liability to any third party vendors for such charges.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal provides for the equitable allocation of dues, fees, and other charges among NSCC's participants.

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

NSCC 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

No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

Within thirty-five 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 ninety 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 NSCC 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. 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 Room, 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 NSCC. All submissions should refer to the file number SR–NSCC–96–07 and should be submitted by April 18, 1996.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 96–7500 Filed 3–27–96; 8:45 am]

BILLING CODE 8010–01–M

[4] 17 CFR 200.30–3(a)(12) (1995).

[Release No. 34–37003; File No. SR–PHLX–95–68]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating To Exercise Price Intervals for Index Options

March 21, 1996.

I. Introduction

On January 2, 1996, the Philadelphia Stock Exchange, Inc. (''PHLX'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend PHLX Rule 1101A, ''Terms of Option Contracts,'' to provide that the exercise (strike) price interval for near-term index options generally will be $5, except: (1) where the exercise price exceeds $500, the exercise price interval may be $10; and (2) where the exercise price exceeds $1,000, the exercise price interval may be $20. For out-of-the-money, far-term (fifth month),[3] or long-term index option series (long-term options or ''LEAPS''),[4] the proposal provides that the exercise price interval generally will be $25, except: (1) where the exercise price exceeds $500, the exercise price interval may be $50; and (2) where the exercise price exceeds $1,000, the exercise price interval may be $100. In addition, where the exercise price interval is greater than $5, the PHLX may list exercise prices at $5 intervals in response to demonstrated customer interest or a specialist request. The proposal also allows the PHLX to list exercise prices at wider intervals.

Notice of the proposal appeared in the Federal Register on February 7, 1996.[5] No comments were received on the proposed rule change.

II. Description of the Proposal

The PHLX proposes to amend PHLX Rule 1101A to incorporate new exercise price intervals for index options. Currently, PHLX Rule 1101A(a) states that the Exchange shall determine fixed point intervals of exercise prices for index options. According to the PHLX, the interval for index options generally is $5,[6] except in the far-term series of broad-based index options.[7] The PHLX proposes to widen the exercise price interval for all index options in accordance with a formula which takes into consideration the index value and time until expiration. Specifically, the PHLX proposes to list the following exercise price intervals for index options:

Index value	Near-term strikes	5th month/ LEAPS
500 or less	$5	$25
500 to 999	10	50
1,000 or more ...	20	100

Where the exercise price interval is wider than $5, the Exchange proposes to list (fill-in) exercise prices at $5 intervals in response to demonstrated customer interest or a specialist request.

The purpose of the proposal is to list index options with exercise prices at wider intervals, which should reduce the number of index option exercise prices listed on the Exchange.

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1955).

[3] Under PHLX Rule 1101A(b), the Exchange may list index option series of up to four cycle months and up to three consecutive months. According to the PHLX, most index options currently have five months trading at a given time, consisting of three cycle/quarterly series and two consecutive month series. For example, as of September 1995, the National Over-the-Counter Index (''XOC'') had the following months listed: October, November, December, March, and June.

[4] Under PHLX Rule 1101A(b)(iii), the Exchange may list long-term options with up to 60 months until expiration. *See* Securities Exchange Act Release No. 35616 (April 17, 1995), 60 FR 20135 (April 24, 1995) (order approving File No. SR–PHLX–95–11).

[5] *See* Securities Exchange Act Release No. 36796 (January 31, 1996), 61 FR 46599.

[6] *See e.g.*, Securities Exchange Act Release No. 35591 (April 11, 1995), 60 FR 19423 (April 18, 1995) (order approving File No. SR–PHLX–95–07) (listing of USTOP 100 Index (''TPX'') options). The PHLX notes that, generally, the strike price interval of an index option is listed in the contract specifications for the option.

[7] *See* PHLX Rule 1101A, Commentary .02. Commenatary .02 provides that exercise prices for index options shall be $5.00, except exercise prices in the far-term series of XOC options, Value Line Composite Index (''VLE'') options, Big Cap Index options and TPX options shall be $25.00 unless there is demonstrated customer interest at $5.00 intervals. Commentary .02 states that, for purposes of the commentary, demonstrated customer interest includes institutional (firm), corporate or customer interest expressed directly to the Exchange or through the customer's floor brokerage unit, but not interest expressed by a Registered Options Trader (''ROT'') with respect to trading for the ROT's own account.

Specifically, the Exchange proposes to list higher-priced index options (above 500), as well as out-of-the money series, far-term (fifth month) series and long-term options, at wider intervals in order to reduce the number of exercise prices. Although most Exchange index options currently are listed at 5-point intervals the PHLX has observed that $5 exercise price intervals are unnecessary for higher-priced index options, far-term series, and long-term options. According to the PHLX, narrower exercise price intervals generally are most useful where there is little volatility and in lower-priced series. In addition, the PHLX notes that limited trading volume occurs in the far-term series of index options. Thus, the proposed reduction in exercise prices will be concentrated in the series with the least trading interest.

For high-priced, out-of-the money and far-term series, where the PHLX proposes to list exercise prices, generally, at intervals of $25 (or at intervals of $50 where the exercise price exceeds $500 or intervals of $100 where the exercise price exceeds $1,000), the PHLX proposes to list series at intervals as narrow as $5 in response to demonstrated customer interest or specialist request. This proposal is similar to existing PHLX Rule 1101A, Commentary .02, which permits the far-term series of broad-based index options to be listed at $25 intervals, unless there is customer interest for a $5 interval. For purposes of the proposal, demonstrated customer interest includes institutional (firm), corporate or customer interest expressed directly to the Exchange or through the customer's floor brokerage unit, but not interest expressed by an ROT with respect to trading for the ROT's own account. This limitation and definition of customer interest is intended to ensure that only legitimate customer requests lead to the listing of exercise prices at narrower intervals.

The Exchange believes that the ability to add $5 intervals in response to customer interest is important because it will allow the Exchange to respond to the needs of the marketplace and because it will prevent the loss of specific trading opportunities. In addition, the $25 interval preserves key trading strategies because it often represents a 2½ point index movement, which is similar to a stock trading at $25 with the option traded at 2½ point exercise price intervals.

The PHLX states that the proposal will provide $25 intervals in the fifth month and long-term options for most Exchange index options. In addition, the proposal provides for wider exercise price intervals in extraordinary circumstances to permit the PHLX to read to market conditions.

In implementing the wider intervals, the PHLX will begin listing exercise prices at the wider interval following the expiration after Commission approval, listing only the exercise prices required by the proposal. At the subsequent quarterly expiration, when the PHLX lists new five-month and long-term options, the PHLX will list new series at the wider intervals. For example, if the proposal were approved and implemented in January, the PHLX would delist the far-term series (*i.e.*, September) if there was no open interest in the series. Complete implementation of the proposal would begin at the next quarterly expiration in March, when the PHLX lists the December series. Upon implementation of the proposal, the Exchange will list far-term series at wider intervals until there are less than six months remaining until expiration, when intervening exercise prices will be listed at narrower intervals.[8]

The Exchange believes that listing higher-priced index options, far-term series and long-term options at wider intervals should improve the efficiency of quotation dissemination and speedy pricing by reducing the number of listed exercise prices. At the same time, the effect on Exchange systems is likewise notable, with a reduction in system usage and operational burdens. In this regard, the PHLX notes that exercise prices occupy trading floor screen space and line traffic to outside vendors for dissemination. Further, the role of the specialist in monitoring multitudes of exercise prices should be simplified.

With respect to operational burdens, the Exchange expects that reducing the number of exercise prices should also reduce the instances of wrap-around symbols.[9] The use of wrap-around symbols, although common, increases operational burdens, complicates screen displays and potentially confuses investors viewing vendor screens.

The Exchange believes that the proposal is an important contribution to the effort to limit the number of operation exercise prices. In recently approving 2½ point exercise prices on a pilot basis for equity options, the Commission cited the need to balance an exchange's desire to accommodate market participation by offering a wide array of investment opportunities and the need to avoid proliferation of option series.[10] The PHLX believes that the current proposal achieves such a balance by reducing the number of exercise prices and, thus, the associated systems and operational burdens, yet retains trading strategies and investment opportunities by listing wider intervals and providing the flexibility to widen or narrow such intervals in response to investor requests or market conditions.

For these reasons, the Exchange believes that the proposal is consistent with Section 6 of the Act, in general, and, in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market, and protect investors and the public interest by eliminating excessive strike prices, thereby improving quotation dissemination capabilities, while maintaining investors' flexibility to better tailor index option trading to meet their investment objectives.

III. Discussion

The Commission finds that the proposed rule change 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) in that the proposal is designed to protect investors and the public interest and to remove impediments to and perfect the mechanism of a free and open market.[11] Specifically, the proposal will codify the Exchange's rules regarding the exercise price interval for all index options and will allow the PHLX to reduce the number of outstanding series listed for higher-priced index options, far-term index options, out-of-the money index options, and long-term index options by providing a wider exercise price interval for those series.

Because exercise prices for index options must be displayed on the Exchange's trading floor, disseminated to outside vendors and monitored by specialists, the Commission believes that the proposal should reduce the operational burden associated with the

[8] For example, because each quarter a far-term series with nine months until expiration is listed, after December expiration, a September option is listed. After March expiration, the September option is no longer the far-term series, as a December option is added, so that the intervening strike prices would be added to the December series.

[9] A wrap-around occurs when the strike price codes A–T indicating the strike price of an option (from 5 to 100) have been used and additional strike prices require listing the option with a different root symbol. For example, KBW October 310 calls use that symbol ''B'' to denote 310, but the 410 calls would also have used the symbol. Thus, the October 410 calls are traded under the symbol BKV JB.

[10] *See* Security Exchange Act Release No. 35993 (July 19, 1995), 60 FR 38073 (July 25, 1995) (order approving File Nos. SR–PHLX–95–08, SR–Amex–95–12, SR–PSE–95–07, SR–CBOE–95–19, and SR–PSE–95–12).

[11] 15 U.S.C. § 78f(b)(5) (1988).

listing of exercise prices in inactive series of certain index options. By reducing the number of listed exercise prices, the proposal may improve the efficiency of quotation dissemination and speedy pricing of index options, thereby helping the PHLX to maintain fair and orderly options markets. The Commission also believes that the proposal should help to eliminate the potential investor confusion associated with wrap-around symbols.[12] The Commission believes that the proposal strikes a reasonable balance between the PHLX's interest in limiting the number of outstanding exercise prices in inactive series and its interest in accommodating the needs of investors. According to the PHLX, market participants generally do not require $5 exercise price intervals for higher-priced index options, far-term series, and long-term options. In addition, the PHLX notes that there is limited trading volume in far-term series of index options. Thus, the proposed reduction in exercise prices will be concentrated in the series with the least trading interest.

At the same time, the proposal provides the PHLX with the flexibility to accommodate the needs of investors by allowing the Exchange to list exercise prices at $5 intervals in response to demonstrated customer interest or specialist request.[13] This flexibility will allow the Exchange to respond to the needs of the marketplace and, in turn, will allow investors to establish options positions that are tailored to meet their investment objectives. The Commission believes that the customer request provision should help to ensure the availability of options series that will provide investors with a means to adequately hedge their portfolios and implement their trading strategies. In addition, the PHLX has stated that the listing of $25 intervals for far-term series will preserve key trading strategies. The provision of the proposal allowing the PHLX to list exercise prices at wider intervals will provide the Exchange with additional flexibility in the listing of exercise prices.

Finally, the Commission believes that the PHLX will implement the proposal in an orderly manner. Specifically, the PHLX will begin listing exercise prices at the wider interval following the expiration after Commission approval of the proposed rule change. The PHLX will also delist the far-term series if there is no open interest in the series. In addition, after implementing the proposal, the Exchange will list far-term series at wider intervals until there are less than six months remaining until expiration, when intervening exercise prices will be listed at narrower intervals.

IV. Conclusion

For the foregoing reasons, the Commission finds that the PHLX's proposal is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[14] that the proposed rule change (File No. SR–PHLX–95–68) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[15]

Jonathan G. Katz,

Secretary.

[FR Doc. 96–7506 Filed 3–27–96; 8:45 am]

BILLING CODE 8010–01–M

[12] *See* note 9, *supra.*

[13] For purposes of the proposal, demonstrated customer interest includes institutional (firm), corporate or customer interest expressed directly to the Exchange or through the customer's floor brokerage unit, but not interest expressed by an ROT with respect to trading for the ROT's own account. The Commission expects the PHLX to monitor the listing of additional strikes in order to ensure that new strikes are added only in response to "customer" requests, as defined in the proposal, or in response to a specialist's request.

[14] 15 U.S.C. § 78s(b)(2).

[15] 17 CFR 200.30–3(a)(12) (1995).

[Release No. 34–37002; File No. SR–Phlx–96–02]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Adoption of Listing and Listing Maintenance Standards for Unit Investment Trusts

March 21, 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 January 29, 1996, 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 self-regulatory organization. On March 7, 1996, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change,[1] and on March 18, 1996 the Exchange submitted Amendment No. 2 to the proposed rule change.[2] 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, pursuant to Rule 19b–4 under the Act,[3] proposes to amend Phlx Rule 803 regarding Tier I listing standards in order to add new section (i), which will set forth listing standards for unit investment trusts ("UITs") and amend Phlx Rule 810 to add new subsections (a)(5) and (a)(6), which will set forth listing maintenance standards for UITs.

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 proposes to add new section (i) to Phlx Rule 803, the Tier I listing criteria, to adopt listing standards applicable to UITs, which are distinct trading components representing discrete interests in the income, capital appreciation potential or other economic characteristics of the securities deposited in a trust. Such a trust may be based upon the securities of individual issuers, upon a portfolio of stocks included in a domestic, broad-based stock market index, or upon a portfolio or domestic money market instruments or other debt securities. A UIT would be defined as any share, unit or other interest in or relating to a unit investment trust, including any component resulting from the

[1] *See* Letter from Michele R. Weisbaum, Assistant General Counsel, Phlx, to Jon Kroeper, Staff Attorney, SEC, dated March 5, 1996. *See infra* note 4 and text accompanying note 5 for a description of Amendment No. 1.

[2] *See* Letter from Michele R. Weisbaum, Associate General Counsel, Phlx, to Jon Kroeper, Staff Attorney, SEC, dated March 15, 1996. Amendment No. 2 added UIT listing maintenance standards to the proposed rule change. *See infra* text accompanying notes 6 and 7 for a description of Amendment No. 2.

[3] 17 CFR 240.19b–4.