

same characteristics as existing equity options.

Because of the similarities between existing equity options and flexibly structured equity options, only a few of OCC's by-laws and rules need adjustment to accommodate flexibly structured equity options.⁹ OCC is amending Section 1 of Article I to add an all-purpose definition of "flexibly structured option." Thus, the definition of flexibly structured option set forth in Articles XV, XVII, and XXIII will be deleted. The definition of "expiration date" is being amended to make clear that flexibly structured equity options may expire on dates other than the Saturday following the third Friday of the expiration month. The expiration date of any such option will be the date reported to OCC by the Exchange, subject to such constraints on the range of possible expiration dates as set forth in the rules of the Exchanges.

Section 11 of Article VI regarding adjustments to equity and index options also will apply to the adjustment of flexibly structured equity and index options.¹⁰ However, paragraph (j) has been amended to reserve to the Securities Committee¹¹ the power to make special exceptions for flexibly structured options whenever it determines that such exceptions are appropriate. This is intended to give the Securities Committee the flexibility to deal with situations where a different adjustment for flexibly structured options is warranted.

OCC also is adding Interpretation and Policy .08 to Section 11. The interpretation provides that when a flexibly structured option with a European style exercise is adjusted to require the delivery upon exercise of a fixed amount of cash, such as would ordinarily occur in a merger where the

underlying security is converted into a right to receive a fixed amount of cash, the expiration date of the option will ordinarily be accelerated so that the option will expire on or shortly after the date when the underlying stock is converted into the right to receive cash. Without this adjustment, the option position would have to be maintained until it could be exercised at its regular expiration even though the amount to be received on exercise had already been fixed. This special adjustment is being made to accommodate flexibly structured equity options because, unlike existing equity options, flexibly structured equity options may have European-style exercise features.

The only change being made to OCC's rules is the addition of Interpretation and Policy .03 to Rule 805 which clarifies that OCC's exercise procedures as set forth in Rule 805 shall apply to the exercise of flexibly structured equity options. The new interpretation also gives OCC the flexibility, if necessary, to depart from regular expiration date procedures and deadlines in the case of flexibly structured options. Such departures are not currently anticipated and adequate notice will be given to all clearing members prior to such departures being made.

II. Discussion

Sections 17A(b)(3) (A) and (F)¹² of the Act require that a clearing agency be structured and its rules designed to facilitate the prompt and accurate clearance and settlement of securities transactions and to safeguard securities and funds in its custody or control or for which it is responsible. Because from a clearance and settlement perspective, OCC will process flexibly structured equity options like any other equity option, the Commission believes that OCC's proposed change is consistent with Sections 17A(b)(3) (A) and (F) of the Act because the proposed rule change establishes a framework in which existing, reliable OCC systems, rules, and procedures are extended to the processing of flexibly structured equity options. As a result, the proposed rule change should promote the prompt and accurate clearance and settlement of such options and should provide for the safeguarding of related securities and funds.

III. Conclusion

The Commission finds that OCC's proposal is consistent with the requirements of the Act and particularly with Section 17A 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-OCC-96-03) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37627; File No. SR-PSE-96-27]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Stock Exchange Incorporated

September 3, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 11, 1996, the Pacific Stock Exchange Incorporated ("PSE" 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 Exchange hereby amends its Schedule of Rates for Exchange Services by reducing the current cap on transaction charges for equity block trades and by adopting a transaction fee cap per 100 shares for equity securities. The text of the proposed rule change is set forth below [new text is italicized; deleted text is bracketed]:

¹³ 17 CFR 200.30-3(a)(12) (1996).

¹ 15 U.S.C. 78s(b)(1).

⁹ The specific changes to OCC's by-laws and rules are set forth in OCC's proposed rule change, which is available for review at the principal office of OCC and at the Commission's Public Reference Room.

¹⁰ Adjustments may be made to the number of option contracts, the unit of trading, the exercise price, and the underlying security with respect to all outstanding option contracts open for trading on an underlying security which is the subject of a dividend, stock dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event, or the merger, consolidation, dissolution, or liquidation of the issuer of the underlying security.

¹¹ The Securities Committee consists of one designated representative of each exchange and the Chairman of OCC.

¹² 15 U.S.C. 78q-1(b)(3) (A) and (F) (1988).

SCHEDULE OF FEES AND CHARGES FOR EXCHANGE SERVICES

	Cumulative billable trade value per month	Charge per \$1,000 of trade value *
PSE EQUITIES: TRADE-RELATED CHARGES		
EXCHANGE TRANSACTIONS	No change.	No change
DISCOUNTS AND CAPS [ON AUTOMATED TRANSACTIONS]:		
AUTOMATED TRADE DISCOUNTS	No change.	
BLOCK TRADES (5,000 SHARES OR MORE)	Transaction charges for block trades of 5,000 shares or more are subject to a minimum charge of \$15 per trade side and a maximum charge of \$75 [\$100] per trade side.	
CAP ON TRANSACTION CHARGES	Aggregate monthly transaction charges are subject to a cap of \$.45 per 100 shares.	

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

The Exchange is proposing to amend its charges for equity transactions in two respects: First, the Exchange is proposing to reduce from \$100 to \$75 the current cap on transaction charges for block trades (i.e., trades involving 5,000 shares or more). Second, the Exchange proposes to establish a cap on aggregate monthly transaction charges equal to \$.45 per 100 shares. These changes are intended to make the Exchange's equity transaction charges more competitive.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act² in general and furthers the objectives of Section 6(b)(4)³ in particular in that it provides for the equitable allocation of reasonable dues, fees, and other charges among the Exchange's members and other persons using its facilities.

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

The proposed rule change does not 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change constitutes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁴ and subparagraph (e) of Rule 19b-4 thereunder.⁵

At any time within 60 days of the filing of the 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. 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 also will be available for inspection and copying at the principal office of the Pacific Stock Exchange. All submissions should refer to File No. SR-PSE-96-27 and should be submitted by September 30, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37628; File No. SR-Phlx-96-37]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Rule 452, Limitations on Members' Trading Because of Customers' Orders

September 3, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. § 78s(b)(1), notice is hereby given that on August 22, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission") filed with the Securities and Exchange Commission

² 15 U.S.C. 78f(b).

³ 15 U.S.C. 78f(b)(4).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4.

⁶ 17 CFR 200.30-3(a)(12).