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, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of The Cincinnati Stock Exchange. All submissions should refer to File No. SR–CSE–96–02 and should be submitted by March 27, 1996.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–5154 Filed 3–5–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36901; File No. SR-DGOC-96-02]]

Self Regulatory Organizations; Delta Government Options Corp.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Addition of Euro Brokers Maxcor Inc. as an Interdealer Broker for Delta Government Options Corp.'s Repurchase Agreement Clearance System

February 28, 1996

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1], notice is hereby given that on January 30, 1996, Delta Government Options Corp. (''DGOC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DGOC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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 accommodate Euro Brokers Maxcor Inc. (''Euro Brokers'') as an interdealer broker in DGOC's over-the-counter clearance and settlement system for U.S. Treasury repurchase agreement (''repo'') transactions.

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

In its filing with the Commission, DGOC 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. DGOC 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 System clears repo agreements that have been agreed to through the facilities of interdealer brokers that have been specially authorized by DGOC (''Authorized Brokers'') to offer their services to DGOC participants.[3] Currently, Liberty Brokerage, Inc. and RMJ Special Brokerage Inc. are Authorized Brokers. The purpose of the proposed rule change is to accommodate Euro Brokers as an Authorized Broker in DGOC's clearance and settlement system for repo trades.

The proposed rule change will facilitate the prompt and accurate clearance and settlement of securities transactions, and therefore, the proposed rule change is consistent with the requirements of the Act, specifically Section 17A of the Act, and the rules and regulations thereunder.[4]

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

DGOC does not believe that the proposed rule change will impose 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 Propose 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[5] and Rule 19b-4(e)(4),[6] in that the proposal effects a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of the proposed 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 communication 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 also will be available for inspection and copying at DGOC. All submissions should refer to File No. SR-DGOC-96-02 and should be submitted by March 27, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–5150 Filed 3–5–96; 8:45 am]

BILLING CODE 8010–01–M

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[13] 17 CFR 200.30–3(a)(12).

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

[2] The Commission has modified parts of these statements.

[3] For a complete description of the DGOC's repo clearance system, see Securities Exchange Act Release No. 36367 (October 13, 1995), 60 FR 54095.

[4] 15 U.S.C. 78q–1 (1988).

[5] 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

[6] 17 CFR 240.19b-4(e)(4) (1995).

[7] 17 CFR 200.30–3(a)(12) (1995).

[Release No. 34–36897; File No. SR–DTC–95–27]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Proposed Rule Change Seeking to Implement the Initial Public Offering Tracking System

February 27, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,[1] notice is hereby given that on January 2, 1996, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DTC. On January 31, 1996, DTC amended the filing to clarify the proposed rule changes.[2] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

DTC proposes to implement an Initial Public Offering (''IPO'') Tracking System that will allow lead managers (also referred to as managing underwriters) and syndicate members[3] of equity underwritings to monitor ''flipping''[4] of new issues in an automated book-entry environment.

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 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.[5]

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

DTC is proposing to implement its IPO Tracking System to facilitate the immobilization of newly underwritten equity securities at the time of issuance and to establish the means to effectively track IPOs in a book-entry environment.[6] Currently, many IPOs are distributed entirely in physical, certificated form outside the depositories so that tracking may be accomplished by using certificate numbers to monitor the movements of the securities. This form of tracking is a cumbersome and costly process.

Under DTC's proposed rule change, the lead manager will initiate the IPO Tracking System by notifying DTC of its election to track an issue by 4:00 p.m. two days prior to the closing date. On the closing day of the issue, the underwriting department for the IPO will place the outstanding shares in the lead manager's IPO control account at DTC.[7] Allocation of these shares by the lead manager will depend upon the nature of the ultimate buyer.

Institutional Trade

For an institutional customer, the lead manager will move the shares from its IPO control account into the selling group broker-dealers' IPO accounts at DTC via initial distribution deliver orders (''DOs'').[8] The lead manager and selling group may then distribute the institutional portion of the initial distribution to agent banks or prime brokers[9] through DTC's Institutional Delivery (''ID'') system or by submitting a DO with an Id agent bank identifier.[10] The DO or ID confirm will contain the Agent Internal Account (''AIA'') number and the Broker Internal Account (''BIA'') number,[11] which will be captured in order to appropriately populate the IPO database. The selling group member's participant number will be stored in the IPO database along with the BIA number to fully identify the customer to the selling group member.

Agent banks will not have IPO control accounts; therefore, all activity into and out of the agent banks' fee accounts will be monitored to keep track of customer purchases and sales. This monitoring process will ensure that all customer sales are properly reported. When an ID confirm is generated for a sale in a tracked issue, DTC will validate the AIA number on the confirm against the AIA number in the IPO database. A warning message will be produced on the confirmation and on the affirmed confirmation for AIA numbers that do not match AIA numbers contained in the IPO database. Similarly, settlement authorization or DO processing will be prohibited if a match to an AIA number in the IPO database is not found.[12] In order to settle the transaction, the agent bank must either adjust the IPO database using the IPO Customer-Level Adjustment function or submit a DO with an AIA number that matches the IPO database.

Unlike agent banks, prime brokers will have IPO control accounts at DTC. Upon receipt of an initial distribution transaction, shares will be moved to the prime broker's IPO control account, and the IPO database will be updated with customer-level detail information from

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

[2] Memorandum from Richard B. Nesson, General Counsel, DTC, to Christine Sibille, Senior Counsel, Division of Market Regulation, Commission (January 31, 1996).

[3] Syndiate members are a group of broker-dealers that agree to purchase a new issue of securities from an issuer under an underwriting agreement. The selling group is a group of broker-dealers that market the new issue to the public. Selling group broker-dealers may purchase from a syndicate member or may be a syndicate member.

[4] Flipping occurs when a syndicate's lead manager is supporting the IPO with a stabilization bid (intended to keep the price of the issue from dropping below its initial offering price), and securities that had been distributed to investors are resold by those investors back to the syndicate. The lead manager may wish to identify flipped transactions so that underwriting concessions can be recovered from the appropriate syndicate members.

[5] The Commission has modified the text of the summaries prepared by DTC.

[6] Under the rules of most national securities exchanges and the National Association of Securities Dealers (''NASD''), in order to be listed for trading on a national securities exchange or to be eligible for inclusion in Nasdaq issuers must represent that the CUSIP number identifying the securities to be listed on such exchange or to be eligible for inclusion in Nasdaq has been included in the file of eligible issues maintained by a securities depository registered as a clearing agency under Section 17A of the Act. However, prior to the availability of a flipping tracking system, the managing underwriter may delay the date a security is deemed depository eligible for up to three months after trading has commenced in the security Securities Exchange Act Release No. 35798 (June 1, 1995), 60 FR 30909. Typically, transactions in depository eligible securities between financial intermediaries and between a financial intermediary and a customer with delivery versus payment privileges must be settled by book entry. Securities Exchange Act Release No. 32455 (June 11, 1993), 58 FR 33679.

[7] To accommodate IPOs which require that a portion of the shares be distributed to foreign brokers as syndicate members, the initial distribution from the primary lead manager to its second participant account (*i.e.*, co-reporting relationship) at DTC or to another co-manager's participant account (*i.e.*, co-manager relationship) will be identified by the lead manager using a new reason code.

[8] With tracked issues, the lead manager must deliver shares directly into the account of the broker-dealer that will either hold the shares or transfer the shares to a custodian. All other share movements are registered as flips. DTC will not know if a receiving broker-dealer is a syndicate member or has purchased shares through a syndicate member.

[9] A prime broker is a broker-dealer that acts as custodian for institutional customers and uses DTC's ID system (acting as an agent bank).

[10] Alternatively, the lead manager may deliver directly to the custodian of the selling group member's institutional clients. This process is referred to as directed concessions.

[11] The AIA number is the internal number used by the custodian (*i.e.*, agent bank or prime broker) to identify the institutional client. The BIA number is the internal account number that the selling group broker-dealer uses to identify the institutional client.

[12] As a result, the transaction will be marked as a fail.

the ID trade information. The IPO Tracking System will automatically generate releases of IPO positions to the prime broker's free account for affirmed ID trades of secondary market transactions when the AIA number on the confirmation matches an AIA number contained in the IPO database. It is the release of the IPO position that results in a report of a flip.

When an institutional customer has positions in the same security purchased in both an IPO and in the market, the system will use the secondary market position to complete a delivery before using shares received during the initial distribution. Also, when a customer has received shares from multiple broker-dealers and subsequently sells such shares, the system will assign the ''flipped'' shares on a prorated basis among the selling group members servicing that customer.

Retail Trade

For a retail distribution, the lead manager will move the securities from its IPO control account to the IPO control account of the selling group broker-dealer for the retail customer. Broker-dealers may populate the IPO database with their own customer-level detail information for retail accounts by entering ''Add Customer-Level Detail'' transactions directly into the IPO Tracking System or may submit daily formatted trade files. Broker-dealers will not be required to provide customer level detail. Broker-dealers also may adjust such information using the IPO Customer Level Adjustment function.

Upon the sale of a position that was established in the initial distribution, the selling group broker-dealer will release the shares from its IPO control account to its free account by using the IPO release capability available using DTC's participant terminal system (''PTS''), computer-to-computer facilities (''CCF''), or main frame dual host (''MDH''). The release instructions will include number of shares, trade date, and price. If the broker-dealer has previously assigned a customer internal account number to the IPO shares, the release instructions must identify such number which must match a previously established IPO database entry or the transaction will be rejected. Upon DTC's acceptance of the release instructions, the shares will move from the broker-dealer's IPO control account to the participant's free account. It is this movement that will mark the activity as a flip. All deliveries and Continuous Net Settlement (''CNS'') short positions will be satisfied from the participant's free account.

Correspondent Relationships

When an introducing broker is acting as a selling group member (*i.e.*, it is not a DTC participant), its shares are held by its designated clearing agent, which may be a broker-dealer or agent bank. When distributing these shares, the lead manager identifies the transaction as a correspondent delivery by entering the Correspondent Account (''CA'') number on the DO.[13] The IPO Tracking System will capture the CA number from the delivery to the clearing agent. The CA number will be stored in the IPO database with the clearing agent's participant number to fully identify a correspondent (*i.e.*, the introducing broker) as a selling group member. When the ultimate purchaser is a retail customer, clearing agents may enter customer-level details into the IPO database on behalf of correspondents. When the ultimate purchaser is an institution, clearing agents will be able to use the ID system or a properly identified DO to deliver shares as part of the initial distribution to a custodian. Subsequent share movements for correspondents, either sales or account transfers, will require use of the CA number and will be subject to the same release rules that apply to direct DTC participants.

Physical Certificates

DTC will not accept deposits of physical certificates in tracked issues. Participants may request a physical certificate through a withdrawal-by-transfer (''WT'') request, which will be processed from the first settlement day of the issue.[14] DTC's automated WT system will be modified to allow input of the AIA, CA, and ID agent bank numbers. If the numbers entered do not match those in the IPO database, the WT will be rejected. If a WT request exceeds the position in the agent bank's account, the request will be rejected and an error message will be generated. For agent banks, the IPO Tracking System will process WT requests first using shares which were not part of the initial distribution and then shares which were part of the initial distribution provided there is sufficient position.

For shares held by broker-dealers, the WT request must contain customer level detail information. DTC will process WT requests using shares in the IPO control account with a matching customer number. When there is a customer number match in the IPO database, DTC will generate a release from the IPO account and will report it on the lead manager's and selling group member's reports as a WT even if the WT is not processed. The released IPO shares will be combined with free account shares, and the WT will be processed from the free account. If the broker-dealer's IPO control account does not contain shares with a matching customer number, the WT will be processed using shares from the free account provided there is sufficient position.

Stock Loan

Participants will be able to process stock loan DOs using stock loan reason codes. Participants will not have to enter individual account numbers (*i.e.*, AIA numbers) to match the IPO database. For brokers, IPO tracked shares do not have to be released by participants to execute stock loans because the IPO system will automatically release these shares.

Customer Account Transfer

Customer account transfers must be processed by the new IPO customer account transfer function for tracked IPO issues. The function allows the deliverer (*i.e.*, the broker-dealer or agent bank) to enter the customer internal account number from which the shares are coming, its participant number, and customer internal account number to which the shares are going. To expedite this process, broker-dealers will be notified by NSCC's Automated Customer Account Transfer system that the issue is a tracked issue and a trade-for-trade ticket will be produced. The transaction can then be entered through the IPO customer account transfer function.

Reclamation

Initial distribution deliveries (*i.e.*, deliveries from the lead manager to a selling group member) that are reclaimed and matched will return to the account from which they originated (*i.e.*, the IPO control account). Reclamations done for shares which were released from a selling-group broker-dealer's IPO control account or a prime broker's control account to a free account to satisfy an obligation on the secondary market will be returned to the delivering participant's free account and such shares will still be registered as flipped. When a reclamation occurs for an agent bank, the reclaimed DO will be matched to the original delivery, and

[13] The CA number is the clearing firm's internal number for the introducing broker.

[14] A WT is used when participants need to withdraw physical stock or registered bond certificates from DTC registered in a name other than DTC's nominee name, Cede & Co. DTC permits participants to withdraw securities in round lots, odd lots, or mixed lots registered in a name designated by the participant.

the information on the IPO database will be reversed (*i.e.*, no flip will be shown).

Over Subscription

Generally, when an issue is oversubscribed the lead manager will purchase securities in the secondary market. These shares will reside in the lead manager's free account. The lead manager will have the option of delivering oversubscribed shares from its free account to selling group members' IPO control accounts or to its IPO control account for its own customers' shares.

Memo Segregation

DTC will enhance memo segregation processing for IPO tracked issues by allowing participants to enter memo segregation instructions with share quantities that represent the combined total of their free and IPO shares.[15] As DTC processes DOs, the share quantity of the memo segregation instruction will be subtracted from the combined share total of the free account and the IPO account and then compared against the quantity on the DO to determine if the delivery can take place. The shares will be removed from the participant's free account.

Termination of Tracking

During the tracking period, the lead manager and selling group members will be able to obtain information on the flipping of shares through hard copy or machine readable daily reports or through a new PTS inquiry function. The lead manager's report combined with market conditions will assist the lead manager in determining when to instruct DTC to discontinue IPO tracking. DTC will discontinue tracking an IPO on the earlier of the business day following DTC's receipt of a termination request from the managing underwriting or 120 calendar days from the date trading commenced. Once IPO tracking is discontinued, any shares remaining in a broker-dealer's IPO control account will be moved to its free account.[16]

At the close of the tracking period the lead manager will receive a final report detailing the selling group members (including the clearing agents) whose customers have flipped. The report will include sale price, trade date, and number of shares as well as the clearing agent's participant number and the CA number. The report also will show: (1) Outstanding CNS short positions for selling group members long in the IPO control account, (2) a total aggregate of all open CNS commitments, (3) WT transfers, and (4) outstanding stock loans by agent bank or broker-dealer. The lead manager's report will not include customer level detail information (*i.e.*, BIA numbers, AIA numbers, or customer internal account numbers).

Selling group members (and lead managers, as part of the syndicate) will receive a report of their institutional or retail customers' sale transactions.[17] Such report will include the original BIA number, the identity of the prime brokers or agent banks, and the AIA number or for retail customer trades, the customer internal account number. This will provide sufficient information for selling group members to identify the clients that have potentially flipped shares during the tracking period.

DTC believes the proposed rule change is consistent with Section 17A of the Act 18 and the rules thereunder because it will promote the immobilization of securities as well as efficiency and safety in the clearance and settlement of securities transactions.

(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

In 1991, the U.S. Working Committee of the Group of Thirty [19] established a focus group to examine how settlement of IPOs could be processed in a book-entry environment while still providing lead managers with the ability to track flipping. Recognizing that no tracking system would succeed without support from both broker-dealers and agent banks, the focus group established a Flipping Design Committee composed of senior people from a diverse group of broker-dealers and agent banks. Once the design was proposed, a Design Implementation Committee composed of broker-dealers and agent banks was established to finalize the details of the system. The Design Implementation Committee completed its work in December 1994.

The IPO Tracking System has been described in detail in several Important Notices to participants. DTC received several comments on the proposal and has implemented, or anticipates implementing changes to the system as a result of those comments.[20] The development of the IPO Tracking System has been supported by the SIA Clearance and Settlement Committee, SOD Regulatory and Clearance Committee, U.S. Working Committee of the Group of Thirty, New York Clearing House DTC Matters Committee, Bank Depository User Group, and The Cashiers' Association of Wall Street, Inc.

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

Within thirty-five 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 ninety 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 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, 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

[15] The memo segregation function (''MSEG'') creates a memo position within the participant's free account enabling participants to protect customer securities.

[16] DTC will automatically release the shares from the IPO control account to the participant's DTC subaccount segregation account at the close of the tracking period when requested in writing as a standing instruction by individual participants that use the subaccount segregation service. Without this standing instruction, DTC will release shares residing in the IPO control account directly into the participant's free account at the end of the tracking period.

[17] Syndicate members will not see information regarding their selling group broker-dealer customers.

[18] 15 U.S.C. 78q–1 (1988).

[18] The Group of Thirty, established in 1978, is an international, nonprofit organization charged with broadening the understanding of international economic and financial issues, exploring the international repercussions of decisions taken in public and private sectors, and examining the choices available to policymakers. The U.S. Working Committee of the Group of Thirty is an organization made up of representatives of broker-dealers, banks and financial intermediaries charged with analyzing the existing clearance and settlement systems in the U.S. in light of recommendations made by the Group of Thirty.

[20] Specifically, DTC will have the memo segregation processing feature in place prior to implementation of the IPO Tracking System.

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 File No. SR–DTC–95–27 and should be submitted within March 27, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[20]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–5155 Filed 3–5–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36902; International Series Release No. 940; File No. SR–ISCC–95–06]

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

February 28, 1996.

On December 2, 1995, the International Securities Clearing Corporation (''ISCC'') filed a proposed rule change (File No. SR–ISCC–95–06) 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 January 5, 1996, 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; Westpac Nominees-NZ-Limited; and S.D. INDEVAL, S.A. de C.V.[3] The proposed rule change accommodates Standard Chartered Bank (''SCB'') as an additional GCN service provider.

SCB has provided clearance, settlement, and custodial services in the Asian-Pacific Region for over forty years and has had a banking presence in this region for over one hundred and forty years. The value of overall assets under SCB's administration is approximately US $55 billion. ISCC members will be offered clearance, settlement, and custody services in the Philippines, South Korea, and Taiwan through a division of SCB, Standard Chartered Equitor Group (''The Equitor Group'').[4]

The Equitor Group provides clearance and custody services in fifteen markets in the Asian-Pacific Region. The Equitor Group established a branch office in the Philippines in 1872, which has provided local custody services since 1935 and currently has US $1.12 billion in assets under custody. The Equitor Group established a branch office in South Korea in 1984, which has provided local custody services since 1991 and currently has US $1.47 billion in assets under custody. SCB has represented that acting through its branches it meets the requirements of Rule 17f–5 under the Investment Company Act of 1940 to be an eligible foreign custodian.[5] The Equitor Group established a branch office in Taiwan in 1985, which has provided local custody services since 1992 and currently has U.S. $810 million in assets under custody.

In the future, ISCC may offer clearance, settlement, and custody services through SCB in other countries such as Bangladesh, Hong Kong, Indonesia, Japan, Malaysia, Pakistan, Shanghai, Shenzhen, Singapore, Sri Lanka, and Thailand. In Malaysia, SCB operates through its wholly owned subsidiary, Standard Chartered Bank Malaysia Berhad (''SCBM''). SCB has received an exemptive order under Rule 17f–5 on behalf of SCBM.[6]

SCB has entered into an agreement with ISCC pursuant to which SCB has agreed to provide access to its clearance, settlement, and custody services to GCN participants that qualify to be customers of SCB. ICB has agreed to provide the services at reduced prices. ISCC will not provide any volume guarantees to SCB. ISCC will collect fees from the participants on behalf of SCB.[7] The agreement will be terminable by mutual agreement of the parties or on ninety days prior notice.

II. Discussion

The Commission believes the proposal is consistent with the requirements of Section 17A of the Act, and therefore, is approving the proposal.[8] The Commission states in the initial order granting ISCC temporary registration as a clearing agency 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 SCB 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

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[20] 17 CFR 200.30–3(a)(12) (1995).

[1] 15 U.S.C. § 78S(B) (1988).

[2] Securities Exchange Act Release No. 36656 (December 29, 1995), 61 FR 430.

[3] Securities Exchange Act Release Nos. 29841 (October 18, 1991), 56 FR 55960; 35392 (February 16, 1995), 60 FR 10415; 36339 (October 5, 1995), 60 FR 53447; and 36791 (January 30, 1996) 61 FR 4508).

[4] The Equitor Group is not a separate legal entity.

[5] Letters from Julie Beyers, Associate Counsel, ISCC, to Michele Bianco, Division of Market Regulation, Commission (December 12, 1995 and December 13, 1995).

[6] Letter from Julie Beyers, Associate Counsel, ISCC, to Michele Bianco, Division of Market Regulation, Commission (December 13, 1995). Investment Company Act of 1940 Release No. 20019, International Series Release No. 628 (January 14, 1994).

[7] ISCC is not responsible for fees not rendered to SCB by participants.

[8] 15 U.S.C. 78q–1 (1988).

[9] Securities Exchange Act Release No. 26812 (May 12, 1989), 54 FR 21691.

[10] 15 U.S.C. 78q–1(b)(32)(F) (1988).

[11] 15 U.S.C. 78s(b)(2) (1988).