rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions.

Currently, if an entity making a tender or exchange offer wants a protect period of three days, the entire reorganization must be settled on a trade-by-trade basis. By including these transactions within the CNS system, the rule change enhances the settlement procedure for such trades. Thus, the rule promotes the prompt and accurate clearance and settlement of securities transactions. Further, by including reorganizations with protect periods of three days within the CNS system, the proposed rule change may encourage the use of three day protect periods. 7 By limiting the time the tender or exchange offer remains unsettled, the goal of risk reduction contemplated by Rule 15c6-1 is furthered.

III. Conclusion

For the reasons stated above, the Commission finds that NSCC's proposal is consistent with Section 17A of the Act.⁸

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR–NSCC–95–09) 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. 34–36271; File No. SR-Phlx-95–66]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to P/A Orders

September 22, 1995.

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 15, 1995, 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

The Phlx is proposing to amend: (i) Phlx Rule 1066¹ by adding new paragraph (h), P/A Orders (Principal Acting as Agent); and (ii) Phlx Rule 1015² by adding new paragraph (c). Below is the text of the proposed rule change. Proposed new language is in italics.

Options Rules

* * * * *

Certain Types of Orders Defined

Rule 1066

* * * * *

(h) P/A Order ("Principal Acting as Agent")—A P/A order is an order received on the Exchange in the name ("give-up") of a registered floor trader on another national options exchange (i.e., an "N" account type) sent while that floor trader is holding a similar customer order in that same option series for the account of a public customer for which price improvement is sought on the basis that the PHLX is displaying a superior bid or offer.

Quotation Guarantees

Rule 1015

* * * * *

(c) P/A Orders—the P/A order type shall only exist with respect to those multiply traded equity options for which the originating options exchange affords reciprocal P/A treatment. P/A orders received on the PHLX must be provided with the customer volume guarantees of Rules 1015 and 1033, if the PHLX specialist agreement to accept P/A orders is reciprocated by the sending floor trader in the same option on another national options exchange. P/A orders may not be for more than the number of contracts on the customer's order and must be market or marketable limit orders. An order does not qualify as a P/A order if the customer's order on the other exchange was given an

execution prior to the time the P/A order is sent on its behalf.

* * * * *

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 if received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The 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 purpose of the proposed rule change is to create a new equity options order designator, the P/A order, to ensure that when a floor trader (i.e., Specialist, market maker, Registered Options Trader, Lead Market Maker or Designated Primary Market Maker) from another options exchange in possession of a public customer order sends a mirror-image order 3 to the Phlx to obtain price improvement for that customer, the customer will receive the benefit of that better execution price, notwithstanding that the mirror-image order has been sent in the name of floor trader. Similarly, the P/A order is intended to ensure that when a Phlx floor trader sends such an order to another options exchange, the customer for whom the Phlx order is sent receives the benefit of the better price available on that exchange.

The proposed rule change recognizes that orders received on national options exchanges in the name of public customers are provided firm quotes and volume guarantees not available to orders received in the name of broker-dealers. These volume guarantees are not insignificant, established by rule as a minimum of ten contracts and are frequently much higher.

Because orders emanating from the floor of one exchange and sent to another in multiply-listed options normally are sent in the name of the floor trader, they are often deprived of the opportunity to receive such guarantees. For example, a customer buy order may be "stopped" by a floor trader on the receiving exchange at that

⁷ Buyers sometimes purchase securities on the last day of a tender offer and tender their shares that day. Such purchasers can not deliver the securities until their purchase transactions settle. Before the implementation of T+3, a three day protect period was not practical because purchasers would not receive their securities until the fifth business day after the trade date.

^{8 15} U.S.C. 78q-1 (1988).

^{9 15} U.S.C. 78s(b)(2) (1988).

^{10 17} CFR 200.30(a)(12) (1994).

 $^{^1\,}Philadelphia$ Stock Exchange Guide, Options Rules, Rule 1066 (CCH) §3066.

² Philadelphia Stock Exchange Guide, Options Rules, Rule 1015 (CCH) ¶3015.

³A mirror-image order is an order sent by the floor trader for the exact number of contracts specified in the customer order.