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

The foregoing rule change has been put into effect summarily under Section 19(b)(3)(B) of the Act and publication of notice is being made, pursuant to the requirement of Section 19(b)(3)(B) of the Act that proposed rule changes put into effect summarily be filed thereafter in accordance with the provisions of Section 19(b)(1).[4] The rule change was put into effect summarily pursuant to Section 19(b)(3)(B) of the Act because such action was necessary for the protection of investors, the maintenance of fair and orderly markets, or the safeguarding of securities or funds.[5] At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–CBOE–96–66 and should be submitted by December 23, 1996.

[4] The Commission notes that the proposed rule change was summarily approved on October 17, 1996. Telephone conversation between Michael Meyer, outside counsel to CBOE, and Howard Kramer, Senior Associate Director, SEC, on October 17, 1996.

[5] The Commission notes that the change ensured that there was a settlement value available for the yield-based options on Treasury securities. *See* discussion *supra.*

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–30530 Filed 11–29–96; 8:45 am]

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[Release No. 34–37976; File No. SR–NSCC–96–15]

November 25, 1996.

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change To Process Corporate Reorganizations Involving Elections Through NSCC's Continuous Net Settlement System

On August 7, 1996, the National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–NSCC–96–15) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] On August 9, 1996, and October 1, 1996, NSCC amended the proposed rule change.[2] Notice of the proposal was published in the Federal Register on October 21, 1996.[3] No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

Through its CNS Reorganization Processing System, NSCC offers its members a service whereby they can process within NSCC's CNS system transactions in certain securities undergoing corporate reorganizations (hereinafter collectively referred to as ''tender offers''). With this rule change, NSCC will expand this service to allow its members to obtain a guarantee of performance pursuant to the terms of tender offers which require shareholders to make an election between two types of assets (*e.g.*, stock or cash) through NSCC's CNS system.

Generally, a person who wishes to participate in a tender offer must notify the tenderer of its decision prior to the expiration of the tender offer. All shares to be exchanged in the tender offer must be delivered to the tenderer prior to the end of the protect period, which is typically three days after the end of the expiration of the offer.[4] However, participants with long positions at NSCC (''long participants'') are dependent upon the delivery of the securities by participants with short positions at NSCC (''short participants'') prior to the end of the protect period. If short participants do not deliver in time, the long participants are not able to participate in the offer.

Under its current service, NSCC guarantees to participants with long positions in some securities subject to a tender offer the delivery of funds or securities pursuant to the terms of the tender offer. If a long participant has elected to use this service and to have NSCC guarantee the delivery pursuant to the terms of the tender offer, certain short participants will be liable for delivery to the long participant of the consideration the long participant would have received pursuant to the terms of the tender offer. The rule change expands this service and provides members with long positions in securities subject to a tender offer with an election as to consideration to receive protection for receipt of the tender offer consideration.

Once NSCC receives timely notification of a tender offer and starting two business days prior to the expiration of an offer, long participants and short participants with positions in the subject security will receive information regarding the offer each business day on the CNS reorganization information report. On the day prior to the expiration of the protect period in a tender offer with an option as to the consideration to be received, long participants will be permitted to elect their preferences (*e.g.*, cash or securities) by submitting electronic instructions to NSCC through DTC's PTS Terminal system. Such participants will receive a preliminary protection report. On the same day, NSCC will issue a report to short participants advising them of their potential liability in the security if delivery is not made by the next business day.

If enough short participants deliver securities prior to the close of business of the day the protect period expires, NSCC will redeliver these securities to long participants. Such participants can then participate in the tender offer outside the facilities of NSCC. If not enough short participants deliver securities to meet all delivery

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] Letters from Julie Beyers, Associate Counsel, NSCC, to Jerry Carpenter, Assistant Director, Division of Market Regulation, Commission (August 8, 1996, and September 27, 1996, as revised October 1, 1996).

[3] Securities Exchange Act Release No. 37818 (October 11, 1996), 61 FR 54695.

[4] The purpose of the protect period is to accommodate persons who purchase securities on the expiration date with the intention of participating in the tender offer. Such persons generally will not receive the securities to forward to the tenderer until the settlement date three business days later.

obligations to the long participants, NSCC will issue to the remaining long participants a final protection report and will issue to the remaining short participants a final liability report, both of which will reflect open positions remaining as of the close of business of that day.

At the expiration of the protect period, NSCC will establish two CNS subaccounts representing the alternative forms of consideration for each security subject to a tender offer. All open positions for which a long participant has made an election will be moved into the appropriate CNS reorganization subaccount. The short participants will immediately be charged a mark based on the difference between the market value of the subject securities and the consideration, and NSCC will retain such funds.[5] In addition, the long positions and short positions will continue to be marked to the market daily. Positions in a CNS subaccount will be frozen until the payable date for the tender offer (*i.e.*, short participants may not deliver in the securities).

On payable date, the subaccounts will be closed. NSCC will credit the general CNS account of long participants with either the securities or cash that they have elected to receive. NSCC will debit the general account of short participants with either the cash or securities they have been assigned to deliver. NSCC also will credit the account of short participants with the marks to the offer price being retained by NSCC.

Some offers have limits on how many of the subject securities the offeror will accept or what percentage of consideration will be paid in cash or securities. At the end of the protect period of such offers, the offeror will reject on a pro rata basis excess securities. NSCC will similarly only hold short participants liable to the extent securities would have been accepted by the tenderer.

II. Discussion

Section 17A(b)(3)(F)[6] of the Act requires that the rules of a clearing agency be designed to facilitate the prompt and accurate settlement of securities transactions. The Commission believes that NSCC's proposal is consistent with this goal because the proposal provides an incentive to short participants to meet their settlement obligations on a timely basis. Short participants that fail to meet their delivery obligations as required become liable for the economic benefits long participants lose in connection with tender offers. Furthermore, by processing the deliver and receive obligations created through the guarantee through NSCC's CNS system, the proposal will allow such obligations to be netted against other obligations of the participants. By reducing the number of settlement obligations through the netting process, the proposal facilitates the prompt and accurate settlement of securities transactions.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A 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–96–15) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–30614 Filed 11–29–96; 8:45 am]

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[Release No. 34–37974; File No. SR–PHLX–96–42]

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

November 22, 1996.

On September 27, 1996, the Philadelphia Stock Exchange, Inc. (''PHLX'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder.[2] The proposed rule change amends PHLX Rule 960.7, ''Offers of Settlement,'' to limit the time when a respondent may submit a written settlement offer to the PHLX's Business Conduct Committee (''BCC'') to within 120 calendar days immediately following the date of service of the statement of charges upon the respondent.

Notice of the proposed rule change was published for comment in the Federal Register on October 23, 1996.[3] No comments were received on the proposal. This order approves the proposed rule change.

Currently, PHLX Rule 960.7 allows a respondent in any proceeding under the PHLX's disciplinary rules to submit a written settlement offer to the Exchange's BCC at any time during the course of the proceeding. The Exchange 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 in accordance with PHLX Rule 960.11, ''Service of Notice and Extension of Time Limits.'' 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 purpose of the proposal is to adopt a time limit during which respondents involved in a disciplinary matter before the PHLX's BCC may submit settlements offers. Because PHLX Rule 960.7 currently allows settlement offers to be submitted at any time, the BCC was concerned that respondents could intentionally submit inadequate offers of settlement for the sole purpose of delaying a scheduled hearing until the offer is reviewed by the full BCC. The proposal will allow the BCC to schedule hearings after the 120-day period knowing that there will not be last minute requests for continuances based upon late offers of settlement.

Under proposed Interpretation and Policy .01, the BCC may schedule a hearing during the 120-day period immediately following the date of service of the statement of charges on the respondent.[4] The BCC will continue to have the ability to entertain settlement offers after the 120-day period if its review does not delay the scheduled hearing in the matter.

The PHLX believes that the proposed rule change 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, to prevent

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[5] In the case of a long participant selecting cash as consideration, the corresponding short participant will be charged the difference between the cash offered in the tender offer and the market price of the securities. In the case of a long participant selecting securities as consideration, the corresponding short participant will be charged the difference between the market value of the subject securities and the market value of the consideration securities.

[6] 15 U.S.C. § 78q–1(b)(3)(F) (1988).

[7] 17 CFR 200.30–3(a)(12) (1996).

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1995).

[3] Securities Exchange Act Release No. 37838 (October 17, 1996), 61 FR 55062.

[4] Under PHLX Rule 960.5, ''Hearing,'' a respondent must be given at least 15 business days notice of the time of a hearing.