

market and would be consistent with the obligations of a specialist under Section 11 of the Act.²¹

The Commission finds good cause for approving Amendment No. 2 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 2 makes certain technical clarifications to the proposal and raises no new regulatory issues. Accordingly, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 2 to the proposed rule change on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 2 to the proposal. 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, while be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 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-Phlx-95-14 and should be submitted by September 19, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²² that the proposed rule change (File No. SR-Phlx-95-14), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²³

Margaret H. McFarland,
Deputy Secretary.

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²¹ See Securities Exchange Act Release No. 34104 (May 25, 1994), 59 FR 28438 (June 1, 1994), note 13, (citing letter from Scott Holz, Senior Attorney, Board, to Howard Kramer, Associate Director, OMS, Market Regulation, Commission, dated March 9, 1994). See also Securities Exchange Act Release No. 35768 (May 31, 1995), 60 FR 30122 (June 7, 1995).

²² 15 U.S.C. 78s(b)(2).

²³ 17 CFR 200.30-3(a)(12).

[Release No. 34-36138; File No. SR-OCC-95-09]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval on a Temporary Basis of a Proposed Rule Change Relating to Revisions to the Standards for Letters of Credit Deposited as Margin

August 23, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 7, 1995, 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 on a temporary basis through June 28, 1996.

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

The proposed rule change extends the Commission's previous temporary approval of OCC's modifications that relate to OCC's standards for letters of credit deposited with OCC as margin. In general, OCC requires that letters of credit deposited by clearing members as margin with OCC be irrevocable and unless otherwise permitted by OCC expire on a quarterly basis. In addition, OCC may draw upon a letter of credit regardless of whether the clearing member has been suspended or defaulted on any obligation to OCC if OCC determines that such action is advisable to protect OCC, other clearing members, or the general public.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

¹ 15 U.S.C. 78s(b)(1) (1988).

² For a complete description of these modifications to the standards for letters of credit, refer to Securities Exchange Act Release No. 29641 (August 30, 1991), 56 FR 46027 [File No. SR-OCC-91-13] (order temporarily approving proposed rule change through February 28, 1992).

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 Commission previously granted temporary approval to proposed rule changes filed by OCC that modified OCC Rule 604, which sets forth the standards for letters of credit deposited with OCC as margin.⁴

The standards set forth in Rule 604 include the following: (1) In order to conform to the Uniform Commercial Code and to avoid any ambiguity as to the latest time for honoring demands upon letters of credit, letters of credit must state expressly that payment must be made prior to the close of business on the third banking day following demand, (2) letters of credit must be irrevocable, (3) letters of credit must expire on a quarterly basis, and (4) OCC may draw upon letters of credit at any time, regardless of whether the clearing member that deposited the letter of credit has been suspended or is in default, if OCC determines that such action is advisable to protect OCC, other clearing members, or the general public.⁵

OCC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act⁶ because the proposed rule change promotes the protection of investors by enhancing OCC's ability to safeguard the securities and funds in its custody or control or for which it is responsible.

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

⁴ Securities Exchange Act Release Nos. 29641 (August 30, 1991), 56 FR 46027 [File No. SR-OCC-91-13] (order temporarily approving proposed rule change through February 28, 1992); 30424 (February 28, 1992), 45 FR 8160 [File No. SR-OCC-92-06] (order temporarily approving proposed rule change through May 31, 1992); 30763 (June 1, 1992), 57 FR 24284 [File No. SR-OCC-92-11] (order temporarily approving proposed rule change through August 31, 1992); 31126 (September 1, 1992), 57 FR 40925 [File No. SR-OCC-92-19] (order temporarily approving proposed rule change through December 31, 1992); 31614 (December 17, 1992), 57 FR 61142 [File No. SR-OCC-92-37] (order temporarily approving proposed rule change through June 30, 1993); 32532 (June 28, 1993) 58 FR 36232 [File No. SR-OCC-93-14] (order temporarily approving proposed rule change through June 30, 1994); and 34206 (June 13, 1994), 59 FR 31661 [File No. SR-OCC-94-06] (order temporarily approving proposed rule change through June 30, 1995).

⁵ *Supra* note 2.

⁶ 15 U.S.C. 78q-1.

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

OCC does not believe that the proposed rule change will impact or impose a burden on competition.

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

Comments were not and are not intended to be solicited by OCC with respect to the proposed rule change, and none were received. Since approval of the original proposed rule change modifying its letter of credit standards, OCC has received no adverse comments or complaints from any of its clearing members, the banks, or other interested parties with respect to the modifications to Rule 604 or to the implementation of the revised letter of credit standards.

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 assure the safeguarding of securities and funds in its custody or control or for which it is responsible.⁷ The Commission believes that the proposed rule change is consistent with OCC's obligations under Section 17A(b)(3)(F) because the modified standards for letters of credit will enable OCC to draw upon a letter of credit at any time that OCC determines that such a draw is advisable to protect OCC, other clearing members, or the general public. This ability increases the liquidity of its margin deposits by enabling OCC to substitute cash collateral for a clearing member's letter of credit and consequently, will permit OCC to rely more safely upon such letters of credit. In addition, by eliminating the issuer's right to revoke the letter of credit, an issuer will no longer be able to revoke a letter of credit at a time when the clearing member is experiencing financial difficulty and most needs credit facilities. Finally, requiring that the letters of credit expire quarterly rather than annually will result in the issuers conducting more frequent credit reviews of the clearing members for whom the letters of credit are issued. More frequent credit reviews will facilitate the discovery of any adverse developments in a more timely manner. By approving the proposed rule change on a temporary basis through June 28, 1996, OCC, the Commission, and other interested parties will be able to assess further, prior to permanent Commission approval, any effects the

revised standards have on letter of credit issuance and on margin deposited at OCC.⁸

OCC has requested that the Commission find good cause for approving the proposed rule change on an accelerated basis prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for so approving the proposed rule change because accelerated approval will allow the changes that have been implemented pursuant to the previous temporary approval order to remain in place during the further assessment of any effects the revised standards have on the issuance of letters of credit and on margin deposited at OCC pending approval.

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, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-95-09 and should be submitted by September 19, 1995.

V. Conclusion

On the basis of the foregoing, the Commission finds that OCC's proposed

⁸The Commission and OCC currently are studying concentration limits on letters of credit deposited as margin. The Division believes that clearing agencies that accept letters of credit as margin deposits or clearing fund contributions should limit their exposure by imposing concentration limits on the use of letters of credit. Generally, clearing agencies impose limitations on the percentage of an individual member's required deposit or contribution that may be satisfied with letters of credit, limitations on the percentage of the total required deposits or contributions that may be satisfied with letters of credit by any one issuer, or some combination of both. OCC has no concentration limits on the use of letters of credit issued by U.S. institutions.

rule change is consistent with the Act and in particular with Section 17A of the Act.

It is therefore ordered, under Section 19(b)(2) of the Act, that the proposal (File No. SR-OCC-95-09) be, and hereby is, approved on a temporary basis through June 28, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36131; International Series Release No. 844 File No. SR-Phlx-95-52]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Customized Expiration Dates for Customized Foreign Currency Options

August 22, 1995.

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 July 27, 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 Phlx. 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 Phlx proposes to amend Exchange Rule 1069(a) in order to offer the ability to trade customized foreign currency options ("Customized FCOs") with any expiration date up to two years from the date of issuance. The text of the proposed rule change is available at the Office of the Secretary, the Phlx, 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 Phlx 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

⁷ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

⁹ 17 CFR 200.30-3(a)(12) (1994).