that a market maker's quotation is updated after an exposure limit is exhausted. Uninterrupted use of this function will maintain continuous quotations in Nasdaq as market makers exhausting their exposure limits in SOES will not be subject to a ''closed quote'' condition or an unexcused withdrawal from the market.

Finally, the NASD believes that the proposed rule change is consistent with significant national market system objectives contained in Section 11A(a)(1)(C) of the Act. This provision states it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure, among other things: (i) Economically efficient execution of securities transactions; (ii) fair competition among brokers and dealers; and (iii) the practicality of brokers executing investor orders in the best market. Specifically, the SOES Minimum Exposure Limit Rule and the SOES Automated Quotation Update Feature advance each of these objectives by preserving the operational efficiencies of SOES for the processing of small investors' orders, by maintaining current levels of market maker participation through reduced financial exposure from unpreferenced orders, and by reducing price volatility and the widening of market makers' spreads in response to the practices of order entry firms active in SOES.

In addition, for the same reasons provided by the SEC when it approved the Interim SOES Rules that are cited above in the text accompanying footnotes 6 through 13, the NASD believes that the proposed rule change is consistent with Sections 15A(b)(6), 15A(b)(9), 15A(b)(11) and 11A(a)(1)(C) of the Act.

B. Self-Regulatory Organization's Statement on Burden on Competition

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

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

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 NASD 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 File Number SR–NASD–96–22 and should be submitted by July 26, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[30]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–17144 Filed 7–3–96; 8:45 am]

BILLING CODE 8010–01–M

[30] 17 CFR 200.30–3(a)(12).

[Release No. 34–37381; File Nos. SR–NSCC–96–09; SR–SCCP–96–02]

Self-Regulatory Organizations; National Securities Clearing Corporation; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Permanent Approval on an Accelerated Basis of Proposed Rule Changes Relating to the Guarantee of Trades in Continuous Net Settlement Systems

June 28, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that the National Securities Clearing Corporation (''NSCC'') and Stock Clearing Corporation of Philadelphia (''SCCP'') (collectively referred to as ''Clearing Corporations'') filed with the Securities and Exchange Commission (''Commission'') on April 3, 1996, and May 8, 1996, respectively, the proposed rule changes as described in Items I and II below, which items have been prepared primarily by the Clearing Corporations. On May 8, 1996, SCCP filed an amendment to the proposed rule change to remove from consideration certain proposed amendments to its clearing fund calculations.[2] The proposals seek permanent approval of rule changes relating to the guarantee of trades in the Clearing Corporations' continuous net settlement (''CNS'') systems. The Commission is publishing this notice and order to solicit comments on the proposed rule changes from interested persons and to grant accelerated permanent approval of the proposed rule changes.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

The proposals seek permanent approval of proposed rule changes to which the Commission has granted temporary approval.[3] The proposals authorize the Clearing Corporations to guarantee at an earlier time the settlement of participant trades in their CNS systems. In addition, NSCC's

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] Letter from J. Keith Kessel, Compliance Officer, SCCP, to Peter R. Geraghty, Senior Counsel, Commission (May 8, 1996). The amendment also requested permanent approval of SCCP's CNS guarantee procedures.

[3] The proposals, along with a similar proposal submitted by the Midwest Clearing Corporation (''MCC''), were originally approved on a temporary basis in 1989. For a complete discussion of these proposals, refer to Securities Exchange Act Release Nos. 27192 (August 29, 1989), 54 FR 37010 (approving File Nos. SR–NSCC–87–04, SR–MCC–87–03, and SR–SCCP–87–03 until December 31, 1990). In addition, the Commission has temporarily extended the respective proposals on six previous occasions in Securities Exchange Act Release Nos. 28728 (December 31, 1990), 56 FR 717 (approving File Nos. SR–NSCC–90–25, SR–MCC–90–08, and SR–SCCP–90–03 until June 30, 1991); 29388 (June 28, 1992), 56 FR 30951 (approving File Nos. SR–NSCC–91–06, SR–MCC–91–03, and SR–SCCP–91–03 through June 30, 1992); 30879 (July 1, 1992), 57 FR 30279 (approving File Nos. SR–NSCC–92–04, SR–MCC–92–07, and SR–SCCP–92–02 through June 30, 1993); 32547 (June 29, 1993), 58 FR 36491 (approving File Nos. SR–NSCC–93–04, SR–MCC–93–02, and SR–SCCP–93–02 through June 30, 1994); and 33996 (June 27, 1994), 59 FR 33996 (approving File Nos. SR–NSCC–94–09, SR–MCC–94–06, and SR–SCCP–94–02 through June 30, 1995); and 35916 (June 28, 1995), 60 FR 35575 (July 10, 1995) (approving File Nos. SR–NSCC–95–04, SR–MCC–95–02, and SR–SCCP–95–03). On January 5, 1996, MCC withdrew from the securities clearance business. Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 (order approving File No. SR–MCC–95–04).

proposal seeks approval of its revised clearing fund calculations designed to protect against any increased risk caused by such earlier guarantees.[4]

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, the Clearing Corporations included statements concerning the purpose of and basis for the proposed rule changes 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. The Clearing Corporations have prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[5]

(A) Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

The proposed rule changes seek permanent approval of the Clearing Corporations' procedures whereby they guarantee the settlement of all pending CNS trades as of midnight on the day after the trade date for locked-in or automatically compared trades and as of midnight on the day trades are reported to members as compared for all other trades.[6] NSCC's proposal also seeks approval of revisions to the CNS portion of its clearing fund formula.[7] This revision is designed to protect against increased risk associated with earlier guarantees.[8]

The Clearing Corporations believe that the proposed rule changes are consistent with the Act and particularly with Section 17A of the Act because the proposed changes will help the Clearing Corporations to assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible.[9]

(B) Self-Regulatory Organizations' Statement on Burden on Competition

The Clearing Corporations believe that the proposed rule change will not impose a burden on competition.

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

The Clearing Corporations have neither solicited nor received any comments on the proposed rule changes.

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

Section 17A(b)(3)(F) of the Act [10] 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 and be designed to remove impediments to and perfect the national system for the clearance and settlement of securities transactions. The Commission believes that the Clearing Corporations' procedures for earlier guarantees and NSCC's revised formula for calculating CNS clearing fund contributions are consistent with the Clearing Corporations' obligations under Section 17A(b)(3)(F) because the proposals should help the Clearing Corporations increase certainty as to settlement of securities transactions by reducing the time that clearing members are exposed to the risk of counterparty default. The Commission further believes that the proposals achieve that goal without compromising the safeguarding of securities and funds in the Clearing Corporations' custody or control or for which they are responsible.

The Commission also believes that NSCC's revised CNS formula,[11] as well as its additional existing safeguards such as monitoring member financial condition, reviewing member settlement activity in relation to prior activity, monitoring securities settled in its system for volatility, and the ability to collect additional fund deposits, should reduce the risk that a member purchasing securities will be unable to pay for the securities upon delivery and protects NSCC if the market price of compared trades moves away from their contract price before settlement. Thus, the Commission believes the NSCC proposal is also consistent with Section 17A(b)(3)(F) [12] of the Act because it should help NSCC reduce its risk of loss and thereby should enhance its ability to safeguard securities and funds under its control.

Because the Commission was concerned about the ability of the proposed CNS clearing fund formulas to guard against increased risk posed by an earlier CNS guarantee,[13] the Commission originally approved the proposed rule changes on a temporary basis in order that the procedures and formulas could be carefully monitored before they were approved permanently. The Commission is now permanently approving the Clearing Corporations' earlier guarantee procedures and NSCC's revised CNS formula because during the temporary approval period, the Commission has not received any reports of problems caused by NSCC's CNS clearing fund formula or the earlier CNS guarantees.

The Clearing Corporations have requested that the Commission find good cause for approving the proposed rule changes 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 changes because the Commission has noticed the proposals on seven separate occasions without receiving any comment letters and does not expect to receive any with regard to the current proposals. Furthermore, accelerated approval will allow the Clearing Corporations to continue to

[4] In its original filing with the Commission, SCCP proposed revisions to its program governing the guarantee of CNS trades and its clearing fund calculations. *Supra* note 2. Because the Commission has recently granted temporary approval to the proposed revisions to SCCP's clearing fund calculations in connection with a different filing in a separate order, SCCP, as noted above, amended its proposal to eliminate the proposed amendments to its clearing fund calculations. For a complete description of SCCP's formula, refer to Securities Exchange Act Release No. 36875 (February 22, 1996), 61 FR 7846 [SR–SCCP–95–06] (order approving proposed rule change).

[5] The Commission has modified the language in these sections.

[6] Until the Clearing Corporations guarantee settlement of a trade, each side to the trade bears the risk of the contraside defaulting if the Clearing Corporations cease to act for a defaulting member. Once the Clearing Corporations guarantee settlement, the original contractual obligations between the two parties are discharged and replaced by contracts between the Clearing Corporations and each of the original parties.

[7] NSCC's revised CNS clearing fund formula includes the following components (a) 2% of the member's projected total long CNS positions plus (b) the net of each day's difference between the contract price of pending, compared CNS trades, exclusive of trades reported by The Options Clearing Corporation (''OCC'') which are the result of options exercises and assignments, and the current market price for all guaranteed pending CNS trades, exclusive of trades reported by OCC which are the result of options exercises and assignments which have not yet reached settlement plus (c) .25% of the net of all guaranteed pending CNS trades and open CNS positions. The specific changes being made to NSCC's clearing fund formulas and other procedures are set forth in Exhibit A to NSCC's proposed rule change. A copy of the proposal with Exhibit A is available through the Commission's Public Reference Room or through NSCC.

[8] For a more detailed discussion of the proposal, refer to Securities Exchange Act Release Nos. 34261, 32547, 30879, 29388, 28728, and 27192 and the accompanying rule filings, *supra* note 4.

[9] 15 U.S.C. 78q–1 (1988).

[10] 15 U.S.C. 78q–1(b)(3)(F) (1988).

[11] *Supra* notes 7 and 8.

[12] 15 U.S.C. 78q–1(b)(3)(F) (1988).

[13] In addition, the Commission was concerned that daily clearing fund calculations based on mark-to-market average exposure for a rolling twenty-day period would not reflect actual mark-to-the-market exposure as well as, for example, daily collection of marks-to-the-market.

utilize the procedures without any disruption when the current temporary approval expires on June 28, 1996.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submission 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 changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 filings will also be available for inspection and copying at the principal offices of NSCC and SCCP. All submissions should refer to file numbers SR–NSCC–96–09 and SR–SCCP–96–02 and should be submitted by July 26, 1996.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule changes, as amended (File Nos. SR–NSCC–96–09 and SR–SCCP–96–02), be, and hereby are, permanently approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[14]

Jonathan G. Katz,

Secretary.

[FR Doc. 96–17146 Filed 7–3–96; 8:45 am]

BILLING CODE 8010–01–M

[14] 17 CFR 200.30–3(a)(12) (1995).

[Release No. 34–37382; File Nos. SR–Philadep–96–08 and SR–SCCP–96–04]

Self-Regulatory Organizations; Philadelphia Depository Trust Company and Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Accelerated Approval on a Temporary Basis of Proposed Rule Changes Requesting Permanent Approval of the Adoption of Article 8 of the New York Uniform Commercial Code To Govern Certain Transactions

June 28, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 30, 1996, the Philadelphia Depository Trust Company (''Philadep'') and the Stock Clearing Corporation of Philadelphia (''SCCP'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule changes (File Nos. SR–Philadep–96–08 and SR–SCCP–96–04) as described in Items I and II below, which Items have been prepared primarily by Philadep and SCCP. The Commission is publishing this notice to solicit comments from interested persons and to grant accelerated approval of the proposed rule changes on a temporary basis through December 31, 1996.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

Philadep requests permanent approval of the adoption of Rule 32 and the amendment of Rule 1 of its rules, and SCCP requests permanent approval of the adoption of Rule 41 and the amendment of Rule 1 of its rules governing the choice of law to be elected in certain transactions effecting Philadep, SCCP, their participants, and pledged. On January 26, 1996, the Commission temporarily approved through June 30, 1996, Philadep's and SCCP's proposed rule changes adopting Article 8 of the New York Uniform Commercial Code (''UCC'') as their choice of law governing certain transactions.[2]

II. Self-Regulatory Organizations' Statements of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, Philadep and SCCP included statements concerning the purpose of and the basis for the proposed rule changes and discussed any comments received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. Philadep and SCCP have prepared summaries, as set forth in sections A, B, and C below, of the most significant aspects of these statements.

A. Self-Regulatory Organization's Statements of the Purpose of, and the Statutory Basis for, the Proposed Rule Changes

Philadep and SCCP propose to permanently adopt Rules 32 and Rule 41, respectively, and to permanently amend Rule 1 of their rules to codify their decision to elect certain New York commercial code provisions to govern certain transactions for the purpose of providing a uniform, consistent, and predictable body of law. Specifically, Rule 32 and Rule 41 will assure that the rights and obligations of Philadep and SCCP, their participants, and their pledgees with respect to transfers and pledges of securities, to the extent Article 8 of the UCC applies thereto, will be governed by and construed in accordance with Article 8 of the UCC of New York in effect from time to time. The definition of ''security'' under Rule 1 of both Philadep's and SCCP's rules was amended to cite to New York UCC Article 8 as opposed to Pennsylvania UCC Article 8.

Philadep and SCCP note that uncertainty exists whether New York law or Pennsylvania law may apply to any particular transfers and whether some transfers within Philadep's or SCCP's systems may be governed by Pennsylvania's UCC Article 8 while other transaction within such systems may be governed by New York's UCC Article 8. With so many of the transactions for which Philadep and SCCP provide depository, clearance, and settlement services potentially being affected (*e.g.*, those transactions effected through interface with broker-dealers, banks, and other institutions which are participants in The Depository Trust Company (''DTC'') and National Securities Clearing Corporation (''NSCC'') systems), it is problematic that different rules of law under Article 8 of the UCC may govern the rights and obligations of parties to such transfers. Philadep and SCCP, therefore, have chosen to elect the application of New York's UCC Article 8 rather than Pennsylvania's UCC Article 8. The choice of New York law also assures that DTC, NSCC, and their respective participants and pledgees will find harmonious commercial code

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] Securities Exchange Act Release No. 36781 (January 26, 1996), 61 FR 3958 [File Nos. SR–SCCP–96–01 and SR–Philadep–96–01] (order granting accelerated approval on a temporary basis of proposed rule changes to provide for the application of Article 8 of the New York UCC).