

it is designed to protect investors and the public interest. First, the Commission believes that the trading of listed warrants on the Mexican peso should provide investors with a hedging and risk transfer vehicle that will reflect the overall movement of the Mexican peso in relation to the U.S. dollar. In this regard, Peso Warrants should provide investors with an efficient and effective means of managing risk associated with the Mexican peso.

Second, the Exchange has proposed listing standards to provide for fair and orderly markets in Peso Warrants. Peso Warrants will conform to the listing standards in CBOE Rule 31.5(E), which are similar to the standards pursuant to which currency warrants have been listed by other securities exchanges.¹⁵ In addition, the Exchange will limit transactions in Peso Warrants to customers with options approved accounts and impose the CBOE's suitability standards and discretionary account standards to transactions in Peso Warrants. Moreover, the requirements established by the Exchange for reporting positions in Peso Warrants on the same side of the market will assist the CBOE in detecting and deterring attempts at manipulation.

Third, the Exchange has proposed adequate customer margin requirements. The proposed add-on margin (*i.e.*, 18%) provides sufficient coverage to account for historical and potential volatility in the Mexican peso in relation to the U.S. dollar. In addition, the Exchange must conduct periodic reviews of the volatility in the Mexican peso and must take immediate steps to increase the existing customer margin levels if the Exchange determines that the existing levels are no longer adequate.¹⁶ As a result, the Commission believes that the proposed customer margin levels and the review and maintenance criteria for those margin levels will result in adequate coverage of contract obligations and are designed to reduce risks arising from inadequate margin levels.

Finally, the Exchange will prepare and distribute to its membership a

¹⁵ For example, the American Stock Exchange ("Amex") currently lists currency warrants on the Japanese yen and the German mark pursuant to Section 106 of the Amex Company Guide. If the Commission approves the Exchange's Generic Warrant Listing Proposal, Peso Warrants listed subsequent to that approval will be subject to the revised listing standards. See Generic Warrant Listing Proposal, *supra* note 7. The Commission notes that to the extent the customer margin requirements contained in the Generic Warrant Listing Proposal differ from those discussed herein for Peso Warrants, the customer margin levels specified above will be applied.

¹⁶ See *supra* note 12.

circular describing each issue of Peso Warrants listed by the CBOE, calling attention to certain compliance responsibilities when handling transactions in Peso Warrants.¹⁷

Based on the foregoing, the Commission believes that the listing and trading of Peso Warrants, within the framework described above, is appropriate and consistent with the Act.

The Commission finds good cause for approving Amendment Nos. 2 and 3 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, Amendment No. 2 realigns the customer margin requirements to reflect more accurately the recent volatility of the Mexican peso in relation to the U.S. dollar. Moreover, the Commission notes that the original proposal and Amendment No. 1 to the proposal were published in the **Federal Register** for the full 21-day comment period and that no comments were received by the Commission regarding either the original proposal or the lower customer margin levels proposed in Amendment No. 1.

Amendment No. 3 also provides that the CBOE will review the volatility of the Mexican peso in relation to the U.S. dollar on at least a quarterly basis and increase the applicable customer margin levels if appropriate. Moreover, as provided in Amendment No. 2, the CBOE cannot lower the customer margin levels from the 18% and 15% levels provided above without Commission approval pursuant to Section 19(b) of the Act. As discussed above, the Commission believes these procedures will ensure that the customer margin requirements for Peso Warrants are maintained at levels adequate to cover present and future volatility of the Mexican peso in relation to the U.S. dollar.

Amendment No. 3 also imposes reporting requirements for certain large positions (*i.e.*, over 100,000 contracts on the same side of the market) in Peso Warrants. Because there currently are no position limits for positions in Peso Warrants, the Commission believes this is a reasonable approach by the CBOE for acquiring information that may be helpful in the Exchange's efforts to detect and deter attempted manipulation.

Based on the above and in order to allow the CBOE to begin listing Peso Warrants without delay, the Commission believes it is consistent with Section 6(b)(5) of the Act to approve Amendment Nos. 2 and 3 to the

¹⁷ See *supra* note 13.

CBOE's proposal on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 2 and 3. 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 Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to the File No. SR-CBOE-95-12 and should be submitted by July 3, 1995.

It Is therefore Ordered, pursuant to Section 19(b)(2) of the Act,¹⁸ that the proposed rule change (File No. SR-CBOE-95-12), as amended by Amendment Nos. 2 and 3, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35809; File No. SR-NSCC-95-06]

**Self-Regulatory Organizations;
National Securities Clearing
Corporation; Notice of Filing of a
Proposed Rule Change Seeking To
Establish the Collateral Management
Service**

June 5, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 22, 1995, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-95-06) as described in Items I, II, and III below, which items have been

¹⁸ 15 U.S.C. 78s(b)(2) (1988).

¹⁹ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

prepared primarily by NSCC. On June 2, 1995, NSCC filed an amendment to the proposed rule change to clarify which entities may be permitted to participate in the proposed service.² The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The purpose of the proposed rule change is to establish the Collateral Management Service ("CMS") which will provide access to information regarding participants' clearing fund, margin, and other similar requirements and deposits at NSCC and other participating clearing entities. As proposed, participating clearing entities will include clearing agencies registered pursuant to Section 17A of the Securities Exchange Act³ and clearing organizations affiliated with or designated by contract markets trading specific futures products under the oversight of the Commodity Futures Trading Commission.

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.⁴

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

The purpose of the proposed rule change is to establish the CMS. The CMS will provide access to information regarding participants' clearing fund, margin, and other similar requirements and deposits at NSCC and other Participating Clearing Entities including excess or deficit amounts and comprehensive data on underlying collateral ("CMS data"). NSCC may provide the CMS data to participants of NSCC, to participating clearing entities,

and, if a participating clearing entity requests, to participants of such participating clearing entity. Each participant that desires access to the CMS data will be required to complete a CMS participation application. A participant's access to CMS data will be limited to the participant's own information. Similarly, a participating clearing entity's access to CMS data will be limited to only the CMS data of participants of such entity. A participant may request that NSCC exclude data relating to such participant from the CMS by completing a request to exclude data form.

Participating clearing entities will be required to sign and execute NSCC's CMS agreement. The CMS agreement sets forth NSCC's authorization from participating clearing entities to collect and provide information relating to participants' clearing fund and margin requirements and participants' clearing fund and margin deposits as contained in the Securities Clearing Group's ("SCG")⁵ data base and the Chicago Board of Trade Clearing Corporation's Pay Collect System ("BTCC System").⁶ The CMS agreement also authorizes NSCC to disseminate additional information provided by the participating clearing entities. The CMS agreement also addresses such matters as the confidentiality of CMS Data, additional parties, costs, and limitation of liability. At the time of this filing, The Depository Trust Company and The Options Clearing Corporation have agreed in principle to participate in CMS.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will facilitate cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

⁵ The SCG was established in 1989 as a result of developments surrounding the October 1987 Market Break and subsequent studies on the causes of the Market Break. The stated purpose of the SCG is to increase cooperation and coordination among securities clearing entities and to facilitate the sharing of certain clearance and settlement information regarding surveillance and member risk monitoring. For a further description of the SCG, refer to Securities Exchange Act Release No. 27044 (July 25, 1989), 54 FR 30963 [File Nos. SR-DTC-88-20, SR-MCC-88-10, SR-MSTC-88-07, SR-NSCC-88-09, SR-OCC-89-02, SR-Philadep-89-01, and SR-SCCP-89-01] (order approving the establishment of the SCG).

⁶ The Chicago Board of Trade, through the Board of Trade Clearing Corporation, established the Shared Pay/Collect System which disseminates the daily pay/collects of all futures clearing firms which are affiliated with a participating futures exchanges.

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

NSCC 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. NSCC will notify the Commission of any written comments received by NSCC.

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 NSCC 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. Person making written submission 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 Section, 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 NSCC. All submissions should refer to the file number SR-NSCC-95-06 and should be submitted by July 3, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

⁷ 17 CFR 200.30-3(a)(12) (1994).

² Letter from Anthony H. Davidson, Associate Counsel, NSCC, to Peter Geraghty, Division of Market Regulation, Commission (May 26, 1995).

³ 15 U.S.C. 78q-1 (1988).

⁴ The Commission has modified the text of the summaries submitted by NSCC.

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"),¹ 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.²

(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").³ 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 Act⁴ 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.⁵ 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

⁴ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁵ 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).

¹ 15 U.S.C. 78s(b)(1) (1988).

² The Commission has modified the language in these sections.

³ 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.