order approves the proposed rule change, as amended.

II. Description

The rule change adopts new Rule 4.21 to provide that each member organization whose principal business is as a floor broker on the Exchange and who is not self-clearing must establish and maintain an account with a clearing member of the Exchange, for the sole purpose of carrying positions resulting from bona fide errors made in the course of its floor brokerage business. The new rule further provides that with respect to options floor brokers only, such an account for options transactions must be maintained with an entity that is also a member of the Options Clearing Corporation.

The purpose of the proposed rule change is to strengthen the Exchange's ability to detect and deter rule violations that may occur in connection with floor brokers' trading errors. The proposed rule change would assist routine examinations of the floor brokers' trading by the PSE's Department of Member Examinations. The Exchange notes that the proposed rule change is consistent with Rule 703(c)(vi) of the Philadelphia Stock Exchange, Inc. (''PHLX''). The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5)[4] in particular in that it is designed to promote just and equitable principles of trade and to protect investors and public interest.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).[5] More specifically, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public, because the proposed rule change facilitates the enhanced surveillance of floor brokers' error trades.

The Commission believes that the proposed rule change may enhance the Exchange's ability to detect and prevent rule violations committed by floor brokers that may arise in connection with trading errors, by facilitating routine surveillance examinations of floor brokers with regard to error trades. This enhanced surveillance capability results from the Exchange's ability to more easily review trades designated by floor brokers as errors by reviewing the required error account for each floor broker. The Commission notes that the proposed rule change will conform the treatment of error trades by non-self-clearing floor brokers with that conducted by self-clearing floor brokers, whose practice is to have one or more trading accounts in which to segregate errors.[6]

The Commission also notes that the proposed rule change is similar to rule 703(c)(vi) of the PHLX, previously approved by the Commission, which requires all non-self-clearing floor brokers to have error accounts. Accordingly, the Commission believes that the proposed rule change does not raise any new significant regulatory issues.

The Commission finds good cause for approving Amendment No. 1 on an accelerated basis prior to the thirtieth day after the date of publication of notice thereof in the Federal Register. Specifically, the Commission believes that accelerated approval of Amendment No. 1 is appropriate because the amendment does not change the substance of the proposal. Rather, it simply clarifies and explains certain aspects of the proposed rule change.[7]

Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 1 on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to the proposed rule change. 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 rules change that are filed with the Commission, and all written communications relating to Amendment No. 1 between the Commission and any persons, 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. Copies of such filing will also be available at the principal office of the Exchange. All submissions should refer to File No. SR–PSE–96–36 and should be submitted by [insert date 21 days from date of publication].

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[8] that the proposed rule change (SR–PSE–96–36), as amended, is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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between non-self-clearing floor brokers and self-clearing floor brokers. *See* letter from Michael D. Pierson, PSE, to Heather Seidel, Attorney, Market Regulation, Commission, dated February 4, 1997.

[4] 15 U.S.C. 78f(b)(5).

[5] 15 U.S.C. 78f(b).

[6] *See* Amendment No. 1.

[7] *See* supra note 3.

[8] 15 U.S.C. 78s(b)(2).

[9] 17 CFR 200.30–3(a)(12).

[Release No. 34–38252; File No. SR–PTC–96–07]

Self-Regulatory Organizations; Participants Trust Company; Order Approving a Proposed Rule Change Relating to the Right of Set-Off Upon the Default of a Participant

February 6, 1997.

On December 2, 1996, the Participants Trust Company (''PTC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–PTC–96–07) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] to clarify PTC's right of setoff upon the default of a participant. Notice of the proposal was published in the Federal Register on December 26, 1996.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change clarifies that upon a participant's default in payment of a debit balance PTC will set-off any credit balances in the participant's accounts to reduce the unpaid obligation of the participant. Participants maintain their securities positions at PTC in one or more master accounts, each of which is comprised of one or more accounts of the following types: proprietary accounts for securities that are held by the participant as principal; agency accounts for securities that are held by the participant as agent; pledgee accounts for securities that are held by

[1] 15 U.S.C. 78s(b)(1).

[2] Securities Exchange Act Release No. 38059 (December 19, 1996), 61 FR 68087.

the participant as pledgee or pursuant to financing arrangements; and various seg and hold-in-custody accounts associated with the proprietary and agency accounts for purposes of segregation.

Each proprietary account, agency account, and pledgee account has a cash balance associated with it against which credits and debits are posted, including amounts owing with respect to securities delivered versus payment intraday to the transfer account associated with the account. Each cash balance is either a credit balance or debit balance depending on whether the participant is in a net funds credit position or debit position with respect to the applicable account to which the cash balance relates at the time the determination is made.

PTC restricts the net debit amount each participant may owe PTC by imposing a net debit cap by means of a Net Debit Monitoring Level (''NDML'').[3] A participant's NDML is compared to the total of the net cash balances in its proprietary accounts, agency accounts, and pledgee accounts. PTC will not process a transaction that will result in a net debit balance that exceeds a participant's NDML. If a participant is at its NDML limit, it must take steps to reduce the net debit balance. The ability to apply a defaulting participant's proprietary, agency, and pledgee credit balances against its unpaid settlement obligations is implicit in the NDML structure to assure that the failure of a single participant is covered by PTC's committed line of credit for settlement.

PTC's rules however are silent on the application of pledgee and agency credit balances in the event a participant does not make complete payment of all account obligations at settlement. In addition, PTC's ''default rule'' states that PTC will set-off any credit balance in a proprietary account of a defaulting participant against an unpaid debit balance in another account. This rule does not make reference to PTC's right to set-off against agency and pledgee credit balances of a defaulting participant.

The proposed rule change clarifies that upon a participant's default in payment of a debit balance PTC is authorized to apply any credit balances in the participant's proprietary accounts, pledgee accounts, and agency accounts to reduce any unpaid obligations of the participant. The proposed rule change also will extend PTC's right of set-off in the event of a participant's default to include any agency seg credit balances of the defaulting participant.

II. Discussion

Section 17A(b)(3)(F)[4] of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible. As discussed below, the Commission believes that PTC's rule change is consistent with this obligation under the Act.

One of the principal risks to PTC and its participants is that a participant will not pay its net debit balance and will cause PTC or its participants to incur substantial losses. Default by one or more participants with a large net debit balance relative to PTC's committed lines of credit would strain PTC's ability to meet its settlement obligations on the day of default.

As previously discussed, the proposed rule change clarifies PTC's right to apply any credit balances in the participant's proprietary accounts, pledgee accounts, and agency accounts to reduce the unpaid obligation of the participant upon the participant's default, modifies the NDML calculation to include agency seg credit balances, and authorizes PTC to set-off against agency seg credit balances in the event a participant defaults in the payment of its debit balances.

The Commission believes that clarifying and extending PTC's right of set-off upon the default of a participant reduces the risks to PTC and its participants. PTC's set-off and NDML procedures are designed to safeguard PTC and its participants against the risk of participant default and provide PTC with sufficient liquidity to complete settlement in the event of a participant default. PTC's NDML also assures PTC and its participants that one or more participants will not accumulate an intraday net debit so large as to compromise the integrity of PTC's system. The proposed rule change should not only better enable PTC to fulfill its safeguarding obligations under the Act but should benefit participants by including agency seg credit balances in the NDML calculation which will allow participants to have the benefit of these credits in the calculation of their net obligation to PTC.

III. Conclusion

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

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–PTC–96–07) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[5]

Margaret H. McFarland,

Deputy Secretary.

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[3] The maximum NDML for any participant is the amount of PTC's committed line of credit for settlement, which is currently $2 billion.

[4] 15 U.S.C. 78q–1(b)(3)(F).

[5] 17 CFR 200.30–3(a)(12).

[Release No. 34–38247; File No. SR–Phlx–97–05]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., To Reduce the Value of the Super Cap Index

February 5, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), notice is hereby given that on January 9, 1997, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III below, which Items have 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 Exchange proposes to reduce the value of its Super Cap Index (''Index'') option (''HFX'') to one-half its present value by doubling the divisor used in calculating the Index. The Index is comprised of the top five options-eligible common stocks of U.S. companies traded on the New York Stock Exchange, as measured by capitalization. The other contract specifications for the HFX will remain unchanged.

The text of the proposed rule change is available at the Office of the Secretary, Phlx and at the 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, the Phlx included statements concerning