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Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Schedule B to the NASD By-Laws

August 25, 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 August 22, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 NASD. 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 NASD is proposing to amend Schedule B to the NASD By-Laws¹ to delete information text on the number of members of the NASD Board of Governors ("Board") elected from each district. Below is the text of the proposed rule change. Proposed deletions are in brackets.

Schedules to the By-Laws

Schedule B

The number and territorial boundaries of the several districts established as provided in Section 1 of Article VIII [and the number of Governors elected from the several districts established as provided in Section 4(b) of Article VII of the By-Laws of the Corporation] are as follows:

District No. 1 State of Hawaii; in the State of California, the Counties of Monterey, San Benito, Fresno and Inyo, and the remainder of the State North or West of such Counties; and in the State of Nevada, the Counties of Esmeralda and Nye, and the remainder of the State North or West of such Counties.

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No. 1.]

District No. 2 In the State of California, that part of the State South

or East of the Counties of Monterey, San Benito, Fresno and Inyo; and, in the State of Nevada, that part of the State South or East of the Counties of Esmeralda and Nye, and all Pacific possessions and territories of the United States.

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No 2.]

District No. 3 States of Alaska, Arizona, Colorado, Idaho, Montana, New Mexico, Oregon, Utah, Washington and Wyoming.

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No. 3.]

District No. 4 States of Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota.

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No. 4.]

District No. 5 States of Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma and Tennessee.

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No. 5.]

District No. 6 State of Texas.

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No. 6.]

District No. 7 States of Florida, Georgia, North Carolina, and South Carolina, Puerto Rico, Canal Zone and the Virgin Islands.

[Two Governors shall be elected from and by the members of the Corporation eligible to vote in District No. 7.]

District No. 8 States of Illinois, Indiana, Michigan, Ohio and Wisconsin, and, in the State of New York, the Counties of Monroe, Livingston and Steuben, and the remainder of the State West of such Counties.

[Two Governors shall be elected from and by the members of the Corporation eligible to vote in District No. 8.]

District No. 9 The District of Columbia, and the States of Delaware, Maryland, Pennsylvania, Virginia and West Virginia, and, in the State of New Jersey, the Counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean and Salem.

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No. 9.]

District No. 10 In the State of New York, the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, Westchester, and the five Boroughs of New York City, and the State of New

Jersey (except for the Counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean and Salem).

[Three Governors shall be elected from and by the members of the Corporation eligible to vote in District No. 10.]

District No. 11 States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont and New York (except for the Counties of Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester; the Counties of Monroe, Livingston and Steuben, and the remainder of the State West of such Counties; and the five Boroughs of New York City).

[One Governor shall be elected from and by the members of the Corporation eligible to vote in District No. 11.]

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 NASD 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. The NASD 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

(a) Schedule B to the NASD By-Laws includes information on the boundaries of each district office of the NASD and on the number of members of the Board elected from each district. The NASD is proposing to amend Schedule B to the NASD By-Laws to delete provisions that specify the number of members of the Board currently approved to be elected from each district. The inclusion of the text regarding district representation on the Board in Schedule B to the NASD By-Laws was intended to be informational only. The operative rule with respect to the election of district representatives to the Board, however, is Article VII, Section 4(b) of the By-Laws which requires that each district shall elect one Board member, authorizes the Board to determine which districts, if any, shall elect more than one Governor, and—in general—authorizes the Board to make appropriate changes in the number or boundaries of the districts or the number of Governors elected by each district to provide fair

¹ NASD Manual, Schedules to the By-Laws, Schedule B (CCH) ¶ 1772.

representation of members and districts. The NASD believes that the informational language in Schedule B to the NASD By-Laws specifying the number of Governors from each district unnecessarily limits the ability of the Board to act under Section 4(b) to make changes in the composition of the Board. The NASD is proposing, therefore, to eliminate the inclusion of rule language regarding district representation on the Board in Schedule B to the NASD By-Laws in order to ensure that the Board has flexibility to act with respect to the composition of the Board of Governors.

The NASD has requested that the SEC approve the proposed rule change on or before September 30, 1995 in order that the new rule may be effective with respect to the NASD's election procedures which commence on October 1, 1995 with respect to Board membership in 1996.

(b) The NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(4) of the Act,² which require that the rules of the Association provide for the fair representation of its members in the selection of its directors and administration of its affairs in that the proposed rule change is intended to eliminate rule language regarding district representation on the Board in Schedule B to the NASD By-Laws which unnecessarily limits the ability of the Board of Governors under Article VII, Section 4(b) of the NASD By-Laws to make changes in the composition of the Board.

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

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

Within 35 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 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 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. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by September 21, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36149; File No. SR-OCC-95-10]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Enhancement of Saturday Expiration Date Processing Procedures

August 23, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 11, 1995, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. The

Commission is publishing this notice to solicit comments from interested persons.

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

The proposed rule change will allow OCC to replace its present preliminary and final processing cycles for Saturday expiration options with a single real-time processing procedure.

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

In its filing with the Commission, OCC 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. The self-regulatory organization 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

Under the proposed rule change, OCC will enhance its Saturday expiration processing cycles by instituting a single real-time procedure for the updating of expiring positions of its clearing members. OCC's current Saturday expiration processing procedure for index and equity options does not provide real-time updates to clearing members on their expiring positions. Accordingly, two processing cycles, a preliminary and a final cycle, are necessary to reflect the results of post-trade activity (e.g., reconciliation of unmatched trades) affecting expiring positions and to give clearing members the opportunity to edit their preliminary exercise instructions in response to updated reports from OCC.

OCC previously has implemented an expiration processing system for options expiring on business days³ that provides real-time updates to clearing members on their expiring positions thus eliminating the need for a preliminary and final processing cycle. OCC proposes to employ this same real-time system for its Saturday expirations

² The Commission has modified the language in these sections.

³ Some examples of such options include flexibly structured options, Quarterly-Index Expiration Options or QIXs, and foreign currency option contracts.

¹ 15 U.S.C. 78o-3.

¹ 15 U.S.C. 78s(b)(1) (1988).