

distributed shares by syndicate members ("flipping tracking system").

Currently, a flipping tracking system is being developed that will include a securities depository service that (i) can be activated upon the request of the managing underwriter for a period of time that the managing underwriter specifies, (ii) in certain circumstances, will require the delivering participant to provide to the depository information sufficient to identify the seller of such shares as a precondition to the processing of book-entry delivery instructions for distributed shares, and (iii) will report to the managing underwriter the identity of any other syndicate member or selling group member whose customer(s) sold distributed shares (but will not report to the managing underwriter the identity of such customer[s]), and in certain circumstances, will report to such syndicate member or selling group member the identity of such customer(s). 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. After the availability of a flipping tracking system, a new issue will be deemed to be depository eligible upon commencement of trading on Nasdaq.

The NASD believes that the proposed rule change is consistent with the provisions of section 15A(b)(6) of the Act⁷ in that the proposed rule change is designed to encourage book-entry settlement of transactions by requiring that securities included in Nasdaq and listed on the national securities exchanges be depository eligible thereby reducing the risks to the financial markets and investors associated with physical delivery, clearance, and settlement of securities transactions.

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

The NASD does not believe that the proposed rule change will result in 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

Written comments were neither solicited nor 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 the NASD 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.

The NASD has requested accelerated approval of the proposed rule change in order that the rule can become effective on June 7, 1995.⁸

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submissions, 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 Room, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filings will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number SR-NASD-95-24 and should be submitted by June 23, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-13532 Filed 6-1-95; 8:45 am]

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[Release No. 34-35769; File No. SR-NASD-95-11]

Self-Regulatory Organizations; the National Association of Securities Dealers, Inc.; Order Granting Accelerated Approval of Proposed Rule Change Relating to Requiring the Use of the Facilities of a Registered Clearing Agency for the Clearance of Transactions in Corporate Debt Securities

May 25, 1995.

On April 10, 1995, the National Association of Securities Dealers, Inc. ("NASD") filed a proposed rule change (File No. SR-NASD-95-11) 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 May 1, 1995, to solicit comments from interested persons.² No comments were received. As discussed below, the Commission is approving the proposed rule change on an accelerated basis.

I. Description

The NASD is amending its Uniform Practice Code ("UPC") to include a new Section 72 that requires each NASD member or its agent that is a participant in a registered clearing agency to use the facilities of a clearing agency to clear eligible transactions in corporate debt securities. Section 72 also provides that the NASD may exempt any transaction or class of transactions in corporate debt securities from the provisions of the rule as may be necessary to accommodate special circumstances related to the clearance of such transactions or class of transactions.³

According to the NASD, approximately thirty percent of all transactions in corporate bonds are being compared, cleared, and settled without using the facilities of a registered clearing agency (*i.e.*, settled broker-to-broker or ex-clearing). Clearing such transactions broker-to-

¹ 15 U.S.C. 78s(b) (1988).

² Securities Exchange Act Release No. 35642 (April 24, 1995), 60 FR 21226.

³ The NASD anticipates that this provision will be used only in the event special pricing and processing problems related to particular corporate debt securities make using the facilities of a registered clearing agency difficult or impossible and when these problems outweigh the benefits of using the facilities of a registered clearing agency. For example, the NASD considered mandating the use of the facilities of a registered clearing agency for other types of securities, such as unit investment trusts, private label collateralized mortgage obligations, synthetic stripped coupons and government securities, but concluded that it would be inadvisable to adopt such a mandate until the special pricing and processing requirements for these securities is fully understood and resolved.

⁸ *Supra* note 4 and accompanying text.

⁹ 17 CFR 200.30-3(a)(12) (1994).

⁷ 15 U.S.C. 78f(b)(5) (1988).

broker is labor intensive, requires more time to complete, and results in more fails than transactions processed through a registered clearing agency. The labor intensive nature of broker-to-broker processing may introduce errors into the process from keystroke errors, manually handling documents, delivery errors, and payment errors. Further, the increase in the number of failed trades and the corresponding increase in potential financial exposure to members creates systemic clearance risk.

II. Discussion

Section 15A(b)(6) of the Act⁴ requires that the rules of the NASD be designed to perfect the mechanism of a national market system, and, in general, to protect investors and the public interest. By requiring its members to clear transactions in corporate debt securities through the facilities of a registered clearing agency, the proposed rule change should reduce the number of failed trades and should reduce or eliminate the risks and inefficiencies associated with broker-to-broker clearance and settlement of such transactions which should further the goal of a national market system. As a result of the rule, more trades will have the benefit of a clearing agency's guarantee of trade settlement and risk and thereby enhance investor protection.

Furthermore, the move to three day settlement of securities transactions on June 7, 1995, will reduce the time available to complete all tasks necessary to settle a transaction.⁵ By increasing the number of transactions that must be settled through the facilities of a registered clearing agency, the rule also facilitates the implementation of a three day settlement.

The NASD has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for so approving the proposed rule because accelerated approval will permit the NASD to notify their members two weeks before the effective date of the rule. Such notification should help the NASD and its members to implement the rule in an orderly manner while still permitting the rule to become effective shortly after the implementation of T+3 settlement, which is scheduled to occur on June 7, 1995.

III. Conclusion

For the reasons stated above, the Commission finds that NASD's proposal is consistent with Section 15A of the Act.⁶

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (File No. SR-NASD-95-11) be and hereby is approved, effective June 30, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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Under Review by Office of Management and Budget

Agency Clearance Officer: Michael E. Bartell, (202) 942-8800

Upon Written Request, Copy Available From: Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549

Extension:

Rule 23c-3, File No. 270-373

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (the "SEC") has submitted for extension of OMB approval Rule 23c-3 under the Investment Company Act of 1940 [17 CFR 270.23c-3].

Rule 23c-3 permits closed-end management investment companies to make periodic repurchase offers to shareholders at net asset value. These repurchases are exempt from the disclosure and filing requirements of the tender offer rules under the Securities Exchange Act of 1934. Rule 23c-3 requires closed-end funds making repurchase offers to give shareholders before each offer a notification containing specified information, to file three copies of the notification with the Commission, to describe the fund's repurchase policy and the results of recent repurchase offers in the annual report to shareholders, and to cause fund directors to adopt and maintain written procedures designed to preserve a sufficiently liquid investment portfolio. An estimated 10 respondents together incur 320 burden hours annually to comply with the requirements, under new estimates

reflecting a program change and an adjustment.

In addition, closed-end funds relying on the rule must file copies of advertisements and other sales literature with the Commission unless already filed with the National Association of Securities Dealers (NASD). Respondents generally incur no burden hours to comply with this requirement because each fund's principal underwriter must comply with separate NASD rules requiring the filing of such materials with the NASD.

Direct general comments to the OMB Clearance Officer for the Securities and Exchange Commission at the address below. Direct any comments concerning the accuracy of the estimated average burden hours for compliance with SEC rules or forms to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549 and to OMB Clearance Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Paperwork Reduction Act Number 3235-0422, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, DC 20543.

Dated: May 22, 1995.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-13535 Filed 6-1-95; 8:45 am]

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[Release No. 34-35772; File No. SR-PHLX-95-34]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Regarding Depository Eligibility Requirements

May 26, 1995.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 19, 1995, the Philadelphia Stock Exchange, Inc. ("PHLX") 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 PHLX. On May 18, 1995, PHLX filed an amendment to the rule filing.² The Commission is publishing this notice to solicit comments from interested persons.

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from Sharon S. Metzger, PHLX, to Christine Sibille, Senior Counsel, Division of Market Regulation, Commission (May 18, 1995).

⁴ 15 U.S.C. 78o-3(b)(6) (1988).

⁵ Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (adopting Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).

⁶ 15 U.S.C. 78o-3 (1988).

⁷ 15 U.S.C. 78s(b)(2) (1988).

⁸ 17 CFR 200.30(a)(12) (1994).