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OFFICE OF PERSONNEL MANAGEMENT

Federal Salary Council

AGENCY: Office of Personnel Management.

ACTION: Notice of meeting.

SUMMARY: According to the provisions of section 10 of the Federal Advisory Committee Act (P.L. 92-463), notice is hereby given that the forty-ninth meeting of the Federal Salary Council will be held at the time and place shown below. At the meeting the Council will continue discussing issues relating to locality-based comparability payments authorized by the Federal Employees Pay Comparability Act of 1990 (FEPCA). The meeting is open to the public.

DATES: July 25, 1996, at 10:00 a.m.

ADDRESSES: Office of Personnel Management, 1900 E Street NW., Room 7B09, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Ruth O'Donnell, Chief, Salary Systems Division, Office of Personnel Management, 1900 E Street NW., Room 6H31, Washington, DC 20415-0001. Telephone number: (202) 606-2838.

For the President's Pay Agent:

Lorraine A. Green,

Deputy Director.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-37364; File No. SR-CBOE-96-36]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to the Interruption of RAES Due to Unusual Market Activity

June 25, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 12, 1996, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") 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 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 CBOE proposes to amend CBOE Rule 6.6, Unusual Market Conditions, to give the Order Book Official ("OBO") or the Post Director authority to turn off the Exchange's Retail Automatic Execution System ("RAES") for a class or classes of options and for a short period of time when, in the judgement of that OBO or Post Director, there is unusual market activity in such options or their underlying 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, the self-regulatory organization 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.

(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 add a new paragraph (e) to CBOE Rule 6.6 that will authorize OBOs, and, in the case of options traded at Designated Primary Market-Maker ("DPM") stations, Post Directors temporarily to deactivate RAES in specified classes of options traded at the posts where such persons are stationed when in their judgement such action is warranted by an influx of orders or other unusual market conditions in such options or their underlying securities and the OBO or Post Director determines that such action is appropriate in the interests of maintaining a fair and orderly market. Whenever such action is taken, notice thereof shall immediately be given to two Floor Officials who may continue the deactivation of RAES for more than five minutes or take such actions as they deem necessary pursuant to their authority under Rule 6.6.

This rule change is being proposed to permit a more immediate response to events, such as significant news

announcements, that can cause temporary order imbalances and otherwise disrupt the market for stocks that underlie options traded on CBOE. In these situations stock prices may move sharply, and Exchange market-makers may not have time to adjust their options quotes in the numerous series of options that overlie these stocks. This may result in published options quotes that do not reflect current stock prices. Because orders sent to RAES are executed automatically at published quotations, customers may receive executions at unrealistic prices, some at a price more favorable than fair market prices and some less favorable than fair market prices.

Exchange Rule 6.6 currently authorizes two Floor Officials to respond to this situation by declaring the market in particular classes of options to be "fast," and then turning off RAES (and taking other action) until there has been time for prices to be adjusted. Because of the speed with which computerized order routing systems can direct orders to RAES, and because RAES itself provides for instantaneous automatic executions, there can be a significant number of executions at stale prices during the several minutes that it might take for two Floor Officials to declare a fast market. By authorizing OBOs and Post Directors to turn off RAES for up to five minutes, the response time to such a situation will be considerably shortened, and the number of executions at stale prices should be reduced accordingly. In this respect, the proposed rule change is not unlike the recently approved rule change that authorized Post Directors or OBOs to suspend trading in specified classes of options for up to five minutes when there is a trading halt or suspension of trading in the underlying security in the primary market.² There, as is proposed here, authority is given to the OBO or Post Director to deal quickly and on an interim basis with a situation where immediate response is called for, pending further consideration of the matter by two Floor Officials.

It is anticipated that in most instances where RAES is deactivated by an OBO or Post Director, the period of time when RAES is unavailable should be very brief, lasting less than five minutes. Even then, orders will continue to be delivered to the trading crowd via the Exchange's electronic order routing system ("ORS") and the trading crowd will remain obligated to fill customer

² File No. SR-CBOE-95-44 approved in Exchange Act Release No. 36135 (August 22, 1995), 60 FR 44921.

¹ 15 U.S.C. 78s(b)(1) (1988).

orders in accordance with Exchange rules, including the firm quote rule.³

Members will be notified of any deactivation of RAES in particular classes of options by an OBO or a Post Director pursuant to proposed Rule 6.6(e) by means of a message that is printed at each trading post on the floor and is transmitted to terminals throughout the floor over the Exchange's TextNet system.

The Exchange believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act in that, by permitting the Exchange to act expeditiously to prevent automatic executions of options transactions at stale prices in the event of significant news announcements or other potentially disruptive situations, it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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

The Exchange does not believe that the proposed change will impose any burden on competition.

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

Written comments on the proposed rule change 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.

³The firm quote rule, which obligates the trading crowd to fill public orders for up to 10 contracts at published quotes, remains in effect unless suspended by two Floor Officials acting under Rule 6.6(b) in the event of a fast market. The proposed rule change would not authorize an OBO or DPM to declare a fast market or suspend the firm quote rule.

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 Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to File No. SR-CBOE-96-36 and should be submitted by July 24, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-16921 Filed 7-2-96; 8:45 am]

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[Release No. 34-37368; File No. SR-GSCC-96-01]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to the Enhancement of Risk Management Processes

June 25, 1996.

On January 5, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-96-01) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the Federal Register on March 13, 1995.² No comment letters were received. For the reasons discussed below, the Commission is

⁴ 17 CFR 200.30-3(a) (12).

¹ 15 U.S.C. 78s(b)(1) (1988).

² Securities Exchange Act Release No. 36933 (March 6, 1996), 61 FR 10045.

granting approval of the proposed rule change.

I. Description

As part of GSCC's continuous process of reviewing its risk management mechanism, GSCC has made various enhancements and revisions to that mechanism. The design of the risk management process for GSCC's newly implemented netting service for repurchase agreements ("repos") and recommendations made by Commission staff during their inspection of GSCC last year provided the impetus for certain of the enhancements and revisions. Each of the changes to GSCC's risk management process is described in detail below.

A. Change in the Clearing Fund Formula

1. Funds Adjustment Component

There are three components to a netting member's clearing fund deposit requirement: (1) the funds adjustment component, (2) the receive/deliver settlement component, and (3) the repo volatility component. The sum of the three components is a member's total clearing fund deposit requirement. The first component of the clearing fund, the funds adjustment component, addresses the potential risk that a member might not pay a funds-only settlement amount due to GSCC.³

Prior to this amendment, the funds adjustment component was 125% of the average of a member's ten largest funds-only settlement amounts measured on an absolute basis during the most recent seventy-five business days.⁴ Under the proposed rule change, the funds adjustment component is now 100% of the average of the member's twenty largest funds-only settlement amounts during the most recent seventy-five business days.⁵ However, GSCC retains the right to reinstitute at its discretion

³Historically, this component has represented about ten percent of the total clearing fund requirement.

⁴Prior to the implementation of GSCC's netting service for repos, GSCC's rules required computation of the average of a member's absolute funds amounts over the prior twenty business days. Securities Exchange Act Release No. 36491 (November 17, 1995), 60 FR 61577 (order approving proposed rule change).

⁵This change has been made to both paragraphs (b) and (d) of Rule 4, Section 2 of GSCC's rules. Paragraph (b) applies to bank netting members, Category 1 dealer netting members, Category 1 futures commission merchant netting members, Category 2 inter-dealer broker netting members, government securities issuer netting members, insurance company netting members, and registered investment company netting members. Paragraph (d) applies to Category 2 dealer netting members and Category 2 futures commission merchant netting members.