

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35808; File No. SR-SCCP-95-1]

**Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to One-Day Settlement**

June 5, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on April 5, 1995, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-SCCP-95-1) as described in Items I and II below, which items have been prepared primarily by SCCP. The Commission is publishing this notice to solicit comments from interested persons and grant accelerated approval of the proposed rule change.

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

SCCP is filing the proposed rule change to offer its participants the ability to effect one-day settlements.

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

In its filing with the Commission, SCCP included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. SCCP has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

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

Under the proposed filing, SCCP proposes to offer one-day settlement capability to its participants through an interface with the one-day settlement system offered by the National

Securities Clearing Corporation ("NSCC").<sup>3</sup> In the current T+5 settlement environment, trades compared or recorded after T+3 typically settle two days thereafter and therefore are not included in the normal settlement cycle on T+5. For example, trades received on T+4 presently settle on T+6. As the industry converts to a T+3 settlement environment, trades may miss the settlement date if the registered clearing corporations cannot effect one-day settlements. Without a one-day settling capability, trades compared and recorded on T+2 will not settle until T+4.

SCCP proposes to interface with NSCC to offer one-day settlement for trades submitted prior to SCCP's cut-off time on T+4 in a T+5 settlement environment and submitted prior to SCCP's cut-off time on T+2 in a T+3 settlement environment, including over-the-counter trades, fixed income transaction system trades, and other regional interface operator trades. SCCP will receive and accept input from participants up to approximately 7:00 p.m. in order to interface with the established NSCC cut-off time of 9 p.m. Those trades received before the 7 p.m. daily cut-off time on T+2 and thereafter (*i.e.*, trades received before the daily cut-off time on T+3, T+4, etc.) will settle on the next business day. Trades received subsequent to the daily cut-off time on T+2 and thereafter will continue to settle two business days later.

SCCP believes the proposed rule change is consistent with the requirements of the Act, specifically Section 17A of the Act, and the rules and regulations thereunder because the rule proposal will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

SCCP does not believe that the proposed rule change will impact or impose a burden on competition.

**(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others**

No written comments have been solicited or received. SCCP will notify the Commission of any written comments received.

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

Section 17A(b)(3)(F) of the Act<sup>4</sup> requires the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that SCCP's one-day settling capability should help promote prompt and accurate clearing and settlement because it will increase the number of trades that are included in the normal settlement cycle. Thus, the number of failed trades and the time required for settlement should be reduced.

As of June 7, 1995, Rule 15c6-1 will require securities transactions to be completed within a three-day settlement cycle.<sup>5</sup> The Commission believes that settlement of trades in a shorter time frame will reduce risk to the securities market, including risk to clearing corporations as a result of member failure. Without one-day settling capability, it is possible that many trades may fail to settle within the new three-day cycle. Thus, the proposal advances the risk reduction goals of Rule 15c6-1.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing because such approval will permit SCCP to implement the interface with NSCC and to provide one-day settling capability prior to the conversion to a three-day settlement cycle.

**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 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

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>5</sup> 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 (change of effective date of Rule 15c6-1 from June 1, 1995 to June 7, 1995).

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

<sup>2</sup> The Commission has modified the language in these sections.

<sup>3</sup> For a complete description of NSCC's one-day settlement system, refer to Securities Exchange Act Release No. 35442 (March 3, 1995), 60 FR 13196.

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 SCCP. All submissions should refer to the file number SR-SCCP-95-01 and should be submitted by July 3, 1995.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change (File No. SR-SCCP-95-01) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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[Release No. IC-21115; 812-9286]

### **AMBAC Capital Management, Inc.; Notice of Application**

June 6, 1995.

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

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

**APPLICANT:** AMBAC Capital Management, Inc.

**RELEVANT 1940 ACT SECTIONS:** Order requested under section 6(c) of the 1940 Act for an exemption from the provisions of paragraphs (a)(1), (b)(2)(i) and (b)(3)(i) of rule 3a-5 under the 1940 Act.

**SUMMARY OF APPLICATION:** Applicant seeks relief from certain provisions of rule 3a-5 to enable it and other future wholly-owned finance subsidiaries of AMBAC, Inc. ("AMBAC") to rely on the exemption from all provisions of the 1940 Act afforded by the rule while engaging in certain lending and investing activities not included within the express terms of the rule.

**FILING DATES:** The application was filed on October 17, 1994, and amended and restated on June 2, 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 Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on June 30, 1995, and should be accompanied by proof of service on

Applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549; Applicant, 10 Glenville Street, Greenwich, Connecticut 06831.

**FOR FURTHER INFORMATION CONTACT:** H.R. Hallock, Jr., Special Counsel, at (202) 942-0564 or C. David Messman, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

#### **Applicant's Representations**

1. Applicant is a Delaware corporation and wholly-owned subsidiary of AMBAC Capital Corporation, a Delaware corporation, which in turn is a wholly-owned subsidiary of AMBAC. AMBAC is a holding company primarily engaged through another wholly-owned subsidiary, AMBAC Indemnity Corporation ("AMBAC Indemnity"), in the financial guarantee insurance business. AMBAC's shares are publicly traded on the New York Stock Exchange.

2. AMBAC Indemnity is a licensed insurance company in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and Guam that primarily insures newly issued municipal bonds. AMBAC Indemnity has been assigned triple-A claims-paying ability ratings, the highest ratings of Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("S&P") and Fitch Investors Service, Inc. AMBAC depends primarily on dividends from AMBAC Indemnity to pay dividends on its capital stock, to pay principal and interest on its indebtedness, and to pay its operating expenses.

3. Applicant was organized to issue and sell municipal investment contracts and similar investment agreements (together, the "MICs"). Applicant presently sells the MICs on a private placement basis primarily to state or local government entities or agencies and trustees for bond issues of such entities or agencies (collectively, the "MIC Holders"), for the investment of

proceeds from municipal bond offerings.

4. The MICs are debt securities with an agreed-upon rate of return that may be collateralized by U.S. Treasury or other high quality securities. Municipal bond issuers find MICs attractive because their bonds are often issued to finance projects for which they have no immediate need for the entire proceeds of the issue. A MIC Holder may also purchase a MIC from the Applicant as a means of investing debt service reserve an similar funds held by the MIC Holder. The MICs provide the municipal bond issuer with a guaranteed yield that is advantageous relative to the interest rate on the bonds and can be structured to provide draw-downs as needed.

5. Because of restrictions on their permitted investments, some municipalities have requested that Applicant enter into MICs styled as repurchase agreements (each, a "Repo"), which would provide such municipalities with the economic equivalent of entering into a collateralized MIC. Applicant considers entering into such Repos to be equivalent to issuing a MIC in the form of a collateralized investment contract and will treat the proceeds generated thereby the same as any other proceeds raised in a debt issuance (hereinafter, any reference to "MIC" shall include such Repos).

6. The proceeds of MIC sales will be on-lent by Applicant to AMBAC and/or its direct and indirect subsidiaries (the "Recipients") for use in financing their respective operations. It is anticipated that substantially all of the proceeds from the MICs will be loaned by Applicant to the Recipients contemporaneously with the issuance of the related MIC, but in no event will less than 85 percent of such proceeds be loaned later than six months after Applicant's receipt of such proceeds. It is also anticipated that substantially all loans to Recipients will be collateralized by the Recipients themselves.

7. Pursuant to an Insurance and Indemnity Agreement with AMBAC Indemnity (the "Agreement"), Applicant's obligations under each MIC issued by it are fully insured by AMBAC Indemnity. The insurance policy (each, an "Indemnity Policy") provides that in the event of default by Applicant on the payment of principal or interest on the MIC, AMBAC Indemnity will make the scheduled payment. In addition, the MIC Holder may institute legal proceedings directly against AMBAC Indemnity to enforce such payment without first proceeding against Applicant. The Agreement requires

<sup>6</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>7</sup> 17 CFR 200.30-3(a)(12) (1994).