

22, 50-423/95-22 (95-22), dated July 21, 1995.

The NRC inspector reviewed the results of the monthly page and siren tests, which were done in accordance with Procedure C-OP-605, and the separate test conducted in the Millstone Unit 1 maintenance shop area. The review of the last two monthly tests showed that the site alarm was audible over ambient noise in all the tested areas. The review of the separate Millstone Unit 1 maintenance shop test showed that either switch, when in the off position, would not disable the system and that with one of the speakers turned off, the other speaker had sufficient capacity to support event notification.

Emergency Preparedness Department guidance (EPAP 1.15) required that emergency preparedness equipment be maintained. The purpose of the guidance, as it related to the speakers, was to warn or advise onsite individuals. Since the single speaker could still be heard, the Petitioner's department manager stated in a meeting with the NRC inspectors that he believed the Emergency Preparedness Department guidance was still being met. Therefore, the Petitioner has not supported his assertion that the department manager and, indirectly, his first-line supervisor and coworker, deliberately violated Millstone procedures or technical specifications, 10 CFR 50.47(b), or 10 CFR Part 50, Appendix E, or failed to meet the guidance in NUREG-0654.

The inspector reviewed NNECO's corrective actions and confirmed that a work order had been processed to disconnect and remove the cutoff switches and that this work was completed. The inspector reviewed several Millstone site daily news articles ("To the Point") that reinforced the message of not adjusting speaker volume. The articles clearly stated that management expectations and emergency preparedness guidance were that personnel were not to tamper with emergency preparedness equipment. The inspector also discussed the results of a walkdown of the entire system with a licensee representative. The representative stated that one additional speaker on/off switch had been found in the Unit 3 instrumentation and controls area. This speaker's on/off switch was subsequently removed.

NNECO's investigation had also concluded that the switches were installed in 1973 without the use of a work order. The work control process has been enhanced significantly at Millstone Unit 1 since 1973. Performing modifications to equipment important

to safety, such as the site paging and site alarm siren evacuation system, would now require engineering and operations department review. It would also require consideration of relevant regulatory requirements. During these reviews it would be expected that modifications of this type (i.e., done without such a work order) would be rejected and not implemented. The NRC inspector concluded that NNECO's current work control practices would require an automated work order for this type of modification and that these switches could not have been installed without such a work order under the current work control procedures. Therefore, since a work order for this modification was not required in 1973, no enforcement action is warranted.

The NRC inspector concluded in the Inspection Report that turning off the site paging and site siren evacuation alarm system speaker was in violation of the licensee's emergency preparedness plan (and thus a violation of TS 6.8.1) and not in conformance with the guidance in NUREG-0654. Therefore, this issue, and three others were collectively cited as a Severity Level IV violation.<sup>2</sup> However, the Inspection Report stated that since the operators in the maintenance shop were still able to hear information provided by the other speaker in the maintenance area, this event was of low safety significance and that it appeared NNECO had taken effective corrective action to correct the problem.

The NRC staff has concluded that the enforcement action already taken is sufficient in this case and, therefore, no additional enforcement action is warranted. The NRC staff has also concluded that although the Petitioner's department manager turned off or had the Petitioner's coworkers turn off one of the speakers, the Petitioner has not supported his assertion that his department manager and coworkers deliberately violated NRC regulations or the Millstone Unit 1 operating license and, thereby, violated the provisions of 10 CFR 50.5.

### III. Conclusion

The institution of proceedings pursuant to 10 CFR 2.206 is appropriate only if substantial health and safety issues have been raised. See *Consolidated Edison Co. of New York*

<sup>2</sup> The three other issues involved violations of Millstone Procedure ACP-QA-4.02B, "Receipt, Control and Identification of QA Material," ACP-QA-4.01A, "System and Component Housekeeping," and DC-1, "Administration of Millstone Procedures and Forms." (NRC Inspection Report 50-245/95-22, 50-336/95-22, 50-423/95-22, dated July 21, 1995)

(Indian Point Units 1, 2, and 3) CLI-75-8, 2 NRC 173, 175 (1975) and *Washington Public Power Supply System* (WPPSS Nuclear Project No. 2), DD-84-7 19 NRC 899, 924 (1984). This is the standard that has been applied to the concerns raised by the Petitioner to determine whether the action requested by the Petitioner, or other enforcement action, is warranted.

On the basis of the above assessment, I have concluded that no substantial health and safety issues have been raised regarding Millstone Nuclear Power Station, Unit 1, that would require initiation of additional enforcement action as requested by the Petitioner.

The NRC has taken appropriate enforcement action for the events referenced in the Petition. The Petitioner's request for additional action is denied. As provided in 10 CFR 2.206(c), a copy of this Decision will be filed with the Secretary of the Commission for the Commission's review. This Decision will constitute the final action of the Commission 25 days after issuance unless the Commission, on its own motion, institutes review of the Decision in that time.

Dated at Rockville, Maryland, this 19th day of December 1995.

For the Nuclear Regulatory Commission.

William T. Russell,

*Director, Office of Nuclear Reactor Regulation.*

[FR Doc. 96-286 Filed 1-8-96; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-36668 ; File No. SR-BSE-95-16]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange, Inc. Relating to its Specialist Performance Evaluation Program

January 22, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 14, 1995, the Boston Stock Exchange, Inc. ("BSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have

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

<sup>2</sup> 17 CFR 240.19b-4.

been prepared by the self-regulatory organization. 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 BSE seeks a twelve-month extension of its Specialist Performance Evaluation Program ("SPEP").<sup>3</sup>

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

The purpose of the proposed rule change is to incorporate certain objective measures into the Exchange's SPEP. The evaluation program, using the BEACON system,<sup>4</sup> looks at all

<sup>3</sup>The SEC initially approved the BSE's SPEP pilot program in Securities Exchange Act Release No. 22993 (March 10, 1986), 51 FR 8298 (March 14, 1986) (File No. SR-BSE-84-04). The SEC subsequently extended the pilot program in Securities Exchange Act Release Nos. 26162 (October 6, 1988), 53 FR 40301 (October 14, 1988) (File No. SR-BSE-87-06); 27656 (January 30, 1990), 55 FR 4296 (February 7, 1990) (File No. SR-BSE-90-01); 28919 (February 26, 1991), 56 FR 9990 (March 8, 1991) (File No. SR-BSE-91-01); and 30401 (February 24, 1992), 57 FR 7413 (March 2, 1992) (File No. SR-BSE-92-01). The BSE was permitted to incorporate objective measures of specialist performance into its pilot program in Securities Exchange Act Release No. 31890 (February 19, 1993), 58 FR 11647 (February 26, 1993) (File No. SR-BSE-92-04) ("February 1993 Approval Order"), at which point the initial pilot program ceased to exist as a separate program. The current pilot program was subsequently extended in Securities Exchange Act Release Nos. 33341 (December 15, 1993), 58 FR 67875 (December 22, 1993) ("December 1993 Approval Order"); and 35187 (December 30, 1994), 60 FR 2406 (January 9, 1995). SEC approval of the current pilot program expires on December 31, 1995.

<sup>4</sup>BEACON is the BSE's automated order-routing and execution system. BEACON provides a guarantee of execution for market and marketable limit orders up to and including 1,299 shares. In addition, BEACON can be used to transmit orders not subject to automatic execution. See BSE Rules, Ch. XXXIII, ¶¶ 2654-55.

incoming orders routed to a specialist for execution. A record of all action on these orders is accumulated in a separate file from which four calculations are run.

Selection criteria for eligible orders include regulator buy and sell market and marketable limit orders only. Orders marked buy minus or sell plus are excluded, as are crosses and all orders with qualifiers (e.g., market-on-close, stop, stop limit, all or none, etc.). The order entry date must equal the order execution date.

For each of the measures, including the Specialist Performance Evaluation Questionnaire, a 10 point scale will be applied to a range of scores. Based on the raw score for each measure, the respective specialist will receive an associated score between one and 10 points, which will be weighted as indicated for each measure.

The first measure is turnaround Time, which calculates the average number of seconds for all eligible orders based on the number of seconds between the receipt of a guaranteed market or marketable limit order in BEACON (i.e., for 1299 shares or less) and the execution, partial execution, stopping or cancellation of the order. An order that is moved from the auto-ex screen to the manual screen will accumulate time until executed, partially executed, stopped or cancelled. This calculation will not be in effect until the individual stock has opened on the primary market. Certain situations, such as trading halts and periods where the BEACON system is off auto-ex floorwide, will result in blocks of time being excluded from the calculation. A specialist who averaged a raw score of 25 seconds will receive seven points as it falls in the 21 to 25 second range. This calculation will comprise 15% of the overall evaluation program.

##### TURNAROUND TIME

Time in seconds	Points
1-10 .....	10
11-15 .....	9
16-20 .....	8
21-25 .....	7
26-30 .....	6
31-35 .....	5
36-40 .....	4
41-45 .....	3
46-50 .....	2
51 and up .....	1

The second measure is Holding Orders Without Action, which measures the number of market and marketable

limit orders (all sizes included)<sup>5</sup> that are held without action for greater than 25 seconds. As in the Turnaround Time calculation, a stop, cancellation, execution or partial execution stops the clock. The same exclusions which apply in the Turnaround Time calculation also apply here.<sup>6</sup> Thus, if a specialist receives a total of 100 market and marketable limit orders and holds 10 of them for more than 25 seconds, his or her raw score of 10% would receive nine points as it falls in the six to 10 percent range. This calculation will comprise 15% of the overall evaluation program.

##### HOLDING ORDERS WITHOUT ACTION

Percentage of orders	Points
0-5 .....	10
6-10 .....	9
11-15 .....	8
16-20 .....	7
21-25 .....	6
26-30 .....	5
31-35 .....	4
36-40 .....	3
41-45 .....	2
46 and up .....	1

The third measure is Trading Between the Quote, which measures the number of market and marketable limit orders that are executed between the best consolidated bid and offer where the spread is greater than 1/8th. Thus, if a specialist receives 10 market and marketable limit orders where the spread between the best consolidated bid and offer is greater than 1/8th, and such specialist executes five of the orders between the bid and offer, his or her raw score would be 50% and would receive nine points as it falls in the 46 to 50 percent range. This calculation will comprise 25% of the overall evaluation program.

##### TRADING BETWEEN THE QUOTE

Percentage of orders	Points
51 and up .....	10
46-50 .....	9
41-45 .....	8
36-40 .....	7
31-35 .....	6
26-30 .....	5
21-25 .....	4

<sup>5</sup>Unlike Turnaround Time, Holding Orders Without Action is not limited to those orders guaranteed automatic execution through BEACON.

<sup>6</sup>The Holding Orders Without Action calculation will not be in effect until the individual stock has opened on the primary market. In addition, certain situations, such as trading halts and periods where the BEACON system is off auto-ex floorwide, will result in blocks of time being excluded from the Holding Orders Without Action calculation. See December 1993 Approval Order.

TRADING BETWEEN THE QUOTE—  
Continued

Percentage of orders	Points
16-20 .....	3
11-15 .....	2
0-10 .....	1

The fourth measure is Executions in Size Greater than BBO, which measures the number of market and marketable limit orders which exceed the BBO size and are executed in size larger than the BBO size. Thus, if a specialist receives a total of 10 market and marketable limit orders which exceed the BBO size and executes nine of the orders in size larger than the BBO size, his or her raw score would be 90% and would receive eight points as it falls in the 86 to 90 percent range. This calculation will comprise 25% of the overall evaluation program.

EXECUTIONS IN SIZE GREATER THAN  
BBO

Percentage of orders	Points
96-100 .....	10
91-95 .....	9
86-90 .....	8
81-85 .....	7
76-80 .....	6
71-75 .....	5
66-70 .....	4
61-65 .....	3
56-60 .....	2
55 and below .....	1

In addition, several changes have been made to the Specialist Performance Evaluation Questionnaire in view of the adoption of the objective measures which have made some questions obsolete. The minimum acceptable raw score for each question remains at 4.5. Thus, if a specialist receives a raw score of 4.5 for each question for a weighted raw score (based on the weights for each question within the questionnaire) of 50.0052, he or she would receive four points as it falls in the 50 to 54 weighted score range. The questionnaire will comprise 20% of the overall evaluation program.

QUESTIONNAIRE

Weighted raw score	Points
83 and above .....	10
77-82 .....	9
72-76 .....	8
66-71 .....	7
61-65 .....	6
55-60 .....	5
50-54 .....	4
44-49 .....	3
38-43 .....	2
37 and below .....	1

Using the examples from each measure above, the following weighted point totals would result in an overall program score of 7.45:

Measure	Points	Weighted points
Turnaround Time (15%) ...	7	1.05
Holding Orders Without Action (15%) .....	9	1.35
Trading Between the Quote (25%) .....	9	2.25
Executions in Size > BBO (25%) .....	8	2.00
Questionnaire (20%) .....	4	0.80
		7.45

The rule has been amended to reflect that any specialist who is deficient<sup>7</sup> in any one of the objective measures for two out of three consecutive review periods will be required to appear before the Performance Improvement Action Committee ("PIAC") to discuss ways of improving performance. If performance does not improve in the subsequent period, the specialist will appear before the Market Performance Committee ("MPC") for appropriate action, as described below.<sup>8</sup>

Any specialist who falls below the threshold level for the overall evaluation program for two out of three consecutive review periods will be required to appear before the MPC, which will take action to address the deficient performance as provided for in the Supplemental Material to the SPEP.<sup>9</sup> A specialist who is ranked in the bottom 10% of the overall evaluation program but who is above the threshold level for the overall program will be subject to staff review to determine if there is sufficient reason to warrant informing the PIAC of potential performance problems.

The following threshold scores have been set at which a specialist will be deemed to have adequately performed:<sup>10</sup>

<sup>7</sup> A specialist is deficient in any measure if he or she scores below the minimum adequate performance thresholds set forth below. See *infra* text accompanying note 10.

<sup>8</sup> The SEC notes that, in the event a specialist's performance does not improve, the Supplemental Material to the SPEP authorizes the MPC to take the following actions: suspending the specialist's trading account privilege, suspending his or her alternate specialist account privilege, or reallocating his or her specialty stocks. See BSE Rules, Ch. XV, ¶ 2156.10-2156.60.

<sup>9</sup> See *supra* note 8.

<sup>10</sup> A specialist who receives a score that is below a minimum adequate performance threshold will be

Overall Evaluation Score—at or above weighted score of 5.80  
Turnaround Time—below 21.0 seconds (8 points)  
Holding Orders Without Action—below 21.0% (7 points)  
Trading Between the Quote—at or above 26.0% (5 points)  
Executions in Size > BBO—at or above 76.0% (6 points)  
Questionnaire—at or above weighted score of 50.0 (4 points)

Due to the subjectiveness of the questionnaire, a specialist who is deficient on the questionnaire alone will be subject to review by Exchange staff to determine if there is sufficient reason to warrant informing the PIAC of potential performance problems. However, a deficient score on the questionnaire may result in a performance improvement action when it lowers the overall program score below 5.80.

The Exchange requests an extension of the current pilot program for a twelve-month period to begin on January 1, 1995. This twelve-month period will enable the Exchange to further evaluate the appropriateness of the measures and their respective weights, as well as the effectiveness of the overall evaluation program.

2. Statutory Basis

Section 6(b)(5) of the Act<sup>11</sup> is the basis of the proposed rule change in that the SPEP results weigh heavily in stock allocation decisions and, as a result, specialists are encouraged to improve their market quality and administrative duties, thereby promoting just and equitable principles of trade and aiding in the perfection of a free and open market and a national market system.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any 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 were either solicited or received.

III. 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

deemed to be deficient in that measure. See *supra* note 7.

<sup>11</sup> 15 U.S.C. 78f(b)(5).

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 at 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 the Exchange. All submissions should refer to File No. SR-BSE-95-16 and should be submitted by January 30, 1996.

#### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission believes that specialists play a crucial role in providing stability, liquidity, and continuity to the trading of stocks. Among the obligations imposed upon specialists by the Exchange, and by the Act and the rules promulgated thereunder, is the maintenance of fair and orderly markets in their designated securities.<sup>12</sup> To ensure that specialists fulfill these obligations, it is important that the Exchange conduct effective oversight of their performance. The BSE's SPEP is critical to this oversight.

In its order approving the incorporation of objective measures of performance,<sup>13</sup> the Commission asked the Exchange to monitor the effectiveness of the amended SPEP. Specifically, the Commission requested information about the number of specialists who fell below acceptable levels of performance for each objective measure, the questionnaire and the overall program; and about the specific measures in which each such specialist was deficient. The Commission also requested information about the number of specialists who, as a result of each condition for review, were referred to the PIAC and/or the MPC; and about the type of action taken with respect to each such deficient specialist.

<sup>12</sup> Rule 11b-1, 17 CFR 240.11b-1; BSE Rules Ch. XV, ¶ 2155.01.

<sup>13</sup> For a description of the Commission's rationale for approving the incorporation of objective measures of performance into the BSE's SPEP on a pilot basis, see February 1993 Approval Order, *supra* note 3. The discussion in the aforementioned order is incorporated by reference into this order.

In September 1993, October 1994, and December 1995, the BSE submitted to the Commission monitoring reports regarding its amended SPEP. The reports describe the BSE's experience with the pilot program during 1993, 1994, and the first two review periods of 1995. In terms of the overall scope of the SPEP, the Commission continues to believe that objective measures, together with a floor broker questionnaire, should generate sufficiently detailed information to enable the Exchange to make accurate assessments of specialist performance. In this regard, the objective criteria have been useful in identifying how well specialists carry out certain aspects (*i.e.*, timeliness of execution, price improvement and market depth) of their responsibilities as specialists.

The Commission also has reviewed the BSE's experience with its minimum adequate performance thresholds. Although it appears that these standards have been helpful in identifying some specialists with potential performance problems, as well as providing an incentive for improved market making performance, the Commission notes that the acceptable levels of performance have not been revised since the inception of the pilot and, as discussed below, should be reviewed.

Finally, the Commission continues to believe that, taking the SPEP as a whole, most potential performance problems should be brought to the attention of the appropriate committee. In terms of the BSE's response to the deficiencies it identified, the BSE should examine its SPEP to ensure that adequate corrective actions are taken with respect to each deficient specialist.

In conclusion, although the Commission believes the BSE should evaluate means to strengthen its performance oversight program, the pilot has been a positive first step towards developing a more effective SPEP. Accordingly, the Commission believes that it is appropriate to extend the current pilot program for an additional twelve-month period, expiring December 31, 1996. This twelve-month period will allow the Exchange to respond to the Commission's concerns about the SPEP, as set forth below. First, the Commission expects the BSE to evaluate the incorporation of additional objective criteria, so that the Exchange can conduct a thorough analysis of specialist performance.<sup>14</sup> At the same

<sup>14</sup> For example, the BSE could develop additional measures of market depth, such as how often the specialist's quote exceeds 500 shares or how often the BSE quote, in size, is larger than the BBO

time, the BSE should assess whether each measure, as well as the questionnaire, is assigned an appropriate weight.<sup>15</sup> Moreover, the Commission expects the Exchange to conduct an on-going examination of its minimum adequate performance thresholds, in order to ensure that they continue to be set at appropriate levels. The Commission also continues to believe that relative performance rankings that subject the bottom 10% of all specialist units to review by an Exchange committee are an important part of an effective evaluation program. Finally, the BSE should closely monitor the conditions for review and should take steps to ensure that all specialists whose performance is deficient and/or diverges widely from the best units will be subject to meaningful review. In the Commission's opinion, a meaningful review process would ensure that adequate corrective actions are taken with respect to each deficient specialist. The Commission would have difficulty granting permanent approval to a SPEP that did not include a satisfactory response to the concerns described above.

The Commission therefore requests that the BSE submit a report to the Commission, by September 16, 1996, describing its experience with the pilot. At a minimum, this report should contain data, for the last review period of 1995 and the first two review periods of 1996, on (1) the number of specialists who fell below acceptable levels of performance for each objective measure,<sup>16</sup> the questionnaire and the overall program, and the specific measures in which each such specialist was deficient; (2) the number of specialists who, as a result of the objective measures, appeared before the PIAC for informal counseling; (3) the number of such specialists then referred to the MPC and the type of action taken; (4) the number of specialists who, as a result of the overall program, appeared before the MPC and the type of action taken; (5) the number of specialists who, as a result of the questionnaire or falling in the bottom 10% were referred by the

(excluding quotes for 100 shares). Another possible objective criteria could measure quote performance (*i.e.*, how often the BSE specialist's quote, in price, is alone at or tied with the BBO).

<sup>15</sup> In this regard, because of the substantial overlap between Turnaround Time and Holding Orders Without Action, the SEC recommends that the BSE consider either having only one measure in this category (*i.e.*, timeliness of execution) or reducing the weights of the existing measures, which together account for 30% of the current SPEP.

<sup>16</sup> For each objective measure, the SEC also requests that the BSE provide the mean and median scores.

Exchange staff to the PIAC and the type of action taken (this should include the number of specialists then referred to the MPC and the type of action taken by that Committee); and (6) a list of stocks reallocated due to substandard performance and the particular unit involved. The report also should discuss the specific action taken by the BSE to develop additional objective measures, revise the minimum adequate performance thresholds and the assigned weights for each measure, and address the other concerns noted above. Any requests to modify this pilot, to extend its effectiveness or to seek permanent approval for the SPEP should be submitted to the Commission by September 16, 1996, as a proposed rule change pursuant to Section 19(b) of the Act.

For the reasons discussed above, the Commission finds that the BSE's proposal to extend its SPEP pilot program for an additional twelve-month period is consistent with the requirements of Sections 6 and 11 of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission finds that the proposed rule change is consistent with the Section 6(b)(5)<sup>17</sup> requirement that the rules of the Exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

Further, the Commission finds that the proposal is consistent with Section 11(b) of the Act<sup>18</sup> and Rule 11b-1 thereunder<sup>19</sup> which allow securities exchanges to promulgate rules relating to specialists in order to maintain fair and orderly markets and to remove impediments to and perfect the mechanism of a national market system.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the Federal Register. This will permit the pilot program to continue on an uninterrupted basis and allow the BSE time to consider improvements to its program. In addition, the rule change that implemented the pilot program was published in the Federal Register for the full comment period, and no comments were received.<sup>20</sup> Accordingly, the Commission believes

that it is consistent with the Act to accelerate approval of the proposed rule change.

*It is therefore ordered*, pursuant to Section 19(b)(2)<sup>21</sup> that the proposed rule change is hereby approved on a pilot basis until December 31, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>22</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-236 Filed 1-8-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36671; File No. SR-SCCP-95-06]

**Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing of a Proposed Rule Change to Convert the Settlement System for Securities Transactions to a Same-Day Funds Settlement System**

January 3, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 3, 1995, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-SCCP-95-06) as described in Items I, II, and III below, which items have been prepared primarily by SCCP. On December 19, 1995, SCCP filed an amendment to the proposed rule change.<sup>2</sup> 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**

SCCP proposes to amend Rules 4, 10 and 27 and adopt Rule 4(A) and certain SCCP Procedures.<sup>3</sup> The proposed rule change reflects a planned industry conversion to an expanded same-day funds settlement ("SDFS") environment.

<sup>21</sup> 15 U.S.C. 78s(b)(2).

<sup>22</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> Letter from Keith Kessel, Compliance Officer, SCCP and Philadep to Peter R. Geraghty, Esq., Division of Market Regulation, Commission (December 14, 1995).

<sup>3</sup> The text of these proposals is attached as Exhibit B to File No. SR-SCCP-95-06. The file is available for review in the Commission's Public Reference Room and at the principal office of SCCP.

**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 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.

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

**1. Introduction**

The proposed rule change sets forth the rules and procedures governing SCCP's SDFS system service. SCCP intends to support the Philadelphia Depository Trust Company ("Philadep") to provide participants full SDFS depository and clearing services for all eligible securities. SCCP has made a substantial commitment to designing and building the data processing and computer network that will be the foundation for SCCP's SDFS system. Throughout this major industry conversion, SCCP has worked closely with Philadep, other registered clearing agencies, the Commission and the Board of Governors of the Federal Reserve System ("Federal Reserve").

In assessing the impact of an expanded SDFS environment, the operational requirements, risk, liquidity needs, among other matters, were evaluated on a joint SCCP/Philadep basis. Operationally, both wholly-owned subsidiaries of the Philadelphia Stock Exchange, Inc. ("PHLX") are integrally-related. Both registered clearing agencies have a substantial overlap of participants as well as strategic business objectives.

Many links or tie-ins between SCCP and Philadep exist by bylaw, rule and agreement. For example, pursuant to a long-standing joint agency agreement between SCCP and Philadep, SCCP, on behalf of Philadep, effects, among other things, daily money settlements on behalf of Philadep participants for securities received into and delivered out of their accounts; processing of CNS movements from one participant to another; processing of all SCCP/Philadep dividend and reorganization settlements; and the preparation, rendering and collection of bills to Philadep participants for depository services.

<sup>17</sup> 15 U.S.C. 78f(b)(5).

<sup>18</sup> 15 U.S.C. 78k(b).

<sup>19</sup> 17 CFR 240.11b-1.

<sup>20</sup> See February 1993 Approval Order, *supra* note 3.