

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35552; File No. SR-OCC-94-11]

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

March 30, 1995.

On December 30, 1994, the Options Clearing Corporation ("OCC") filed a proposed rule change (File No. SR-OCC-94-11) 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 February 2, 1995, to solicit comments from interested persons.² As discussed below, this order approves the proposed rule change.

I. Description

The proposed rule change will conform OCC's rules effective June 7, 1995, to Rule 15c6-1 under the Act. That rule establishes three business days after the trade date ("T+3"), instead of five business days ("T+5"), as the standard settlement cycle for most transactions in securities that underlie many OCC issued options. Rule 15c6-1 will become effective June 7, 1995.³ As described below, OCC is revising several of OCC's rules that include references to underlying securities settlement time frames.

Under Rule 902, the assigned clearing member of an exercised call option contract or the exercising clearing member of an exercised put option contract will be required to deliver the underlying securities on the third business day following the day on which the exercise notice was given to OCC. Rule 2207 will provide that the settlement date for a stock loan will be three business days after the date on which the lending clearing member initiates the termination by notifying

OCC. Rule 2208(b) will provide that if the lending clearing member initiates the termination of a stock loan and does not receive the loaned stock in its securities depository account within three business days, the stock loan shall be completed when (1) OCC has transferred the stock to the lending clearing member's account after OCC has received the securities from the borrowing member or (2) the lending clearing member has executed a buy-in. Rule 2208(b) also will provide that the lending clearing member may execute a buy-in three business days after initiating the termination or at any time thereafter if the lending clearing member has not received the loaned stock by such date.

OCC has requested that the proposed rule change become effective on the same date as Rule 15c6-1. Rule 15c6-1 is scheduled to become effective on June 7, 1995.⁴

II. Discussion

The Commission believes the proposal is consistent with the requirements of Section 17A of the Act.⁵ Specifically, Section 17A(b)(3)(F)⁶ states that the rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in OCC's custody and control or for which OCC is responsible, and to foster cooperation and coordination with persons engaged in clearance and settlement of securities transactions. Several of OCC rules are based on a five day time frame for settlement of securities transactions. On June 7, 1995, the new settlement cycle or T+3 will be established, as mandated by the Commission's Rule 15c6-1. As a result, the OCC's current rule establishing a T+5 settlement cycle will be inconsistent with Commission rules. This proposal will amend the OCC's rules to harmonize them with a T+3 settlement cycle. Further, as discussed in the release adopting Rule 15c6-1, a shorter settlement time frame could encourage greater efficiency in clearing agencies and broker-dealer operations. Thus, the proposed rule change should enhance the prompt and accurate

⁴ The transition from T+5 settlement to T+3 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.

⁵ 15 U.S.C. 79q-1 (1988).

⁶ 15 U.S.C. 78q-1(b)(3)(F) (1988).

clearance and settlement of securities transactions.

III. Conclusion

For the reasons stated above, the Commission finds that OCC's proposal is consistent with Section 17A of the Act.⁷

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (File No. SR-OCC-94-11) 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.⁹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. IC-20979; 812-9444]

Van Kampen Merritt Equity Opportunity Trust, Series 7, et al.; Notice of Application

March, 30, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Van Kampen Merritt Equity Opportunity Trust, Series 7 and Van Kampen American Capital Distributors, Inc. ("Van Kampen American").

RELEVANT ACT SECTIONS: Order requested under sections 6(c) and 17(b) from section 17(a).

SUMMARY OF APPLICATION: Applicants request an order to permit a terminating series of a unit investment trust to sell portfolio securities to a new series of the trust.

FILING DATES: The application was filed on January 25, 1995 and amended on March 22, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on April 24, 1995 and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature

⁷ 15 U.S.C. 78f (1988).

⁸ 15 U.S.C. 78s(b)(2) (1988).

⁹ 17 CFR 200.30(a)(12) (1994).

¹² 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b) (1988).

² Securities Exchange Act Release No. 35265 (January 23, 1995), 60 FR 6583.

³ Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (adoption of Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).