

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

Within 35 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 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 such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

The Exchange has requested that the Commission approve on an accelerated basis pursuant to Section 19(b)(2) of the Act the portion of the proposed rule change that proposes continuation of the pilot operation of the RAES suspension system pending consideration by the Commission to approve the system on a permanent basis. In that regard the Commission finds it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular the requirements of Section 6(b)(5) thereunder, to permit CBOE to continue the pilot operation of the system while the Commission considers CBOE's proposal to implement the system on a permanent basis. The Commission notes that the Exchange has not reported any significant problems with the operation of the system to date.

The Commission finds good cause for approving this proposed rule change on an accelerated basis prior to the thirtieth day after the date of publication of notice thereof in the Federal Register. Specifically, the Commission believes that accelerated approval of this portion of the proposal is appropriate because it is to be implemented for a limited period pending the review by the Commission of the Exchange's proposal to seek permanent approval of the pilot program. During this period all orders will be handled in accordance with the terms of the pilot, as previously approved by the Commission.

Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve an extension of the pilot program, on an accelerated basis.

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 CBOE. All submissions should refer to the file number in the caption above and should be submitted by September 11, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,³ that the portion of the proposed rule change requesting the continuation of the pilot is approved on an accelerated basis, pending Commission review of the proposal requesting permanent approval.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-21320 Filed 8-20-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37562; File No. SR-DTC-96-09]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving a Proposed Rule Change Establishing Procedures to Establish a Drop Window Service

August 13, 1996.

On April 25, 1996, the Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-96-09) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ to establish procedures for a transfer agent drop service ("Drop Service") that will provide transfer agents located outside of New York City with a central location within the Borough of Manhattan to receive and deliver securities. Notice of the proposal was published in the

Federal Register on June 18, 1996.² No comments letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

DTC proposes to offer a Drop Service in order to provide transfer agents located outside of New York City with a central location within Manhattan for the receipt of securities from banks, broker-dealers, depositories, and shareholders. DTC's Drop Service will enable transfer agents to comply with New York Stock Exchange ("NYSE") Rule 496 and American Stock Exchange ("Amex") Rule 891. Each of these rules require a transfer agent seeking qualification as a transfer agent for securities listed on the respective exchanges to maintain an office acceptable to the exchange and the issuer located south of Chambers Street in the Borough of Manhattan, City of New York to receive and deliver securities.

In the past, some transfer agents located outside of New York City complied with these rules by using a drop service offered by the New York office of the Midwest Clearing Corporation ("MCC"). However, in 1996 MCC withdrew from the clearing business and no longer offers a drop service.³ DTC will offer the DTC Drop Service to replace the drop facility offered by MCC and to ensure continuity of service to transfer agents. In connection with the Drop Service, DTC will provide ancillary services to transfer agents such as the inspection of securities, maintenance of records regarding the receipt and delivery of securities, facilitation of rush transfers, cancellation of certificates, and advice regarding legal and regular transfer requirements.⁴ In order to use DTC's Drop Service, all transfer agents will be required to execute the Drop Service

² Securities Exchange Act Release No. 37303 (June 11, 1996), 61 FR 30931.

³ For a complete discussion of MCC's and Midwest Securities Trust Company's ("MSTC") withdrawal from the clearing and depository business, refer to Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 [File Nos. SR-CHX-95-27, SR-DTC-95-22, SR-MCC-95-04, SR-MSTC-95-10, SR-NSCC-95-15] (order approving MCC's and MSTC's withdrawal from the clearance and settlement, securities depository, and branch receive businesses).

⁴ A more detailed description of these services is set forth in Section II of DTC's Drop Service Agreement which sets forth the terms under which DTC's service will be provided. The Drop Service Agreement is attached as Exhibit 2 to DTC's proposed rule change and is available through DTC or through the Commission's Public Reference Room.

³ 15 U.S.C. 78s(b)(2).

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

Agreement setting forth DTC's and the transfer agents' responsibilities.

II. Discussion

Section 17A(b)(3)(F) of the Act⁵ requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody of the clearing agency or for which it is responsible and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. The Commission believes that DTC's proposal is consistent with Section 17A(b)(3)(F) of the Act because DTC has taken steps to safeguard the securities which are in its custody or control or for which it is responsible by requiring each transfer agent to execute an agreement that sets forth DTC's and the Transfer agents' respective responsibilities. Moreover, the Drop Service will foster cooperation and coordination between DTC and other entities engaged in the clearance and settlement of securities transactions by providing a facility that will enable transfer agents to comply with certain NYSE and Amex rules.

III. Conclusion

On the basis of the foregoing, the Commission finds that DTC's proposed rule change is consistent with the requirements of the Act and in particular with Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-96-09) be, and hereby is approved.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-21329 Filed 8-20-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37564; File No. SR-NYSE-96-22]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change Relating to the Extension of Rule 103A (Specialist Stock Reallocation)

August 14, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 6,

1996, the New York Stock Exchange, Inc. ("NYSE" 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 NYSE proposes to extend the effectiveness of Rule 103A, Specialist Stock Reallocation, until September 10, 1997.

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 NYSE 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 NYSE 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

The intent of Rule 103A is to encourage a high level of market quality and performance in Exchange listed securities. Rule 103A grants authority to the Exchange's Market Performance Committee to develop and administer systems and procedures, including the determination of appropriate standards and measurements of performance, designed to measure specialist performance and market quality on a periodic basis to determine whether or not particular specialist units need to take actions to improve their performance. Based on such determinations, the Market Performance Committee is authorized to conduct a formal Performance Improvement Action in appropriate cases.

On May 10, 1995 the SEC extended the effectiveness of the rule until September 10, 1996.³ In its approval order, the Commission stated its continued belief that the Exchange

should develop objective performance standards to measure specialist performance.⁴ In this regard, the Exchange notes that it has previously developed two objective measures of specialist performance. It should be noted, however, that these measures are not currently included in the Rule 103A program. The first objective measure of performance pertains to specialist capital utilization. Adopted in December 1993 on a pilot basis, the capital utilization measure of specialist performance focuses on a specialist unit's use of its own capital in relation to the total dollar value of trading activity in the unit's stocks.⁵ The capital utilization measure pilot has been extended until September 10, 1996.⁶ The Exchange's Allocation Committee is being provided with specialist capital utilization information for its use in allocation decisions.

The second objective measure of performance, which was recently developed, pertains to "near neighbors." On June 30, 1995, the Commission approved this filing on a fifteen month pilot basis through September 10, 1996.⁷ The "near neighbors" measure compares certain performance measures of a given stock (price continuity, depth, quotation spread and capital utilization) to those of its "near neighbors" (i.e., stocks that have certain similar characteristics). The Exchange would provide "near neighbors" information to the Allocation Committee for its use in allocating newly-listed stocks.⁸ On July 1, 1996, the Exchange filed to extend the pilot programs for both the near neighbor and capital utilization measure of specialist performance.⁹ During the next twelve months, the Exchange expects to work with outside consultants and appropriate constituent groups to develop performance standards applicable to these objective

⁴ See *id.* The Commission notes that the Exchange's current evaluation criteria under Rule 103A¹⁰ include objective standards that measure specialist performance at the opening (both regular and delayed), systematized order turnaround, and the timeliness of a unit's response to status requests. Specialist performance also is measured by the Exchange's Specialist Performance Evaluation Questionnaire.

⁵ See Securities Exchange Act Release No. 33369 (December 23, 1993), 58 FR 69431 (December 30, 1993) [File No. SR-NYSE-93-30].

⁶ See Securities Exchange Act Release No. 35926 (June 30, 1995), 60 FR 35760 (July 11, 1995) [File No. SR-NYSE-95-24].

⁷ See Securities Exchange Act Release No. 35927 (June 30, 1995), 60 FR 35764 (July 11, 1995) [File No. SR-NYSE-95-05].

⁸ The near neighbor measure would provide the Allocation Committee with performance data.

⁹ File No. SR-NYSE-96-17.

⁵ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

⁶ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 35704 (May 10, 1995), 60 FR 26060 (May 16, 1995) [File No. SR-NYSE-95-18].