

By the Commission.
Margaret P. Crenshaw,
Secretary.
June 10, 1996—Filing of Appeal letter
June 12, 1996—Commission Notice and
Order of Filing of Appeal
July 5, 1996—Last day of filing of petitions
to intervene [see 39 C.F.R. § 3001.111(b)]
July 15, 1996—Petitioner's Participant
Statement or Initial Brief [see 39 C.F.R.
§ 3001.115 (a) and (b)]
August 5, 1996—Postal Service's Answering
Brief [see 39 C.F.R. § 3001.115(c)]
August 20, 1996—Petitioner's Reply Brief
should Petitioner choose to file one [see 39
C.F.R. § 3001.115(d)]
August 27, 1996—Deadline for motions by
any party requesting oral argument. The
Commission will schedule oral argument
only when it is a necessary addition to the
written filings [see 39 C.F.R. § 3001.116]
October 8, 1996—Expiration of the
Commission's 120-day decisional schedule
[see 39 U.S.C. § 404(b)(5)]
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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- 37303; File No. SR-DTC-
96-09]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Relating to the Establishment of Procedures to Establish a Drop Window Service.

June 11, 1996

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 25, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-09) as described in Items I, II, and III below, which items have been prepared primarily by DTC. 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

DTC is filing a proposed rule change that establishes procedures for a transfer agent drop service ("Drop Service"). The Drop Service will provide transfer agents located outside of New York City with a central location within the Borough of Manhattan to receive and deliver securities.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

(A) *Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

DTC proposes to offer a Drop Service in order to provide transfer agents located outside of New York City with a central location within Manhattan for the receipt of securities from banks, broker-dealers, depositories, and shareholders. DTC's Drop Service will enable transfer agents to comply with New York Stock Exchange Rule 496 and American Stock Exchange Rule 891. These rules require a transfer agent seeking qualification as a transfer agent for securities listed on the respective exchanges to maintain an office acceptable to the exchange and the issuer located south of Chambers Street in the Borough of Manhattan, City of New York to receive and deliver securities.

In the past, some transfer agents located outside of New York City complied with these rules by using a drop service offered by the New York office of the Midwest Clearing Corporation ("MCC"). However, in 1996 MCC withdrew from the clearing business and no longer offers a drop service.³ DTC proposes to offer the DTC Drop Service to replace the drop facility offered by MCC and to ensure continuity of service to transfer agents. In connection with the Drop Service, DTC will provide ancillary services to transfer agents such as the inspection of securities, maintenance of records regarding the receipt and delivery of securities, facilitation of rush transfers,

² The Commission has modified the text of the statements DTC submitted.

³ For a complete discussion of MCC's and Midwest Securities Trust Company's ("MSTC") withdrawal from the clearing and depository business, refer to Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 [File Nos. SR-CHX-95-27, SR-DTC-95-22, SR-MCC-95-04, SR-MSTC-95-10, SR-NSCC-95-15] (order approving MCC's and MSTC's withdrawal from the clearance and settlement, securities depository, and branch receive businesses).

cancellation of certificates, and advice regarding legal and regular transfer requirements.⁴

DTC believes the proposed rule change is consistent with the requirements of Section 17A of the Act because it promotes efficiencies in the prompt and accurate clearance and settlement of securities transactions, specifically the transfer of record ownership. DTC estimates that 80% of securities delivered to transfer agents through a drop service originate as DTC deposits, withdrawals by transfer, and denomination changes. By establishing a central drop facility at DTC, certificates will be sent directly to a transfer agent from DTC, rather than from DTC to a separate drop location in Manhattan and ultimately to the transfer agent. Therefore, DTC's Drop Service will promote efficiencies in the transfer of record ownership. DTC's Drop Service also will reduce the expenses associated with the transfer of record ownership by centralizing the recording and filming of securities received by transfer agents. Moreover, DTC believes the Drop Service will foster cooperation and coordination between DTC and other entities engaged in the clearance and settlement of securities transactions.

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

DTC perceives no impact on competition by reason of the proposed rule change.

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

DTC has not solicited or received comment on the proposed rule change.

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 DTC consents, the Commission will:

⁴ A more detailed description of these services is set forth in Section II of DTC's Drop Service Agreement which describes the terms under which DTC's service will be provided. The Drop Service Agreement is attached as Exhibit 2 to DTC's proposed rule change and is available through DTC or through the Commission's Public Reference Room. All transfer agents are required to execute the Drop Service Agreement in order to use DTC's Drop Service.

¹ 15 U.S.C. 78S(B)(1) (1988).

(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 DTC. All submissions should refer to the file number SR-DTC-96-09 should be submitted by July 9, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37287; File No. SR-Phlx-96-13]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to Trading Hours and Expiration Times for Customized Foreign Currency Options

June 7, 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 May 7, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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 certain Exchange rules to: (1) adjust the time that all customized FCOs cease trading on expiration day from 9:00 a.m. and 2:30 p.m. until 8:00 a.m.; (2) adopt a uniform expiration time for all customized FCOs of 10:15 a.m. (instead of 11:59 p.m.) (all time references are to eastern standard time); and (3) make all customized FCOs subject to pro-rata assignment.

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 in Item IV below. Phlx 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

The Exchange has different expiration times and procedures and trading hours for both regular and customized FCOs. Regular non-customized FCOs cease trading at 2:30 p.m., expire at 11:59 p.m. on their expiration date, and are subject to a random assignment process. Customized FCOs which expire on any trading day except a regular mid-month or end-of-month expiration are referred to as "custom dated FCOs." Custom dated FCOs currently cease trading at 9:00 a.m., expire at 10:15 a.m. on their expiration date, and are subject to a pro-rata assignment process.

The third type of FCO (which is the subject of this rule filing) is the customized FCO which does not have a custom date (*i.e.*, the option expires on a mid-month or end-of-month expiration date).¹ These option contracts are treated the same as regular expiring FCOs, *i.e.*, they cease trading at 2:30 p.m., expire at 11:59 p.m., and are subject to random assignment. The Exchange proposes to change this scheme to correspond with custom

dated FCOs. Accordingly, Phlx proposes to alter the expiration times for customized FCOs with mid-month or end-of-month expirations so that they cease trading at 8:00 a.m.,² expire at 10:15 a.m. on their expiration date, and are subject to pro-rata assignment. As a result, all customized FCOs will have the same expiration process regardless of when they expire.

According to Phlx, customized FCOs are mainly traded by institutional customers who often by the options as a hedge against over-the-counter contracts. Because the over-the-counter options typically expire at 10:00 a.m., these customers cannot effectively hedge their risk with customized FCOs unless they know their assignment exposure at the same time. Thus, custom dated options have been a very useful trading vehicle for the institutional market due to their 10:15 a.m. expiration (with pro-rata exercise notification at 10:00 a.m.). Customized FCOs with mid-month or end-of-month expirations, however, have not been as useful for offsetting purposes since customers do not know their assignment exposure until the following day. The Exchange therefore believes that by having all customized FCOs expire at 10:15 a.m., it will add liquidity to the market and encourage institutions to take advantage of all types of exchange traded FCOs. Furthermore, the Phlx believes that by revising the expiration times on the mid-month and end-of-month expiration days, it will increase the volume for customized FCOs and thereby reduce the amount of paperwork at expiration.

The Exchange proposes to implement this change as of the August 1996 mid-month expiration. Currently, open interest exists in customized FCO contracts expiring on September 13, 1996 (mid-month expiration), December 13 1996 (mid-month expiration) and March 27, 1997 (end-of-month expiration). If this open interest still exists at the time that this rule change is approved, the Exchange will exempt these expirations from the new procedure (*i.e.*, they will continue to cease trading at 2:30 p.m., expire at 11:59 p.m., and be subject to random assignment). This exemption will be noted in Phlx Rule 1000(b)(21)(iv), which defines the term Expiration Date and will be publicized in numerous memoranda to the membership.³

² Although custom-dated FCOs currently cease trading at 9:00 a.m., the Phlx, as discussed below, proposes to amend this time such that all customized FCOs cease trading at 8:00 a.m.

³ This transitional process will be similar to the one used when the Exchange changed the expiration from the Saturday preceding the third

⁵ 17 CFR 200.30-3(a)(12) (1995).

¹ An example of this would be an FCO which has a custom strike price or is quoted as an inverse option.