

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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 35 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 90 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 the self regulatory organization 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, 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 at the Commission's Public Reference Section, 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 Amex. All submissions should refer to SR-Amex-95-32 and should be submitted by September 29, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-22240 Filed 9-7-95; 8:45 am]

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[Release No. 34-36172; File No. SR-NSCC-95-12]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Limiting the Use of Letters of Credit to Collateralize Clearing Fund Contributions

August 31, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 21, 1995, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-95-12) as described below. The Commission is publishing this notice to solicit comments from interested persons.

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

The proposed rule change increases the minimum cash clearing fund contribution for those members that use letters of credit as clearing fund collateral and sets a limit on the amount of a member's required clearing fund contribution that may be collateralized with letters of credit.²

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

¹ 15 U.S.C. 78s(b)(1) (1988).

² The proposed rule change was originally filed on October 27, 1989, and was approved temporarily through December 31, 1990. Securities Exchange Act Release No. 27664 (January 31, 1990), 55 FR 4297 [File No. SR-NSCC-89-16]. Subsequently, the Commission granted a number of extensions to the temporary approval to allow the Commission and NSCC sufficient time to review and assess the use of letters of credit as clearing fund collateral. Most recently, the Commission extended temporary approval through September 30, 1995. Securities Exchange Act Release No. 34745 (September 29, 1994), 59 FR 50949 [File No. SR-NSCC-94-18].

³ The Commission has modified the text of the summaries prepared by NSCC.

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

NSCC is seeking permanent approval of a proposed rule change that modifies the amount of a member's required clearing fund deposit that may be collateralized by letters of credit. Specifically, the proposed rule change increases the minimum cash contribution for any member that uses letters of credit from \$50,000 to the greater of \$50,000 or 10% of that member's required clearing fund deposit up to a maximum of \$1,000,000. In addition, the rule change provides that only 70% of a member's required clearing fund deposit may be collateralized with letters of credit. The rule change also adds headings to the clearing fund formula section of NSCC's rules for purposes of clarity and includes other nonsubstantive drafting changes. The effect of the proposed rule change is to increase the liquidity of the clearing fund and to limit NSCC's exposure to unusual risks resulting from the reliance on letters of credit.

The current status of NSCC's clearing fund⁴ as a result of the change in the required clearing fund deposit is that approximately 31.46% of the clearing fund is in cash, approximately 29.32% of the clearing fund is in securities, and approximately 39.22% of the clearing fund is in letters of credit.⁵

When NSCC first filed this change the impetus was to improve NSCC's liquidity resources by requiring additional deposits of cash and cash equivalents. Since that time, NSCC has obtained additional liquidity resources through a line of credit with a major New York clearinghouse bank. NSCC currently has a three hundred million dollar line of credit that can be used for liquidity purposes, and the letters of credit in the NSCC clearing fund are available as collateral for this line of credit. Accordingly, NSCC believes that

⁴ These statistics are current as of July 31, 1995. Conversation between Anthony H. Davidson, Esq., NSCC, and Margaret R. Blake, Attorney, Division of Market Regulation, Commission (August 23, 1995).

⁵ In October of 1989 when the Commission initially granted temporary approval of NSCC's proposal, letters of credit accounted for 76% of the total dollar value of required clearing fund deposits. By May 28, 1993, letters of credit accounted for less than 30%. During the period from June 1, 1992, to May 28, 1993, letters of credit accounted for an average of 30.49% of the total dollar value of required clearing fund deposits, and for no month during that period did the portion of letters of credit used for required clearing fund deposits rise above 34%. Letter from Karen L. Saperstein, Vice President/Director of Legal & Associate General Counsel, NSCC, to Jerry W. Carpenter, Branch Chief, Division of Market Regulation, Commission (June 10, 1993).

¹¹ 17 CFR 200.30-3(a)(12).

it has adequate liquidity resources and requests permanent approval of the change limiting the use of letters of credit to no more than 70% of a member's deposit.

NSCC believes that the proposal is consistent with its requirements under Section 17A of the Act⁶ because it enhances NSCC's ability to safeguard securities and funds in its custody or under its control.

B. Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed rule will have an impact or impose a burden on competition.

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

No new written comments have been solicited or received.⁷ NSCC will notify the Commission of any written comments it receives.

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 reason for so finding or (ii) as to which the self-regulatory organization 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, 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 provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of NSCC. All submissions should refer to File No. SR-NSCC-95-12 and should be submitted by September 29, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36176; International Series Release No. 847; File No. SR-Phlx-95-43]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Customized Foreign Currency Options Transaction Size

August 31, 1995.

On June 21, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to reduce the minimum transaction size for customized foreign currency options ("Customized FCOs") from 200 to 100 contracts. Notice of the proposed rule change appeared in the **Federal Register** on July 12, 1995.³ No comment letters were received on the proposed rule change. This order approves the Exchange's proposal.

On November 1, 1994, the Commission approved the Exchange's proposal to trade Customized FCOs.⁴ The Exchange originally imposed a 300 contract minimum opening transaction size pursuant to Rule 1069(a)(6). Earlier this year, the Exchange reduced the minimum size of opening transactions in Customized FCOs to 200 contracts.⁵

⁸ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 35928 (June 30, 1995), 60 FR 35978 ("Exchange Act Release No. 35928").

⁴ See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720 (November 8, 1994) ("Exchange Act Release No. 34925").

⁵ See Securities Exchange Act Release No. 35464 (March 9, 1995), 60 FR 14043 (March 15, 1995).

The Exchange believes, however, that 200 contracts is still too large for a significant segment of mid-sized corporations (*i.e.*, \$1-10 billion in market capitalization) that wish to hedge their currency risk in a cost-effective manner using an exchange-traded Customized FCO. The Exchange, therefore, now proposes to reduce the minimum opening transaction size for Customized FCOs to 100 contracts. At the 100 contract level, this will still provide for substantial minimum opening transaction values for Customized FCOs involving all Phlx approved currencies.⁶ Specifically, the values for opening transactions will range from a low of approximately \$3.6 million for Customized FCOs based on the Australian dollar to a high of approximately \$8.0 million for Customized FCOs based on the ECU.⁷

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, the requirements of Section 6(b)(5)⁸ in that the proposal is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, and to protect investors and the public interest. Specifically, the Commission believes that the proposed rule change is designed to make the Customized FCO market accessible to smaller corporate FCO users while maintaining the focus of this market towards institutional investors. As a result, the Commission believes that the proposal may serve to add liquidity to this market which would benefit all users of Customized FCOs.

Moreover, even with lowering the minimum opening transaction size to 100 contracts, the minimum value of an opening Customized FCO transaction involving any approved currency will be greater than \$3 million.⁹ The Commission believes that these levels are sufficient to ensure that the

⁶ The currencies for which the Phlx is currently approved to trade FCOs are the Australian dollar, British pound, Canadian dollar, European currency unit ("ECU"), French franc, German mark, Japanese yen, Swiss franc, and U.S. dollar. Additionally, the Phlx has proposed to be able to trade Customized FCOs on the Italian lira and Spanish peseta. See Securities Exchange Act Release Nos. 35678 (May 4, 1995), 60 FR 24945 (May 10, 1995) (notice of proposal to trade Customized FCOs on the Italian lira), and 35677 (May 4, 1995), 60 FR 24941 (May 10, 1995) (notice of proposal to trade Customized FCOs on the Spanish peseta).

⁷ Based on prevailing exchange rates as of May 16, 1995. See Exchange Act Release No. 35928, *supra* note 3.

⁸ 15 U.S.C. 78f(b)(5) (1988).

⁹ See *supra* note 7 and accompanying text.

⁶ 15 U.S.C. 78q-1 (1988).

⁷ Since the initial filing of the proposed rule change NSCC has received one letter of comment. In the letter Webbush Morgan Securities, Inc. opposed NSCC's proposal because they believed it would increase the cost of posting collateral. Letter from Edward W. Webbush, President, Webbush Morgan Securities, Inc., to David F. Hoyt, Assistant Secretary, NSCC (November 9, 1989).