

margin levels for any Tier III pairing be reduced below the 7% level discussed above without the prior approval of the Commission pursuant to Section 19(b) of the Act.²¹

As with Customized FCOs currently being listed by the Phlx, the Options Clearing Corporation ("OCC") will clear and settle all trades in Customized FCOs involving the Lira or Peseta. Because quotes in these options will not be continuously updated or otherwise priced by the Phlx, the OCC will generate a theoretical price based on the prices and quotes of the Customized FCOs and the closing value of the relevant underlying currency. The OCC will use this price to make the Customized FCO contracts involving the Lira and Peseta daily and to calculate margin requirements.

The Commission finds that the proposed rule changes are 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).²² First, the Commission believes that the trading of listed Customized FCOs on the Lira and Peseta should provide investors with a hedging and risk transfer vehicle that will reflect the overall movement of the Lira and Peseta in relation to the U.S. dollar and the other Phlx approved currencies. In this regard, Customized FCOs on the Lira and Peseta should provide investors with an efficient and effective means of managing risk associated with those currencies.

Second, Customized FCOs on both the Lira and Peseta will trade within the Exchange's existing framework for Customized FCOs which the Commission has previously found to adequately address the Commission's regulatory concerns.²³ Specifically, this framework includes, among other things, rules pertaining to: obligations of specialists and registered options trades (Rule 1014); position limits (Rule 1001); exercise limits (Rule 1002); bids and offers (Rule 1033); minimum fractional changes (Rule 1034); and trading rotations, halts, and suspensions (Rule 1047).²⁴

Third, the Exchange has proposed adequate customer margin requirements for Customized FCOs on both proposed currencies. The proposed add-on margin (*i.e.*, 7% for both the Lira and Peseta) provides sufficient coverage to account

for historical and potential volatility in the Lira and the Peseta in relation to the U.S. dollar. As noted above, the 7% customer margin add-on level would cover 98.84% and 99.10% of all seven day price changes over the prior three-year period in the Lira and Peseta, respectively, in relation to the U.S. dollar. Moreover, all Customized Cross-Rates involving either the Lira or Peseta will be margined at the 7% margin add-on level as opposed to either the 4% or 6% levels that apply to Customized Cross-Rates involving the Exchange's other approved currencies. In addition, the Exchange must conduct periodic reviews of the volatility in the two currencies and must take immediate steps to increase the existing customer margin levels if the Exchange determines that the existing levels are no longer adequate.²⁵ As a result, the Commission believes that the proposed customer margin levels and the review and maintenance criteria for those margin levels will result in adequate coverage of contract obligations and are designed to reduce risks arising from inadequate margin levels for Customized FCOs (including Customized Cross-Rates) involving either the Lira or Peseta.

The Commission finds good cause for approving Amendment No. 1 to each of the proposed rule changes prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. First, the changes increasing the margin levels for Customized FCOs (including Customized Cross-Rates) involving the Lira or Peseta serve an investor protection purpose by reducing the risks that can arise from inadequate margin levels. Additionally, the Commission notes that these changes impose more restrictive standards than those contained in the original proposals which were published in the Federal Register for the full 21-day comment without any comments being received by the Commission.

Second, the changes to the language in the Phlx's rules specifying that FCOs on the Lira and the Peseta are limited to Customized FCOs (including Customized Cross-Rates) and the remaining clarifying amendments in Amendment No. 1 serve to minimize any potential for investor confusion from the proposed rule changes.

Third, accelerated approval of the proposed amendments to the rule changes will allow the Exchange to begin offering these products without further delay to those investors who

desire an exchange-traded product to hedge their currency exposure to the Lira and Peseta.

Accordingly, the Commission believes that the proposed rule changes are consistent with Section 6(b)(5) of the Act and that good cause exists to approve Amendment No. 1 to each of the Phlx's proposals on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to each of the proposals. 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. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to the File No. SR-Phlx-95-20 or File No. SR-Phlx-95-21, as appropriate, and should be submitted by October 19, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁶ that the proposed rule changes (File Nos. SR-Phlx-95-20 and SR-Phlx-95-21), as amended, are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority:²⁷

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-24026 Filed 9-27-95; 8:45 am]

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²¹ See Amendment No. 1, *supra* note 5.

²² 15 U.S.C. 78f(b)(5) (1988).

²³ See Exchange Act Release No. 34925, *supra* note 3.

²⁴ *id.*

²⁵ See "Customer Margin" and "Customized Cross-Rates," *supra*.

²⁶ 15 U.S.C. 78s(b)(2) (1988).

²⁷ 17 CFR 200.30-3(a)(12) (1994).

[Release No. 34-36264; File No. SR-PHILADEP-95-07]

Self-Regulatory Organizations; Philadelphia Depository Trust Company; Notice of Filing of Proposed Rule Change Seeking To Implement the Fully Automated Securities Transfer Reconciliation Accounting Control System on a Permanent Basis

September 21, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 14, 1995, the 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 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

PHILADEP seeks permanent approval for its Fully Automated Securities Transfer Reconciliation Accounting Control System ("FASTRACS").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, PHILADEP included statements concerning the purpose of and the 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, as set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.³

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

On July 19, 1994, the Commission approved a proposed rule change establishing a pilot program for FASTRACS for the transfer of certain securities between PHILADEP and certain transfer agents.⁴ On March 10, 1995, the Commission extended its approval of the pilot program through December 29, 1995.⁵ FASTRACS is an automated program by which PHILADEP and the participating transfer agents use a master balance certificate to evidence the number of securities of a particular issue that are registered in PHILADEP's nominee name. The transfer agents have custody of the securities in the form of balance certificates. The transfer agents adjust daily the balance certificates to reflect PHILADEP's withdrawal and deposit activity.

Since obtaining temporary approval of the original filing, PHILADEP has provided the Commission with copies of the test results of FASTRACS activity among the three designated transfer agents. PHILADEP now seeks permanent approval of FASTRACS and requests that the Commission allow it to implement FASTRACS with an unlimited number of transfer agents.

PHILADEP states that FASTRACS has enhanced PHILADEP's operational efficiency, has substantially reduced its burdens in reconciling its positions, and has saved costs associated with these functions. PHILADEP represents that it has encountered no significant operational problems and believes the system operated effectively during the testing phase. Furthermore, PHILADEP believes the current filing is consistent with the Commission's Direct Registration System ("DRS") initiative⁶ insofar as DRS compels PHILADEP and other participating clearing agencies to establish fully operational automated

programs for the transfer of certain securities between participating clearing agencies and their transfer agents.

PHILADEP believes that the proposed rule change is consistent with its requirements under Section 17A of the Act because it is contemplated to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions by providing an efficient administrative mechanism to operate its deposit and transfer operation.

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

PHILADEP contends that the proposed rule change poses no appreciable threat or burden on competition.

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 Changes 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 changes or
- (B) Institute proceeding to determine whether the proposed rule changes should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making such 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 respecting the proposed rule change that are filed with the Commission, and all written communications concerning the proposed rule change between the Commission and any person, other than those that may be withheld from the public pursuant to 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.

⁴ Securities Exchange Act Release No. 34404 (July 19, 1994), 59 FR 38010 [File No. SR-PHILADEP-90-03] (order approving FASTRACS program on a temporary basis).

⁵ Securities Exchange Act Release No. 35676 (May 4, 1995), 60 FR 24951 [File No. SR-PHILADEP-94-06] (order granting temporary approval of a proposed rule change extending the pilot program for FASTRACS until December 29, 1995). The Commission extended the temporary approval of the FASTRACS program so that PHILADEP could complete adequate testing. The program was limited to three transfer agents for the duration of the temporary approval period.

⁶ For a complete description of DRS, refer to Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 [File No. S7-34-94] (concept release soliciting comment on proposed transfer agent operated direct registration system).

¹ 15 U.S.C. 78s(b)(1) (1988).

² For a complete description of FASTRACS, refer to Securities Exchange Act Release Nos. 34404 (July 19, 1994), 59 FR 38010 [File No. SR-PHILADEP-90-03] (order approving proposed rule change relating to implementation of an automated balance certificate program on a temporary basis until December 30, 1994) and 35676 (May 4, 1995), 60 FR 24951 [File No. SR-PHILADEP-94-06] (order granting temporary approval of a proposed rule change extending the pilot program for FASTRACS until December 29, 1995).

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

20549. Copies of such filings will also be available for inspection and copying at the principal office of PHILADEP. All submissions should refer to File No. SR-PHILADEP-95-07 and should be submitted within October 19, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-24028 Filed 9-27-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36265; File Nos. SR-SCCP-95-05, and SR-MCC-95-03]

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia and Midwest Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Changes Incorporating Enhancements to the Fixed Income Transaction System

September 21, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 1, 1995, and August 23, 1995, respectively, the Stock Clearing Corporation of Philadelphia ("SCCP") and the Midwest Clearing Corporation, filed with the Securities and Exchange Commission ("Commission") the proposed rule changes as described in Items I, II, and III below, which Items have been prepared primarily by SCCP and MCC. On August 3, 1995, SCCP amended its filing to request approval pursuant to Rule 19b-4(e)(6) rather than pursuant to Rule 19b-4(e)(4) as requested in the original filing.² On August 18, 1995, SCCP amended the filing to clarify the parameters defining the seller's value tolerance for the comparison of all fixed income securities.³ The Commission is publishing this notice to solicit comments on the proposed rule changes from interested parties.

I. Self-Regulatory Organizations' Statements of the Terms of Substance of the Proposed Rule Changes

SCCP and MCC propose to offer their participants the benefits of a recent enhancement to the National Securities Clearing Corporation's ("NSCC") Fixed

Income Transaction System ("FITS").⁴ The enhancement expands the parameters for the seller's trade input and trade comparison for FITS transactions.

II. Self-Regulatory Organizations' Statements of the Purpose of and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, SCCP and MCC included statements concerning the purpose of and the basis for the proposed rule changes and discussed any comments received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. SCCP and MCC have prepared summaries, as set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.⁵

A. Self-Regulatory Organizations' Statements of the Purpose of and the Statutory Basis for the Proposed Rule Changes

In previous filings, the Commission approved SCCP's and MCC's interfaces with NSCC's FITS service so that SCCP's and MCC's participants can take full advantage of the benefits and features offered by FITS.⁶ The current proposed rule changes expand the comparison parameters for trade input and comparison for transactions in debt securities. The comparison parameters have been increased from \$.05 per \$1,000 of contract amount to \$.10 per \$1,000 of contract amount for trades greater than \$100,000 and to a net contract amount difference of \$10.00 for trades of \$100,000 or less. The rule changes are being made in accordance with NSCC's recent changes to FITS.⁷

SCCP and MCC believe the proposed system enhancements comply with Section 17A(b)(3)(F)⁸ of the Act because the enhancements should promote the prompt and accurate clearance and settlement of securities transactions by increasing the initial comparison rates of FITS trade activity.

⁴ For a complete description of the enhancement to NSCC's FITS, refer to Securities Exchange Act Release No. 35853 (June 16, 1995), 60 FR 32722 [File No. SR-NSCC-95-05] (order granting accelerated approval of a proposed rule change modifying procedures relating to the trade comparison service for debt securities).

⁵ The Commission has modified the text of the summaries prepared by SCCP and MCC.

⁶ Securities Exchange Act Release No. 33524 (January 26, 1994), 59 FR 4958 [File Nos. SR-MCC-93-04 and SCCP-93-03] (order granting accelerated approval of proposed rule changes relating to the establishment of interfaces with NSCC's FITS).

⁷ *Supra* note 4.

⁸ 15 U.S.C. 78q-1(b)(1)(F) (1988).

B. Self-Regulatory Organizations' Statements on Burden on Competition

SCCP and MCC do not believe that the proposed rule changes will impose any burden on competition.

C. Self-Regulatory Organizations' Statements on Comments on the Proposed Rule Changes Received from Members, Participants or Others

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

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

The foregoing rule changes have become effective upon filing pursuant to Section 19(b)(3)(A)⁹ of the Act and Rule 19b-4(e)(6)¹⁰ thereunder because the rule changes do not significantly affect the protection of investors or the public interest; do not impose any significant burden on competition; and by their terms, do not become operative for thirty days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Commission has designated that these proposed rule changes (File Nos. SR-SCCP-95-05 and SR-MCC-95-03) become effective upon filing. The proposals are consistent with the protection of investors and the public interest because the expanded trade comparison parameters at SCCP and MCC now will be consistent with the parameters used by NSCC. At any time within sixty days of the filing of such proposed rule changes, the Commission may summarily abrogate such rule changes if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 changes that are filed with the Commission, and all written communications relating to the proposed rule changes between the

⁹ 15 U.S.C. § 78s(b)(3)(A) (1988).

¹⁰ 17 CFR 240.19b-4(e)(6) (1994).

⁷ 17 CFR 200.30-3(a)(12)(1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from J. Keith Kessel, Compliance Officer, SCCP, to Peter R. Geraghty, Esq., Division of Market Regulation ("Division"), Commission (August 3, 1995).

³ Letter from J. Keith Kessel, Compliance Officer, SCCP, to Margaret J. Blake, Esq., Staff Attorney, Division, Commission (August 16, 1995).