

the Department's regulations, has expressed opposition to revocation. Based on these facts, we have concluded that the antidumping duty order on tapered roller bearings from Italy is no longer of any interest to interested parties. Accordingly, we are revoking this antidumping duty order in accordance with 19 CFR 353.25(d)(4)(iii).

Scope of the Order

Imports covered by the revocation are shipments of tapered roller bearings from Italy. This merchandise is currently classifiable under Harmonized Tariff Schedules (HTS) item numbers 8483.90.30, 8483.90.80, 8482.20.00, 8482.99.30, 8483.20.40, 8483.20.80, and 8483.90.20. The HTS numbers are provided for convenience and customs purposes. The written description remains dispositive.

This revocation applies to all unliquidated entries of tapered roller bearings from Italy entered, or withdrawn from warehouse, for consumption on or after August 1, 1996. Entries made during the period August 1, 1995, through July 31, 1996, will be subject to automatic assessment in accordance with 19 CFR 353.22(e). The Department will instruct the Customs Service to proceed with liquidation of all unliquidated entries of this merchandise entered, or withdrawn from warehouse, for consumption on or after August 1, 1996, without regard to antidumping duties, and to refund any estimated antidumping duties collected with respect to those entries. This notice is in accordance with 19 CFR 353.25(d).

Dated: October 2, 1996.

Barbara R. Stafford,
Deputy Assistant Secretary for AD/CVD
Enforcement.

[FR Doc. 96-25872 Filed 10-8-96; 8:45 am]

BILLING CODE 3510-DS-P

National Oceanic and Atmospheric Administration

[I.D. 100296B]

Western Pacific Fishery Management Council; Public Meeting

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice of public meeting.

SUMMARY: The Western Pacific Fishery Management Council's (Council) Scientific and Statistical Committee (SSC) will hold its 64th meeting.

DATES: The meeting will be held October 29-31, 1996, from 8:30 a.m. to 5:00 p.m., each day.

ADDRESSES: The meeting will be held at the Executive Center, 1088 Bishop St., Room 4003, Honolulu, HI; telephone: (808) 539-3000.

Council address: Western Pacific Fishery Management Council, 1164 Bishop St., Suite 1405, Honolulu, HI 96813.

FOR FURTHER INFORMATION CONTACT: Kitty M. Simonds, Executive Director; telephone: (808) 522-8220.

SUPPLEMENTARY INFORMATION: The SSC will discuss and may make recommendations to the Council on the following agenda items:

1. Pelagic fishery issues, including:
 - a. Pelagic Fisheries Research,
 - b. Pacific-wide control date for all U.S. fishermen,
 - c. Annual Report format revisions,
 - d. Bycatch issues (turtles, sharks, albatross), draft data amendment, and
 - e. Program planning.
2. Hawaii bottomfish issues, including:
 - a. Status of the State Main Hawaiian Islands onaga and ehu draft management plan,
 - b. Reconsideration of the Northwestern Hawaiian Islands management system,
 - c. Annual Report format revisions, and
 - d. Program planning;
3. Lobster management, including:
 - a. Report on 1996 lobster fishery,
 - b. Implementation of Amendment 9 provisions,
 - c. Report on NMFS lobster research cruise,
 - d. Consider mandatory Vessel Monitoring System, and
 - e. Program planning;
4. Status of region-wide assessment of coral reef resources; and
5. Other business as required.

Special Accommodations

This meeting is physically accessible to people with disabilities. Requests for sign language interpretation or other auxiliary aids should be directed to Kitty M. Simonds, 808-522-8220 (voice) or 808-522-8226 (fax), at least 5 days prior to meeting date.

Dated: October 3, 1996.

Bruce Morehead,

Acting Director, Office of Sustainable Fisheries, National Marine Fisheries Service.

[FR Doc. 96-25935 Filed 10-8-96; 8:45 am]

BILLING CODE 3510-22-F

COMMODITY FUTURES TRADING COMMISSION

Petition of the Philadelphia Stock Exchange, Inc. for Exemptive Relief To Permit United States Customers To Establish or Offset Positions in Certain Foreign Currency Options on the Hong Kong Futures Exchange Ltd. Through Registered Broker-Dealers

AGENCY: Commodity Futures Trading Commission.

ACTION: Notice of proposed order and request for comment.

SUMMARY: The Philadelphia Stock Exchange, Inc. ("PHLX") has petitioned the Commodity Futures Trading Commission ("Commission" or "CFTC") for exemptive relief pursuant to Sections 4(c), 4c(b) and 4c(f) of the Commodity Exchange Act ("CEA" or "Act"),¹ to permit United States customers to establish or offset positions in PHLX foreign currency options on the Hong Kong Futures Exchange Ltd. ("HKFE") through registered broker-dealers pursuant to regulation by the Securities and Exchange Commission ("SEC") under the federal securities laws, and in accordance with Section 4c(f) of the Act. The Commission seeks comment on the PHLX petition, as discussed more fully below, and on any related issues. Copies of the PHLX petition are available for inspection at the Office of the Secretariat or may be obtained through the Office of the Secretariat by mail at the address listed below or by telephoning (202) 418-5100.

DATES: Comments must be received on or before November 8, 1996.

ADDRESSES: Comments should be submitted to Jean A. Webb, Secretary, Commodity Futures Trading Commission, 1155 21st Street, N.W., Washington, D.C. 20581. In addition, comments may be sent by facsimile transmission to facsimile number (202) 418-5521, or by electronic mail to secretary@cftc.gov. Reference should be made to the Petition of the Philadelphia Stock Exchange, Inc.

FOR FURTHER INFORMATION CONTACT: Susan C. Ervin, Deputy Director/Chief Counsel or Tina Paraskevas Shea, Attorney/Advisor, Division of Trading and Markets, Commodity Futures Trading Commission, 1155 21st Street, N.W., Washington, D.C. 20581. Telephone number: (202) 418-5450. Facsimile number: (202) 418-5536. Electronic mail: tm@cftc.gov

¹ 7 U.S.C. 1 *et seq.* (1994).

SUPPLEMENTARY INFORMATION

I. Background

PHLX is a national securities exchange which has been registered with the SEC since 1934.² Equity securities, equity and index options, and foreign currency options are listed for trading on the PHLX. PHLX initially commenced trading foreign currency options on December 10, 1982. Foreign currency options currently listed on the PHLX include dollar-denominated options on the British pound, Canadian dollar, Japanese yen, German mark, Swiss franc, French franc, ECU and Australian dollar.³ In 1991, PHLX received SEC approval to trade three cross-rate currency options where such options have no U.S. dollar component and premiums and exercise prices are denominated in currencies other than the U.S. dollar.⁴ In 1994, PHLX received approval to list Cash/Spot foreign currency options that allow holders to receive U.S. dollars representing the difference between the current foreign exchange spot price and the exercise price of the particular contract.⁵ PHLX also has received approval to introduce customized currency options⁶ which allow users to customize most aspects of a currency option trade, including: exercise price, currency pairs,⁷ premium

² Facts relevant to this petition are drawn from PHLX's petition dated August 15, 1996 ("the Petition"), filed with the Commission on August 16, 1996. As noted above, copies of the PHLX petition may be obtained through the Commission's Office of the Secretariat.

³ See Securities Exchange Act Release Nos. 19133 (October 14, 1982), 47 FR 46946 (SEC approval of SR-PHLX-81-4); 10822 (April 4, 1984), 49 FR 14611 (French franc); 22853 (February 3, 1986), 51 FR 5129 (ECU); and 23945 (December 30, 1986), 52 FR 633 (Australian dollar).

In evaluating proposals of self-regulatory organizations ("SROs") to list and trade products on a national securities exchange, the SEC makes a determination that the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934 (the "1934 Act") and the SEC rules applicable thereunder. Under Section 6(b)(5) of the 1934 Act, the SEC predicates approval of exchange trading for new products upon a determination that the trading of such product is in the public interest. The SEC also considers such factors as fraud and market manipulation potential, economic benefit, just and equitable principles of trade, customer protections, market surveillance, adequacy of margin requirements, market impact and the maintenance of a fair and orderly market. See, e.g., Securities Exchange Act Release No. 36505 (November 22, 1995), 60 FR 61277 (SEC Order to approve the listing and trading of Cash Spot options on the Japanese yen).

⁴ See Securities Exchange Act Release No. 29919 (November 7, 1991), 56 FR 58109.

⁵ See Securities Exchange Act Release Nos. 33732 (March 8, 1994), 59 FR 12023 (Cash/Spot options on German mark); 36505 (November 22, 1995), 60 FR 61277 (Cash/Spot options on Japanese yen).

⁶ See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720.

⁷ See Securities Exchange Act Release No. 36255 (September 20, 1995), 60 FR 50229 (Italian lira and

quotation (either units of currency or percent of underlying value), currency of premium payment, and expiration dates.⁸ In general, auction trading of PHLX's currency options occurs between 2:30 a.m. Eastern Time ("ET") and 2:30 p.m. ET each business day.⁹

PHLX is seeking exemptive relief in order to permit U.S. customers to establish positions in PHLX foreign currency options on HKFE and offset such positions on PHLX, or to establish positions in PHLX foreign currency options on PHLX and offset them on HKFE through U.S. registered broker-dealers. PHLX seeks exemptive relief to assure that: (1) HKFE cross-listed foreign currency options can be made fungible and linked with PHLX foreign currency options pursuant to SEC oversight and the federal securities laws, and (2) the PHLX and HKFE linked foreign currency options will not be subject to inconsistent or duplicative regulation, taking cognizance of the policies inherent in Section 4c(f) of the Act.¹⁰ PHLX contends that the requested relief is consistent with Section 4c(f) of the CEA, which provides that nothing in the CEA "shall be deemed to govern or in any way be applicable to any transaction in an option on foreign currency traded on a national securities exchange."¹¹ PHLX requests that the Commission issue an exemptive order pursuant to Section 4(c) and Section 4c(b) of the CEA to permit the offer and sale in the United States of PHLX foreign currency options that are cleared and settled for all purposes in the U.S. to be cross-listed for trading on HKFE in

Spanish peseta became eligible for customized pairs).

⁸ See Securities Exchange Act Release No. 36468 (November 8, 1995), 60 FR 57613 (customized expiration dates authorized).

⁹ See Securities Exchange Act Release No. 34898 (October 26, 1994), 59 FR 54651 (establishing these trading hours for most currency options except the Canadian dollar, which commences trading at 7:00 a.m. ET each business day). Historically, PHLX has had even more extensive trading hours. Cf. Securities Exchange Act Release No. 24652 (June 29, 1987), 52 FR 25680 (trading hours from 7:00 p.m. ET to 2:30 p.m. ET the following day). The latter extended segment was added to accommodate market interest in the Far East, but subsequently was suspended as a result of relatively low transaction volume. See Securities Exchange Act Release No. 33246 (November 24, 1993), 58 FR 63421.

¹⁰ 7 U.S.C. 6c(f) (1994). The Petition does not assert that the HKFE is a national securities exchange. Rather, it makes the argument that the request is not inconsistent with Congressional policy to permit foreign currency options to trade on either a national securities exchange or on a futures exchange. Similarly, the Commission is not implying that the HKFE is a national securities exchange.

¹¹ *Id.*

accordance with applicable federal securities laws and regulations.¹²

Sections 4(c) and 4c(b) of the CEA vest the Commission with the authority to exempt certain transactions from regulation under the CEA.¹³ Section 4(c) of the CEA provides, in relevant part, that the Commission may, "by rule, regulation, or order, after notice and opportunity for hearing * * * exempt any agreement, contract, or transaction * * * that is otherwise subject to" the CEA and the Commission's regulations from all provisions of the CEA except Section 2(a)(1)(B).¹⁴ Such exemption may be granted upon a determination by the Commission that: (1) The exemption is in the public interest;¹⁵ (2) the requirements from which exemption is sought should not be applied to the agreement, contract, or transaction at issue and the exemption would be consistent with the purposes of the

¹² 7 U.S.C. 6(c) and 6c(b) (1994), respectively. If such exemptive relief were issued, the Commission would limit the scope of the relief to PHLX foreign currency options that are cross-listed for trading on HKFE pursuant to agreement between PHLX and HKFE, in accordance with SEC regulation, as represented to the Commission pursuant to PHLX's Petition. All other foreign futures and options contracts that HKFE would seek to offer or sell in the United States would remain subject to the CEA and the Commission's regulations, including the Commission's Part 30 rules (17 C.F.R. 30 (1996)), which regulate the offer and sale in the United States of foreign futures and options contracts.

¹³ 7 U.S.C. 6(c) and 6c(b) (1994).

¹⁴ 7 U.S.C. 6(c)(1) (1994). Section 4(c)(1) provides: In order to promote responsible economic or financial innovation and fair competition, the Commission by rule, regulation, or order, after notice and opportunity for hearing, may (on its own initiative or on application of any person, including any board of trade designated as a contract market for transactions for future delivery in any commodity under section 5 of this Act) exempt any agreement, contract or transaction (or class thereof) that is otherwise subject to subsection (a) [the exchange-trading requirement] (including any person or class of persons offering, entering into, rendering advice or rendering other services with respect to, the agreement, contract, or transaction), either unconditionally or on stated terms or conditions or for stated periods and either retroactively or prospectively, or both, from any of the requirements of subsection (a), or from any other provision of this Act (except section 2(a)(1)(B)), if the Commission determines that the exemption would be consistent with the public interest.

¹⁵ The Conference Committee Report on the legislation enacting Section 4(c) (the "Conference Report") states that the "public interest" includes "the national public interests noted in the [CEA], the prevention of fraud and the preservation of the financial integrity of markets, as well as the promotion of responsible economic or financial innovation and fair competition." H.R. Rep. No. 978, 102d Cong., 2d Sess. 78 (1992). In making a determination with respect to the public interest, the Conferees provided that the Commission should "assess the impact of a proposed exemption on the maintenance of the integrity and soundness of markets and market participants" and that an exemption should not be denied "solely on grounds that it may compete with or draw market share away from the existing market." *Id.* at 78-79.

CEA; (3) the agreement, contract or transaction will be entered into solely between "appropriate persons;"¹⁶ and (4) the agreement, contract or transaction will not have a material adverse effect upon the ability of the Commission or any contract market to discharge its regulatory or self-regulatory duties under the CEA.¹⁷

Section 4c(b) of the CEA grants the Commission plenary authority to regulate commodity options in the United States. It prohibits persons from entering into any transaction involving any commodity regulated under the CEA which is of the character of or is commonly known "as an option * * * contrary to any rule, regulation or order of the Commission * * *."¹⁸ Section 4c(b) vests the Commission with the authority to implement orders, rules or regulations to regulate, among other instruments, option transactions, upon notice and opportunity for hearing.

The PHLX petition is summarized below.

¹⁶ Section 4(c)(3)(A)-(J) defines "appropriate persons" to include generally a bank or trust company, a savings association, an insurance company, a registered investment company, a commodity pool operated by a Commission registrant, certain business entities and employee benefit plans, governmental entities, registered broker-dealers, and registered futures commission merchants, floor brokers and floor traders. 7 U.S.C. 6(c)(3)(A)-(J).

Section 4(c)(3)(K), which was added by the Congressional Committee Conferees to the final statutory provision, provides the Commission with flexibility in granting exemptions for persons or entities not expressly enumerated. Specifically, that section provides that "appropriate persons" include "persons that the Commission determines to be appropriate in light of their financial or other qualifications, or the applicability of appropriate regulatory protections." 7 U.S.C. 6(c)(3)(k)(1994). The language of this provision indicates that persons permitted to engage in transactions that are otherwise regulated by a governmental agency may qualify as "appropriate persons" in specific circumstances where the Commission's regulatory concerns are satisfied. In the context of determining persons qualifying for the so-called Part 34 "hybrid exemption," which provides for an exemption from CFTC regulations for certain hybrid instruments, the Commission stated that "appropriate persons" eligible for the hybrid exemption would include "person[s] permitted by applicable securities or banking requirements to purchase or enter into the security [component] of the hybrid instrument * * *." 58 FR 5580 (January 22, 1993)(release adopting final rules regarding the regulation of hybrid instruments).

¹⁷ 7 U.S.C. 6(c)(2) (1994).

¹⁸ 7 U.S.C. 6c(b)(1994). Section 4c(b) provides, in relevant part: No person shall offer to enter into, enter into or confirm the execution of, any transaction involving any commodity regulated under this Act which is of the character of, or is commonly known to the trade as, an "option" [or "privilege", * * * contrary to any rule, regulation, or order of the Commission prohibiting any such transaction or allowing any such transaction under such terms and conditions as the Commission shall prescribe. Any such order, rule, or regulation may be made only after notice and opportunity for hearing, and the Commission may set different terms and conditions for different markets.

II. Description of PHLX Proposal

A. Licensing Agreement With HKFE

PHLX and HKFE have entered into a licensing agreement (the "Linkage") authorizing HKFE to trade foreign currency options during Asian business hours in the same manner as PHLX foreign currency options are traded on PHLX. The Linkage provides for cross-listing of PHLX foreign currency options, permitting U.S. customers and non-U.S. customers to establish positions in PHLX foreign currency options on HKFE and offset them on PHLX or to establish positions in PHLX foreign currency options on PHLX and offset them on HKFE. The Linkage, by permitting PHLX foreign currency options to be traded on HKFE during Asian business hours, effectively extends the trading hours of the currency option contracts traded on PHLX, a national securities exchange. The proposed Linkage would be applicable to all foreign currency option contracts for which PHLX has received SEC approval.

Incorporated in 1976, HKFE is licensed as an exchange company by the Governor in Council of Hong Kong and is governed by a board of directors consisting of both HKFE members and non-members from the Hong Kong financial and business community. In addition, the operations of the HKFE and the HKFE Clearing Corporation Limited ("HCC"), HKFE's subsidiary, are under the jurisdiction of and are regulated by Hong Kong's independent financial regulatory body, the Securities and Futures Commission ("SFC").

Linkages between exchanges in different time zones have been used as a means of lengthening trading hours, broadening distribution of products, and enhancing volume and open interest. PHLX believes that the proposed Linkage would stimulate trading interest in PHLX's foreign currency options in the Far East. It does not view its agreement with HKFE as precluding similar agreements between HKFE and U.S. futures exchanges with respect to foreign currency options such that a similar arrangement potentially could permit futures commission merchants ("FCMs") to offset currency options undertaken on a futures exchange pursuant to a similar linkage agreement with HKFE if futures exchanges so desired, maintaining the symmetry now contained in Section 4c(f) which permits such options to be traded on both domestic futures and securities options markets.

B. The Options Clearing Corporation/ Clearance and Settlement

The Options Clearing Corporation ("OCC"), owned equally by the five national securities exchanges that list options, functions as the issuer and clearing organization for all options traded on national securities exchanges, including the foreign currency options traded on PHLX. OCC is regulated as a clearing agency by the SEC under the 1934 Act. OCC will issue, clear and settle PHLX foreign currency options that are cross-listed on HKFE. PHLX, HKFE, and OCC expect to enter into an International Market Agreement (the "IMA"), which will govern the trading and clearance of transactions in such options. The IMA would be applicable only to PHLX foreign currency options cross-listed on HKFE and would address issues relevant to the trading and clearance of the PHLX contracts, including "issuance, disclosure, expiration months, exercise prices, units of trading, margin, comparison, clearing and settlement of PHLX foreign currency options traded on HKFE, and the respective rights and obligations of the parties with respect to such options."¹⁹

OCC also anticipates the execution of an "Associate Clearinghouse Agreement" with HCC or an affiliate of HKFE organized for the purpose of acting as a clearing organization for the PHLX foreign currency option contracts traded on HKFE, under which HCC or such affiliate will act as an "associate clearinghouse" of OCC. The Associate Clearinghouse Agreement will provide that HCC or the HCC affiliate will be treated as an OCC clearing member, for purposes of clearing trades in PHLX foreign currency options for HKFE members that are not clearing members of OCC, whether such trades are effected on HKFE or (through PHLX members) on PHLX.

C. Regulatory and SRO Oversight of Cross-Listed PHLX Foreign Currency Options.

1. SEC regulation. Consistent with the CEA and the federal securities laws, options on foreign currencies may be traded on a designated contract market subject to the Commission's jurisdiction or on a national securities exchange subject to SEC jurisdiction.²⁰ Foreign currency options have been traded on PHLX subject to the securities laws and the SEC regulatory protections since 1982. PHLX states that, because the currency options it proposes to be traded on HKFE would be cross-listed

¹⁹ Petition at p.5.

²⁰ Section 4c(f) of the CEA, 7 U.S.C. 6c(f) (1994).

PHLX foreign currency options, transactions in these options that are effected on HKFE pursuant to the Linkage should in effect be subject to the same regulatory structure in the United States as PHLX foreign currency options.²¹ PHLX represents that the cross-listed options will be registered under the Securities Act of 1933 for offer and sale in the United States, and that "such transactions will be subject to the full panoply of regulation under the 1934 Act, including broker-dealer registration and related requirements."²²

2. SRO oversight.

a. PHLX rules. The petition summarizes PHLX requirements relating to account opening procedures, suitability, qualification of sales persons, supervision of accounts, disclosure, advertisements, time-stamping and reporting of orders, and dual trading. These rules govern transactions in foreign currency options on PHLX. PHLX represents that HKFE has agreed to adopt certain of the rules similar to PHLX's rules and requirements to apply to cross-listed PHLX foreign currency options and has further agreed to adopt no exchange rules that conflict with PHLX's options rules.

As stated in the PHLX petition, PHLX rules require that a customer's account be specifically approved for options trading before any option transactions may be effected for that customer. Such approval must be in writing, can be made only by a "Registered Options Principal,"²³ and may occur only after the member firm "exercise[s] due diligence to learn the essential facts as to the customer and his investment objectives and financial situation."²⁴ PHLX rules also require that a customer's account be specifically approved for transactions in foreign currency, in writing, by a "Foreign Currency Options Principal," before transactions in such options are effected. PHLX also has a customer suitability rule, which prohibits a member firm from recommending any option transaction to a customer unless the firm "has reasonable grounds to

believe that the entire recommended transaction is not unsuitable" for the customer. Both the National Association of Securities Dealers, Inc. and PHLX require that persons selling foreign currency options pass a certification examination. SEC and PHLX rules prohibit brokers from accepting a customer option order or approving a customer account for trading of option contracts unless the customer has been provided with an SEC-reviewed disclosure document specific to the particular type of option order the customer seeks to enter.²⁵ PHLX rules also establish detailed standards regarding the content of advertisements, sales literature, and other options-related communications and the manner in which such communications may be presented to the public.

PHLX rules require member firms to establish written procedures to provide for the "diligent supervision" of all customer option accounts and all option orders in such accounts and maintain a special supervisory structure for foreign currency options. PHLX requires that all order tickets be time-stamped immediately upon execution, and floor brokers and traders are required to report relevant information regarding each option transaction. With the exception of specialists, PHLX floor traders are prohibited from dual trading, that is, trading a particular options class for their own account on the day of execution of a customer order in the same options class.

b. Intermarket surveillance. PHLX and HKFE have executed an Intermarket Surveillance Group Surveillance Sharing Agreement (the "Surveillance Agreement") providing for the exchange of surveillance information as needed in order for each exchange to discharge its respective surveillance responsibilities. This agreement tracks the Intermarket Surveillance Group Surveillance Sharing Agreement to which all U.S. securities, options and stock index futures exchanges currently are parties. The Surveillance Agreement requires each exchange to report all foreign currency options trading activity to the other and grants each exchange access to information needed to discharge its self-regulatory responsibilities. It provides that each exchange must cooperate and use its best efforts to obtain requested information when information is needed in the investigation of any question or

complaint regarding the propriety of any transaction or series of transactions in foreign currency options or regarding any other aspect of trading and/or transactions therein that might be significant for rule enforcement purposes. The parties have agreed to resolve in good faith any disagreements between them regarding any requests for information or responses. The petition sets forth the contingency plans in the event that HKFE denies a request for assistance under the Surveillance Agreement and the denial is material to PHLX's self-regulatory program. Minimum reporting requirements are set forth in an addendum to the Surveillance Agreement.

D. Practical Concerns Prompting the Requested Relief

PHLX argues that "the requested relief is necessary for U.S. customers to derive the same benefits from the Linkage as foreign customers."²⁶ PHLX notes that subjecting "identical and fungible" foreign currency option contracts to two different regulatory schemes would result in U.S. customers being required to maintain accounts with two brokerage firms, a broker-dealer and an FCM, to trade the same contract. Moreover, even if a customer transacted through a dually registered entity, PHLX foreign currency options that are established or offset on PHLX would be required to be held in a separate account from PHLX foreign currency options that are established or offset on HKFE. As a result, positions could not be netted for margin or settlement purposes, a limitation that "would severely diminish the economic viability of the Linkage" as, effectively, the contracts would not be fungible, defeating one purpose of the link.²⁷ PHLX also notes that U.S. futures exchanges could seek to enter into similar arrangements with HKFE or other overseas exchanges to cross-list foreign currency options that have approval for trading by the CFTC. PHLX argues that FCMs would not incur a competitive disadvantage should the relief be granted; as they currently may not offer and sell PHLX foreign currency options, the requested relief would not alter the status quo.

E. Determinations Under Section 4(c) of the CEA

PHLX contends that an exemption under Section 4(c) of the CEA to permit the offer and sale in the U.S. of PHLX foreign currency options cross-listed for trading on HKFE would satisfy the

²¹ Petition at p.7.

²² Petition at p.7. PHLX expects that PHLX foreign currency options would be cross-listed for trading on the HKFE upon the Commission's issuance of exemptive relief and following approval by the SEC of conforming amendments to the rules of PHLX and the OCC in order to provide for the Linkage.

²³ A "registered options principal" must pass a proficiency examination demonstrating knowledge of the SRO requirements applicable to options transactions, including the rules of PHLX and OCC, and also must demonstrate an understanding of options trading.

²⁴ Petition at p.7.

²⁵ SEC Rule 9b-1 provides that an options disclosure document must include information delineating the mechanics of options trading, options trading risks, the uses of options, transaction costs, margin requirements, and relevant tax issues. 17 C.F.R. 240.9b-1 (1996).

²⁶ Petition at p.13.

²⁷ Petition at p.13.

requirement of consistency with the public interest and the purposes of the CEA because, according to PHLX, it would "stimulate trading interest in PHLX's foreign currency options," creating recognized economic benefits.²⁸ PHLX notes that it has provided a foreign currency options market for more than a decade "in accordance with the securities laws and the SEC regulatory scheme without any difficulties."²⁹ PHLX argues that the recognized economic benefits of foreign currency options trading on PHLX, the contemplated expansion of those benefits through the Linkage, and the applicability of the SEC regulatory scheme, which provides protections comparable to those of the CEA and Commission regulations that address the financial integrity, fairness, and central marketplace issues cited by the Commission in adopting its Part 36 rules, assure that the requested relief is consistent with the public interest and the purposes of the CEA.

In addition, Section 4(c) requires that the Commission determine that the requested exemption will not have a material adverse effect upon the ability of the Commission or any contract market to discharge its regulatory or self-regulatory duties. PHLX notes that the Conference Report indicates that the Commission should consider regulatory concerns such as "market surveillance, financial integrity of participants, protection of customers and trade practice enforcement" in making this determination.³⁰ PHLX reasons that the applicability of the SEC's comparable regulatory scheme to transactions in PHLX foreign currency options in the U.S., including those cross-listed for trading on HKFE, together with the regulatory requirements imposed by the SFC and applicable Hong Kong laws and the inter-market surveillance arrangement, will provide adequate customer protections and market surveillance capabilities and therefore will not have a material adverse impact on the ability of the Commission or any contract market to discharge its regulatory or self-regulatory duties under the CEA.

Section 4(c) also requires that the agreement, contract or transaction will be entered into solely between "appropriate persons." Appropriate persons include any persons the Commission determines to be appropriate "in light of their financial or other qualifications, or the applicability

of appropriate regulatory protections."³¹ PHLX reasons that the requested exemption for PHLX foreign currency options cross-listed for trading on HKFE should be available to all persons eligible to engage in such option transactions under the SEC's regulatory framework, which limits such trading to options qualified by the SEC in accordance with SEC approval procedures³² or options customers determined to be suitable in accordance with SEC and PHLX suitability requirements.³³

III. Request for Comments

The Commission requests comments on any aspect of the Petition that commenters believe may raise issues under the CEA or Commission regulations. In particular, the Commission invites comments regarding: (1) the appropriateness of addressing transactions as described herein under the Commission's exemptive authority under Section 4(c) and/or under the Commission's plenary authority under Section 4(c)(b); (2) whether the proposed exemption is consistent with the standards set forth in Section 4(c) of the CEA; (3) whether there is sufficient authority under existing law for the SEC to exercise its regulatory and supervisory authority over transactions effected pursuant to the Linkage; (4) any material adverse effects that granting the PHLX petition would have upon other securities exchanges, futures exchanges, or Commission registrants, such as FCMs, from a competitive or other perspective; (5) the type of risk assessment information that should be available to the Commission regarding such transactions by FCM affiliates; (6) whether the Commission should attach any conditions to any exemptive relief that may be granted; and (7) any other issues relevant to this petition.

Issued in Washington, DC, on October 2, 1996, by the Commission.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 96-25917 Filed 10-8-96; 8:45 am]

BILLING CODE 6351-01-P

DEPARTMENT OF DEFENSE

Department of the Navy

Notice of Intent To Grant Exclusive Patent License to Shipley Company, L.L.C.

SUMMARY: The Department of the Navy hereby gives notice of its intent to grant to Shipley Company, L.L.C., a revocable, nonassignable, partially exclusive license in certain foreign countries to practice the Government owned inventions described in U.S. Patent Application Serial No. 08/375,997 entitled "Liquid Crystal Composition and Alignment Layer," filed January 20, 1995, and U.S. Patent Application Serial No. 08/559,318 also entitled "Liquid Crystal Composition and Alignment Layer," filed November 15, 1995, both in the field of liquid crystal display manufacturing.

Anyone wishing to object to the grant of this license has 60 days from the date of this notice to file written objections along with supporting evidence, if any. Written objections are to be filed with the Office of Naval Research, ONR 00CC, Ballston Tower One, Arlington, Virginia 22217-5660.

FOR FURTHER INFORMATION CONTACT: Mr. R.J. Erickson, Staff Patent Attorney, Office of Naval Research, ONR 00CC, Ballston Tower One, 800 North Quincey Street, Arlington, Virginia 22217-5660, telephone (703) 696-4001.

Dated: September 25, 1996.

D.E. Koenig,

LCDR, JAGC, USN, Federal Register Liaison Officer.

[FR Doc. 96-25835 Filed 10-8-96; 8:45 am]

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DEPARTMENT OF ENERGY

Office of Fossil Energy

[FE Docket Nos. 96-53-NG, 96-59-NG]

EMC Gas Transmission Company, Chevron U.S.A. Inc.; Orders Granting Authorization To Import and/or Export Natural Gas

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of Orders.

SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued Orders authorizing various imports and/or exports of natural gas. These Orders are summarized in the attached Appendix.

These Orders are available for inspection and copying in the Office of Fuels Programs Docket Room, 3-F056, Forrestal Building, 1000 Independence

²⁸ Petition at p. 15.

²⁹ *Id.*

³⁰ H.R. Rep. No. 102-978, 102d Cong., 2d Sess. 78 (1992).

³¹ 7 U.S.C. 6(c)(3)(k)(1994).

³² See *supra* note 3.

³³ See *id.* and Section II.C.2.a *supra*.