

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

The foregoing rule change has become effective pursuant to Section 19(b)(A)(i) of the Act<sup>12</sup> and subparagraph (e)(1) of Rule 19b-4<sup>13</sup> thereunder because the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### 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. 20549. Copies of such filing will also be available for inspection and copying at the principal office of PTC. All submissions should refer to File No. SR-PTC-96-09 and should be submitted by March 14, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-38281; File No. SR-Philadep-96-15]

### Self-Regulatory Organizations; Philadelphia Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change To Amend and Clarify Certain Same-Day Funds Settlement Procedures

February 13, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on August 6, 1996, the Philadelphia Depository Trust Company ("Philadep") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-Philadep-96-15) as described in Items I and II below, which items have been prepared primarily by Philadep. On November 12, 1996, Philadep filed an amendment to the proposed rule change to clarify the minimum net debit cap procedures.<sup>2</sup> 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 and to clarify certain same-day funds settlement ("SDFS") procedures relating to Philadep's risk management controls.

#### 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 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.<sup>3</sup>

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

On February 22, 1996, the Commission granted partial permanent

approval and partial temporary approval of proposed rule changes filed by Philadep and the Stock Clearing Corporation of Philadelphia's ("SCCP") to establish an SDFS system.<sup>4</sup> The purpose of the proposed rule change is to amend and to clarify certain SDFS procedures relating to the risk management controls (i.e., collateral monitor and net debit cap).

Pursuant to the SDFS Approval Orders, Philadep provides each participant with a settlement amount which is an aggregate of a participant's end-of-day net debits and net credits in their SCCP and Philadep accounts.<sup>5</sup> Because of this common net settlement feature, Philadep's SDFS Approval Order sets forth that Philadep's SDFS system risk management controls would be applied in a limited manner to SCCP's Continuous Net Settlement ("CNS") activity. However, SCCP and Philadep will not suspend the processing of a participant's CNS activity when the participant's collateral monitor is negative or its net debit cap is exceeded because CNS activity is exempt from the risk management controls.

Philadep's proposed amendments to its SDFS system risk management procedures clarify that the collateral of a joint SCCP/Philadep participant that is contained in the participant's collateral monitor may be fully utilized by Philadep to address any settlement default of such joint participant. In this regard, Philadep recognizes several sources of collateral that may be derived to support a joint participant's Philadep activities as well as its SCCP CNS activities. Collateral derived from a SCCP CNS participant generally includes the participant's SCCP participants fund contribution and CNS securities received. Collateral derived from a Philadep participant generally includes the participant's Philadep participants fund contribution, miscellaneous delivery order interest, interest, dividend and reorganization credits, free receives, and proprietary positions that the participant designated as collateral.

Philadep's procedures make clear that in the event of a joint participant insolvency or a joint participant's failure to pay its end-of-day settlement

<sup>4</sup> Securities Exchange Act Release Nos. 36875 (February 22, 1996), 61 FR 7846 [File No. SR-SCCP-95-06] and 36876 (February 22, 1996), 61 FR 7841 [SR-Philadep-95-08] (orders granting partial temporary approval and partial permanent approval of proposed rule changes to convert to same-day funds settlement systems) ("SDFS Approval Orders").

<sup>5</sup> Philadep's collateral monitor and net debit cap analysis are structured to incorporate this netting of SCCP and Philadep settlements.

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>13</sup> 17 CFR 240.19b-4(e)(1).

<sup>14</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Letter from Kieth Kessel, Compliance Officer, Philadep (November 12, 1996).

<sup>3</sup> The Commission has modified the text of the summaries submitted by Philadep.

obligation, Philadep can use any and all such collateral contained in the participant's collateral monitor to address the default pursuant to Philadep's existing default procedures.

Philadep also proposes to clarify and to amend its SDFS procedures relating to minimum net debit caps. Currently, the minimum net debit cap applied to participants' accounts is an amount equal to 50% of the combined Philadep and SCCP participants funds (a Philadep-only participant's minimum net debit cap is the amount equal to 50% of the Philadep participants fund). Philadep proposes to establish a minimum net debit cap formula which is the lesser of: (1) An amount equal to 50% of the combined Philadep and SCCP participants funds (a Philadep-only participant's minimum net debit cap is an amount equal to 50% of the Philadep participants fund); or (2) an amount equal to twice the participant's aggregate end-of-day settlement amounts calculated over the past three months. The minimum net debit cap will be recalculated and adjusted on a monthly basis. Furthermore, Philadep reserves the right to set an individual participant's minimum net debit cap at a level less than that computed by the above formulas if Philadep believes that for risk management purposes the minimum net debit cap should be adjusted downward.

Philadep believes the proposed rule change is consistent with Section 17A of the Act and the rules and regulations thereunder because the proposal will assure the safeguarding of securities and funds which are in the custody or control of Philadep or for which it is responsible.

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

Philadep does not believe that the proposed rule change will impose any inappropriate 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 relating to the proposed rule change have been solicited or received. Philadep will notify the Commission of any written comments received by Philadep.

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

Section 17A(b)(3)(F) of the Act<sup>6</sup> requires that the rules of a clearing agency be designed 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 rule change clarifying certain SDFS procedures is consistent with Philadep's obligations because the proposal should provide participants with some certainty with respect to Philadep's application of SDFS risk management controls to CNS activity and failure to settle procedures. Additionally, the proposed rule change is consistent with Philadep's obligations because the proposal establishes a second minimum net debit cap formula which produces a more conservative minimum net debit cap for certain participants.

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, which should clarify certain SDFS procedures that are currently being applied to participants, should become effective as soon as possible.<sup>7</sup>

#### **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

<sup>7</sup> The staff of the Board of Governors of the Federal Reserve System has concurred with the Commission's granting of accelerated approval. Telephone conversation between John Rudolph, Board of Governors of the Federal Reserve System, and Chris Concannon, Staff Attorney, Division of Market Regulation, Commission (February 13, 1997).

should refer to the file number SR-Philadep-96-15 and should be submitted by March 14, 1997.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-Philadep-96-15) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority:<sup>8</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-38282; File No. SR-SCCP-96-06]

#### **Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change To Amend and Clarify Same-Day Funds Settlement Procedures**

February 13, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on August 6, 1996, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-SCCP-96-06) 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.

#### **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 and clarify SCCP's same-day funds settlement ("SDFS") procedures.

#### **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 they received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. SCCP has prepared summaries, set forth in

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).