

(2) a member's current day's required clearing fund deposit level exceeds by more than \$250,000 the value of its clearing fund collateral, (3) a member is on surveillance status and its required clearing fund deposit as of the current day exceeds the value of its clearing fund collateral, or (4) a member's "clearing fund funds-only settlement amount," which excludes clearance difference, invoice amount, and other miscellaneous amounts, for the current day exceeds by more than twenty-five percent its average daily clearing fund funds-only settlement amount over the most recent twenty business days.<sup>12</sup>

Over the years, the fourth circumstance, a twenty-five percent jump in the member's clearing fund funds-only settlement amount, which could represent a relatively small dollar amount, has not proven to be necessary and has become obsolete as a practical matter. At the conclusion of their recent inspection of GSCC, Commission staff suggested that GSCC should either monitor the funds-only deficiency call requirements or file with the Commission a proposed rule change eliminating it. GSCC believes that the funds-only deficiency call aspect of the clearing fund is unnecessary and should be eliminated.

Moreover, because GSCC is proposing the tiered surveillance status mechanism, GSCC believes that a clearing fund deficiency call, pursuant to which GSCC calls for any amount of deficiency, that is based on a member being on surveillance status should be invoked only if a member is on Class 2 or Class 3 surveillance status. Finally, since 1989 when the netting system was implemented, GSCC's rules have provided that GSCC automatically may make a clearing fund deficiency call at the beginning of each month. Given the adequacy of the same day deficiency call mechanism outlined above, GSCC believes that this monthly deficiency call mechanism is no longer appropriate and is therefore proposing to delete this provision.

#### (8) Elimination of the Noon Deadline for Satisfaction of Clearing Fund Deficiency Calls

GSCC issues by telephone call followed by telefax notices calls for additional clearing fund deposits by 9:00 a.m. The exact time that each telephone call is made is recorded. Under GSCC's current rules, a member has until the later of two hours after the

receipt of a clearing fund deficiency call or noon to satisfy the call.

Receipt of clearing fund margin as early in the day as possible is a fundamental principle behind optimal risk management. GSCC's long term goal is to develop an automated mechanism pursuant to which it will be in receipt of clearing fund collateral by the time that the securities Fedwire opens in the morning, which is currently at 8:30 a.m.

As an interim step toward achieving this goal, GSCC is proposing to eliminate the 12:00 p.m. alternative deadline for satisfaction of a clearing fund deficiency call and to require a member to satisfy a deficiency call within two hours after it is received. The practical effect of this change is that, in the ordinary course, a member will have to satisfy a deficiency call by approximately 11:00 a.m. In order to ensure that the elimination of the noon deadline does not produce an unduly harsh effect on members, GSCC also is proposing that a clearing fund deficiency call does not need to be satisfied before 10:00 a.m. regardless of when the call actually is made.

GSCC believes the proposed rule change will enhance GSCC's risk management processes in a prudent manner that is consistent with minimizing operational burdens on GSCC netting members and with maximizing the members' liquidity. Thus, GSCC believes the proposed rule change is consistent with the Section 17A of the Act and the rules and regulations thereunder applicable to a self-regulatory organization.<sup>13</sup>

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

GSCC does not believe that the proposed rule 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

Comments on the proposed rule change have not yet been solicited. GSCC members will be notified of the rule filing and comments will be solicited by an important notice. GSCC will notify the Commission of any written comments received by GSCC.

#### 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 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 in the Commission's Public Reference Section, 450 Fifth Street NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to the file number SR-GSCC-96-01 and should be submitted by April 2, 1996.

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

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-36932; File No. SR-NASD-96-7]

#### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating To Small Order Execution System Tier Size Classifications

March 6, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> Notice is hereby given that on March 1, 1996, the National Association

<sup>12</sup> The clearance difference is the dollar difference between GSCC's system price for a settlement obligation and the actual value at which the settlement obligation was settled. The invoice amount means all fees that a member owes GSCC.

<sup>13</sup> 15 U.S.C. 78q-1 (1988).

<sup>14</sup> 17 CFR 200.30-3(a)(12) (1995).

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

of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. 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 NASD is submitting this filing to effectuate The Nasdaq Stock Market, Inc.'s ("Nasdaq") periodic reclassification of Nasdaq National Market ("NNM") securities into appropriate tier sizes for purposes of determining the maximum size order for a particular security eligible for execution through Nasdaq's Small Order Execution System ("SOES") and the minimum quote size requirements for Nasdaq market makers in NNM securities. Specifically, under the proposal, 1,024 NNM securities will be reclassified into a different SOES tier size effective April 1, 1996. Since the NASD's proposal is an interpretation of existing NASD rules, there are no language changes.

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

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

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

The purpose of the rule change is to effectuate Nasdaq's periodic reclassification of NNM securities into appropriate tier sizes for purposes of determining the maximum size order for a particular security eligible for execution through SOES and the minimum quote size requirements for Nasdaq market makers in NNM securities. Nasdaq periodically reviews the SOES tier size applicable to each NNM security to determine if the trading characteristics of the issue have changed do as to warrant a tier size

adjustment. Such a review was conducted using data as of December 31, 1995, pursuant to the following established criteria:<sup>2</sup>

- NNM securities with an average daily non-block volume of 3,000 shares or more a day, a bid price less than or equal to \$100, and three or more market makers are subject to a minimum quotation size requirement of 1,000 shares and a maximum SOES order size of 1,000 shares;
- NNM securities with an average daily non-block volume of 1,000 shares or more a day, a bid price less than or equal to \$150, and two or more market makers are subject to a minimum quotation size requirement of 500 shares and a maximum SOES order size of 500 shares; and
- NNM securities with an average daily non-block volume of less than 1,000 shares a day, a bid price less than or equal to \$250, and less than two market makers are subject to a minimum quotation size requirement of 200 shares and a maximum SOES order size of 200 shares.

Pursuant to the application of this classification criteria, 1,024 NNM securities will be reclassified effective April 1, 1996. These 1,024 NNM securities are set out in the NASD's *Notice To Members* 96-17 (March 1996).

In ranking NNM securities pursuant to the established classification criteria, Nasdaq followed the changes dictated by the criteria with two exceptions. First, an issue was not moved more than one tier size level. For example, if an issue was previously categorized in the 1,000-share tier size, it would not be permitted to move to the 200-share tier even if the reclassification criteria showed that such a move was warranted. In adopting this policy, Nasdaq was attempting to maintain adequate public investor access to the market for issues in which the tier size level decreased and help ensure the ongoing participation of market makers in SOES for issues in which the tier size level increased. Second, for securities priced below \$1 where the reranking called for a reduction in tier size, the tier size was not reduced.

The NASD believes that the proposed rule change is consistent with Section 15A(b)(6) of the Act. Section 15A(b)(6) requires, among other things, that the rules of the NASD governing the operation of The Nasdaq Stock Market be designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing

<sup>2</sup>The classification criteria is set forth in footnote 1 to Section(a)(7) of the SOES Rules and Section 2(a) of Part V of Schedule D to the NASD By-Laws.

information with respect to, and facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market. The NASD believes that the reassignment of NNM securities within SOES tier size levels and minimum quotation size levels will further these ends by providing an efficient mechanism for small, retail investors to execute their orders on Nasdaq and providing investors with the assurance that they can effect trades up to a certain size at the quotations displayed on Nasdaq.

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

The NASD believes that the proposed rule change will not result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Comments were neither solicited nor received.

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

The proposed rule change has become effective immediately pursuant to Section 19(b)(3)(A)(i) of the Act and subparagraph (e) of Securities Exchange Act Rule 19b-4 because the reranking of NNM securities into appropriate SOES tier sizes was done pursuant to the NASD's stated policy and practice with respect to the administrative and enforcement of two existing NASD rules. Further, in the SOES Tier Size Order, the Commission requested that the NASD provide this information as an interpretation of an existing NASD rule under Section 19(b)(3)(A) of the Act. At any time within 60 days of the filing of such rule change, the Commission may summarily abrogate such rule change 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 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. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by April 3, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-36931; File No. SR-NSCC-96-05]

**Self Regulatory Organizations;  
National Securities Clearing  
Corporation; Notice of Filing of  
Proposed Rule Change Modifying the  
Automated Customer Account  
Transfer Service to Facilitate the  
Transfer of Shares Being Tracked in  
the Initial Public Offering Tracking  
System**

March 6, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 27, 1996, the National Securities Clearing Corporation ("NSCC") 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 NSCC. 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**

NSCC proposes to modify its rules and procedures relating to its Automated Customer Account Transfer Service ("ACATS") to facilitate the transfer of shares which are purchased in an initial public offering ("IPO shares") and which are being tracked in

The Depository Trust Company's ("DTC") IPO tracking system.<sup>2</sup>

**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.<sup>3</sup>

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

The proposed rule change will notify NSCC's Rule 50 (ACATS) so that Rule 50 states that shares to be transferred through ACATS that are being tracked through DTC's IPO tracking system will not be entered into NSCC's Continuous Net Settlement ("CNS") accounting operation even if such shares are CNS eligible.<sup>4</sup> Rule 50 also will state that NSCC will prepare ACATS receive and deliver orders for such shares.

Under DTC's proposed IPO tracking system, broker-dealers will have an IPO control account at DTC for IPO shares and a free account for shares purchased in the secondary market. The segregated accounts aid in tracking the movement of IPO shares.

In the CNS system, deliver obligations must be made from the free account. If IPO shares for which there is an ACATS deliver obligation were to settle in CNS, the shares would have to be moved out of the segregated IPO control account and into the member's free account. The IPO tracking system would register the movement from the IPO control account into the free account as a flip<sup>5</sup> and

<sup>2</sup>This filing is made in conjunction with DTC's proposed rule change seeking to implement the IPO tracking system. The IPO tracking system will allow lead managers and syndicate members of equity underwritings to monitor flipping of new issues in an automated bookentry environment. For a complete description of the IPO tracking system, refer to Securities Exchange Act Releaser No. 36897 (February 27, 1996), [SR-DTC-95-27] (notice of filing of proposed rule change seeking to implement the IPO tracking system).

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

<sup>4</sup>CNS eligible securities are those securities that are eligible for transfer on the books of a securities depository registered with the Commission under Section 17A of the Act and that are contained in a list maintained by NSCC as subject to clearance and settlement in its CNS system.

<sup>5</sup>Flipping occurs during an IPO when a syndicate's lead manager is supporting the IPO with

would no longer be able to track the shares.

NSCC's proposed rule change will require IPO shares transferred through ACATS to be delivered ex-CNS (*i.e.*, outside of the CNS system). The shares will be delivered pursuant to DTS's new IPO customer account transfer function. The shares will continue to be tracked and will not register as flipped even though they are subject to an ACATS deliver obligation.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>6</sup> because the change will facilitate efficiency and safety in the clearance and settlement of securities transactions. Furthermore, NSCC believes the proposed rule change will permit DTC's IPO tracking system to achieve its maximum potential and expects to implement these changes concurrently with the implementation of DTC's IPO tracking system.

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

NSCC 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. NSCC will notify the Commission of any written comments received by NSCC.

**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 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.

a stabilization bid, which is intended to keep the price of the issue from dropping below its initial offering price, and securities that had been distributed to investors are resold by those investors back to the syndicate.

<sup>6</sup>15 U.S.C. 78q-1 (1988)

<sup>3</sup>17 CFR 200.30-3(a)(12) (1995).

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