

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, NW., Washington, DC 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-95-09 and should be submitted by February 27, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36791; International Series Release No. 925; File No. Sr-ISCC-95-05]

**Self-Regulatory Organizations;
International Securities Clearing
Corporation; Order Approving
Proposed Rule Change Relating to
Global Clearance Network Service**

January 30, 1996.

On November 22, 1995, International Securities Clearing Corporation ("ISCC") filed a proposed rule change (File No. SR-ISCC-95-05) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the Federal Register on December 27, 1995, to solicit comments from interested persons.² No comments were received. As discussed below, this order approves the proposed rule change.

I. Description

ISCC has established a foreign clearance, settlement, and custody service known as a Global Clearance Network ("GCN") in conjunction with certain banks, trust companies, and other entities. Presently, ISCC has established GCN relationships with Citibank, N.A., Standard Bank of South Africa, Westpac Custodian Nominees Limited of Australia, and Westpac Nominees-NZ-Limited.³ The proposed rule change accommodates S.D.

INDEVAL, S.A. de C.V. ("INDEVAL") as an additional GCN service provider.

INDEVAL provides clearance, settlement, and custodial services for all transactions executed on the Mexican Stock Exchange and for transactions in other securities that are publicly traded in Mexico.⁴ INDEVAL accepts any security publicly offered in Mexico for custody and clearing except for certain Mexican government securities.⁵ As of December 31, 1994, 415 institutions were registered with INDEVAL, and the value of assets under INDEVAL's custody was 744.2 billion Mexican pesos. INDEVAL may act as an eligible foreign custodian under Rule 17f-5 under the Investment Company Act of 1940.⁶

INDEVAL has entered into an agreement with ISCC pursuant to which INDEVAL has agreed to provide access to its clearance, settlement, and custody services to GCN participants that qualify to be customers of INDEVAL.⁷ ISCC has developed a cross-broker communication link to INDEVAL using the telecommunication system provided by the Society for Worldwide Interbank Financial Telecommunications S.C. ("SWIFT"). The link permits ISCC members that also are members of INDEVAL to send instructions through ISCC to INDEVAL regarding such participants' INDEVAL accounts. The link does not provide a mechanism for transferring securities or funds into or out of the United States. INDEVAL is providing the services at its scheduled rates and is responsible for collecting fees directly from the participants.

II. Discussion

The Commission believes the proposal is consistent with the

⁴ INDEVAL was created under Mexican securities law in 1978 and has been privately owned since 1987. Its shareholders are brokerage houses, banks, insurance companies, Banco de Mexico (the central bank of Mexico), and the Mexican Stock Exchange. INDEVAL is regulated by the Government of Mexico.

⁵ Starting in April 1994, Banco de Mexico authorized INDEVAL to offer custodial and transfer services for government debt securities to foreign direct account depositors by means of a link between Banco de Mexico and INDEVAL.

⁶ Letter from Richard F. Jackson, Division of Investment Management, Commission to INDEVAL, File No. 132-3 (October 19, 1990). An "eligible foreign custodian" includes a securities depository or clearing agency which is incorporated or organized under the laws of a country other than the United States and which operates the central system for handling of securities or equivalent book-entries in that country. 17 CFR 270.17f-5(c)(2)(iii) (1995).

⁷ The agreement is terminable on ninety days prior notice. However, if ISCC notifies INDEVAL within such ninety day period that it has not been able to make arrangements with an alternative service provider, the agreement terminates thirty days after the expiration of such ninety day period.

requirements of Section 17A of the Act and therefore is approving the proposal.⁸ In the initial order granting ISCC temporary registration as a clearing agency, the Commission stated that the development of efficient and comparable automated national and international clearance, settlement, and payment systems is one of the more important international goals.⁹ The Commission noted that without established international systems, broker-dealers and their institutional customers often are forced to devote substantial resources to each task related to trade settlement and must deliver securities by physical means. The Commission also found that clearing linkages facilitate cross-border settlements without compromising the essential soundness and integrity of each national clearing and settlement system.

The GCN service offers participating ISCC members advantages in securities processing including central access for processing trades, standardized operating procedures, receipt of uniform reports on their trades, and reduced costs. The addition of INDEVAL as a GCN provider gives ISCC participants access to settlement services in areas not currently covered by the GCN service and thus increases the utility of the GCN service. Therefore, the Commission believes the proposal is consistent with Section 17A(b)(3)(F) of the Act in that it promotes the prompt and accurate clearance and settlement of securities transactions.¹⁰

III. Conclusion

For the reasons stated above, the Commission finds that ISCC's proposal is consistent with Section 17A of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (File No. SR-ISCC-95-05) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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⁸ 15 U.S.C. 78q-1 (1988).

⁹ Securities Exchange Act Release 26812 (May 12, 1989), 54 FR 21691.

¹⁰ 15 U.S.C. 78q-1(b)(3)(F) (1988).

¹¹ 15 U.S.C. 78s(b)(2) (1988).

¹² 17 CFR 200.30-3(a)(12) (1995).

¹³ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. 78s(b) (1988).

² Securities Exchange Act Release No. 36605 (December 20, 1995), 60 FR 67004.

³ Securities Exchange Act Release Nos. 29841 (October 18, 1991), 56 FR 55960; 35392 (February 16, 1995), 60 FR 10415; and 36339 (October 5, 1995), 60 FR 53447.