

If the Proposed Amendment is adopted at the Special Meeting, promptly after consummation of the Tender Offer, Cinergy will make a capital contribution to CG&E of all Shares tendered to and acquired by Cinergy pursuant to the Tender Offer, and CG&E will thereupon retire and cancel such Shares.<sup>8</sup> If the Proposed Amendment is not adopted at the Special Meeting, Cinergy, subject to applicable law, may elect, but is not obligated, to waive adoption of the Proposed amendment as a condition to its obligation to proceed with the Tender Offer. In that case, as promptly as practicable after Cinergy's waiver of such condition and its purchase of the Shares validly tendered pursuant to the Tender Offer, CG&E (after requesting and receiving any additional Commission authorizations required under the Act) anticipates that it would call another special meeting of its common and preferred stockholders to solicit proxies therefrom for the same purpose as the instant proceeding (*i.e.*, to secure the requisite two-thirds affirmative vote of stockholders to amend the Articles to eliminate the 20% Limitation). At that meeting, Cinergy would vote any Shares acquired by it pursuant to the Tender Offer or otherwise<sup>9</sup> (as well as all of its shares of Common Stock) in favor of the Proposed Amendment. If the Proposed Amendment is adopted at that meeting, and in any event within one year of the Expiration Date (including any extension thereof), Cinergy will promptly after such meeting or at the expiration of such one-year period, as applicable, make a capital contribution to CG&E of all Shares held by Cinergy, and CG&E will thereupon retire and cancel such Shares.

It appears that the application-declaration, to the extent that it relates to the proposed Proxy Solicitation, should be granted and permitted to

become effective forthwith pursuant to rule 62.

It is ordered, therefore, that the application-declaration, to the extent that it relates to the proposed Proxy Solicitation be, and it hereby is, granted and permitted to become effective forthwith pursuant to rule 62 and subject to the terms and conditions prescribed in rule 24 under the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-21608 Filed 8-23-96; 8:45 am]

BILLING CODE 8010-01-M

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meetings during the week of August 26, 1996.

An open meeting will be held on Wednesday, August 28, 1996, at 10:00 a.m. A closed meeting will be held on Thursday, August 29, 1996, at 10:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, of his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c) (4), (8), (9)(A) and (10) and 17 CFR 200.402(a) (4), (8), (9)(i) and (10) and 17 CFR 200.402(a) (4), (8), (9)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Johnson, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the open meeting scheduled for Wednesday, August 28, 1996, at 10:00 a.m., will be:

The Commission will consider whether to approve the proposed Order Execution Obligations Rules published for comment in October 1995. The Order Execution Obligations Rules included proposed amendments to Rule 11Ac1-1 (Quote Rule), proposed Rule 11Ac1-4 (Limit Order Display Rule), and proposed Rule 11Ac1-5 (Price Improvement Rule). These proposed amendments and rules were designed to improve the handling and execution of customer orders, and to publicize prices of customer limit orders and orders entered in electronic communications networks that allow exchange specialists and over-the-counter market makers to trade at prices that

are superior to their public quotes. For further information, please contact Gail Marshall, Division of Market Regulation, at (202) 942-7129.

The subject matter of the closed meeting scheduled for Thursday, August 29, 1996, at 10:00 a.m., will be:

Institution and settlement of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

Formal order of investigation.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

Dated: August 21, 1996.

Jonathan G. Katz,

*Secretary.*

[FR Doc. 96-21817 Filed 8-22-96; 12:40 pm]

BILLING CODE 8010-01-M

[Release No. 34-37581; File No. SR-BSE-96-05]

### Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Its Specialist Performance Evaluation Program

August 19, 1996.

#### I. Introduction

On June 11, 1996, to Boston Stock Exchange, Inc. ("BSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend its Specialist Performance Evaluation Program ("SPEP").<sup>3</sup> On June

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The SEC initially approved the BSE's SPEP pilot program in Securities Exchange Act Release No. 22993 (March 10, 1986), 51 FR 8298 (March 14, 1986) (File No. SR-BSE-84-04). The SEC subsequently extended the pilot program in Securities Exchange Act Release Nos. 26162 (October 6, 1988), 53 FR 40301 (October 14, 1988) (File No. SR-BSE-87-06); 27656 (January 30, 1990), 55 FR 4296 (February 7, 1990) (File No. SR-BSE-90-01); 28919 (February 26, 1991), 56 FR 9990 (March 8, 1991) (File No. SR-BSE-91-01); and 30401 (February 24, 1992), 57 FR 7413 (March 2, 1992) (File No. SR-BSE-92-01). The BSE was permitted to incorporate objective measures of specialist performance into its pilot program in Securities Exchange Act Release No. 31890 (February 19, 1993), 58 FR 11647 (February 26, 1993) (File No. SR-BSE-92-04); at which point the initial pilot program ceased to exist as a separate program. The current pilot program was

solicitation fee of \$1.25 per Share, and (b) soliciting brokers and dealers will not be entitled to any solicitation fee with respect to tendered Shares accepted for payment as to which they are the beneficial owners). Cinergy expects to pay the Bank of New York a depositary fee of approximately \$22,000.

<sup>8</sup> Applicants state that the contemplated capital contribution by Cinergy to CG&E of Shares acquired by Cinergy pursuant to the Tender Offer would be exempt from the requirements of section 12(b) and rule 45(a) pursuant to rule 45(b)(4).

<sup>9</sup> Following the Expiration Date and the consummation of the purchase of Shares pursuant to the Tender Offer, Cinergy may decide to purchase additional Shares on the open market, in privately negotiated transactions, through one or more tender offers or otherwise. Applicants state that Cinergy will not undertake any such transactions without first receiving any additional Commission authorizations required under the Act.

11, 1996, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change.<sup>4</sup>

The proposed rule change, and Amendment No. 1 thereto, was published for comment in Securities Exchange Act Release No. 37308 (June 12, 1996), 61 FR 31573 (June 20, 1996). No comments were received on the proposal. This order approves the proposed rule change, including Amendment No. 1.

## II. Description

### A. Background

The BSE's SPEP utilizes the BEACON system<sup>5</sup> to assess how well a specialist handles market and marketable limit orders routed to him or her for execution. For each specialist, a record of all action on these orders is accumulated in a separate file from which four calculations are run.

First, Turnaround Time measures the average number of seconds from the receipt of a guaranteed market or marketable limit order (*i.e.*, for 1299 shares or less) in BEACON until it is executed (in whole or in part), stopped or cancelled. An order that is moved from the auto-ex screen to the manual screen will accumulate time until executed, partially executed, stopped or cancelled.<sup>6</sup>

Second, Holding Orders Without Action measures the number of market and marketable limit orders (all sizes included)<sup>7</sup> that are held without action for greater than 25 seconds. As in the Turnaround Time calculation, a stop,

cancellation, execution or partial execution stops the clock. The same exclusions which apply in the Turnaround Time calculation also apply here.

Third, Trading Between the Quote measures the number of market and marketable limit orders that are executed between the best consolidated bid and offer where the spread is greater than one-eighth.

Fourth, Executions in Size Greater Than BBO measures the number of market and marketable limit orders which exceed, and are executed in a size larger than, best consolidated bid or offer size.

For each of these four objective measures, and the Specialist Performance Evaluation Questionnaire, a 10 point scale is applied to a range of scores. Based on the raw score for each measure, the respective specialist receives an associated score between one and 10 points, which is weighted for each measure as follows: Turnaround Time (15%); Holding Orders Without Action (15%); Trading Between the Quote (25%); Executions in Size Greater Than BBO (25%); and Questionnaire (20%).

Any specialist who is deficient<sup>8</sup> in any one of the objective measures for two out of three consecutive review periods will be required to appear before the Performance Improvement Action Committee ("PIAC") to discuss ways of improving performance. If performance does not improve in the subsequent period, the specialist will appear before the Market Performance Committee ("MPC") for appropriate action, as described below.<sup>9</sup>

Any specialist who falls below the threshold level for the overall evaluation program for two of three consecutive review periods will be required to appear before the MPC, which will take action to address the deficient performance as provided for in the Supplemental Material to the SPEP.<sup>10</sup> A specialist who is ranked in the bottom 10% of the overall evaluation program but who is above the threshold level for the overall program will be subject to staff review to determine if there is sufficient reason

to warrant informing the PIAC of potential performance problems.

Due to the subjectiveness of the questionnaire, a specialist who is deficient on the questionnaire alone will be subject to review by Exchange staff to determine if there is sufficient reason to warrant informing the PIAC of potential performance problems. However, a deficient score on the questionnaire may result in a performance improvement action when it lowers the overall program score below 5.80.

The Exchange has set thresholds at which a specialist will have been deemed to have adequately performed overall, and with regard to each measure, on the SPEP: Overall Evaluation Score—at or above weighted score of 5.80; Turnaround Time—below 21 seconds (8 points); Holding Orders Without Action—below 21% (7 points); Trading Between the Quote—at or above 26.0% (5 points); Executions in Size Greater Than BBO—at or above 76% (6 points); and Questionnaire—at or above weighted score of 50.0 (4 points).<sup>11</sup>

### B. Proposed Rule Change

The purpose of the proposed rule change is to modify the threshold levels and weights of the current SPEP measures, as well as the review standards applicable under the SPEP. The Exchange has determined that the following modifications should be made as a result of its continuous monitoring of the current SPEP standards:

(1) The Trading Between the Quote threshold level, currently at 26.0, should be raised to 31.0;

(2) Executions in Size Greater Than BBO threshold level, currently at 76.0, should be raised to 81.0;

(3) The Turnaround Time program weight, currently at 15%, should be increased to 20%;

(4) The Holding Orders Without Action program weight, currently at 15%, should be decreased to 5%;

(5) The Trading Between the Quote program weight, currently at 25%, should be increased to 35%;

(6) The Executions in Size Greater Than BBO program weight, currently at 25%, should be increased to 35%;

(7) The Questionnaire program weight, currently at 20%, should be decreased to 5%;

(8) The standard for PIAC review for substandard performance in any one objective measure, currently set at two out of three consecutive review periods,

subsequently extended in Securities Exchange Act Release Nos. 33341 (December 15, 1993), 58 FR 67875 (December 22, 1993) (File No. SR-BSE-93-16); 35187 (December 30, 1994), 60 FR 2406 (January 9, 1995) (File No. SR-BSE-94-12); and 36668 (January 2, 1996), 61 FR 672 (January 9, 1996) (File No. SR-BSE-95-16) ("January 1996 Approval Order"). SEC approval of the current pilot program expires on December 31, 1996.

<sup>4</sup> See Letter from Karen Aluisse, Assistant Vice President, BSE, to Sharon Lawson, Senior Special Counsel, SEC, dated June 11, 1996 ("Amendment No. 1"). Amendment No. 1 corrected typographical errors in the original filing and added a proposal to raise the overall score at which a specialist will be deemed to have adequately performed from 5.80 to 6.70 in order to account for the proposed changes to the threshold levels and weights.

<sup>5</sup> BEACON is the BSE's automated order-routing and execution system. BEACON provides a guarantee of execution for market and marketable limit orders up to and including 1,299 shares. In addition, BEACON can be used to transmit orders not subject to automatic execution. See BSE Rules, Ch. XXXIII, ¶¶ 2654-55.

<sup>6</sup> This calculation will not be in effect until the stock has opened on the primary market. Certain situations, such as trading halts and periods where the BEACON system is off auto-ex floorwide, will result in blocks of time being excluded from the calculation.

<sup>7</sup> Unlike Turnaround Time, Holding Orders Without Action is not limited to those orders guaranteed automatic execution through BEACON.

<sup>8</sup> A specialist is deficient in any measure if he or she scores below the minimum adequate performance thresholds set forth below. See *infra* text accompanying note 11.

<sup>9</sup> In the event a specialist's performance does not improve, the Supplemental Material to the SPEP authorizes the MPC to take the following actions: suspending the specialist's trading account privilege, suspending his or her alternate specialist account privilege, or reallocating his or her specialty stocks. See BSE Rules, Ch. XV, ¶ 2156.10-2156.60.

<sup>10</sup> See *supra* note 9.

<sup>11</sup> A specialist who receives a score that is below a minimum adequate performance threshold will be deemed to be deficient in that measure. See *supra* note 8.

will be changed to the first instance of substandard performance;

(9) The standard for MPC review for substandard performance in any one objective measure, currently set at three out of four consecutive review periods, will be changed to two out of three consecutive review periods;

(10) The standard for MPC review for substandard performance on the overall program, currently set at two out of three consecutive review periods, will be changed to the first instance of substandard performance; and

(11) The Overall Program score, currently at 5.80, should be increased to 6.70 to account for the proposed changes to the threshold levels and weights.

Under the proposal, the current threshold levels for Turnaround Time, Holding Orders Without Action and the Questionnaire, as well as the staff review standards, will remain unchanged. The Exchange believes that these modifications will enhance the SPEP by providing more appropriate threshold levels when overall performance has improved beyond the current limits, more effective measure weightings which reflect the industry's current market quality focus, and a more realistic approach to committee review in view of the timeframe required to address substandard performance.<sup>12</sup>

### III. Discussion

The Commission believes that specialists play a crucial role in providing stability, liquidity, and continuity to the trading of stocks. Among the obligations imposed upon specialists by the Exchange, and by the Act and the rules promulgated thereunder, is the maintenance of fair and orderly markets in their designated securities.<sup>13</sup> To ensure that specialists fulfill these obligations, it is important that the Exchange conduct effective oversight of their performance. The BSE's SPEP is critical to this oversight. In addition, the Commission notes that the SPEP weighs heavily in the BSE's stock allocation decisions, and believes that performance based stock allocations help to ensure that stocks are allocated to specialists who will make the best markets.

In its January 1996 Approval Order extending the SPEP pilot for an additional one-year period, until

<sup>12</sup> In its proposed rule change, the Exchange stated that it is currently reviewing additional market quality statistics in an effort to develop other measures of performance for inclusion in the SPEP, and hopes to file for additional modifications to the program in the near future.

<sup>13</sup> Rule 11b-1, 17 CFR 240.11b-1; BSE Rules Ch. XV, ¶ 2155.01.

December 31, 1996,<sup>14</sup> the Commission set forth its concerns with the current program. First, the Commission stated that it expected the BSE to evaluate the incorporation of additional objective criteria into the SPEP, so that the Exchange can conduct a thorough analysis of specialist performance.<sup>15</sup> The Commission also requested that the Exchange assess whether each measure is assigned an appropriate weight, and conduct an ongoing examination of its minimum adequate performance levels to insure that performance thresholds are set at appropriate levels. In addition, the Commission advised the Exchange to closely monitor the conditions for committee review and take steps to ensure that all specialists whose performance is deficient or diverges widely from the best units will be subject to meaningful review.<sup>16</sup> The Commission finds that the proposed rule change is a positive step forward with regard to a number of these concerns. Specifically, the proposal modifies the appropriate weights and thresholds to be assigned to each measure and the conditions for committee review for substandard specialist performance.

In connection with the respective weights assigned to each measure, the Commission has recommended that because of the substantial overlap between Turnaround Time and Holding Orders Without Action, the BSE should consider having only one measure in this category (*i.e.*, timeliness of executions), or reduce the weights of the existing measures, which together account for 30% of the current SPEP. The Commission believes that the proposal is a positive step in this direction, as it decreases the weight assigned to these two categories from 30% to 25% of the overall program. Moreover, the decrease in the combined weight of these two categories, as well

<sup>14</sup> The Commission notes that while the proposed rule change modifies certain aspects of the current SPEP, the Exchange remains obligated to submit by September 16, 1996 a report describing its experience with the pilot, in addition to any requests to further modify it, to extend its effectiveness or to seek permanent approval for the SPEP. See January 1996 Approval Order, *supra* note 3.

<sup>15</sup> For example, the Commission has stated that the BSE could develop additional measures of market depth, such as how often the specialist's quote exceeds 500 shares or how often the BSE quote, in size, is larger than the best consolidated bid or offer (excluding quotes for 100 shares). Another possible objective criteria could measure quote performance (*i.e.*, how often the BSE specialist's quote, in price, is alone at or tied with the BBO).

<sup>16</sup> In this regard, the Commission stated that in its opinion, a meaningful review process would ensure that adequate corrective actions are taken with regard to each deficient specialist.

as the weight of the Questionnaire, has enabled the Exchange to increase the weight of each of the other objective criteria, Trading Between the Quote and Executions in Size Greater Than BBO, from 25% to 35% of the SPEP. The Commission believes that the increase in the weights of these measures is appropriate in the context of the current program, in that these measures have been useful in identifying how well specialists carry out certain aspects (*i.e.*, price improvement and market depth) of their responsibilities as specialists.<sup>17</sup>

In reviewing the BSE's experience with its minimum adequate performance thresholds, the Commission has noted that although it appears that these standards have been helpful in identifying some specialists with potential performance problems, as well as providing an incentive for improved market making performance, the acceptable levels of performance have not been revised since the inception of the pilot. The proposal makes such revisions, in that it increases the threshold level for adequate performance both with regard to the overall program and particular measures. Specifically, the overall threshold program score is being increased from 5.80 to 6.70, while the threshold level of Trading Between the Quote is being increased from 26.0 to 31.0 and Executions in Size Greater Than BBO from 76.0 to 81.0. The Commission believes that these changes are appropriate given that they will provide a higher benchmark for acceptable specialist performance on the Exchange. This, in turn, should benefit the execution of public orders on the BSE and further the protection of investors.

The Commission has also requested that the BSE closely monitor the conditions for review and take steps to ensure that all specialists whose performance is deficient and/or diverges widely from the best units will be subject to meaningful review. The Commission believes that the proposed rule change makes significant progress in this regard, as it tightens the standards for committee review for substandard specialist performance both in the overall program and in individual measures.<sup>18</sup> Under the proposal, the

<sup>17</sup> The Commission continues to believe that objective measures together with a floor broker questionnaire, should generate sufficiently detailed information to enable the Exchange to make accurate assessments of specialist performance.

<sup>18</sup> The Commission continues to believe that relative performance rankings that subject the bottom 10% of all specialist units to mandatory review by an Exchange committee are an important part of an effective evaluation program.

criteria for PIAC review for substandard performance in any one objective measure, currently set at two out of three consecutive review periods, is being reduced to any one review period of substandard performance. The criteria for MPC review of substandard performance in any one objective measure, currently set at three out of four review periods, is being changed to two out of three consecutive review periods of substandard performance, while MPC review for substandard overall performance, currently set at two out of three review periods, is being changed to any one review period of substandard performance. The Commission believes that as the proposal increases the possibility of the institution of a performance improvement action as a result of substandard performance, it should help motivate and provide an incentive for specialists to maintain high levels of market making performance. In addition, the changes should help the Exchange to identify earlier those specialists needing help or guidance in improving their performance either overall or in a particular area.

In conclusion, although the Commission believes that the proposed modifications will increase the effectiveness of the BSE's SPEP, the Exchange should continue to evaluate means to strengthen its performance oversight program, with an emphasis on incorporating additional objective measures and including competing specialist activity into the SPEP.<sup>19</sup>

For the reasons discussed above, the Commission finds that the BSE's proposal to modify its SPEP pilot program is consistent with the requirements of Sections 6 and 11 of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission finds that the proposed rule change is consistent with the Section 6(b)(5)<sup>20</sup> requirement that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and

perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

Further, the Commission finds that the proposal is consistent with Section 11(b) of the Act<sup>21</sup> and Rule 11b-1 thereunder which allow securities exchanges to promulgate rules relating to specialists in order to maintain fair and orderly markets and to remove impediments to and perfect the mechanism of a national market system.

#### IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>22</sup> that the proposed rule change (SR-BSE-96-05) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>23</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-21606 Filed 8-23-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37582; File No. SR-NSCC-96-14]

#### **Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Regarding the Use of Letters of Credit as Clearing Fund Collateral**

August 19, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> notice is hereby given that on July 25, 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**

With the proposed rule change, NSCC is seeking permanent approval of certain clearing fund contributions requirements.

<sup>21</sup> 15 U.S.C. 78k(b).

<sup>22</sup> 15 U.S.C. 78s(b)(2).

<sup>23</sup> 17 CFR 200.30-3(a)(12).

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

#### **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>2</sup>

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

On January 31, 1990, the Commission approved on a temporary basis a proposed rule change filed by NSCC which modified the amount of a member's clearing fund required deposit that may be collateralized by letters of credit.<sup>3</sup> Specifically, the rule change increased the minimum cash contribution for those members which use letters of credit to collateralize their open account indebtedness from \$50,000 to the greater of \$50,000 or 10% of their clearing fund required deposit up to a maximum of \$1,000,000. In addition, the rule change provided that only 70% of a member's required deposit may be collateralized with letters of credit. The rule change also added headings to the clearing fund formula section for clarity and made other non substantive drafting changes. The goal of the rule change was to increase the cash liquidity of the clearing fund and to limit NSCC's exposure to any unusual risk from the reliance on letters of credit. When NSCC first filed this change the intent 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 three major New York clearing house banks. Currently, NSCC has a four hundred million dollar line of credit

<sup>2</sup> The Commission has modified parts of these statements.

<sup>3</sup> 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 to assess the use of letters of credit as clearing fund collateral. Most recently, the Commission extended temporary approval through September 30, 1996. Securities Exchange Act Release No. 36360 (October 11, 1995), 60 FR 53945 [File No. SR-NSCC-95-12].

<sup>19</sup> In this regard, the Commission notes the Exchange's proposed rule change states that it is currently engaged in an effort to develop other measures of performance for inclusion in the SPEP, and hopes to file for additional modifications to the program in the near future. Moreover, in connection with the permanent approval of the BSE's Competing Specialist Initiative, the Exchange represented that it was in the process of revising its SPEP standards to include competing specialist activity as well as other market quality initiatives and planned on submitting rule amendments during the current extension of the SPEP pilot. See Letter from John I. Fitzgerald, Executive Vice President, BSE, to Howard Kramer, Associate Director, SEC, dated February 29, 1996.

<sup>20</sup> 15 U.S.C. 78f(b)(5).