

[Release No. 34-36629A; International Series Release No. 909A; File No. SR-NYSE-95-29]

Correction; Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendments No. 1 and 2 Relating to the Specifications and Content Outline for the Canadian Module of the General Securities Registered Representative Examination (Series 37 and Series 38)

December 21, 1995.

In FR Document 95-31508 beginning on page 67385 for Friday, December 29, 1995, make the following correction:

In the third column, under *Description of the Proposal*, in line nineteen, "Series 37" should read "Series 38" and in line twenty-five, "Series 38" should read "Series 37".

Dated: January 4, 1996.

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36677; File No. SR-PTC-95-08]

Self-Regulatory Organizations; Participants Trust Company; Order Granting Accelerated, Permanent Approval of Proposed Rule Change Modifying the Opening of Processing Activity for Security Transactions

January 3, 1996.

On December 19, 1995, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-PTC-95-08) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ The proposed rule change modifies the opening of processing activity for security transactions on a permanent basis. The Commission published notice of the proposed rule change in the Federal Register on January 3, 1996.² No comment letters were received. For the reasons discussed below, the Commission is granting accelerated, permanent approval of the proposed rule change.

I. Description

The proposed rule change modifies and makes permanent a ninety day pilot

program that commenced on October 23, 1995, that established the opening of security processing activity at 8:30 a.m. instead of the previous time of 7:00 a.m.³ The current end-of-day cut-off times will remain unchanged.

Consistent with the pilot program, PTC's processing system will retain the 7:00 a.m. opening time for purposes of participant log-ons and intraparticipant movements of securities into or out of segregated accounts. In addition, the pilot program will be modified to permit the return of securities collateral to participant positions using PTC's Collateral Loan Facility ("CLF") mechanism beginning at 7:00 a.m.

The proposed rule change conforms the opening of processing activity at PTC to the 8:30 a.m. opening time of the Federal Reserve System's fedwire. This will eliminate the hour and a half window during which time transactions failing PTC's credit checks cannot be processed because participants are unable to move funds to PTC ("prefunding") until the 8:30 fedwire opening. PTC expects that the incidence of transactions that will require prefunding in order to pass credit checks during the 7:00 a.m. to 8:30 a.m. period will increase after the implementation of PTC/SPEED processing Release 5.6. Under SPEED Release 5.6, the abeyance account will be eliminated, and transactions will be immediately posted to the deliverer's and receiver's account (*i.e.*, securities no longer will be posted to a participant's abeyance account while awaiting match by the receiving participant).⁴ Based on its experience during the pilot program, PTC anticipates that the later opening of processing activity will have no impact on the settlement process. PTC will continue to monitor any effects of the change.

The pilot program and the proposed permanent opening of security processing activity at 8:30 a.m. was discussed on December 7, 1995, at a meeting of the PTC Operations Committee, which consists of participant representatives. It was the consensus of the Operations Committee members that the 8:30 a.m. opening time for processing should be made permanent, and along with retaining the 7:00 a.m. opening time for

intraparticipant activities under the pilot program, participants also should be able to begin returning collateral using the CLF mechanism at 7:00 a.m.

II. Discussion

Section 17A(b)(3)(F) requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁵ As discussed below, the Commission believes that PTC's proposal to modify permanently the opening time of processing activity for security transactions is consistent with PTC's obligation under the Act.

The implementation of SPEED Release 5.6 into PTC's processing system will cause simultaneous debiting and crediting of participants' cash and securities accounts. This will require that the cash balance of a receiving participant's account in an account transfer versus payment transaction be debited even though the delivery may not have been approved by the receiving participant. Match functionality no longer will operate to defer the debiting of the cash balance of the receiving participant until the delivery is approved. Because unmatched deliveries of transfers versus payment no longer will generate a credit to the cash balance of the delivering participant without the corresponding debit to the receiving participant, it is anticipated that the implementation of SPEED Release 5.6 may result in increased incidences of failed deliveries due to the receiving participant exceeding its net debit monitoring level and thereby requiring prefunding. The change in the opening time of processing activity at PTC to coincide with the opening of Fedwire should reduce the number of transactions failing credit checks because participants will be able to move funds through the fedwire to PTC at the opening of PTC's processing.

PTC 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 change. PTC has operated the proposed permanent changes as a pilot program since October 23, 1995. The Commission believes that PTC has satisfactorily monitored the effects of the modifications to the opening of security processing activity during the pilot program and anticipates that conforming the opening of processing activity at PTC to the opening time of

³ Securities Exchange Act Release No. 36405 (October 20, 1995), 60 FR 55629 [File No. SR-PTC-95-07] (notice of filing and order granting accelerated approval of proposed rule change establishing a ninety day pilot program through January 21, 1996).

⁴ For further information on SPEED Release 5.6 and changes to PTC's processing system, refer to Securities Exchange Act Release No. 36377 (October 16, 1995), 60 FR 54741 [File No. SR-PTC-95-06] (notice of filing of proposed rule change).

⁵ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Securities Exchange Act Release No. 36624 (December 21, 1995), 61 FR 208.

the Federal Reserve System's fedwire should have no detrimental impact on the settlement process. In addition, the modifications to the opening of processing activity for security transactions were discussed and agreed to by the Operations Committee, which consists of participant representatives. Participants also have had the opportunity to comment on the proposal during the pilot program and no written comments were received by PTC or the Commission. Finally, the Commission believes that participants should have the opportunity to become familiar with the modification to the pilot program which permits the return of securities collateral to participant positions using PTC's CLF mechanism beginning at 7:00 a.m. (i.e., the prepilot program opening time for return of securities collateral) before the implementation of SPEED Release 5.6 on January 8, 1996. The staff of the Board of Governors of the Federal Reserve System has concurred with the Commission's decision to grant accelerated approval.⁶

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the Act, in particular with Section 17A of the Act, and with the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (File No. SR-PTC-95-08) be and hereby is approved on an accelerated, permanent basis.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-363 Filed 1-9-96; 8:45 am]

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[Release No. 34-36681; File No. SR-Philadep-95-08]

Self-Regulatory Organizations; Philadelphia Depository Trust Company; Notice of Filing of a Proposed Rule Change Converting the Settlement System for Securities Transactions to a Same-Day Funds Settlement System

January 4, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

⁶ Telephone conversation between John R. Rudolph, Board of Governors of the Federal Reserve System, and Ari Burstein, Division of Market Regulation, Commission (December 27, 1995).

⁷ 15 U.S.C. § 78s(b)(2) (1988).

⁸ 17 CFR 200.30-3(a)(12).

("Act"),¹ notice is hereby given that on November 3, 1995, the Philadelphia Depository Trust Company ("Philadep") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-Philadep-95-08) as described in Items I, II, and III below, which items have been prepared primarily by Philadep. On December 19, 1995, Philadep filed an amendment to the proposed rule change.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 Philadelphia Depository Trust Company ("Philadep") proposes to amend Rules 1, 4, and 9 and adopt Rule 4(A) and certain Philadep Procedures.³ The proposed rule change reflects a planned industry conversion to an expanded same-day funds settlement ("SDFS") environment.

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

In its filing with the Commission, Philadep 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. Philadep 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 Philadep's SDFS system service. Philadep intends to provide SDFS depository services for all eligible securities. Philadep has made a substantial commitment to designing and building the data processing and computer network that will be the

¹ 15 U.S.C. § 78s(b)(1) (1988).

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

³ The text of these proposals is attached as Exhibit B to File No. SR-Philadep-95-08. The file is available for review in the Commission's Public Reference Room and at the principal office of Philadep.

foundation for Philadep's SDFS system. Throughout this major industry conversion, Philadep has worked closely with the Stock Clearing Corporation of Philadep ("SCCP"), other registered clearing agencies, the Commission and the Board of Governors of the Federal Reserve System ("Federal Reserve").

In accordance with the SDFS service, Philadep will accept deposits of securities certificates for safekeeping and will provide the full range of SDFS depository services which include, but are not limited to, deposits, book-entry delivery and receive orders, withdrawals, pledges, trade confirmations, affirmations, transfers and dividend/interest payments. New Philadep Rules and Procedures have been created for, among other things, pledging, failure to settle, transaction processing, risk management and money settlement in an expanded SDFS environment. Philadep has made substantial revisions to its current SDFS Procedures Manual and has included some of the salient procedural sections as exhibits to this rule change.⁴

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 as well as strategic business objectives.

Many links or tie-ins between SCCP and Philadep exist by by-law, 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.

In addition to these services, Philadep, on behalf of SCCP, facilitates book-entry movements through a joint SCCP and Philadep allocation system in order to assure continuous net settlements for the accounts of SCCP participants. Philadep also has

⁴ The text of the proposed procedures are attached as Exhibits B (3)-(6) to File No. SR-Philadep-95-08. The file is available for review in the Commission's Public Reference Room and at the principal office of Philadep.