

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has neither solicited nor received written comments on the proposed rule change.

### 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 Commission, 450 Fifth Street NW., Washington, DC 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 in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-97-27 and should be submitted by November 5, 1997.

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

The Commission finds the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>5</sup> Specifically, the Commission believes the Exchange's proposal to extend the effectiveness of the pilot program until November 28, 1997 is consistent with Section 6(b)(5) of the Act<sup>6</sup> because the extension will permit the NYSE to further study the impact of the revised Allocation Policy and Procedures. The Commission notes that the extension is limited in duration. The Commission believes that it is reasonable to extend the pilot program for a short period of time to allow the Exchange further time to determine whether the revised allocation procedures are fair to all market participations, including listing

<sup>5</sup> In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

companies, specialist units and public investors. The Commission expects the NYSE to submit any supplemental information it has on the pilot program, along with any request to modify, extend, or permanently approve the pilot by October 17, 1997.

The Commission finds good cause for approving the proposed rule change prior to the 30th day after publication of the proposed rule change in the **Federal Register**. The Commission notes that accelerated approval will enable the Exchange to continue the Allocation Policy and Procedures pilot program on an uninterrupted basis. The Commission further notes that it has previously solicited comments on the pilot program and no comments were received. Further, the extension of the existing pilot is of limited duration, only until November 28, 1997. For the foregoing reasons, the Commission believes that good cause exists pursuant to Section 19(b)(2) of the Act<sup>7</sup> to approve the proposed rule change on an accelerated basis.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-NYSE-97-27) is hereby approved on an accelerated basis until November 28, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39221; File No. SR-Philadep-97-04]

#### Self-Regulatory Organizations; Philadelphia Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to Ceasing Activity as a Securities Depository

October 8, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on September 25, 1997, Philadelphia Depository Trust Company ("Philadep") 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 primarily by

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12)

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

Philadep. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

Under the proposed rule change, Philadep will cease to engage in securities depository services. Philadep, Stock Clearing Corporation of Philadelphia ("SCCP"), and their parent organization, Philadelphia Stock Exchange, Inc. ("PHLX") entered into an agreement dated as of June 18, 1997 with The Depository Trust Company ("DTC") and the National Securities Clearing Corporation ("NSCC") ("Agreement"). Under the Agreement, DTC and NSCC will assist PHLX in winding down the operation of its full clearing agency services by offering SCCP participants and Philadep participants an opportunity to become members of NSCC or DTC, as the case may be. In consideration for DTC's and NSCC's assistance, PHLX, SCCP, and Philadep have agreed not to engage in the securities clearing and depository business for five years, except as otherwise specified in the Agreement.

The parties to the Agreement tentatively have scheduled the closing date for the Agreement to be November 14, 1997.<sup>2</sup> SCCP and Philadep have informed their participants of the Agreement and are taking measures to ensure the orderly transition of participants to alternative clearing and depository arrangements.

### 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 these statements.<sup>3</sup>

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

PHLX has decided to limit its clearance and settlement business and

<sup>2</sup> The closing date may be adjusted by the mutual consent of the parties to the Agreement.

<sup>3</sup> The Commission has modified the text of the summaries prepared by Philadep.

to close its securities depository business offered through its wholly owned subsidiaries, SCCP and Philadep, respectively, in order to focus its resources on the operations of the exchange itself.<sup>4</sup> The purpose of the proposed arrangement is to enable PHLX, SCCP, and Philadep to achieve this objective while affording participants of these clearing agencies the opportunity to become participants of NSCC or DTC, as the case may be, or to utilize the services of other clearing or depository service providers.

PHLX, SCCP, and Philadep will cooperate with NSCC and DTC to assure an orderly transition with respect to the wind down of Philadep's business. In this regard, PHLX and Philadep will assist DTC and sole Philadep participants in having the participants become DTC participants to the extent that they meet DTC qualifications and desire to become DTC participants. The parties will cooperate to carry out the orderly transfer of securities from the custody of Philadep to the custody of DTC for sole Philadep participants that qualify and authorize such transfers.

Philadep believes that the proposed rule change is consistent with Section 6(b)(5)<sup>5</sup> of the Act because it will enable PHLX to concentrate its efforts on its core business, the exchange itself. This strategic initiative will, in turn, remove impediments and perfect the mechanism of a free and open market and a national market system.

Philadep also believes that the proposal is consistent with Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder because it (i) will remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions and (ii) will reduce the fragmented nature of the securities custody business to more closely integrate the industry which may thereby help in the safeguarding of funds which are in the custody and control of a clearing agency or for which it is responsible. Specifically, the proposed arrangements will help reduce the risk associated with having interfaces, will provide for more efficient and less expensive clearing and depository services, and thereby will facilitate the prompt and accurate clearance and settlement of such transactions.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

Philadep believes that the proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Securities depositories registered under Section 17A of the Act are not conventional businesses but utilities created to serve members of the securities industry for the purpose of providing certain services that are ancillary to the businesses in which industry members compete with one another. Operating a securities depository requires a substantial and continuing investment in infrastructure, including securities vaults, telecommunications links with users, data centers, and disaster recovery facilities, in order to meet the increasing needs of participants and to respond to regulatory requirements. As such, several exchanges, including the Boston Stock Exchange, the Pacific Exchange, and the Chicago Stock Exchange have terminated the operation of their securities depositories.

After consummation of the proposed arrangements, securities industry members will continue to have access to high quality, low cost depository services provided under the mandate of the Act. The overall cost to the industry of having such services available should be reduced thereby permitting a more efficient and productive allocation of industry resources. Furthermore, because most of a depository's interface costs must be mutualized, thereby requiring some participants to subsidize costs incurred by others, Philadep's withdrawal from maintaining depository facilities should reduce costs to participants and thereby should remove impediments to competition. Finally, PHLX's ability to focus its resources on the operations of the Exchange should help enhance competition among securities markets.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments were neither solicited nor received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and

publishes its reasons for so finding or (ii) as to which Philadep consents, the Commission will:

(A) By order approve such proposed rule change or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. 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 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 in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of Philadep. All submissions should refer to File No. SR-Philadep-97-94 and should be submitted by November 5, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39223; File No. SR-SCCP-97-07]

**Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing of Proposed Rule Change Relating to Revision and Limitation of Clearing Services**

October 8, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on September 25, 1997, Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

<sup>4</sup> SCCP has submitted a rule filing [File No. SR-SCCP-97-04] describing the revisions and limitations of its clearing services.

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

<sup>6</sup> 15 U.S.C. 78q-1.