

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37148; File No. SR-PSE-96-02]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Pacific Stock Exchange, Inc., Relating to the Composition of the Exchange's Options Listing Committee

April 29, 1996.

I. Introduction

On January 16, 1996, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") filed with 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 proposal to amend its rules relating to the composition of the Options Listing Committee ("OLC"). On March 11, 1996, the PSE amended its approval.³

The proposed rule change and Amendment No. 1 were published for comment in the Federal Register on March 25, 1996.⁴ No comments were received on the proposed rule change.

II. Description of the Proposal

Currently, Commentary .01 to PSE Rule 11.10(d) provides that the OLC shall be comprised of (i) four floor

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1995).

³ On March 11, 1996, the PSE provided additional information concerning the purpose of the proposal. Specifically, the PSE explained that the proposal is designed to make Commentary .01 to PSE Rule 11.10(d), "Options Listing Committee," easier to follow and to prevent legal appeals of Options Listing Committee ("OLC") decisions on the technical argument that the OLC was not authorized to act because its composition did not conform to the rigid requirements of PSE Rule 11.10(d), Commentary .01. According to the PSE, such an appeal could be made currently if, for example, a non-floor broker is placed in one of the floor broker slots on the OLC because of a shortage of floor brokers willing to serve on the OLC, or if a floor broker on the OLC becomes a market maker mid-year and the OLC decides to retain that member on the OLC. The PSE expects that, under the proposal, the OLC will be composed as specified in Commentary .01 under virtually all circumstances. The Exchange represents that it intends to comply with the spirit of the Commentary and anticipates departures from this general rule only in exceptionally rare circumstances. See Letter from Michael D. Pierson, Senior Attorney, Market Regulation, PSE, to Michael Walinskas, Branch Chief, Options Regulation, Division of Market Regulation, Commission, dated March 11, 1996 ("Amendment No. 1").

⁴ See Securities Exchange Act Release No. 36984 (March 18, 1996), 61 FR 12126.

brokers; (ii) five market makers or lead market makers; and (iii) one member of the PSE or a general partner or officer of a member organization, or any other person who is considered to be qualified. The PSE proposes to amend PSE Rule 11.10(d), Commentary .01, to provide that the Exchange will attempt, but will not be required, to maintain the composition of the OLC as provided currently under Commentary .01. Specifically, the Exchange proposes to amend Commentary .01 by eliminating the phrase "shall be comprised of" and replacing it with a provision stating that "attempts shall be made" in order for the OLC to have a composition that includes those currently specified in subsections (i) through (iii).

The Exchange believes that Commentary .01 is overly restrictive and that the proposal is appropriate in order to allow for greater flexibility in the committee selection procedure and the process for replacing committee members who resign or change their floor status. The proposal is designed to make Commentary .01 easier to follow and to prevent members from appealing decisions of the OLC on the grounds that the OLC was not authorized to act because its composition did not conform to the requirements of Commentary .01. The PSE represents that the Exchange will make every effort to ensure that the OLC maintains the composition specified in Commentary .01. The Exchange expects that, under the proposal, the composition of the OLC will remain as specified currently in Commentary .01 in virtually all circumstances.⁵

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, with Section 6(b)(3) of the Act, in that the proposal provides for a fair representation of the Exchange's members in the administration of its affairs, and also with Section 6(b)(5) of the Act, in that the proposal is designed to protect investors and the public interest.⁶

The Commission believes that the proposal will allow greater flexibility in the composition of the OLC. Specifically, the proposal provides that the Exchange will attempt, but will not be required, to maintain the composition of the OLC as provided currently under PSE Rule 11.10(d),

Commentary .01. The PSE expects that the OLC will continue to be composed as provided currently in Commentary .01 in virtually all circumstances, and the PSE represents that the Exchange will attempt to ensure that the composition of the OLC remains as specified in Commentary .01.⁷ Accordingly, the Commission believes that the proposal will provide flexibility in the composition of the OLC while ensuring that diverse interests are represented on the OLC. In addition, the proposal should simplify the process of replacing a member who resigns from the committee and allow the OLC to retain a member who changes his status (e.g., a floor broker who becomes a maker) during his service on the committee.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-PSE-96-02) is approved.

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. 34-37152; File No. SR-PTC-96-02]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Establishing on a Permanent Basis the Margin and Pricing Methodology for Collateralized Mortgage Obligations

April 30, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 8, 1996, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-96-02) as described in Items I and II below, which Items have been prepared primarily by PTC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

⁷ See Amendment No. 1, *supra* note 3.

⁸ 15 U.S.C. 78s(b)(2) (1988).

⁹ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. 78s(b)(1) (1988).

⁵ See Amendment No. 1, *supra* note 3.

⁶ 15 U.S.C. §§ 78f(b)(3) and (b)(5) (1988).