rule 19b-4(f)(4)⁸ promulgated thereunder because the proposal effects a change in an existing service of a registered clearing agency that 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 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 proposed 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, including whether the proposed rule

² The Commission has modified the text of the summaries prepared by OCC.

³ PHLX Options Rule 1000(b)21.(ii).

⁴ Article XV, Section 1.E.2(iv) of OCC's By-Laws.

⁵ Article XV, Section 1.E.2(v) of OCC's By-Laws.

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 17 CFR 240.19b-4(f)(4).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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, NW, Washington, DC 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-99-7 and should be submitted by July 8, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41507; File No. SR-OCC-99-04]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Amendments to the Pledge Program

June 10, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 8, 1999, 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 from interested persons on the proposed rule change.

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

Under the proposed rule change, OCC will permit clearing members to pledge

long positions in non-proprietary cross margin accounts through its pledge program. In addition, OCC will update its rules to reflect the way that the pledge program currently operates.

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.²

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

OCC's market maker pledge program was designed to facilitate the ability of clearing members to finance their positions by permitting them to pledge excess long market maker options as collateral to obtain loans from banks or other clearing members.³ Current eligible account types include, among others, a combined market-makers' account and a separate market-maker's account.

Market-makers, specialists, and registered traders are categories of market professionals that are eligible to have their positions included in a clearing members' non-proprietary cross margin account, and many such market professionals participate in cross margining. OCC believes that it is an appropriate extension of the purposes of the pledge program to permit long options carried in a non-proprietary cross margin account to be pledged to facilitate clearing member financing needs. As a result, under the rule change OCC will amend Rule 614 to add non-proprietary cross margin accounts to the list of accounts that are eligible for the pledge program.

In addition, OCC will update certain of the terms of Rule 614. Some of the practices described in the rule are no longer used, and OCC will eliminate references to those obsolete practices and revise the rule to reflect the current pledge program operation. For example,

² The Commission has modified the text of the summaries prepared by OCC.

³ For a detailed description of the pledge program, refer to Securities Exchange Act Release No. 19956 (July 19, 1983), 48 FR 33956 [File No. SR-OCC-82-25] (order approving proposed rule change).

OCC's system does not "transfer" pledged cleared securities into a separate "pledge account" as suggested by the rules. Rather, OCC identifies within the "primary" account those long positions in a cleared security that a clearing member has instructed OCC that it desires to pledge. In addition, certain instructions or reports are not submitted or distributed by hard copy form but are electronically inputted or disseminated through OCC's C/MACS system. (Hard copy forms are used as acceptable backups should C/MACS be unavailable.) As such, OCC will eliminate reference to "transfers," "Transfer Day," "Primary Accounts," and certain "forms." Instead, OCC will substitute where appropriate more generic terms like "identifying" cleared securities to be pledged, "Activity Day," "Eligible Account," "pledged and unpledged cleared securities," and "instructions" as being more descriptive of current pledge program processing. In addition, clearing member designations among pledgees can be carried out electronically or through use of the pledgee designation form. The rule will also be amended to reflect this practice.

Further, OCC will eliminate references to lock box distribution of reports. Clearing members receive OCC reports electronically through C/MACS. Other pledges also receive reports by electronic format from OCC or have other arrangements with OCC for purposes of receiving reports. Accordingly, there is no longer any need to refer to lock box report distribution. Instead, report distribution will be accomplished in accordance with the procedures agreed between OCC and each pledgee.

Finally, OCC will change the time at which the release of a pledged cleared security is effective. Currently, the rule provides that the release is deemed to be effective as of 9:00 a.m. (central time) on the transfer day and all rights of a pledgee as to such released cleared security are terminated at that time. However, this effective time comes after OCC nightly processing is completed. During nightly processing, the long positions in cleared securities are released from pledge, included in marginable positions, and used to offset short positions as described in Rules 601 and 602. Pledgee banks have the understanding that when they execute the instructions to release pledged positions they release their rights in the long positions and take appropriate measures to ensure that the loan is repaid or otherwise secured. Accordingly, OCC is proposing to alter the time at which a pledge is deemed to be released. That time will be the

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).