

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

In its filing with the Commission, BSE 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. BSE has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

On October 6, 1993, the Commission adopted Rule 15c6-1 under the Act which establishes three business days after the trade date ("T+3") instead of five business days ("T+5") as the standard settlement cycle for most securities transactions.<sup>2</sup> The rule will become effective June 7, 1995.<sup>3</sup>

The proposed rule change will amend BSE's definitions of transactions nominated as "Regular Way," "Buyer's or Seller's Option," and "Next Day" contained in Chapter II, Section 6 of BSE's rules and will amend Chapter X, Section 1 of BSE rules regarding the settlement of "Cash and Ex-Dividend Transactions." Under the proposed rule change, regular way settlement will occur on the third business day after the trade, and buyer's or seller's option trades will settle between four business days and 180 days following the contract date except that BSE may provide otherwise in specific issues or classes of securities. Next day trades will be able to settle on the first or second business day following the date of the contract. Securities will trade without (i.e., "ex") any dividend, right, or privilege on the second full business day preceding the record date except that when the record date is on a holiday the securities will trade "ex" on the third preceding full business day.

The proposed rule change also amends Chapter XV, Section 14 of BSE rules, "Claims and Reports against Specialist." This proposed change will shorten the time periods in which members can file claims of erroneous or omitted transactions against specialists. Claims regarding lack of a comparison of a reported transaction will have to be made within three days of the original

trade date of five days to comport with the changes in the settlement cycle. Claims regarding the omissions of reports and erroneous trade comparisons will have to be made within five business days instead of ten business days. The latter changes still will exceed the settlement cycle; however, they will exceed the settlement cycle by only two days instead of five thus reducing the risk associated with such claims. Finally, Chapter XXVIII, subparagraph (4) requires that customers provide their agent instructions within certain time frames for delivery versus payment and receipt versus payment transactions. The time frames contained in subparagraph (4)(i) and (ii) will be shortened by two business days.

The BSE's implementation of this proposed rule change will be consistent with the "T+3" conversion schedule which the National Securities Clearing Corporation has proposed for industry use. The schedule is as follows:

Trade date	Settlement cycle	Settlement date
June 2 Friday ...	5 day ...	June 9 Friday.
June 5 Monday	4 day ...	June 9 Friday.
June 6 Tuesday	4 day ...	June 12 Monday.
June 7 Wednesday.	3 day ...	June 12 Monday.

If the Commission determines to alter the exemptions currently provided in Rule 15c6-1, BSE may need to undertake additional rule amendments. It is intended that the proposed rule change will become effective on the same date as Commission Rule 15c6-1.

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, processing information with respect to, and facilitating transactions in securities.

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

BSE 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 Proposed Rule Change Received From Members, Participants or Others

No written comments were either solicited or received.

## 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 BSE 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 NW., Washington, DC 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 NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of BSE.

All submissions should refer to File No. SR-BSE-95-05 and should be submitted by March 29, 1995.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>2</sup> Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891.

<sup>3</sup> Securities Exchange Act Release No. 34952 (November 9, 1994), 59 FR 59137.