

on June 1, 1995.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

### I. Description

In a previous filing with the Commission, DTC described several enhancements to the ID System that it planned to implement, including the Advice of Confirm Correction/Cancellation feature and the modification of Authorization/Exception processing.<sup>3</sup> These are the subject of this approval order.

The Advice of Confirm Correction/Cancellation feature is one of three electronic mail features described in the Enhanced ID filing.<sup>4</sup> The Advice of Confirm Correction/Cancellation feature enables an institution or its agent which has received a confirmation through the ID system to notify the broker-dealer of the reason(s) why the institution disagrees with the confirmation. This communication from the institution, which is sometimes called a "DK" (*i.e.*, don't know) of the trade, enables the broker-dealer to take steps to resolve the discrepancy between its records of the trade and the institution's records. The Advice of Confirm Correction/Cancellation also was described in another DTC filing as a feature which will enable a prime broker to DK a trade when it receives an ID confirmation from an executing broker.<sup>5</sup>

The proposal also modifies Authorization/Exception processing by increasing the number of trades which can be processed and by extending the period during which the process can be

used.<sup>6</sup> Prior to the modification, only ID trades which were scheduled to settle on the third day following the trade date ("T+3") or later could be authorized or excepted from settlement through an instruction submitted or excepted from settlement through an instruction submitted on settlement date minus one ("S-1"). The modification allows authorization or exception of trades settling on T+1 and later through an instruction submitted on any of the twenty-three business days from S-1 through S+21.

### II. Discussion

Sections 17A(b)(3)(A) and (F) of the Act<sup>7</sup> require that a clearing agency be organized and its rules be designed to facilitate and promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that DTC's proposal is consistent with Section 17A of the Act<sup>8</sup> because the proposal should promote efficiencies in the clearance and settlement of securities transactions by increasing the number of trades eligible and by expanding the timeframe for Authorization/Exception processing. The proposal also should promote efficiencies by improving communications among the parties to institutional trades by making the Advice of Confirm Correction/Cancellation feature more interactive and automated. These changes should help DTC participants settle trades in a three-day settlement cycle.<sup>9</sup>

### III. Conclusion

The Commission finds that DTC'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-DTC-95-10) be, and hereby is approved.

<sup>6</sup>The Authorization/Exception function affords participants twenty-three business days to authorize for or except from automated settlement any eligible, affirmed next day funds settlement ("NDFS") or same-day funds settlement ("SDFS") trade in an interactive environment.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(A) and (F) (1988).

<sup>8</sup> 15 U.S.C. 78q-1 (1988).

<sup>9</sup>On October 6, 1993, the Commission adopted Rule 15c6-1 under the Act, which establishes three business days after the trade date instead of five business days as the standard settlement timeframe for most broker-dealer transactions. The rule became effective June 7, 1995. Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (release adopting Rule 15c6-1); 34952 (November 9, 1994), 59 FR 59137 (release changing the effective date of the three day settlement cycle).

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 95-19837 Filed 8-10-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36062; International Series Release No. 835 File No. SR-Phlx-95-42]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., to List and Trade 3D Foreign Currency Options on the Japanese Yen

August 4, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 14, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 Exchange. The Exchange subsequently filed Amendment No. 1 to the proposed rule change on July 7, 1995.<sup>3</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 Exchange proposes to list and trade cash settled foreign currency options on the Japanese Yen. The text of the proposed rule change is available at the Office of the Secretary, the Exchange, and at the Commission.

#### 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 Exchange included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1994).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup>The Phlx submitted Amendment No. 1 to the Commission to make certain technical corrections to the proposal. See Letter from Michele Weisbaum, Associate General Counsel, Phlx, to John Anyanjan, Attorney, Office of Market Supervision ("OMS"), Division of Market Regulation ("Market Regulation"), Commission, dated July 7, 1995.

<sup>2</sup> Securities Exchange Act Release No. 35758 (May 24, 1995), 60 FR 28636.

<sup>3</sup> Securities Exchange Act Release No. 33466 (January 1994), 59 FR 3139 [File No. SR-DTC-93-07] (order approving proposed rule change relating to the enhanced ID system) ("Enhanced ID Filing").

<sup>4</sup>The other two electronic mail features (*i.e.*, Notice of Order Execution and Institution Instructions) were previously approved by the Commission. For a complete description of these features, refer to Securities Exchange Act Release No. 34199 (June 10, 1994), 59 FR 31660 [File No. SR-DTC-94-04] (order granting accelerated approval of a proposed rule change to implement the interactive capabilities and the electronic mail features of the enhanced ID system).

<sup>5</sup> Securities Exchange Act Release No. 34779 (October 3, 1994), 59 FR 34779 [File No. SR-DTC-94-13] (order granting accelerated approval on a temporary basis through May 31, 1995, of a proposed rule change implementing the prime broker option in the ID system).

More recently, DTC filed a proposed rule change modifying features of the prime broker option in the ID system. For a complete description of that filing, refer to Securities Exchange Act Release No. 35971 (July 14, 1995), 60 FR 37696 [File No. SR-DTC-95-11] (notice of filing and immediate effectiveness of proposed rule change relating to modifications to the prime broker option in the Institutional Delivery System).

*(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 list and trade Dollar Denominated Delivery ("3D") foreign currency options ("FCOs") on the Japanese Yen. In March 1994, the Commission approved the listing and trading of 3D FCOs on the German Mark.<sup>4</sup> 3D FCOs are cash-settled, European-style options issued by the Options Clearing Corporation ("OCC") that allow holders to receive U.S. dollars representing the difference between the current foreign exchange spot price<sup>5</sup> and the exercise price of the option. Specifically, upon exercise of an in-the-money 3D FCO structured as a call, the holder will receive, from OCC, U.S. dollars representing the difference between the exercise strike price and the closing settlement value of the 3D FCO contract multiplied by the number of units of currency covered by the contract. For a 3D FCO structured as a put, the holder will receive U.S. dollars representing the excess of the exercise price over the closing settlement value of the 3D FCO contract multiplied by the number of units of foreign currency covered by the contract.

Unlike other Phlx-traded FCOs, 3D FCOs which are in-the-money by any amount on the expiration date will be exercised automatically by OCC. 3D FCOs which are out-of-the-money at expiration will expire worthless.

German 3D FCOs were originally listed with one-week and two-week expirations to provide a hedging vehicle to sophisticated retail customers, portfolio managers and multi-national corporations which needed to hedge their short term foreign currency exposure and also to banks which needed to hedge the risks associated with trading in the forward and cash markets. Recently, the Exchange received approval from the Commission to list German 3D FCO contracts with longer term expirations up to twelve months<sup>6</sup> due to the interest expressed by the users of the product who did not wish to establish foreign bank credit

lines or worry about the potential of exchanging currency at exercise and assignment.

The Exchange is now proposing to list and trade 3D FCOs on the Japanese yen (U.S. dollar/Japanese yen). The contract size will be 6,250,000 yen, the same as physically settled Japanese yen contract. Pursuant to Phlx Rule 1012(a)(ii), the contracts will be listed with expirations at one week and two weeks and one, two, three, six and nine months (twelve month options will not be listed at this time). The options will be on the March, June, September, December cycle and no month end or long term expirations will be listed. The expiration date for the consecutive and cycle month options will be the Monday preceding the third Wednesday of each month. The Exchange expects that the symbols for these options will be as follows:

XJA	first Monday of month expiration
XJB	second Monday of month expiration
XJC	third Monday of month expiration
XJD	fourth Monday of month expiration
XJE	fifth Monday of month expiration
XJS	settlement symbol

The 1, 2, 3, 6, and 9 month options will be listed with the symbol XJB or XJC depending on whether expiration will be the second or third Monday of that month and will carry that symbol to expiration. For example, a Sept 1995 option which would expire on Monday Sept. 18, would be listed as an XJC Sept 85 call whereas the Nov 1995 option which would expire on Monday, Nov. 13, would be listed as an XJB Nov 85 call.

Similar to the 3D German mark contracts, the Exchange proposes that a series of 3D Japanese yen options will trade during normal trading hours for foreign currency options, specifically, 2:30 a.m. to 2:30 p.m. E.T. Monday through Friday. The expiring FCO contract will cease trading at 10:30 a.m. and expire at 11:59 p.m. on its expiration Monday, unless such Monday is an Exchange holiday or an Exchange designated bank holiday, when, under Phlx Rule 1000(b)(21), "Expiration date," as amended, the 3D FCO will expire at 11:59 p.m. on the preceding business date.

Accordingly, on Exchange holidays and Exchange designated bank holidays, the expiring 3D FCOs will cease trading at 10:30 a.m. on the preceding business day. In addition, when Monday is an exchange holiday, a new two-week contract will be listed on the following Tuesday at 2:30 a.m. E.T. as opposed to the normal Monday morning listing.

The closing settlement value, which will be disseminated through the Options Price Reporting Authority ("OPRA"), will be determined by a

designated agent(s) of the Exchange under Phlx Rule 1057, "Cash/Spot Foreign Currency Option Closing Settlement Value." Pursuant to Phlx Rule 1057, at 10 a.m. (E.T.), on every expiration date for 3D FCOs, the market information vendor(s), acting as the Exchange's designated agent will collect a bid and offer quotation for the current Japanese yen spot price from the quotations submitted by at least 15 interbank foreign exchange participants, which the designated agent will select randomly from a list of at least 25 active interbank foreign exchange market participants.<sup>7</sup> After discarding the five highest offers and five lowest bids, the designated agent will arithmetically average the remaining ten bids and ten offers to arrive at a closing settlement value. This value will be calculated and sent to the Phlx every 30 seconds until 10:30 a.m. when the designated agent will determine the final settlement value. At that time, the settlement value will be automatically entered into the Phlx's systems, and then the Phlx disseminates it to OPRA and the OCC for entry into the OCC clearing systems.

The position limits and exercise limits for the 3D yen will be the same as the position and exercise limit for the physically settled Japanese yen contracts pursuant to Phlx Rule 1001<sup>8</sup> and Rule 1002 and positions in the 3D yen will be aggregated with positions in the physically settled Japanese yen contracts. The Phlx proposes to initially list exercise strike prices for each expiration around the current spot price and new strikes may be added during the life of the option in accordance with Phlx Rule 1012 at half-cent intervals for the 3 near term month and at one cent intervals for the six and nine month options.

The 3D Japanese yen options will trade in accordance with the rules governing all Phlx FCOs, including sales practice rules and floor trading rules. For example, Phlx Rule 1014, "Obligations and Restrictions Applicable to Specialists and Registered

<sup>7</sup> The Phlx will select the list of interbank market participants by evaluating the number of times each contributor supplies Japanese yen spot quotes to the market information vendor(s) on Monday mornings between 10 a.m. and 10:30 a.m. The pool of quote contributors will be reviewed monthly based on these criteria and substitutions will be made, if necessary. If at any time an interbank market participant ceases to distribute JY spot quotes or is no longer in the business of making JY markets, that entity will be replaced.

<sup>8</sup> Position and exercise limits on the Japanese yen are 100,000 contracts on either side of the market, however, the Phlx has recently proposed to raise this limit to 200,000 contracts. This proposal is currently under review at the Commission. See Securities Exchange Act Release No. 35688 (May 8, 1995), 60 FR 26062 (May 16, 1995).

<sup>4</sup> See Securities Exchange Act Release No. 33732 (March 8, 1995), 59 FR 12023 (March 15, 1994).

<sup>5</sup> The "spot price" with respect to an option contract on a foreign currency option contract means the price for the sale of one foreign currency for another, quoted by various commercial banks in the interbank foreign exchange market for the sale of a single unit of such foreign currency for immediate delivery (which generally means delivery within two business days following the date on which the terms of such sale are agreed upon). See Phlx Rule 1000(b)(16).

<sup>6</sup> See Securities Exchange Act Release No. 35756 (May 24, 1995), 60 FR 28638 (June 1, 1995).

Options Traders" provides that bid/ask differentials for 3D FCOs shall be determined by reference to the underlying foreign currency. Further, 3D Japanese yen options will not be subject to customized trading pursuant to Phlx Rule 1069.

The 3D Japanese yen will have the same customer margin requirements as are provided for the existing Japanese yen FCOs pursuant to Phlx Rule 722, "Margin Accounts." Specifically, for any put or call on 3D options which are issued, guaranteed or carried "short" in a customer's account, the required margin shall be 100% of the options premium plus 4% of the value of the underlying contract less any out-of-the-money amount, with an adjustment for out-of-the money options to be not less than 100% of the options premium plus ¾% of the underlying contract margin within five days following the date on which a customer enters into a 3D FCO position and within two days if the option has two weeks or less to expiration.

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, as well as to protect investors and the public interest by providing foreign currency option users who do not necessarily need to exchange currency at settlement with an alternative cash settled foreign currency option with corresponding expirations.

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

The Exchange 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*

No written comments were solicited or received with respect to the proposed rule change.

**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.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Person 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 will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to SR-Phlx-95-42 and should be submitted by September 1, 1995.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 95-19931 Filed 8-10-95; 8:45 am]

BILLING CODE 8010-01-M

**SOCIAL SECURITY ADMINISTRATION**

**1994-95 Advisory Council on Social Security; Meeting**

**AGENCY:** Social Security Administration.

**ACTION:** Notice of public meeting.

**SUMMARY:** In accordance with the Federal Advisory Committee Act, this notice announces a meeting of the 1994-95 Advisory Council on Social Security (the Council).

**DATES:** Thursday, August 31, 1995, 9 a.m. to 5 p.m. and Friday, September 1, 1995, 9 a.m. to 3 p.m.

**ADDRESSES:** The Embassy Row Hotel, 2015 Massachusetts Avenue, NW, Washington, DC 20036, (202) 265-1600.

<sup>9</sup> 17 CFR 220.30-3(a)(12).

**FOR FURTHER INFORMATION CONTACT:** By mail—Dan Wartonick, 1994-95 Advisory Council on Social Security, Suite 705, 1825 Connecticut Avenue, NW, Washington, DC 20009; By telephone—(202) 482-7117; By telefax—(202) 482-7123.

**SUPPLEMENTARY INFORMATION:**

**I. Purpose**

Under section 706 of the Social Security Act (the Act), the Secretary of Health and Human Services (the Secretary) appoints the Council every 4 years. The Council examines issues affecting the Social Security Old-Age, Survivors, and Disability Insurance (OASDI) programs, as well as the Medicare program and impacts on the Medicaid program, which were created under the Act.

In addition, the Secretary has asked the Council specifically to address the following:

- Social Security financing issues, including developing recommendations for improving the long-range financial status of the OASDI programs;
- General program issues such as the relative equity and adequacy of Social Security benefits for persons at various income levels, in various family situations, and various age cohorts, taking into account such factors as the increased labor force participation of women, lower marriage rates, increased likelihood of divorce, and higher poverty rates of aged women.

In addressing these topics, the Secretary suggested that the Council may wish to analyze the relative roles of the public and private sectors in providing retirement income, how policies in both sectors affect retirement decisions and the economic status of the elderly, and how the disability insurance program provisions and the availability of health insurance and health care costs affect such matters.

The Council is composed of 12 members in addition to the chairman: Robert Ball, Joan Bok, Ann Combs, Edith Fierst, Gloria Johnson, Thomas Jones, George Kourpias, Sylvester Schieber, Gerald Shea, Marc Twinney, Fidel Vargas, and Carolyn Weaver. The chairman is Edward Gramlich.

The Council met previously on June 24-25, 1994 (59 FR 30367), July 29, (59 FR 35942), September 29-30 (59 FR 47146), October 21-22 (59 FR 51451), November 18-19 (59 FR 55272), January 27, 1995 (60 FR 3416), February 10-11 (60 FR 5433), March 8-9 (60 FR 10091), March 10-11 (60 FR 10090), April 21-22 (60 FR 18419), May 19-20 (60 FR 24961), June 2-3 (60 FR 27372) July 27-28 (60 FR 35097).