Reuters Economic Services (''Reuters''). Listed companies are encouraged, though not required, to promptly distribute news releases to Bloomberg Business News (''Bloomberg''). It is common practice today among many listed companies to disseminate material news to Dow Jones, Reuters and Bloomberg.

The Exchange proposes to amend this rule to require listed companies to disseminate news or information which might reasonably be expected to materially affect the market for their securities to Bloomberg, in addition to Dow Jones and Reuters. According to the NYSE, Bloomberg's news network has dramatically expanded in recent years and reaches a broad base of equity participants and related subscribers.[3]

III. Discussion

After careful consideration of the NYSE's proposal, and based on the belief that Bloomberg is a widely used news service organization within the investing community, the Commission finds that the NYSE's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission believes the proposal is consistent with Section 6(b)(5)[4] of the Act, which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that it is reasonable for the NYSE to require its listed companies to distribute material news releases to Bloomberg as well as Dow Jones and Reuters as currently required. As previously stated, Bloomberg is a 24-hour, global news service which instantaneously transmits more than 3,000 stories daily to over 140,000 on-line customers from its 63 bureaus around the world; and, its news byline regularly appears in more than 160 flagship newspapers throughout the U.S., Europe and Asia.

The Commission believes that approval of the NYSE's proposal to amend Section 202.06(B) and Section 202.06(C) of its Listed Company Manual to mandate the dissemination of material news to Bloomberg will provide the public with an additional source for obtaining information about NYSE listed companies, thereby improving the public's ability to assess the suitability of these companies for various investment purposes. Expanding the list of required news services to include Bloomberg will also increase the probability of the material news being received by those it potentially may impact, and those most likely to be in need of the information.

Moreover, the addition of Bloomberg should facilitate the widespread dissemination of the information within the market place, thus improving the public's ability to be quickly informed about material changes affecting listed companies. Additionally, the mandatory dissemination of material news to Bloomberg will not necessarily impose any undue burden on listed companies because the proposal is simply to codify what NYSE already has stated is a widespread practice of many NYSE listed companies and in any case, any additional burden is minimal. Based on the above, the Commission believes that the proposed amendment is consistent with Section 6(b)(5)[5] of the Act in that it seeks to promote just and equitable principles of trade, will serve to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public.

IV. Conclusion

For the reasons discussed above, the Commission believes the proposal of the NYSE to amend its rules, contained in Section 202.06(B) and Section 202.06(C) of its Listed Company Manual, which govern the procedures followed by its listed companies for disseminating material news or information to the public is consistent with Section 6(b)(5) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[6] that the proposed rule change (SR–NYSE–96–11) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–18718 Filed 7–23–96; 8:45 am]

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[3] Information obtained from Bloomberg's Home Page on the internet (www.bloomberg.com) indicates that Bloomberg, an affiliate of Bloomberg Financial Markets, is a 24-hour, global news service which instantaneously transmits more than 3,000 stories daily to over 140,000 on-line customers from its 63 bureaus around the world. It is a full-service news service available on dedicated computer terminals. According to Bloomberg, it provides live coverage of the world's governments, corporations, industries, and all major financial markets. These markets include: government, corporate, and municipal bonds; equity and preferred stocks; commodities; and currencies. In addition, Bloomberg states its news byline regularly appears in more than 160 flagship newspapers throughout the United States, Europe and Asia.

[4] 15 U.S.C. 78f(b)(5).

[5] 15 U.S.C. 78f(b)(5).

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30–3(a)(12).

[Release No. 34–37449; File No. SR–OCC–96–06]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval on a Temporary Basis of a Proposed Rule Change Concerning Equity TIMS

July 17, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 31, 1996, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared primarily by OCC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change through November 30, 1996.

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

The proposed rule change will extend the order granting temporary approval of OCC's use of its Theoretical Intermarket Margin System (''TIMS'') for calculating clearing margin positions in equity options.[2]

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.[3]

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] Equity TIMS is a modified version of OCC'S Non-Equity TIMS, which is OCC'S margin system used to calculate requirements on options for which the underlying asset is anything but an equity security. Securities Exchange Act Release No. 23167 (April 22, 1986), 51 FR 16127 [File No. SR–OCC–85–21] (order approving Non-Equity TIMS).

[3] The Commission has modified the text of the summaries prepared by OCC.

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

On March 1, 1991, the Commission temporarily approved a proposed rule change that authorized OCC to use TIMS to calculate clearing member margin requirements on equity options.[4] Since its initial temporary approval of Equity TIMS, the Commission has extended the temporary approval four times.[5]

Equity TIMS utilizes options price theory (*i.e.*, an option pricing model) to project the cost of liquidating in the event of a ''worst case'' theoretical change in the price of the underlying securities, each clearing member's short equity option positions and long equity option positions on which OCC is entitled to assert a lien. This projected liquidation cost is then used by Equity TIMS to calculate for each clearing member a margin requirement to cover that cost.

OCC presented a report to Commission staff in April 1995 pursuant to staff inquiries as to whether volatility for a ten-year period should be used to determine equity options margin intervals. OCC's analysis suggests that a ten-year time frame presents problems in adequately assessing the potential future volatility of individual equities. OCC asserts that some equities (*e.g.*, initial public offerings) with traded options experienced high volatility less than ten years ago but now are well established, less volatile securities. However, some equities with traded options that historically have experienced lower volatility have seen volatility increase due to market factors or changes in the business climate.

Accordingly, OCC explored alternatives to using a ten-year period for determining equity options margin intervals. As a result of its research into such alternatives, OCC believes that the use of a four-year stable distribution for the purposes of determining equity margin intervals within Equity TIMS should address the Commission's concerns. Stable distributions essentially seek to fit a probability distribution to a sample of historical data without any implicit assumptions of normalcy. OCC believes that stable distribution parameters will provide it with a greater breadth and quality of information from a given period of historical data and proposes to use a four-year period for purposes of setting equity option margin intervals.

OCC believes the proposed rule change is consistent with the requirements of Section 17A of Act and the rules and regulations promulgated thereunder because Equity TIMS should enhance OCC's ability to safeguard the securities and funds for which it is responsible.

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

OCC does not believe that the proposed rule change will 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 were received.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.[6] Additionally, Section 17A(a)(1) of the Act [7] encourages the use of efficient, effective, and safe procedures for securities clearance and settlement. The Commission continues to believe that OCC'S proposal to utilize Equity TIMS meets the requirements of the Act because OCC's use of Equity TIMS over the past six years has resulted in better assessments of OCC's risk exposure associated with the clearance and settlement of its clearing members' equity option positions and has resulted in calculations of clearing margin that more accurately reflect that risk exposure.

Nevertheless, while the Commission continues to believe that the margin methodology employed by Equity TIMS is basically sound, the Commission staff must fully analyze the efficacy of utilizing the four-year stable distribution intervals for Equity TIMS before determining whether to grant permanent approval. Consequently, the Commission is granting temporary approval for Equity TIMS through November 30, 1996.

OCC has requested that the Commission find good cause for approving the proposal prior to the thirtieth day after the publication of notice of filing of the proposed rule change. The Commission finds such good cause because accelerated approval will allow OCC to continue to use Equity TIMS without interruption while the Commission and OCC further examine Equity TIMS. The Commission notes that during the five previous temporary approval periods, neither OCC nor the Commission has received any adverse comments regarding Equity TIMS from its clearing members, and none are expected with regard to this filing.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, 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 filings will also be available for inspection and copying at the principal office of OCC. All submissions should refer to file number SR–OCC–96–06 and should be submitted by August 14, 1996.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR–OCC–96–06) be, and hereby is, approved on an accelerated basis through November 30, 1996.

[4] After the Commission's approval of File No. SR–OCC–89–12 on March 1, 1991, OCC phased out its previous margin system, which was known as the ''production system,'' and since then has used Equity TIMS to calculate its clearing members' margin requirements on equity option positions. For a complete description of Equity TIMS, refer to Securities Exchange Act Release No. 28928 (March 1, 1991), 56 FR 9995 [File No. SR–OCC–89–12] (order approving the use of Equity TIMS to calculate margin on equity options on a temporary basis through May 31, 1992).

[5] Securities Exchange Act Release Nos. 30761 (May 29, 1992), 57 FR 24286 [File No. SR–OCC–92–15] (order extending the approval of Equity TIMS through May 31, 1993); 32388 (May 28, 1993), 58 FR 31989 [File No. SR–OCC–93–06] (order extending the approval of Equity TIMS through May 31, 1994); 34065 (May 13, 1994), 59 FR 26534 [File No. SR–OCC–94–03] (order extending the approval of Equity TIMS through May 31, 1995); and 36003 (July 21, 1995), 60 FR 38880 [File No. SR–OCC–95–07] (order extending the approval of Equity TIMS through May 31, 1996).

[6] 15 U.S.C. § 78q–1(b)(3)(F) (1988).

[7] 15 U.S.C. § 78q–1(a)(1) (1988).

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–18717 Filed 7–23–96; 8:45 am]

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[Release No. 34–37438; File No. SR–OCC–96–05]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Issuance, Clearance, and Settlement of DIVS, OWLS, and RISKS

July 15, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 19, 1996, 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. On June 20, 1996, OCC filed an amendment to the proposed rule change.[2] The Commission is publishing this notice to solicit comments 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 certain OCC by-laws and rules and to append new sections to OCC's by-laws and rules to provide for the issuance, clearance, and settlement of new equity derivative products referred to as Dividend Value of Stock (''DIVS'') sm, Options with Limited Stock (''OWLS'') sm, and Residual Interest in Stock (''RISKS'') sm.

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.[3]

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

The proposed rule change will amend certain OCC by-laws and rules and will append new sections to OCC's by-laws and rules to permit the issuance, clearance, and settlement of new equity derivative products referred to as DIVS, OWLS, and RISKS. DIVS, OWLS, and RISKS are proposed to be listed and traded on the Philadelphia Stock Exchange (''PHLX'').[4]

1. Description of DIVS, OWLS, and RISKS

Each of these three new options-related products will be traded separately on the PHLX equity option floor. It is intended that an investor who owns all three will be in an economic position similar to an investor who owns the underlying stock except that ownership of DIVS, OWLS, and RISKS will not give the holder voting rights. PHLX has indicated that it intends to introduce new series of DIVS, OWLS, and RISKS in a coordinated way so that whenever a series of DIVS on a particular underlying stock is opened for trading a series of OWLS and a series of RISKS with the same termination date also will be open for trading.[5] In addition, OWLS and RISKS in the coordinated series will have the same termination claim, which is a concept similar to the strike price of an option. OWLS and RISKS will be considered European style products in that they cannot be exercised prior to expiration.

Each DIVS given the holder the right to receive and obligates the writer to pay on the termination date dividend equivalents on a per share basis equal to any regular dividends distributed to stockholders by the issuer of the underlying stock. However, certain distributions may be reflected in an adjustment to the unit of trading or to the number of outstanding DIVS rather than in a dividend equivalent payment.

Specifically, each OWLS gives the holder the right to receive and obligates the writer to pay on the termination date either (i) the number of shares of the security underlying the OWLS (*i.e.*, the unit of trading, which usually is 100 shares) if the closing price of the underlying security at expiration of the OWLS is less than or equal to the termination claim or (ii) the number of shares of the underlying security equal in value to the termination claim times the unit of trading if the closing price is greater than the termination claim. In other words, the maximum value that the OWLS holder will receive is fixed at the aggregate amount of the termination claim, but that value always will be paid in stock rather than in cash. Accordingly, if the closing price at expiration is greater than the termination claim, the number of shares received by the holder will be less than the unit of trading for the OWLS, and if the closing price at expiration is less than or equal to the termination claim, the holder will receive the number of shares of the underlying security represented by the unit of trading.[6] Therefore, holding an OWLS functionally resembles a covered call writing transaction (*i.e.*, a purchase of the underlying stock combined with the sale of a European style call option on that stock). However, unlike the writer of a covered call that expires in the money, the OWLS holder will receive stock instead of cash upon settlement.

Each RISKS gives the holder the right to receive a number of shares of the stock underlying the RISKS equal in value to the excess, if any, of the closing price of the underlying security at the termination date over the termination claim of the RISKS times the unit of trading.[7] If the closing price of the underlying security is less than or equal to the termination claim, the RISKS will expire worthless, and the holder will

[8] 17 CFR 200.30–3(a)(12) (1995).

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] Letter from Michael G. Vitek, OCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (June 19, 1996).

[3] The Commission has modified the text of the summaries prepared by OCC.

[4] For description of the PHLX proposal to list and trade DIVS, OWLS, and RISKS, refer to Securities Exchange Act Release No. 36127 (August 28, 1995), 60 FR 44533 [File No. SR–PHLX–95–19] (notice of proposed rule change relating to DIVS, OWLS, and RISKS). To the extent that discrepancies exist between the present filing and SR–PHLX–95–19, OCC believes that this fling represents the current intentions of PHLX, and OCC anticipates that PHLX will amend its filing to eliminate any inconsistencies.

[5] The expiration date of a series of DIVS, OWLS, and RISKS may have an expiration date up to 60 months following the issuance date of such series.

[6] For example, if the termination claim for a series of OWLS is $50, the unit of trading is 100 shares, and the closing price for the underlying stock at termination of the OWLS is $80, holders of OWLS would be entitled to receive the number of shares of the underlying stock having an aggregate market value of 100 × $50 = $5000 per OWLS held. Accordingly, since $5000/$80 = 62.5 shares, the holder would be entitled to receive 62 whole shares per OWLS held and a cash payment in lieu of any fractional share. However, if the closing price of the stock had been $50 or less (*i.e.*, equal to or less than the termination claim of the OWLS), the OWLS holder would receive 100 shares per OWLS held.

[7] For example, a holder of RISKS in a series corresponding to the series of OWLS referred to in the preceding example would be entitled to receive an aggregate number of shares of stock underlying the RISKS equal in value to: 100 × ($80 − $50) = $3000. Since $3000/$80 = 37.5 shares, a RISKS holder would be entitled to receive 37 shares per RISKS held and a cash payment in lieu of any fractional share.