

and (6) of the Act<sup>10</sup> in that the restructured organization will: (1) Provide for the organization of the Association in a manner that will permit the Association, through its operating subsidiaries, to carry out the purposes of the Act, to comply with the Act, and to enforce compliance by NASD members and persons associated with members with the Act, the rules and regulations thereunder, the rules of the Association and the federal securities laws; (2) provide for the fair representation of members, issuers and investors on the Board of Governors and in the administration of the NASD's affairs; and (3) enhance the NASD's ability to protect investors and the public interest in furtherance of the purposes of the Act.

The NASD has requested that the Commission approve the proposed rule change on or before May 15, 1997, which is prior to the 30th day following publication of notice of the filing of the proposed rule change in the **Federal Register**, in order to permit the uninterrupted authorization of those corporate actions necessary to effectuate the Delegation Plan.

Pursuant to Section 19(b)(2) of the Act,<sup>11</sup> the Commission finds good cause for approving the proposed rule change, as further amended by Amendment No. 5, prior to the 30th day after publication in the **Federal Register**. The proposed rule change will permit the NASD to continue to carry out the functions and organize itself in the manner contemplated by the Delegation Plan, which is intended to enable the NASD to meet its regulatory and business obligations. Because the Commission believes that the proposed rule change facilitates the ability of the NASD to manage its affairs in a manner that enhances its ability to carry out the purposes of the Act and enforce compliance by NASD members and their associated persons with the provisions of the Act, the Commission believes that the rule filing should be approved without delay, for a six-month period.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that SR-NASD-96-20, as further amended by Amendment No. 5, be, and hereby is, approved effective through November 15, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

**Jonathan G. Katz,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38639; File No. SR-NSCC-97-3]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change Regarding Exemption Processing

May 14, 1997.

On March 7, 1997, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-97-3) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on April 9, 1997.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

The rule change modifies NSCC's procedures regarding exemption processing in NSCC's Continuous Net Settlement ("CNS") System.<sup>3</sup> A short position in CNS represents the quantity of securities owed to NSCC by the member. To satisfy short positions for purposes of settlement, securities are delivered from the member's account at The Depository Trust Company ("DTC") to NSCC's account at DTC.

As a part of the NSCC's CNS accounting operation, members may control the delivery of their securities to NSCC through the use of exemptions.<sup>4</sup> Through exemption limitations, a member may elect to deliver to NSCC all, part, or none of any short position. NSCC presently requires members to input exemption instructions on a daily basis and permits but does not require members to input standing instructions.

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

<sup>2</sup> Securities Exchange Act Release No. 38453 (March 28, 1997), 62 FR 17274.

<sup>3</sup> CNS is an on-going accounting system that nets a member's securities obligations on a daily basis to produce a short or long position in each issue and an overall settlement debit or credit.

<sup>4</sup> Exemptions assist members in complying with the segregation provisions of Rule 15c3-3 of the Act and in meeting other delivery needs.

Pursuant to this rule change, members are now required to input standing exemption instructions but need not input exemption instructions daily. If a daily instruction is not submitted, not received, or is received but cannot be processed by NSCC, the member's standing exemption instructions will be used.

#### II. Discussion

Section 17A(b)(3)(F)<sup>5</sup> of the Act requires that the rules of a clearing agency be designed to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission believes that NSCC's rule change is consistent with NSCC's obligations under the Act because it makes the settlement process more efficient. Under the new procedures, NSCC participants will submit standing exemption instructions instead of daily instructions. Participants will then only need to submit exemption instructions when their delivery needs differ from their standing instructions. Thus, the proposal should reduce the number of instructions a participant needs to submit in order to settle transactions. Furthermore, the proposal will allow settlement to take place even if a member is unable to submit its exemption instructions. Thus, the proposal helps to ensure that transactions are settled promptly and accurately.

#### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal 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-NSCC-97-3) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>10</sup> 15 U.S.C. § 78o-3.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 17 CFR 200.30-3(a)(12).