

Retirement Board, 844 North Rush Street, Chicago, Illinois 60611-2092 and the OMB reviewer, Laura Oliven (202-395-7316), Office of Management and Budget, Room 10230, New Executive Office Building, Washington, DC 20503.

Ronald J. Hodapp,

Chief, Information Resources Management.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-35916; File Nos. SR-NSCC-95-04; SR-MCC-95-02; SR-SCCP-95-03]

Self-Regulatory Organizations; National Securities Clearing Corporation; Midwest Clearing Corporation; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Temporary Approval on an Accelerated Basis of Proposed Rule Changes Relating to the Guarantee of Trades in Continuous Net Settlement Systems

June 28, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that the National Securities Clearing Corporation ("NSCC"), Midwest Clearing Corporation ("MCC"), and Stock Clearing Corporation of Philadelphia ("SCCP") (collectively referred to as "Clearing Corporations") filed with the Securities and Exchange Commission ("Commission") on May 19, 1995, May 26, 1995, and June 12, 1995,

respectively, the proposed rule changes as described in Items I and II below, which items have been prepared primarily by the Clearing Corporations. The proposals seek approval of rule changes relating to the guarantee of trades in the Clearing Corporations' continuous net settlement systems. The Commission is publishing this notice and order to solicit comments from interested persons and to extend temporary approval of the proposed rule changes on an accelerated basis through June 28, 1996.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

The proposals seek approval of the Commission's temporary order that authorizes the Clearing Corporations: (1) to guarantee at an earlier time the settlement of participant trades in their Continuous Net Settlement ("CNS")

systems and (2) to use revised clearing fund calculations to protect against any increased risk caused by such earlier guarantees.²

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, the Clearing Corporations included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments they received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. The Clearing Corporations have prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.³

(A) Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

The proposed rule changes seek approval of the Clearing Corporations' procedures whereby the settlement of all pending CNS trades are guaranteed as of midnight (11:59 p.m. for MCC) on the day after the trade date for locked-in or automatically compared trades and as of midnight (11:59 p.m. for MCC) on the day trades are reported to members as compared for all other trades. The proposed rule changes also seek approval of the Clearing Corporations' revisions to the CNS portions of their clearing fund formulas. These revisions are designed to protect against increased risk associated with earlier guarantees.⁴

The Clearing Corporations believe that the proposed rule changes are consistent with the Act and particularly with Section 17A of the Act because

² The Commission has approved these proposals on a temporary basis on six previous occasions in Securities Exchange Act Release Nos. 27192 (August 29, 1989), 54 FR 37010 (approving File Nos. SR-NSCC-87-04, SR-MCC-87-03, and SR-SCCP-87-03 until December 31, 1990); 28728 (December 31, 1990), 56 FR 717 (approving File Nos. SR-NSCC-90-25, SR-MCC-90-08, and SR-SCCP-90-03 until June 30, 1991); 29388 (June 28, 1992), 56 FR 30951 (approving File Nos. SR-NSCC-91-06, SR-MCC-91-03, and SR-SCCP-91-03 through June 30, 1992); 30879 (July 1, 1992), 57 FR 30279 (approving File Nos. SR-NSCC-92-04, SR-MCC-92-07, and SR-SCCP-92-02 through June 30, 1993); 32547 (June 29, 1993), 58 FR 36491 (approving file Nos. SR-NSCC-93-04, SR-MCC-93-02, and SR-SCCP-93-02 through June 30, 1994); and 33996 (June 27, 1994), 59 FR 33996 (approving File Nos. SR-NSCC-94-09, SR-MCC-94-06, and SR-SCCP-94-02 through June 30, 1995).

³ The Commission has modified the language in these sections.

⁴ For a more detailed discussion of the proposals, refer to Securities Exchange Act Release Nos. 34261, 32547, 30879, 29388, 28728, and 27192 and the accompanying rule filings, *supra* note 3.

they will help the Clearing Corporations to assure the safeguarding of securities and funds which are in their custody or control or for which they are responsible.⁵

(B) Self-Regulatory Organizations' Statement on Burden on Competition

The Clearing Corporations believe that the proposed rule changes will not impose a burden on competition.

(C) Self-Regulatory Organizations' Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others

The Clearing Corporations have neither solicited nor received any comments.

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

The Commission believes the Clearing Corporations' proposals to continue providing earlier guarantees for CNS trades along with using revised formulas for calculating clearing fund contributions are consistent with the Act and particularly with Section 17A of the Act.⁶ Section 17A(b)(3)(F) of the Act⁷ requires that the rules of clearing agencies be designed to assure the safeguarding of securities and funds that are in the custody or control of the clearing agencies or for which the clearing agencies are responsible and be designed to remove impediments to and perfect the national system for the clearance and settlement of securities transactions.

The Commission believes that these proposals promote the perfection of the national system by providing increased certainty as to settlement of securities transactions by reducing the time that clearing members are exposed to the risk of counterparty default. The Commission further believes that these proposals achieve that goal without compromising the safeguarding of securities and funds in the Clearing Corporations' custody or control or for which they are responsible.

The Clearing Corporations have requested that the Commission find good cause for approving the proposed rule changes prior to the thirtieth day after the date of publication of notice of the filings in the **Federal Register**. The Commission finds good cause for so approving because accelerated approval will permit the Clearing Corporations to continue to provide their participants with earlier trade guarantees and to

⁵ 15 U.S.C. § 78q-1 (1988).

⁶ 15 U.S.C. § 78q-1 (1988).

⁷ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

¹ 15 U.S.C. § 78s(b)(1) (1988).

continue to base clearing fund assessments on the revised formulas without any needless disruptions to their programs. During the proposals' temporary approval periods, the Commission and the Clearing Corporations have continued to examine the Clearing Corporations' procedures and safeguards applicable to earlier guarantees of CNS trades and the revised formulas for calculating CNS clearing fund contributions. To date, the earlier guarantee procedures and revised clearing fund formulas have functioned adequately.

The Clearing Corporations and the Commission will continue to monitor the adequacy of the Clearing Corporation's procedures and safeguards applicable to earlier guarantees of CNS trades and the revised clearing fund formulas is necessary. Each Clearing Corporation will remain under a continuing obligation to provide data to the Commission pertaining to earlier trade guarantees and the ability of the revised CNS clearing formulas to guard against any increased risks posed by earlier guarantees.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 each Clearing Corporation. All submissions should refer to the file numbers SR-NSCC-95-04, SR-MCC-95-02, and SR-SCCP-95-03 and should be submitted by July 31, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the

proposed rule changes (File Nos. SR-NSCC-95-04, SR-MCC-95-02, and SR-SCCP-95-03) be and hereby are approved on a temporary basis through June 28, 1996.

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

Jonathan G. Katz,
Secretary.

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TENNESSEE VALLEY AUTHORITY

Environmental Impact Statement: Lamar County Alabama Water Supply Development

AGENCIES: Tennessee Valley Authority and U.S. Army Corps of Engineers.

ACTION: Notice of intent.

SUMMARY: The Tennessee Valley Authority (TVA) and the U.S. Army Corps of Engineers (COE) will prepare an Environmental Impact Statement (EIS) on water supply development for Lamar County, Alabama, located in west central Alabama. This EIS will consider a range of alternatives to provide an adequate and reliable water supply for the Lamar County area. Alternatives to be considered will include one or a combination of the following: construction of a surface impoundment on a tributary of Yellow Creek; installation of one or more water pipelines from existing reservoirs or streams, use of groundwater wells; direct withdrawal and storage from Yellow Creek; the no action alternative; and other alternatives identified during the scoping process. With this notice, TVA and the COE invite comments on the scope of this EIS. This notice is provided in accordance with the procedural requirements of the National Environmental Policy Act (NEPA), as well as TVA's and the COE's implementing procedures.

DATES: Written comments on the scope of the EIS must be received at the address below on or before December 15, 1995.

ADDRESSES: Comments should be sent to Dale V. Wilhelm, NEPA Liaison, Tennessee Valley Authority, WT 8C, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1499.

FOR FURTHER INFORMATION CONTACT: Jack L. Davis, Manager, Water Resource Projects, Tennessee Valley Authority, WT 10C, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1499, phone (615) 632-7183.

SUPPLEMENTARY INFORMATION: The Tennessee Valley Authority and Lamar County in West Central Alabama are addressing the water supply needs for the County, in order to assure a safe and reliable water supply for the future.

At this time, Lamar County has abundant reserves of both surface and groundwater which are sufficient to meet the needs for the County. However, a county-wide study of development patterns, land use, and potential for contamination of existing groundwater sources indicates a high potential for contamination of groundwater from human activities. One well at Sulligent, Alabama, in the northern part of Lamar County, has already been abandoned as a result of groundwater contamination.

Any new water supply for Lamar County must: (1) Provide sufficient water to serve an expected increased growth, (2) be of good water quality and, (3) be from reliable water sources. It must be sufficient to provide water during peak demands and drought cycles, and it must be free of contamination. At the present time, groundwater, including the County public water system (which depends 100 percent on groundwater) and private wells, provides 93 percent of Lamar County's drinking water. Currently, there is a potential for groundwater contamination from natural sources and from human activities such as waste disposal, use of pesticides, underground storage tanks, and spills. The Tuscaloosa aquifer, on which the County depends almost exclusively for its water needs, is overlaid by permeable soils that allow infiltration and make the aquifer vulnerable to potential contamination. The water from the primary groundwater well is also high in iron. For these reasons, an alternative surface water supply is being considered.

TVA and Lamar County will evaluate alternatives to meet the water supply needs of the area. These analyses of water supply needs will include domestic, industrial, agricultural uses, and water quality. For planning purposes, projected benefits and costs will be evaluated for a 30 to 50 year period, depending on the alternative under consideration. Conservation effects on water use will also be considered.

The first step in the preparation of the EIS will be the determination of the scope of the EIS. It is anticipated that the scope will include possible construction of a surface impoundment on a tributary of Yellow Creek, installation of one or more water pipelines from existing reservoirs, in

⁸The Commission reserves the right to amend the data request during the ensuing temporary approval period for any of the Clearing Corporations in order to obtain the most useful and accurate information available.

⁹ 17 CFR 200.30-3(a)(12) (1994).