

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, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-96-02 and should be submitted by March 19, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority:³

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36861; File No. SR-DTC-96-05]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval on a Temporary Basis of a Proposed Rule Change to Modify the Procedures for Inter-depository Deliveries

February 20, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 26, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-05) as described in Items I and II below, which items have been prepared primarily by DTC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval of the proposed rule change on a temporary basis through August 31, 1996.

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

The purpose of the proposed rule change is to modify the procedures for deliveries through the interface between

DTC and the Philadelphia Depository Trust Company ("Philadep") as part of the planned conversion on February 22, 1996, of DTC's money settlement system to an entirely same-day funds settlement ("SDFS") system.

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

In its filing with the Commission, DTC 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. DTC 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

The purpose of the proposed rule change is to modify the procedures for deliveries through the interface between DTC and Philadep as part of the planned conversion of DTC's money settlement system to an entirely SDFS system. In a 1994 memorandum issued jointly with the National Securities Clearing Corporation ("NSCC"), DTC described the planned conversion of DTC's money settlement system to an entirely SDFS system and outlined the proposed modifications to the interface delivery procedures.³

In the next-day funds settlement ("NDFS") system, DTC currently processes deliveries to and from Philadep through its inter-depository interface. This interface has been enhanced to improve efficiency while allowing both depositories to employ separate risk management controls. Until the conversion on February 22, 1996, to SDFS for all securities transaction settlements, the proposed procedures will apply only to securities currently eligible in DTC's SDFS system. Upon the conversion, the procedures will apply to the settlement of all securities transactions between DTC and Philadep.

When processing participants' deliveries to Philadep, DTC will employ an immediate update technique whereby a delivering participant's security position, collateral, and

settlement accounts are immediately updated if that 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 it is delivering, its settlement account is credited for the settlement value of the transaction, and its collateral monitor is increased by the settlement credit it has incurred and is reduced by the collateral value of the securities it is delivering (provided the securities being delivered are part of the participant's collateral position). To facilitate processing in the event of a failure to settler incident, DTC plans to establish a maximum net debit cap for interface activity at \$400 million upon the scheduled conversion on February 22, 1996.

Once a delivery satisfies risk management controls and completes at DTC (i.e., the participant has sufficient securities to make the delivery and the participant's collateral monitor will not become negative because of the delivery), it is sent to Philadep where it is subject to Philadep's internal risk management controls. In certain instances, Philadep's internal risk management controls may prevent a delivery from completing (i.e., the receiving participant may not have sufficient collateral or the receipt will cause the participant to exceed its net debit cap) and may cause those deliveries to pend in Philadep's system. Deliver orders and payment orders that fail to successfully complete in Philadep's system at the end of each processing day (approximately 3:45 p.m.) will be returned to DTC, and DTC will reverse the deliveries to the original delivering participants. Such reversals will not be subject to Reciever-Authorized Delivery ("RAD") processing⁴ or risk management controls.

DTC believes the proposed rule change is consistent with Section 17A of the Act⁵ and the rules and regulations thereunder because the proposed rule change will contribute to efficiencies in processing deliveries in the interface between DTC and Philadep. DTC also believes the proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible because the proposed

⁴ RAD allows a participant to review and either approve or cancel incoming deliveries before they are processed in DTC's system. For a further discussion of DTC's RAD procedures, refer to Securities Exchange Act Release No. 25886 (July 6, 1988), [File No. SR-DTC-88-07] (notice of filing and immediate effectiveness of a proposed rule change implementing DTC's RAD procedures).

⁵ 15 U.S.C. 78q-1 (1988).

² The Commission has modified the text of the summaries submitted by DTC.

³ The Depository Trust company and National Securities Clearing Corporation, Memorandum (July 29, 1994).

¹ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

rule change modifies the current interface procedures.

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

DTC perceives no impact on competition by reason of the proposed rule change.

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

All participants were informed of the proposed rule change by a DTC Important Notice,⁶ as well as by the 1994 memorandum referred to above.⁷ Written comments from DTC participants or others have not been solicited or received on the proposed rule change.

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

Section 17A(b)(3)(F) of the Act⁸ 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. The Commission believes that DTC's proposed procedures relating to inter-depository deliveries are consistent with DTC's obligations under Section 17A(b)(3)(F) because the proposed rule change establishes procedures for the processing of inter-depository deliveries between participants of DTC and Philadep.

Under the proposed procedures, DTC will immediately update a participant's account for deliver orders and payment orders sent to a Philadep participant through the interface. In the event that the delivery fails to complete at Philadep by the end of the day, the procedures provide a mechanism by which DTC will reverse the transaction to the original delivering participant without subjecting that reversal to RAD or risk management controls. DTC has represented that the expected volume of deliveries through the interface and the possibility of such reversal procedures being employed are minimal. However, the Commission encourages DTC to examine and consider future enhancements to the interface to provide a mechanism through which DTC participants can receive notification of transactions pending at Philadep.

The Commission realizes that the proposed inter-depository delivery

procedures could create the situation where an inter-depository reversal resulting from an uncompleted delivery at Philadep forces a DTC participant to violate its net debit cap at DTC near the end of the day. Therefore, the Commission believes the proposed procedures for inter-depository reversals should be carefully monitored before they become permanent. DTC has agreed to monitor activity through the DTC-Philadep interface and to submit monthly reports to the Commission concerning the number of inter-depository reversals performed pursuant to the proposed procedures that cause participants to violate their net debit caps. For this reason, the Commission is temporarily approving the proposed rule change through August 31, 1996.

DTC 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 so approving the proposed rule change because accelerated approval of the proposed procedures will allow DTC participants to utilize the procedures for deliveries through the interface between DTC and Philadep immediately following DTC's conversion to an all SDFS system on February 22, 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 DTC. All submissions should refer to the file number SR-DTC-96-05 and should be submitted by March 19, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-96-05) be, and hereby is, approved

on a temporary basis through August 31, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Dated: February 15, 1996.

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36867; File No. SR-DTC-96-06]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Amending Rules and Cross-Guarantee Agreement to Accommodate Same-Day Funds Settlement

February 21, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 2, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-06) as described in Items I and II below, which items have been prepared primarily by DTC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

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

The purpose of the proposed rule change is to amend DTC's rules and to amend the current Netting Contract and Limited Cross-Guarantee agreement between the National Securities Clearing Corporation ("NSCC") and DTC ("NSCC/DTC Agreement") to accommodate the conversion of DTC's money settlement system entirely to a same-day funds settlement ("SDFS") system.

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

In its filing with the Commission, DTC 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

⁶ DTC Important Notice (January 9, 1996).

⁷ *Supra* note 3.

⁸ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁹ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. § 78s(b)(1) (1988).