

1994 amendments provide a solution to many of these problems.

Specifically, the rule change should expedite the eligibility process for OCC clearing members seeking to participate in cross-margining by expediting the creation and perfection of security interests associated with such cross-margining.<sup>11</sup> Although the Commission notes that the 1994 amendments may not apply to options transactions in all circumstances because certain states have yet to adopt these provisions, in situations where the 1994 amendments do apply, the 1994 amendments should provide a safer and more appropriate framework, given the special characteristics of options, for the transferring, pledging, and holding of such securities and for such securities deposited at OCC for margin and clearing fund purposes.

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of 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-OCC-96-01) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

Jonathan G. Katz,  
Secretary.

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1983), 49 FR 968 [File No. SR-OCC-83-20] (ordering approving proposed rule change).

<sup>11</sup> Currently, there is a two to three week delay before OCC members that also are members of the Chicago Mercantile Exchange ("CME") or the Kansas City Board of Trade ("KCBOT") ("joint members") are eligible to participate in the cross-margining arrangements OCC has with CME and KCBOT. Prior to participation in these cross-margining arrangements, OCC requires that security interests be created and perfected in securities held by the joint member prior to such member's eligibility as a cross-margining participant. Under the 1977 version of the UCC, one way to perfect a security interest in securities requires the filing of the appropriate financing statements. Filing of the appropriate financing statements and confirmation thereof typically can take from two to three weeks. However, under the 1994 amendments, OCC believes that financing statements no longer will be necessary for perfection purposes. As a result, joint members can become cross-margining participants in a matter of days instead of weeks. Telephone conversation between Michael G. Vitek, Staff Counsel, OCC, and Mark Steffensen, Attorney, Division of Market Regulation, Commission (February 12, 1996).

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

[Release No. 34-37402; File No. SR-PTC-96-03]

### Self-Regulatory Organizations; The Participants Trust Company; Notice of Filing of Proposed Rule Change Relating to the Intraday Return of Participants' Prefunding Payments

July 2, 1996.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on June 3, 1996, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-96-03) as described in Items I, II, and III below, which Items have been prepared primarily by PTC. 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 will amend Article V, Rule 2, Section 5 of PTC's rules and will establish initial procedures to permit the intraday return of participants' prefunding payments.

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

In its filing with the Commission, PTC 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. PTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

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

The purpose of the proposed rule change is to amend Article V, Rule 2, Section 5 of PTC's rules and to establish initial procedures to enable PTC to implement a program to permit the intraday return of participants' prefunding payments received early in the day that are no longer needed to support transaction processing at PTC. Currently, prefunding must be applied to that day's settlement or withdrawn on the next business day or thereafter. The

proposed program is intended to make these funds available to participants intraday to enable them to reduce daylight overdraft exposures or to ease liquidity pressures in other financial markets thereby promoting the more efficient functioning of the financial markets in general.

"Optional deposits," which include prefunding, are defined in PTC's rules as "a participant's voluntary deposits to the participants fund with respect to any master account pursuant to Section 3 of Rule 2 of Article V." Article V, Rule 2, Section 3 states that participants may elect or be required to make optional deposits to the participants fund to (i) provide supplemental processing collateral to increase a participant's net free equity ("NFE"); (ii) prefund a debit balance in a participant's account; or (iii) permit free retracements of securities from a transfer account.

PTC believes that the return to its participants of prefunding payments which are no longer needed to support transaction processing will increase the amount of funds available to participants during the day. PTC also believes that by providing its participants with the opportunity to manage their overall funding requirements, participant liquidity will be enhanced and costs will be reduced.

In many circumstances, the amounts returned to participants under the proposed program could be required to fund PTC net debits later in the day. Participants will be required to make such payments to PTC which otherwise could have been covered by the prefunding payments. However, PTC believes that the benefits derived from providing participants with increased intraday liquidity outweigh PTC's advantage in retaining the prefunding after the situation requiring such deposit has been remedied.

PTC proposes to implement the intraday return of prefunding payments to participants as a pilot program with initial procedures that will be incorporated into PTC's Participant's Operating Guide upon approval of the proposed rule change.<sup>3</sup> The initial procedures will provide that (i) all prefunding return transactions will be subject to PTC's standard credit controls (*i.e.*, prefunding may be returned only if the participant will be within its NFE and net debit monitoring level

<sup>3</sup> Upon implementation of the program, PTC plans to evaluate the initial procedures on a quarterly basis and will make changes to such procedures as necessary based upon PTC's experience with the program. PTC will be required to file with the Commission a proposed rule change prior to any change or modification of the initial procedures.

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

<sup>2</sup> The Commission has modified the text of the summaries prepared by PTC.

requirements after such prefunding is returned); (ii) only prefunding payments received by PTC between 8:30 a.m. and 11:00 a.m. E.S.T. will be eligible for intraday return; (iii) during the initial stage of the pilot program, only eighty percent of qualifying prefunding payments will be eligible for intraday return to minimize the risk that subsequent transactions will fail PTC's credit controls later in the processing day; (iv) participants will be allowed only one intraday return per day; (v) the minimum amount eligible for intraday return is \$10 million; and (vi) all intraday returns are expected to be made by PTC between 11:00 a.m. and 12:00 p.m. E.S.T.

PTC believes that the proposed rule change is consistent with section 17A(b)(3)(F) of the Act<sup>4</sup> and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

PTC does not perceive that the proposed rule change will impose any burden on competition.

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

PTC has not solicited and does not intend to solicit comments on the proposed rule change. PTC has not received any unsolicited written comments from its participants or other interested parties.

**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 PTC 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 submission should file six copies thereof with the

Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington D.C. 20549. Copies of the submissions, 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of PTC. All submissions should refer to the file number, SR-PTC-96-03 and should be submitted by August 1, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Jonathan G. Katz,  
Secretary.

[FR Doc. 96-17633 Filed 7-10-96; 8:45 am]

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## **SOCIAL SECURITY ADMINISTRATION**

### **Statement of Organization, Functions and Delegations of Authority**

This statement amends Part S of the Statement of the Organization, Functions and Delegations of Authority which covers the Social Security Administration (SSA). Notice is given that Chapter S8 for the Office of the Inspector General is being amended to reflect internal organizational realignments within the Office of the Inspector General (OIG) (S8A). The Office of Audits (OA) (S8C) will be retitled the Office of Audit (OA) (S8C) throughout Chapter S8. The Office of Evaluations and Inspections (OEI) (S8E) will be abolished and the functions integrated into the Office of Audit (OA) (S8C). Two new offices, the Office of Management Services (S8G) and the Office of the Counsel to the Inspector General (S8H), and their corresponding subchapters will be established. A subordinate divisional structure will be established for the following two main offices: the Office of Investigations and the Office of Audit. The changes are as follows:

#### *Section S8.00 The Office of the Inspector General—(Mission)*

Amend to read as follows:

The Office of the Inspector General (OIG) is directly responsible for meeting the statutory mission of promoting economy, efficiency and effectiveness in SSA programs and operations by reducing the incidence of fraud, waste, abuse and mismanagement. To accomplish this mission, the OIG directs, conducts and supervises a comprehensive program of audits, evaluations and investigations, relating to SSA's programs and operations. The OIG also searches for systemic weaknesses in SSA programs and operations and makes recommendations for needed improvements.

#### *Section S8.10 The Office of the Inspector General—(Organization)*

Retitle throughout Chapter S8:

E. The Office of Audits (S8C) to The Office of Audit (S8C)

Delete:

F. The Office of Evaluations and Inspections (S8E)

Add:

F. The Office of Management Services (S8G)

G. The Office of the Counsel to the Inspector General (S8H)

#### *Section S8.20 The Office of the Inspector General—(Functions)*

Add as last sentence:

B. Also, is responsible for the Executive Secretariat function.

Amend to read as follows:

C. The Immediate Office of the Inspector General (S8A) provides the Inspector General and Deputy Inspector General with staff assistance on the full range of their responsibilities.

D. The Office of Investigations (OI) (S8B) conducts and coordinates investigative activity related to fraud, waste, abuse and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, grantees, or contractors, or by SSA employees in the performance of their official duties. Serves as the OIG liaison to the Department of Justice on all matters relating to investigations of SSA programs and personnel, and reports to the Attorney General when the OIG has reason to believe Federal criminal law has been violated. The OI works with other investigative agencies and organizations on special projects and assignments. In support of its mission, the OI carries out and maintains an internal quality assurance system.

E. The Office of Audit (OA) (S8C) provides audit policy direction for, and

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>5</sup> 17 CFR 200.30-3(a)(12) (1995).