

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

No written comments have been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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

Section 17A(b)(3)(F) of the Act<sup>10</sup> 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. The Commission believes that DTC's short position reclamation procedures are consistent with DTC's obligations under Section 17A(b)(3)(F) because the proposed procedures should help DTC assure the safeguarding of securities and funds by reducing the number of outstanding short positions at DTC created either by call lotteries or by rejected deposits.

Under the DTC's procedures, participants are obligated to cover their short positions immediately. As an incentive to cover a short position as soon as possible and as a cushion to protect DTC in the event of a sharp rise in the market price of the security, DTC participants are assessed a daily charge of 130% of the market value of each security for which the participant has a short position at DTC.<sup>11</sup> With this rule change, DTC should further reduce its risk of loss by allowing DTC participants to recall certain deliveries which have resulted in short positions which should further reduce the total number of outstanding short positions. Thus, the proposal is consistent with Section 17A(b)(3)(F)<sup>12</sup> of the Act in that it should help DTC to reduce its risk of loss and thereby should enhance DTC's ability to safeguard securities and funds under its control.

Because the Commission was concerned that the proposed reclamation procedures could inadvertently cause broker-dealers to create possession or control deficits,<sup>13</sup>

the Commission previously approved the proposed rule change on a temporary basis in order that the reclamation procedures could be carefully monitored before they were approved permanently. The Commission is now permanently approving the reclamation procedures because during the temporary approval period the Commission has not received any reports of possession or control deficit problems caused by the procedures.

DTC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing. The Commission finds good cause for so approving the proposed rule change because the Commission has noticed the procedures on several separate occasions without receiving any comment letters and because accelerated approval will allow DTC participants to continue to utilize the procedures without any disruption when the current temporary approval expires.

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 will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the file number SR-DTC-95-21 and should be submitted by January 26, 1996.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the

of a customer [17 CFR 240.15c3-3(b)(1)]. If as a result of a recall procedure, DTC reverses the delivery of a security that is a fully-paid or excess margin security at the receiving broker-dealer participant, the participant could incur a deficit in the number of securities that should be under its physical possession or control.

proposed rule change (File No. SR-DTC-95-21) be, and hereby is, permanently approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

Jonathan G. Katz,  
Secretary.

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[Release No. 34-36656; International Series Release No. 912; File No. SR-ISCC-95-06]

**Self-Regulatory Organizations; International Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Global Clearance Network Service**

December 29, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 2, 1995, the International Securities Clearing Corporation ("ISCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have prepared primarily by ISCC. On December 12, 1995, and on December 13, 1995, ISCC filed amendments to its proposed rule change.<sup>2</sup> 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 proposed rule change is to accommodate an additional service provider, Standard Chartered Bank ("SCB") in ISCC's Global Clearance Network ("GCN") service.

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

In its filing with the Commission, ISCC 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. ISCC has prepared summaries, set forth in sections (A), (B),

<sup>14</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988)

<sup>2</sup> Letters from Julie Beyers, Associate Counsel, ISCC, to Michele Bianco, Division of Market Regulation, Commission (December 12, 1995, and December 13, 1995).

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>11</sup> Securities Exchange Act Release No. 26896 (June 5, 1989), 54 FR 25185 [File No. SR-DTC-89-07] (order approving a proposed rule change concerning invitations to tender to cover short positions).

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>13</sup> The Commission was concerned with the proposal's impact on broker-dealers' compliance with Rule 15c3-3 under the Act [17 CFR 240.15c3-3]. This rule requires broker-dealers to obtain and thereafter to maintain physical possession or control of fully-paid securities and excess margin securities carried by a broker-dealer for the account

and (C) below, of the most significant aspects of such statements.<sup>3</sup>

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

ISCC's Rule 50 provides that ISCC may establish a foreign clearance, settlement, and custody service known as the GCN in conjunction with banks, trust companies, and other entities. Presently, ISCC has established GCN relationships with Citibank, N.S., Standard Bank of South Africa, Westpac Custodian Nominees Limited of Australia, Westpac Nominees-NZ Limited,<sup>4</sup> and S.C. Indeval, S.A. de C.V.<sup>5</sup> The proposed rule change is to accommodate SCB as an additional GCN service provider.

SCB has been providing securities clearance, settlement, and custody services in the Asia Pacific Region for over forty years and has had a banking presence in this region for over one hundred and forty years. The value of overall assets under SCB's administration is approximately US \$55 billion. It is presently anticipated that ISCC members will be offered clearance, settlement, and custody services in the Philippines, South Korea, and Taiwan through a division of SCB, Standard Chartered Equitor Group ("The Equitor Group").<sup>6</sup> The Equitor Group provides clearance and custody services in fifteen markets in the Asia-Pacific Region. The Equitor Group established a branch office in the Philippines in 1872, which has provided local custody services since 1935 and currently has US \$1.12 billion in assets under custody. The Equitor Group established a branch office in South Korea in 1984, which has provided local custody services since 1991 and currently has US \$1.47 billion in assets under custody. The Equitor Group established a branch office in Taiwan in 1985, which has provided local custody services since 1992 and currently has US \$810 million in assets under custody. In the future, ISCC may offer clearance, settlement, and custody services through SCB in other countries, including Bangladesh, Hong Kong India, Indonesia, Japan, Malaysia, Pakistan, Shanghai,

<sup>3</sup>The Commission has modified parts of these statements.

<sup>4</sup>Securities Exchange Act Release Nos. 29841 (October 18 1991) 56 FR 55960; 35392 (February 16, 1995), 60 FR 10415; and 36339 (October 5, 1995), 60 FR 53447.

<sup>5</sup>The Commission is currently reviewing ISCC's proposed link with Indeval, S.A. de C.V. Securities Exchange Act Release No. 36605 (December 20, 1995), 60 FR 67004 [Notice of filing of proposed rule change].

<sup>6</sup>The Equitor Group is not a separate legal entity.

Shenzhen, Singapore, Sri Lanka, and Thailand, SCB has represented that acting through its branches it meets the requirements under Rule 17f-5 under the Investment Company Act of 1940 to be an eligible foreign custodian.<sup>7</sup> In Malaysia, SCB operates through its wholly-owned subsidiary, Standard Chartered Bank Malaysia Berhad ("SCBM"). SCB has received a exemptive order under Rule 17f-5 on behalf of SCBM.<sup>8</sup>

SCB and ISCC will enter into an agreement pursuant to which SCB will provide access to clearance, settlement, and custody services to GCN participants that qualify to be customers of SCB. SCB has agreed to provide the services at reduced prices. ISCC will not provide any volume guarantees to SCB. ISCC will collect fees from the participants on behalf of SCB.<sup>9</sup> The agreement will be terminable by mutual agreement of the parties or on ninety days prior notice.

The proposed change will facilitate and centralize the processing of international transactions at a beneficial cost to members which ultimately will be reflected in services to the investing public. Accordingly, ISCC believes that these changes are consistent with the requirements of Section 17A of the Act and the rules and regulation thereunder.

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

ISCC does not believe that the proposed rule change will have an impact on 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 written comments relating to the proposed rule change have been solicited or received. ISCC will notify the Commission of any written comments received by ISCC.

<sup>7</sup>Letters from Julie Beyers, Associate Counsel, ISCC, to Michele Bianco, Division of Market Regulation, Commission (December 12, 1995 and December 13, 1995). Pursuant to Rule 17f-5(c)(2), an eligible foreign custodian includes a banking institution or trust company, incorporated or organized under the laws of a country other than the United States, that is regulated as such by that country's government or an agency thereof and that has shareholders' equity in excess of \$200 million. 17 CFR 270.17-5(c)(2) (1994). SCB has represented that it has over \$200 Million in shareholders' equity.

<sup>8</sup>Investment Company Act of 1940 Release No. 20019, International Series Release No. 628 (January 14, 1994).

<sup>9</sup>ISCC is not responsible for fees not rendered by participants.

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 published 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 approved.

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 Room in Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of ISCC. All submissions should refer to the file number SR-ISCC-95-06 and should be submitted by January 26, 1996.

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

Jonathan G. Katz,  
Secretary.

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