

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁸ that the proposed rule change SR-NYSE-96-31 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. 34-37886; File No. SR-PSE-96-26]

Self-Regulatory Organizations; Pacific Stock Exchange Incorporated; Order Approving Proposed Rule Change Relating to Its Minor Rule Plan

October 29, 1996.

I. Introduction

On August 7, 1996, the Pacific Stock Exchange Incorporated ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder, a proposed rule change to amend the PSE's Minor Rule Plan.

The proposed rule change was published for comment in the Federal Register on August 21, 1996.³ No comments were received on the proposal.

II. Description of Proposal

As discussed in the Notice, the proposal would amend the PSE's disciplinary rules to provide Exchange staff with the authority to make findings of rule violations and to impose fines pursuant to the Exchange's Minor Rule Plan ("MRP").

III. Discussion

The Commission finds that the proposed rule change is consistent with Section 6(b) of the Act, in general, and Section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade. The proposal also is consistent with Section 6(b)(7) in that it is designed to provide a fair procedure for the disciplining of members and persons associated with members.

IV. Conclusion

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

proposed rule change (SR-PSE-96-26) is approved.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37882; File No. SR-PHILADEP-96-10]

Self-Regulatory Organizations; Philadelphia Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Regarding Use of the Institutional Delivery System for Prime Brokers Transactions

October 28, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 28, 1996 the Philadelphia Depository Trust Company ("Philadep") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PHILADEP-96-10) as described in Items I and II below, which Items have been prepared primarily by Philadep. On September 16, 1996, Philadep filed an amendment to the proposed rule change.² The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

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

Philadep proposes to allow its participants to utilize its links with the Depository Trust Company's ("DTC") Institutional Delivery ("ID") system for the confirmation and affirmation of securities transactions that are to be settled by prime brokers.³

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

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from J. Keith Kessel, Compliance Officer, Philadep, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (September 13, 1996).

³ For a complete description of DTC's ID system, refer to Securities Exchange Act Release No. 34779 (October 3, 1994), 59 FR 51465 [File No. SR-DTC-94-13] (notice of filing and order granting accelerated approval on a temporary basis of the ID system).

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. Philadep 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

Philadep proposes to allow its participants to utilize the ID system for the confirmation and affirmation of trades that are to be settled by prime brokers.⁵ Under the proposed rule, Philadep participants may elect to use a prime broker option on the ID system to accommodate requests from their customers to send certain orders to another broker for execution. Although these orders will be executed by another broker, all such orders subsequently will settle at the prime broker.

Prime broker arrangements typically are designed by full service firms to facilitate the clearance and settlement of securities trades for retail and institutional investors that are active market participants. The prime broker arrangement involves the prime broker, the executing broker, and the institutional customer. The prime broker must be a registered broker-dealer that clears and finances customer trades executed by one or more other broker-dealers ("executing brokers") on behalf of the customer. Customers place orders with an executing broker. The executing broker maintains an account in the name of the prime broker for the benefit of the customer to accommodate such customer orders. The customer maintains its funds and securities in an account with the prime broker.

When a customer places a trade order, the executing broker buys or sells securities. On the same day (*i.e.*, trade date), the customer will notify the prime broker of the trade made by the executing broker. The prime broker records the customer's order in its books and records and issues a confirmation to the customer. The executing broker will utilize the ID system to confirm the transaction with the prime broker. The prime broker will affirm the trade through the ID system if the trade information submitted by the customer matches the information received from

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

⁵ Prime brokers are ID participating broker-dealers that settle, clear, and finance trades and provide custodial facilities for institutional customers.

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).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 37592 (August 21, 1996), 61 FR 45468.