and should be submitted by September 21, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.8
Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations: Participants Trust Company; Order Granting Accelerated Approval of a Proposed Rule Change Regarding PTC's Pricing and Margining Methodology for Newly Issued Collateralized Mortgage Obligation Securities


On June 15, 1998, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR–PTC–98–03) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").1 Notice of the proposal was published in the Federal Register on August 11, 1998.2 For the reasons discussed below, the Commission believes that PTC's proposed rule change is consistent with this obligation.

The Commission believes that the rule change will enable PTC to price and margin new issue CMO securities in a manner which will more accurately reflect their value when pricing vendors are unable to provide prices. The Commission believes that the rule change should allow PTC to more accurately value a participating party's securities for purposes of collateral value in PTC's system while still assuring that PTC has available to it sufficient collateral in the event a participant does not satisfy its debt balance at the end of day settlement. Therefore, the Commission believes that the rule change is consistent with PTC's obligation to safeguard securities and funds.

The Commission finds good cause for approving the proposed rule change to allow PTC to implement the modified margining and pricing methodology for new CMOs in a timely manner in connection with PTC's merger with The Depository Trust Company scheduled to occur during the month of August 1998.

II. Discussion

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

The Commission believes that the rule change will enable PTC to price and margin new issue CMO securities in a manner which will more accurately reflect their value when pricing vendors are unable to provide prices. The Commission believes that the rule change should allow PTC to more accurately value a participant's securities for purposes of collateral value in PTC's system while still assuring that PTC has available to it sufficient collateral in the event a participant does not satisfy its debt balance at the end of day settlement. Therefore, the Commission believes that the rule change is consistent with PTC's obligation to safeguard securities and funds.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of notice because such approval will allow PTC to implement the modified margining and pricing methodology for new CMOs in a timely manner in connection with PTC's merger with The Depository Trust Company scheduled to occur during the month of August 1998.

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 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–98–03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.8
Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Reduce the Value of the National Over-the-Counter Index ("XOC")


Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on July 16, 1998, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Phlx proposes to reduce the value of its National Over-the-Counter Index ("Index") option ("XOC") to one-fourth its present value by quadrupling the divisor used in calculating the Index. In addition, the position and exercise limits applicable to the XOC will be quadrupled until the last expiration date then trading. The Index is a capitalization-weighted market index composed of the 100 largest capitalized stocks traded over-the-counter. The other contract specifications for the XOC remain unchanged.

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

In its filing with the Commission, the Exchange 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


3 For a detailed description of PTC's pricing and valuation of CMOs, refer to Securities Exchange Act Release No. 40304, Id.
4 PTC currently gives new issue CMOs a zero value during this period in its assessment of a participant's collateral.