

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. Comments particularly are requested as to whether the proposed rule change satisfies the requirements of the Telemarketing Act. 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 submissions, 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 the filing will also be available for inspection and copying at the Board's principal offices. All submissions should refer to File No. SR-MSRB-96-06 and should be submitted by September 27, 1996.

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. 34-37625; File Nos. SR-Philadep-96-14]

Self-Regulatory Organization; Philadelphia Depository Trust Company; Notice of Filing and Order Granting Accelerated Partial Permanent Approval and Accelerated Partial Temporary Approval of a Proposed Rule Change Seeking Permanent Approval of the Inter-Depository Delivery Procedures and the Participants Fund Formulas

August 30, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 26, 1996, the Philadelphia Depository Trust Company ("Philadep") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-Philadep-96-14) as described in Items I and II below, which items have been prepared primarily by Philadep. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated permanent approval of the portion of the proposed rule change relating to inter-depository delivery procedures and to grant accelerated temporary approval through December 31, 1996, of the portion of the proposed rule change relating to Philadep's participants fund formulas.

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

The proposed rule change seeks permanent approval of Philadep's inter-depository delivery procedures and of Philadep's participants fund formulas. The Commission previously granted partial temporary approval to a proposed rule change establishing Philadep's procedures for inter-depository deliveries and Philadep's participants fund formulas as part of the conversion of Philadep's money settlement system from a next-day funds settlement ("NDFS") to a same-day funds settlement ("SDFS") system.²

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

In its filing with the Commission, Philadep included statements concerning the purpose of and basis for the proposed rule change and discussed

any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Philadep has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On February 22, 1996, Philadep converted its processing environment from an NDSF system to an SDFS system. In an effort to reduce risk in an SDFS settlement environment, the Stock Clearing Corporation of Philadelphia ("SCCP") and Philadep implemented a new system and new controls with enhanced processing capabilities. The Commission approved Philadep's SDFS system on a permanent basis for all aspects of the filing except the participants fund formulas and the inter-depository delivery procedures.⁴

1. Inter-Depository Delivery Procedures

When processing a participant's delivery to The Depository Trust Company ("DTC"), Philadep employs an immediate update technique whereby a delivering participant's security position, collateral, and settlement account are immediately updated if the delivering participant has sufficient securities and collateral to allow the delivery to be completed. The delivering participant's position is reduced by the quantity of securities delivered, its settlement account is credited for the settlement value of the transaction, and its collateral monitor is increased by the settlement credit received and reduced by the collateral value of the securities delivered (provided the securities being delivered are part of the participant's collateral position).

Once a delivery satisfies Philadep's risk management controls and completes at Philadep (e.g., the participant has sufficient securities to make the delivery and the participant's collateral monitor will not become negative because of the delivery), Philadep send the delivery to DTC where it is subject to DTC's internal risk management controls. In certain instances, DTC's internal risk management controls will prevent a delivery from completing (i.e., the receiving participant does not have sufficient collateral or the receipt would

¹ 15 U.S.C. 78s(b)(1) (1988).

² Securities Exchange Act Release No. 36876 (February 22, 1996), 61 FR 7841 [SR-Philadep-95-08] (order granting partial temporary approval and partial permanent approval of a proposed rule change).

³ The Commission has modified the text of the summaries submitted by Philadep.

⁴ *Supra* note 2.

cause the participant to exceed its net debit cap) and will cause the delivery to pend in DTC's system. At the end of each processing day, DTC returns to Philadep delivery orders and payment orders that fail to successfully complete in DTC's system, and Philadep reverses the deliveries to the original delivering participants. Philadep's reversals are not subject to Receiver-Authorized Delivery ("RAD") processing⁵ or other risk management controls (i.e., net debit cap and collateral monitor).

2. Participants Fund

Philadep Rule 4, governing the participants fund and the procedures regarding the participants fund formulas currently provide for an all cash participants fund. The all cash requirement applies to both the required deposit and any additional or voluntary deposits made by participants. Pursuant to Rule 4 and Philadep's procedures, Philadep calculates participants' required cash deposit pursuant to the following formulas.

(a) Inactive Accounts: \$5,000.00⁶

(b) Specialized Services: (maximum \$50,000 required with \$100 or greater in average monthly billings for either Deposit or Transfer activity)

—Deposit Activity: \$25,000.00 plus

—Transfer Activity: \$25,000.00

(c) Participants not doing Specialized Service activity with service fees of \$100 or greater in average monthly billings. The greater of either:

(1) \$25,000, or;

(2) 1% of the average of the three highest net debits over the past three months (rounded to the next \$5,000 increment).

Philadep recalculates each participant's deposit requirement at the end of each month based on a participant's activity over the previous three months. Philadep notifies its participants of any required deposit increases and the amount of such additional deposit within ten business days of the end of the month. Participants whose deposit requirements have decreased are notified at least quarterly although they may inquire and withdraw excess deposits monthly. Participants may leave excess cash deposits in the participants fund.

During the pendency of the temporary approval period, Philadep has more

fully considered the risk profile of Philadep and its participants in an SDFS environment, including the adequacy of the participants fund formulas and the inter-depository delivery procedures. Philadep has provided material to the Commission to demonstrate the effectiveness of the risk management controls of the SDFS system in monitoring and reducing risk. The temporary approval period for the participants fund formulas and the inter-depository delivery procedures expires on August 31, 1996. Therefore, Philadep requests that the Commission permanently approve Philadep's SDFS program in its entirety.

Philadep believes the proposed rule change is consistent with Section 17A of the Act of the rules and regulations thereunder because the rule proposal fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and further assures the safeguarding of securities and funds in its custody or control or for which Philadep is responsible.

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

Philadep does not believe that the proposed rule change will impact or impose a burden on competition.

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

No written comments have been solicited or received.

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

Section 17A(b)(3)(F) of the Act⁷ requires that the rules of a clearing agency be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes that Philadep's proposed procedures relating to inter-depository deliveries are consistent with Philadep's obligations under Section 17A(b)(3)(F) to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions because the proposed rule change establishes procedures for the processing of inter-depository deliveries between Philadep and DTC.

Because the Commission was concerned that the inter-depository delivery procedures could create the situation where an inter-depository reversal arising from an uncompleted delivery at DTC would cause a Philadep participant to violate its net debit cap at Philadep near the end of the day, the Commission previously approved Philadep's inter-depository delivery procedures on a temporary basis in order that the procedures and their effects could be carefully monitored and modified if needed before they were permanently approved. Philadep has reported that during the temporary approval period it did not experience any inter-depository reversals from DTC that caused a Philadep participant to violate its net debit cap. Additionally, during the month of July, Philadep experienced only one end-of-day inter-depository reversal. Therefore, the Commission is permanently approving Philadep's inter-depository delivery procedures. However, the Commission continues to encourage Philadep to examine and to consider future enhancements to the interface to provide a mechanism through which Philadep participants can receive real-time notification of transactions pending at DTC.⁸ In this regard, Philadep must report to the Commission on a quarterly basis the number and extent of inter-depository reversals that caused Philadep participants to violate their net debit caps by \$1 million or more.

At this time, the Commission believes that Philadep's proposed rule change relating to Philadep's participants fund formulas is consistent with Philadep's obligations under Section 17A(b)(3)(F) to assure the safeguarding of securities and funds in its custody or control because Philadep's participants fund formulas, in conjunction with Philadep's other risk management procedures (i.e., net debit caps and collateral monitors), provide certain protections for Philadep and its participants from financial loss associated with member defaults and insolvencies. However, the Commission continues to have concerns about the adequacy of Philadep's participants fund formulas in providing a sufficient source of cash liquidity and the formulas' conformity with the standards set forth by the Division.⁹ The

⁵ RAD allows a participant to review and either approve or cancel incoming deliveries before they are processed in Philadep's system.

⁶ Securities Exchange Release No. 37554 (August 9, 1996), 61 FR 42929 [File No SR-Philadep-96-07] (order granting temporary approval of proposed rule change to establish a separate participant category for inactive accounts through December 31, 1996).

⁷ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁸ Currently, a Philadep clerk will monitor transactions that are pending at DTC during the day and will inform Philadep participants of such pending transactions.

⁹ Securities Exchange Act Release No. 16900 (June 17, 1980), 45 FR 41920 (order publishing standards to be used by the Division in reviewing the grant of full registration of clearing agencies).

Commission believes clearing agencies must establish an appropriate level of clearing fund contributions based on, among other things, its assessment of the risks to which it is subject. Under the proposed rule change, Philadep's participants fund formulas generally do not take into consideration to a participant's level of depositor activity. Instead, the formulas are based on the type of depository services used by the participant. As such, the Commission has concerns about whether the size of the participants fund will be sufficient. For these reasons, the Commission is temporarily approving the portion of the proposed rule change relating to the participants fund formulas through December 31, 1996. During the period of temporary approval, Philadep and the Commission will continue to monitor and to analyze the adequacy of Philadep's participants fund formulas.

Philadep has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing because the proposed rule change will allow Philadep participants to continue to utilize the interface between Philadep and DTC. Accelerated approval of the proposal also will allow Philadep to continue to apply its participants fund formulas through December 31, 1996.

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, 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 Philadep. All submissions should refer to the file number SR-

Philadep-96-14 and should be submitted by September 27, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-Philadep-96-14) be, and hereby is, permanently approved for those sections of the proposed rule change relating to the inter-depository delivery procedures and temporarily approved through December 31, 1996, for those sections of the proposed rule change relating to Philadep's participants fund formulas.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰
Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 96-22721 Filed 9-5-96; 8:45 am]
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[Release No. 34-37623; File Nos. SR-SCCP-96-07]

Self-Regulatory Organization; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Accelerated Approval on a Temporary Basis of a Proposed Rule Change Seeking Permanent Approval of the Participants Fund Formulas

August 29, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 20, 1996, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-SCCP-96-07) as described in Items I and II below, which items have been prepared primarily by SCCP. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change through December 31, 1996.

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

The proposed rule change seeks permanent approval of SCCP's participants fund formulas. The Commission previously granted partial temporary approval to a proposed rule change establishing SCCP's participants fund formulas as part of the conversion of SCCP's money settlement system from a next-day funds settlement

("NDFS") to a same-day funds settlement ("SDFS") system.²

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

In its filing with the Commission, SCCP included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. SCCP has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On February 22, 1996, SCCP converted its processing environment from an NDFS system to an SDFS system. In an effort to reduce risk in an SDFS settlement environment, SCCP and the Philadelphia Depository Trust Company ("Philadep") implemented a new system and new controls with enhanced processing capabilities. The Commission approved SCCP's SDFS system on a permanent basis for all aspects of the filling except the participants fund formulas.⁴

SCCP Rule 4, governing SCCP's participants fund, and the procedures regarding the participants fund formulas were amended to provide for an all cash participants fund. The all cash requirement applies to both the required deposit and any additional or voluntary deposits made by participants.

Participants that choose to make voluntary deposits in most situations are able to increase their level of activity at SCCP and receive interest rebates from SCCP for deposits in excess of \$50,000.

Pursuant to Rule 4 and SCCP's procedures, SCCP calculates participants' required cash deposits pursuant to the following formulas:

(a) Inactive Account: \$5,000.⁵

² Securities Exchange Act Release No. 36875 (February 22, 1996), 61 FR 7846 [File No. SR-SCCP-95-06] (order granting partial temporary approval and partial permanent approval of a proposed rule change to convert the settlement system to a same-day funds settlement system).

³ The Commission has modified the text of the summaries submitted by SCCP.

⁴ *Supra* note 2.

⁵ Securities Exchange Release No. 37554 (August 9, 1996), 61 FR 42929 [File No. SR-SCCP-96-03] (order granting temporary approval of a proposed

¹⁰ 17 CFR 200.30-3(a)(12) (1996).

¹ 15 U.S.C. 78s(b)(1) (1988).