

[Release No. 34-35510; File No. SR-SCCP-94-07]

**Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Order Approving Proposed Rule Change Relating to Implementation of a Three-Day Settlement Standard**

March 17, 1995.

On November 14, 1994, the Stock Clearing Corporation of Philadelphia filed a proposed rule change (File No. SR-SCCP-94-07) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> On December 19, 1994, SCCP filed an amendment to the proposed rule change.<sup>2</sup> Notice of the proposal was published in the **Federal Register** on January 4, 1995, to solicit comments from interested persons.<sup>3</sup> As discussed below, this order approves the proposed rule change.

**I. Description**

In October 1993, the Commission adopted Rule 15c6-1 under the Act<sup>4</sup> 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. The rule will become effective June 7, 1995.<sup>5</sup> Several of SCCP's rules are interrelated with settlement time frames. The purpose of the proposed rule change is to amend SCCP's rules to be consistent with a T+3 settlement standard for securities transactions.

The proposed rule change amends Rule 18 ("Insolvency"), Section 6 to provide that upon the insolvency of a participant, no contracts pending settlement up to and including T+1 shall be settled by SCCP. Rule 18, Section 7 is amended to provide that on or after T+2, SCCP will buy in the securities due it from an insolvent participant and will sell out the securities due to the participant from SCCP. The proposed rule change also amends Rule 40 ("Instruments with Exercise Privileges") to state that a participant is advised of potential liability based on its short value positions on its CNS projection report

starting on the second business day after the trade date.

SCCP has requested that the proposed rule change become effective on the same date as Rule 15c6-1. Rule 15c6-1 becomes effective on June 7, 1995.<sup>6</sup>

**II. Discussion**

The Commission believes the proposal is consistent with the requirements of Section 17A of the Act.<sup>7</sup> Specifically, Section 17A(b)(3)(F)<sup>8</sup> states that the rules of a clearing agency must be designed to assure the safeguarding of securities and funds which are in the clearing agency's custody or control or for which it is responsible and must be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. Several of SCCP rules are based on a five day time frame for settlement of securities transactions. On June 7, 1995, the new settlement cycle of T+3 will be established as mandated by the Commission's Rule 15c6-1. As a result, SCCP's current rules will be inconsistent with the Commission's rule. This proposal will amend SCCP's rules to harmonize them with the Commission's Rule 15c6-1 and a T+3 settlement cycle. Further, the proposal amends SCCP's procedures for dealing with an insolvent participant to be consistent with a T+3 settlement cycle. Thus, the proposal enhances SCCP's ability to safeguard securities and funds in its custody and control or for which it is responsible.

**III. Conclusion**

For reasons stated above, the Commission finds that SCCP's proposal is consistent with Section 17A of the Act.<sup>9</sup>

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (File No. SR-SCCP-94-07) be and hereby is approved and will become effective June 7, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

<sup>6</sup>The transition from five day settlement to three day settlement will occur over a four day period. Friday, June 2, will be the last trading day with five business day settlement. Monday, June 5, and Tuesday, June 6, will be trading days with four business day settlement. Wednesday, June 7, will be the first trading day with three business day settlement. As a result, trades from June 2 and June 5 will settle on Friday, June 9. Trades from June 6 and June 7 will settle on Monday, June 12.

<sup>7</sup> 15 U.S.C. 78q-1 (1988).

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>9</sup> 15 U.S.C. 78q-1 (1988).

<sup>10</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>11</sup> 17 CFR 200.30(a)(12) (1994).

Margaret H. McFarland,

Deputy Secretary.

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**Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (Kinark Corporation, Common Stock, \$0.10 Par Value) File No. 1-3920**

March 20, 1995.

Kinark Corporation ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the Pacific Stock Exchange, Incorporated. ("PSE").

The reasons alleged in the application for withdrawing the Security from listing and registration include the following:

The Board of Directors of the Company ("Board"), pursuant to lawfully delegated authority, unanimously approved a resolution on September 21, 1994, to withdraw the Company's listing on the PSE and to maintain its listing and registration on the American Stock Exchange, Inc. ("Amex"). The decision of the Board followed a study of the matter, and was based upon the belief that the listing on the PSE was no longer beneficial to the Company because:

(1) The dual listing of the Security on the PSE and Amex was no longer cost-effective in light of the low annual trading volume of the Security on the PSE;

(2) The presence of a substantial national and liquid market for the Security on Amex; and

(3) The continuing need for the Company to reduce the costs of doing business in the current competitive environment in which the Company operates.

Any interested person may, on or before April 10, 1995, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street NW., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchanges and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless

<sup>1</sup> 15 U.S.C. 78s(b) (1988).

<sup>2</sup> Letter from Sharon S. Metzker, SCCP, to Christine Sibille, Senior Counsel, Division of Market Regulation, Commission (December 12, 1994).

<sup>3</sup> Securities Exchange Act Release No. 35154 (December 27, 1994), 60 FR 519.

<sup>4</sup> 17 CFR 240.15c6-1.

<sup>5</sup> Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (order adopting Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).