

product over the last four years, however, the Exchange has determined it is appropriate to now establish maximum bid-offer spreads for Index FLEX AMMs and QMMs when quoting European exercise FLEX options overlying the S&P 100 Index or the S&P 500 Index with a time to expiration of more than two weeks and less than two years. The Exchange expects that the establishment of these spreads will increase customer confidence in the CBOE markets for these products. The establishment of these maximum bid-offer spreads will ensure tight markets for the majority of the Index FLEX RFQs submitted to the CBOE floor; the proposed spreads would have applied to 77% of the RFQs submitted in 1996. The Exchange also believes that if, as expected, the reduction in the entitlement of a trade to a Submitting Member encourages more active participation by market-makers in the quoting process, then bid-offer spreads, through competition, should decrease in any event.

The bid-offer spreads which are being established for European exercise options overlying the S&P 100 Index or the S&P 500 Index are as follows.

Options with a time to expiration greater than two weeks and less than or equal to one year shall have the following maximum bid/ask spreads:

Where the bid is	The maximum bid/ask spread is
Less than \$5 .....	¾ of \$1
At least \$5 but not more than \$10.	\$1
At least \$10 but not more than \$1.50.	
At least \$20 .....	\$2

Options with a time to expiration greater than one year and less than two years shall have the following maximum bid/ask spreads:

Where the bid is	The maximum bid/ask spread is
Less than \$10 .....	\$1.50
At least \$10 but not more than \$20.	\$2
At least \$20 but not more than \$40.	\$3
At least \$40 .....	\$4

Because the proposed rules should encourage more active participation of market-makers in the establishment of bid-ask spreads and will require the quoting of spreads on Index FLEX options within a certain range, CBOE believes the proposed rules are consistent with and further the

objectives of Section 6(b)(5) of the Act in that they are designed to improve communications to and from the Exchange's trading floor in a manner that promotes just and equitable principles of trade, prevents fraudulent and manipulative acts and practices, and maintains fair and orderly markets:

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange believes the proposed rule change will impose no burden on competition.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) As the Commission may designate up to 90 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 the self-regulatory organization consents, the Commission will:

- (A) By order approve the 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 at the Commission's Public Reference Section, 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 the CBOE. All submissions should refer to File No. SR-CBOE-97-

16 and should be submitted by June 12, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-13404 Filed 5-21-97; 8:45 am]

BILLING CODE 8010-01-M

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-38646; File No. SR-DCC-96-13]

### **Self-Regulatory Organizations; Delta Clearing Corp.; Order Granting Approval of a Proposed Rule Change Relating to the Definitions of Trading Limits and Maximum Potential System Exposure**

May 15, 1997.

On November 26, 1996, Delta Clearing Corp. ("DCC") filed a proposed rule change (File No. SR-DCC-96-13) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> On January 10, 1997, DCC filed an amendment to the proposed rule change. Notice of the proposal was published in the **Federal Register** on January 30, 1997, to solicit comments from interested persons.<sup>2</sup> No comments were received. As discussed below, this order approves the proposed rule change.

#### **Description**

The proposed rule change amends DCC's procedures and provides for the issuance of Policy Statement 96-02 in order to revise DCC's current method of limiting its exposure to participants.<sup>3</sup> The term "trading limit" in DCC's procedures is replaced with the "exposure limit." Section 204 and 2204 and the definitions of "exposure limit" in Section 101 and 2101 are amended to clarify that each participant has one exposure limit applicable to both repurchase agreement ("repo") and option transactions.

The consequences of a participant exceeding its exposure limit are clarified so that a participant may continue to effect trades for clearance and settlement in the repo clearing

<sup>5</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b).

<sup>2</sup> Securities Exchange Act Release No. 38197 (January 23, 1997), 62 FR 4557.

<sup>3</sup> Policy Statement 96-02 described such items as the processes for rejecting trades and notification of the affected participants.

system or the options clearing system if DCC determines that the risk involved is *de minimis* (i.e., the additional exposure is less than 5%). Previously, if a participant exceeded its trading limit, DCC was required to reject the participant's trades. Now, if a participant exceeds its exposure limit twice or more in one month, the revised rule obligates DCC to review with the participant and the insurer, if necessary, whether to change the participant's exposure limit.

The definition of maximum potential system exposure ("MPSE") in the procedures also is revised to clarify and to limit the circumstances under which margin funds due and owing from participants may be deducted for purposes of determining MPSE. DCC will continue to include as a credit in calculating MPSE those margin funds due and owing from such participants at or before the immediately succeeding settlement time (1) That were called for by DCC in the ordinary course of entering trades into the options or repo clearing systems, (2) that were reflected in the daily margin report, and (3) that were not an additional margin requirement pursuant to Section 603 or 2603 of DCC's procedures.

## II. Discussion

Section 17A(b)(3)(F) of the Act requires that a clearing agency's rules be designed to ensure the safeguarding of securities and funds in its custody or control or for which it is responsible.<sup>4</sup> The Commission believes that DCC's proposal is consistent with the Act in that the proposed rule change should provide DCC with greater flexibility to manage and to address credit and liquidity difficulties among its participants.

DCC's procedures will allow participants to effect trades for clearance and settlement in the repo clearing system or in the options clearing system above their exposure limits only if DCC determines that the risk involved is below a defined *de minimis* amount. While this provision gives DCC some flexibility in determining whether to reject or accept a participant's trades, it does so in a limited and prudent manner. Furthermore, the unification of each participant's exposure limit for its options and repo transactions should allow DCC to improve its understanding of the overall risk each participant poses to DCC. In addition, the limitation on the types of margin that may be used as a credit for MPSE calculations should reduce the possibility that routine margin calls designed to reduce DCC's

credit exposure inadvertently compound DCC's exposure. By enhancing DCC's risk management system, the proposal assists DCC in safeguarding securities and funds in its possession and control.

## III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and particularly with Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> that the proposed rule change (File No. SR-DCC-96-13) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 97-13402 Filed 5-21-97; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38645; File No. SR-NASD-96-29; Amendment No. 4]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Temporary Accelerated Approval of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Allocation and Delegation of Authority and Responsibilities by the National Association of Securities Dealers, Inc., to NASD Regulation, Inc., and The Nasdaq Stock Market, Inc.

May 15, 1997.

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 14, 1997, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission") Amendment No. 4 to the proposed rule change as described in Items I, II and III below, which Items have been prepared by the NASD.<sup>1</sup> The

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> The NASD originally filed the rule change on July 2, 1996. On July 8, 1996, the NASD filed Amendment No. 1 to the proposed rule change. Amendment No. 1 amended the language of proposed new Subsections II.C.4. and III.C.3 of the Delegation Plan to clarify that it is proposed that the NASD Board of Governors have authority to determine to both call for review or not call for review a matter of the subsidiary Board during the 15-day period provided for consideration by the NASD Board.

On July 10, 1996, the NASD filed Amendment No. 2 to the proposed rule change. Amendment No.

Commission is publishing this notice to solicit comments on the proposed rule change as further amended by Amendment No. 4 from interested persons and is simultaneously granting accelerated approval to the proposed rule change for a period of six months.

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD is proposing to extend the effectiveness of: (1) Rule 0130 to the subsidiaries of the NASD, NASD Regulation, Inc. ("NASDR") and The Nasdaq Stock Market, Inc. ("Nasdaq"), the authority to act on behalf of the Association as set forth in a Plan of Allocation and Delegation adopted by the NASD Board of Governors and approved by the Commission pursuant to its authority under the Act; and (2) adopt a Plan of Allocation and Delegation of Functions by NASD to Subsidiaries ("Delegation Plan") setting forth the purpose, function, governance, procedures and responsibilities of the NASD, NASDR and Nasdaq, following the reorganization of the NASD.

Rule 0130 and the Delegation Plan originally were filed with the Commission in SR-NASD-96-16 and were simultaneously published for comment and approved by the Commission on a temporary basis for a period of 90 days.<sup>2</sup> Release 34-37107 contained the full text of Rule 0130 and the Delegation Plan with the exception of three changes thereto. On July 11, 1996, the Commission issued a release publishing for comment the three changes to the Delegation Plan and further approving Rule 0130 and the Delegation Plan as amended for a period of 120 days.<sup>3</sup> Release 34-37107 and

2 requests temporary approval of the proposed rule change for a period of 120 days. See Letter from T. Grant Callery, Senior Vice President and General Counsel, NASD to Katherine A. England, Assistant Director, Division of Market Regulation, Commission (dated July 10, 1996).

On November 12, 1996, the NASD filed Amendment No. 3 to the proposed rule change. Amendment No. 3 requested temporary approval of the proposed rule change for a period of six months. See Letter from T. Grant Callery, Senior Vice President and General Counsel, NASD to Katherine A. England, Assistant Director, Division of Market Regulation, Commission (dated November 12, 1996). The Commission previously published notice of the proposed rule change and granted accelerated approval to the proposed rule change for periods of 120 days and six months (Securities Exchange Act Release No. 37425 (July 11, 1996), 61 FR 37518 (July 18, 1996) ("Release 34-37425") and Securities Exchange Act Release No. 37957 (November 15, 1996), 61 FR 59267 (November 21, 1996) ("Release 34-37957").

<sup>2</sup> Securities Exchange Act Release No. 37107 (April 11, 1996), 61 FR 16948 (April 18, 1996) ("Release 34-37107").

<sup>3</sup> Release 34-37425.

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).