

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37904; File No. SR-NSCC-96-19]

**Self-Regulatory Organizations;
National Securities Clearing
Corporation; Notice of Filing of a
Proposed Rule Change To Discontinue
the Operation of the Securities
Clearing Group's Data Base**

October 31, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 3, 1996, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-96-19) 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**

The purpose of the proposed rule change is to amend the Securities Clearing Group Agreement of the Securities Clearing Group ("SCG")² to discontinue the operation of the SCG data base.

**I. Self-Regulatory Organization's
Statement of the Purpose of, the
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 that 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.³

**(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 the SCG Agreement to discontinue operation of SCG data base. The SCG database contains information on common participants of the SCG members relating to settlement payment obligations and clearing fund and margin requirements and deposits and other related information. The members of the SCG created the SCG data base as a means to coordinate and share information on common participants and increase cooperation among the SCG members.

NSCC believes termination of the SCG data base is desirable for several reasons. First, NSCC has established and agreed to make available to the SCG members access to its Collateral Management Service ("CMS").⁴ The CMS will make available to the SCG members similar information contained in the SCG data base plus provide them with enhanced features and capabilities through a more robust system. For example, the SCG data base contains aggregate information on clearing fund and margin deposits including excess and deficit amounts whereas the CMS contains both aggregate information on clearing fund and margin deposits including excess and deficit amounts as well as detailed information on the underlying collateral (*i.e.*, cash, securities, and letters of credit). The SCG members recognize that termination of the SCG data base is desirable at this point to avoid redundancies with the CMS. Second, the SCG members recognize that termination of the SCG data base will eliminate the occurrence of a significant increase in costs that would be required to maintain the SCG data base. Third, NSCC believes termination of the SCG data base and the availability of the CMS will enable the SCG members to better coordinate and share information

and monitor clearing fund and margin deposits.

Accordingly, the SCG members have executed Amendment No. 6 to the SCG Agreement.⁵ The Amendment: (i) authorizes the termination of the SCG data base, (ii) authorizes NSCC to use all data, information, computer coding, and programs contained in the SCG data base in establishing and maintaining the operation of CMS, and (iii) grants to each SCG Member a nonexclusive and nontransferable license to use NSCC's CMS.

NSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will promote the prompt and accurate clearance and settlement of securities transactions and will assure the safeguarding of securities and funds in the custody or control of NSCC or for which NSCC is responsible.

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

NSCC does not believe that the proposed rule change will impact 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 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 NSCC 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

⁶ 17 CFR 200.30-3(a)(12) (1996).

¹ 15 U.S.C. 78s(b)(1) (1988).

² The SCG was established in 1989 as a result of developments surrounding the October Market Break and subsequent studies on the causes of the Market Break. The stated purpose of the SCG is to increase cooperation and coordination among securities clearing entities and to facilitate the sharing of certain clearance and settlement information regarding surveillance and member risk monitoring. For a further description of the SCG refer to Securities Exchange Act Release No. 27044 (July 25, 1989), 54 FR 30963 [File Nos. SR-DTC-88-20, SR-MCC-88-10, SR-MSTC-88-07, SR-NSCC-88-09, SR-OCC-89-02, SR-Philadep-89-01, and SR-SCCP-89-01] (order approving the establishment of the SCG).

³ The Commission has modified the text of the summaries submitted by NSCC.

⁴ For a description of the Collateral Management service refer to Securities Exchange Act Release No. 36091 (August 10, 1995), 60 FR 42931 [File No. SR-NSCC-95-06] (order approving a proposed rule change establishing the Collateral Management Service).

⁵ A copy of the Amendment is attached as Exhibit A to NSCC's filing. A copy of the filing is available for copying and inspection in the Commission's Public Reference Room or through NSCC.

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, 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 NSCC.

All submissions should refer to the file number SR-NSCC-96-16 and should be submitted by November 27, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37903; File No. SR-PSE-96-36]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Stock Exchange, Incorporated Relating to a Requirement that All PSE Floor Brokers Maintain Error Accounts

October 31, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 17, 1996, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") 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 by the self-regulatory organization. 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 Exchange is proposing to amend its rules to provide that each floor broker on the Exchange must establish

and maintain an error account for carrying positions resulting from errors.

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 self-regulatory organization 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 self-regulatory organization 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

1. Purpose

The Exchange is proposing to adopt new Rule 4.10(c) to provide that each member organization whose principal business is as a floor broker on the Exchange and who is not self-clearing must establish and maintain an account with a clearing member of the Exchange, for the sole purpose of carrying positions resulting from bona fide errors made in the course of its floor brokerage business. The proposed rule further provides that, with respect to options floor brokers only, such an account for option transactions must be maintained with an entity that is also a member of the Options Clearing Corporation.

The purpose of the rule change is to enhance the Exchange's ability to detect and deter rule violations committed by floor brokers that may arise in connection with trading errors. The Exchange believes that the rule is consistent with Rule 703(c)(vi) of the Philadelphia Stock Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act¹ in general and furthers the objectives of Section 6(b)(5) in particular² in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

The Exchange has neither solicited nor received written comments with respect to the proposed rule change.

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

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 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 the 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, 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-PSE-96-36 and should be submitted by November 27, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,

Deputy Secretary.

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¹ 15 U.S.C. 78f(b).

² 15 U.S.C. 78f(b)(5).

³ 17 CFR 200.30-3(a)(12).

⁶ 17 CFR 200.30-3(a)(12) (1996).