

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with Sections 17A(b)(3) (A) and (F) of the Act 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-NSCC-96-13) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37824; File No. SR-ODD-96-1]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Supplement to Options Disclosure Document Regarding Flexible Exchange Options ("FLEX Options")

October 15, 1996.

On October 4, 1996, The Options Clearing Corporation ("OCC") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Rule 9b-1 under the Securities Exchange Act of 1934 ("Act"),¹ five definitive copies of a Supplement to its options disclosure document ("ODD"), which describes, among other things, the risks and characteristics of trading in flexibly structured options overlying individual stocks ("FLEX Equity Options").

The ODD currently contains general disclosures on the characteristics and risks of trading flexibly structured options ("FLEX Options"). At the time the FLEX Options disclosure was approved,² the Commission had approved Exchange proposals to trade FLEX Options overlying particular indexes ("FLEX Index Options"). Since that time, the Commission has approved Exchange proposals to trade FLEX Equity Options.³ OCC now proposes

¹⁰ 17 CFR 200.30-3(a)(12) (1996).

¹¹ 17 CFR 240.9b-1.

² See Securities Exchange Act Release Nos. 31910 (February 23, 1993), 58 FR 12056 (March 2, 1993), 31919 (February 24, 1993), 58 FR 12286 (March 3, 1993), and 33582 (February 4, 1994), 61 FR 6661 (February 11, 1994).

³ See Securities Exchange Act Release Nos. 36841 (February 14, 1996) (File Nos. SR-CBOE-95-43 and SR-PSE-95-24) and 37336 (June 19, 1996) (File No. SR-Amex-95-57) (orders approving the listing and trading of FLEX Equity Options, and designating FLEX Equity Options as standardized options

this Supplement, which is to be read in conjunction with the more general ODD entitled "Characteristics and Risks of Standardized Options," that provides disclosures to specifically accommodate the introduction of FLEX Equity Options and to reflect current rules of the options markets on which FLEX Equity Options are traded.⁴ Pursuant to Rule 9b-1, the Supplement will have to be provided to investors in FLEX Equity Options before their accounts are approved for FLEX Equity Options transactions or their orders for FLEX Equity Options are accepted.

The Commission has reviewed the ODD Supplement and finds that it complies with Rule 9b-1 under the Act. The Supplement is intended to be read in conjunction with the ODD, which discusses the characteristics and risks of options, including FLEX Options, generally. The Supplement provides additional information regarding FLEX Equity Options sufficient to further describe the special characteristics and risks of these products.

Rule 9b-1 provides that an options market must file five preliminary copies of an amended ODD with the Commission at least 30 days prior to the date definitive copies of the ODD are furnished to customers, unless the Commission determines otherwise, having due regard to the adequacy of information disclosed and the protection of investors.⁵ The Commission has reviewed the Supplement, and finds that it is consistent with the protection of investors and in the public interest to allow the distribution of the Supplement as of the date of this order.

It is therefore ordered, pursuant to Rule 9b-1 under the Act,⁶ that the proposed Supplement regarding FLEX Equity Options is approved, on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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pursuant to Rule 9b-1 under the Act. See also Securities Exchange Act Release No. 37630 (September 3, 1996) (File No. SR-OCC-96-03).

⁴ See e.g., Securities Exchange Act Release No. 37726 (September 25, 1996) (File Nos. SR-Amex-96-29, SR-CBOE-96-56, and SR-PSE-96-31) (order approving proposals to restrict the available exercise prices for FLEX equity call options).

⁵ This provision is intended to permit the Commission either to accelerate or extend the time period in which definitive copies of a disclosure document may be distributed to the public.

⁶ 17 CFR 240.9b-1.

⁷ 17 CFR 200.30-3(a)(39).

[Release No. 34-37838; File No. SR-PHLX-96-42]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Limiting Time for Submission of Settlement Offers

October 17, 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 September 27, 1996, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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

Currently, PHLX Rule 960.7, "Offers of Settlement," allows a respondent in any proceeding under the PHLX's disciplinary rules to submit a written settlement offer to the Exchange's Business Conduct Committee ("BCC") at any time during the course of the proceeding. The PHLX proposes to amend PHLX Rule 960.7 to limit the time when a respondent may submit a written settlement offer to the BCC to within 120 calendar days immediately following the date of service of the statement of charges upon the respondent. Under the proposal, the Exchange may schedule a hearing during the 120-day period immediately following the date of service of the statement of charges or as soon as practicable thereafter. The BCC may consider a settlement offer submitted after the 120-day period as long as consideration of the offer does not delay the hearing in the matter.

The text of the proposed rule change is available at the Office of the Secretary, 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 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.