

definition that the existing one in that it can readily accommodate future changes in the trading hours of the other national securities exchanges, without, at present, affecting a substantive change to the existing hours of trading in these securities on the Exchange.

The Commission also believes that the initiation of the PPS does not raise any new regulatory concerns. Currently, auction market trading after 4:00 p.m. (ET) occurs on the Phlx until 4:15 p.m. (ET) and the PSE until 4:50 p.m. (ET).<sup>17</sup> The CHX's PPS will operate in a substantially similar manner and enable the CHX to compete with both the Phlx and PSE for after-hours volume. Specifically, the CHX PPS will continue to provide full transparency by disseminating quotes through the Consolidated Quotation System and reporting trades to the consolidated tape. In addition, although the Exchange's MAX System will be unavailable for automated order routing or executions during the PPS, there will continue to be complete access to the CHX and the usual auction market trading rules of the Exchange will continue to apply.<sup>18</sup> Moreover, in order to preserve the execution quality of market, limit, contingent (including GTX) orders placed on the CHX specialists' books during the Primary Trading Session, such orders will not automatically migrate to the PPS, but rather will do so only if the order is so designated (*i.e.*, with an "E" indicator on the ticket) and entered with the specialist after 3:00 p.m. (CT).<sup>19</sup>

Furthermore, the Commission believes that the CHX's proposal to cancel the PPS for a particular day as a result of any trading halt during the Primary Trading Session pursuant to Article XX, Rule 10A that is still in effect at the close of the Primary Trading Session removes from its consideration any regulatory concerns that may have existed if this provision was not present.

The Commission notes, however, that the only other national securities

exchanges that will be operating an auction market after 4:00 p.m. (ET) will be the Phlx and PSE. In this regard, the CHX has represented to the Commission that the ITS will be available between the three exchanges during their post-4:00 p.m. (ET) auction market sessions.<sup>20</sup> Thus, ITS commitments will be able to be routed back and forth, just as during the regular hours of auction trading on the primary markets.

Although the NYSE is operating its Off-Hours Trading facility and the Amex is operating its After-Hours Trading facility during this time period, these sessions are limited to accepting single stock orders priced at either the NYSE or Amex closing price, respectively, or effecting portfolio trades. Because the PPS trading session will not overlap the 5:00 p.m. (ET) executions in Crossing Session I of the NYSE's Off-Hours Trading facility or the Amex's After-Hours Trading Facility, the proposal being approved today does not raise market structure issues regarding the interaction between the PPS and these two after-hours trading facilities.

Accordingly, the Commission does not believe that an extension of auction market trading on the CHX until 4:30 p.m. (ET) will have an adverse effect on the maintenance of fair and orderly markets or disadvantage public customers.

The Commission finds good cause for approving the proposed rule change prior the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. The Commission believes that accelerated approval of the proposal to modify the definition of the Exchange's Primary Trading Session is appropriate because the CHX's proposal does not alter, at present, the existing hours of the Primary Trading Session. Moreover, the Commission will retain the ability to consider the effects of any future change in the hours of the CHX's Primary Trading Session brought about by the modification of another exchange's trading hours through its review under Section 19(b) of the Act of any proposed rule that would precipitate such a change.

The Commission believes that accelerated approval of the proposal to establish a PPS is appropriate because the CHX's proposal is substantively the same as the PPS currently operated by the Phlx, with the exception that the CHX's PPS remains open for an additional fifteen minutes.<sup>21</sup> In this

regard, the Commission does not believe that this difference is a significant one, as the same market situation that currently exists between 4:00 to 4:15 (ET) when only the Phlx and PSE are conducting auction market trading will prevail between 4:15 to 4:30 p.m. (ET) when only the CHX and PSE will be conducting such trading.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 2. 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, Amendment Nos. 1 and 2, and 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-CHX-96-13 and should be submitted by June 28, 1996.

#### V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act<sup>22</sup> that the proposed rule change is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>23</sup>

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-14400 Filed 6-6-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37256; File No. SR-DTC-96-08]

#### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change To Establish a Custody Service For Certain Non-depository Eligible Securities

May 30, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>22</sup> 15 U.S.C. 78s(b)(2).

<sup>23</sup> 17 CFR 200.30-3(a)(12).

<sup>17</sup> See Securities Exchange Act Release No. 35188 (January 3, 1995), 60 FR 2422 (January 9, 1995) (SR-Phlx-94-46) (order approving establishment of Phlx PPS from 4:00 to 4:15 (ET)); Securities Exchange Act Release No. 29631 (August 30, 1991), 56 FR 46025 (September 9, 1991) (SR-PSE-91-21) (order approving extension of PSE post-1 p.m. session from 1:30 to 1:50 p.m. (PT)).

<sup>18</sup> The Commission notes that the CHX has represented that trading during the PPS will be surveilled in the same manner and using the same techniques as those used to surveil the Primary Trading Session. See ITS/Surveillance Letter, *supra* note 7.

<sup>19</sup> The Commission notes the CHX's representation that it will distribute a Notice to Members setting forth the procedures to be followed to make orders eligible for the PPS. See *supra* note 10.

<sup>20</sup> See ITS/Surveillance Letter, *supra* note 7.

<sup>21</sup> The Commission notes that the proposal to establish the Phlx's PPS was noticed previously in the Federal Register for the full statutory period and the Commission did not receive any comments on it. See *supra* note 17.

("Act"),<sup>1</sup> notice is hereby given that on April 2, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-08) as described in Items I, II, and III below, which items have been prepared primarily by DTC. 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

DTC is filing the proposed rule change to establish procedures for its Custody that will enable DTC participants that hold certain non-depository eligible securities to deposit those securities with DTC for safekeeping and other limited depository services.

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

In its filing with the Commission, DTC 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. DTC 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 establish a method by which the securities industry may centralize the safe-keeping of certificates which are not currently deposited at DTC because either the DTC participant desires that the certificate be held in customer or firm name or the issue is not eligible for full depository services (e.g., securities with certain transfer restrictions). The Custody Service will permit DTC participants to deposit such securities at DTC for safe-keeping and other limited depository services.<sup>3</sup> Certificates deposited through the Custody Service will be held by DTC in customer or firm name and will not be

transferred into DTC's nominee name. Therefore, a security issue deposited through the Custody Service ("Custody Issue") will not be eligible for DTC's book-entry services unless a depositing participant directs DTC to transfer the position originally credited to the participant's custody free account to the participant's general free account.<sup>4</sup>

DTC believes that the Custody Service will provide brokers and dealers with appropriate control over Custody Issues for purposes of Rule 15c3-3(b)<sup>5</sup> under the Act. In accordance with the requirements for the satisfactory control of securities set forth in Rule 15c3-3(c)(5),<sup>6</sup> DTC believes (i) it is a "bank" within the meaning of Section 3(a)(6) of the Act because it is a member bank of the Federal Reserve System, (ii) the delivery of Custody Issues to brokers and dealers will not require the payment of money or value, and (iii) the Custody Issues in DTC's custody or control will not be subject to any right, charge, security interest, lien, or claim of any kind in favor of DTC or any person claiming through DTC.

The proposed Custody Service will be implemented in three phases. As each phase is introduced, additional services will be offered to DTC participants. During the first phase, DTC will accept deposits, process withdrawals, and transfer eligible Custody Issues into a participant's general free account. DTC also will respond to inquiries regarding custody deposits and offer automated and physical activity reports to participants.

The second phase of the Custody Service will add redemption and reorganization services. When a custody position becomes the subject of a reorganization or redemption, DTC generally will report the event to its participants using existing services.<sup>7</sup> In addition, DTC participants will be able to utilize DTC's Reorg Deposit Service<sup>8</sup>

<sup>4</sup> All necessary documents (e.g., stock powers or endorsements) to effect a legal transfer from customer or firm name to DTC's nominee name must be deposited with DTC prior to or contemporaneously with a participant's instruction to transfer the position from a participant's custody free account to the participant's general free account. Custody Issues eligible for transfer from a participant's custody free account to its general free account are those Custody Issues for which (i) all necessary documents of transfer are on deposit at DTC, (ii) there are no pending restrictions on transferability, and (iii) the issue is otherwise DTC eligible.

<sup>5</sup> 17 CFR 240.15c3-3(b) (1995).

<sup>6</sup> 17 CFR 240.15c3-3(c) (1995).

<sup>7</sup> DTC will require its participants to notify DTC of redemptions and reorganizations involving Custody Issues where DTC has not already announced such an activity.

<sup>8</sup> The Reorg Deposit Service enables DTC participants to deposit at DTC certificates for up to two years after the reorganization activity and to

to present eligible Custody Issues for mandatory reorganizations, full and partial calls, maturities, name changes, reverse splits, mergers, and other similar activities. Participants will be able to submit negotiable and transferable Custody Issues for voluntary reorganizations through existing, modified services. DTC also will collect and distribute the proceeds derived from the presentment of custody deposits.

In the third phase of the Custody Service, DTC will implement the capability to collect and distribute dividend and interest payments for Custody Issues registered in customer or firm name. Although DTC is seeking approval for each phase of the Custody Service, it intends only to implement Phase I at this time, with the other phases to follow in accordance with the experience and needs of DTC participants.

DTC believes the proposed rule change will reduce the costs, inefficiencies, and risks associated with the physical safe-keeping of securities which are not current depository eligible at DTC because its participants will be able to reduce the inventories of securities in their physical vault and in turn should reduce their processing, labor, and insurance expenses. DTC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC in that it promotes efficiencies in the prompt and accurate clearance and settlement of securities transactions. Moreover, DTC believes the proposed service establishes uniform procedures for clearance and settlement which will reduce unnecessary costs and increase the protection of investors and persons facilitating transactions by and acting on behalf of investors. DTC also believes the proposed rule change supports industry efforts to immobilize securities certificates and maximize efficiencies in securities processing.

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

DTC 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, in the public interest, and for the protection of investors.

have DTC collect the proceeds on their behalf. For a complete description of DTC's Reorg Deposit Service, refer to Securities Exchange Act Release No. 34189 (June 9, 1994), 59 FR 30818 [SR-DTC-94-06] (notice of filing and immediate effectiveness of proposed rule change).

<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 DTC.

<sup>3</sup> A description of DTC's proposed Custody Services is set forth in Exhibit B to the filing "DTC Custody Service," which is available for review at the Commission's Public Reference Room.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

DTC has not solicited comments from its participants on the proposed rule change. A number of DTC participants have requested that DTC develop a custody service and informally have committed to using such a service.

**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 DTC 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 DTC. All submissions should refer to the file number SR-DTC-96-08 and should be submitted by June 28, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-14357 Filed 6-6-96; 8:45 am]

**BILLING CODE 8010-01-M**

[Release No. 34-37258; File No. SR-OCC-95-17]

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Modifying the Escrow Deposit Program**

May 30, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 2, 1995, 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. OCC amended the proposed rule change on March 22, 1996.<sup>2</sup> 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 purpose of the proposed rule change is to amend OCC's escrow deposit program to permit escrow deposits for stock put contracts and stock index put contracts and to make other conforming changes to OCC's rules.

**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>3</sup>

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

OCC proposes to modify its escrow deposit program to (i) permit escrow deposits for stock put options and stock index put options; (ii) delete provisions regarding OCC's batch system for processing escrow receipts; (iii) change provisions regarding the timing of the release of escrow deposits; and (iv)

delete provisions for bulk deposits for call options and deposits of Treasury bills for put options. In addition, OCC proposes to modify other OCC rules to conform to this rule change.

Pursuant to OCC rules, clearing members may deposit with an OCC approved custodian shares of stock which may be in the form of escrow deposits, underlying certain options in lieu of margin. Escrow deposits are specific deposits of assets held by OCC at an approved custodian for the account of a specific customer. Presently, OCC's rules restrict escrow deposits to short positions in stock calls and stock index calls. For stock call options, the underlying security may be deposited in escrow with an OCC-approved custodian and for stock index call options, any combination of cash, short-term government securities, or marginable equity securities may be deposited in escrow with an OCC-approved custodian.

Permitting escrow deposits with respect to stock put contracts and stock index put contracts had been deferred until sufficient interest existed and an acceptable system could be developed to process escrow deposits for put options. OCC recently received requests to expand its escrow program to include such deposits for stock and stock index puts. Those requests prompted OCC to review its escrow program and its processing systems that support the escrow program. As a result thereof, OCC determined to make several enhancements and modifications to its escrow program as described below.

First, OCC proposes to expand its escrow program to permit escrow deposits for stock put contracts and stock index put contracts and process those deposits through its on-line Escrow Receipt Depository ("ERD") system.<sup>4</sup> To accomplish the proposed expansion of its escrow program, certain changes to OCC Rules 610 and 1801 are necessary. In general, the changes will accommodate the Deposit of any combination of cash and short-term government securities for put contracts, will provide for the valuation and substitution of deposited assets and, in the event of the value of the property declines below a specified amount, will permit OCC to disregard the escrow

<sup>4</sup> For a complete description of the batch ERD system and the transition to the on-line ERD system, refer to Securities Exchange Act Release No. 31595 (December 11, 1992), 57 FR 61139 [SR-OCC-92-30] (order approving on an accelerated basis a proposed rule change relating to the conversion of OCC's current batch ERD system to an on-line system).

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

<sup>2</sup> Letter from Jean M. Cawley, OCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (March 20, 1996).

<sup>3</sup> The Commission has modified the text of the statements prepared by OCC.

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1995).