

Philadep-95-08 and should be submitted by March 21, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File Nos. SR-Philadep-95-08) be, and hereby is, temporarily approved through August 31, 1996, for those sections of the proposed rule change relating to Philadep's participants fund formulas and inter-depository delivery procedures and permanently approved for the remainder of the proposed rule change.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>19</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-36875; File Nos. SR-SCCP-95-06]

**Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing of Amendments and Order Granting Accelerated Partial Permanent Approval and Accelerated Partial Temporary Approval of a Proposed Rule Change to Convert the Settlement System for Securities Transactions to a Same-Day Funds Settlement System**

February 22, 1996.

On November 3, 1995, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File Nos. SR-SCCP-95-06) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> On December 19, 1995, SCCP filed an amendment to the proposed rule change.<sup>2</sup> Notice of the proposal as amended was published in the Federal Register on January 9, 1996.<sup>3</sup> On January 24, 1996, SCCP filed an amendment to the proposed rule change to clarify which participants fund formulas were additive and which were not additive, to remove the maximum contribution in the formula for full service continuous net settlement ("CNS") activity, and to make a technical correction to Rule 4,

Section 8.<sup>4</sup> On February 5, 1996, SCCP filed an amendment to the proposed rule change to remove certain proposed amendments made to Rule 4, Sections 1 and 2, regarding the maintenance and investment of the participants fund and to remove allocation procedures between the SCCP participants fund and the Philadelphia Depository Trust Company ("Philadep") participants fund.<sup>5</sup> No comment letters were received. For the reasons discussed below, the Commission is granting accelerated temporary approval through August 31, 1996, of the portion of the proposed rule change relating to SCCP's participants fund formulas and is granting accelerated permanent approval of the remainder of the proposed rule change.

**I. Description of the Proposal**

The purpose of the proposed rule change is to amend SCCP's rules and procedures to convert SCCP's money settlement system from a next-day funds settlement ("NDFS") system to a same-day funds settlement ("SDFS") system. SCCP intends to support Philadep in providing participants full SDFS clearing and depository services for all eligible securities.<sup>6</sup>

SCCP evaluated the impact of converting to an SDFS system with respect to the operational requirements, liquidity requirements, and overall risk on a joint SCCP/Philadep basis.<sup>7</sup> Pursuant to a joint agency agreement between SCCP and Philadep, SCCP, among other things, effects daily money settlements on behalf of Philadep and its participants for securities received into and delivered out of participants accounts. SCCP on behalf of Philadep also processes continuous net settlement ("CNS") movements from one participant to another, processes all SCCP and Philadep dividend and reorganization settlements, and prepares and renders bills for Philadep and collects fees from Philadep participants for depository services.

SCCP is amending several of its rules and procedures to accomplish the conversion to SDFS. SCCP Rule 1,

which defines terms used throughout SCCP's rules, is being amended to add certain definitions related to the conversion to an SDFS system.<sup>8</sup>

SCCP Rule 10, which governs money settlements, is being amended to provide that all payments must be in same-day funds. Rule 27, regarding SCCP acting as agent for Philadep, currently provides that SCCP will act to effect daily money settlements on behalf of those organizations or entities which are participants of both SCCP and Philadep. SCCP Rule 27 is being amended to further clarify that SCCP will serve as the agent for money settlements for all participants transacting business with either SCCP or Philadep.

Rule 4, governing SCCP's participants fund, and the procedures regarding the participants fund formulas are being amended to respond to SCCP's increased liquidity needs. Together, Rule 4 and the procedures are being amended to provide for an all cash participants fund. The all cash requirement applies to both the required deposit and any additional or voluntary deposits that participants may make. Participants that choose to make voluntary deposits in most situations will be able to increase their level of activity at SCCP and will receive interest rebates from SCCP for deposits in excess of \$50,000.

SCCP also has modified the size of the fund by amending the participants fund formulas. Together, Rule 4 and the procedures now require all SCCP participants to maintain a minimum cash deposit of \$10,000 in the SCCP participants fund. Under its procedures, SCCP will calculate participants' required cash deposits pursuant to the following formulas:

(a) Inactive Account—The contribution of an Inactive Participant is set at a uniform rate of \$10,000. Inactive is defined as twenty or fewer trades on average per month.

(b) Full Service ("CNS") Account—The contribution of a CNS Participant is based upon the larger of: (1) The participant's monthly average of trading activity during the preceding quarter, \$1,000 for every twenty-five trading units of one hundred shares; or (2) the participant's aggregate dollar amount of all long trades at their execution price for each quarter divided by the number of days in such quarter multiplied by two percent. The required contributions are rounded upward to \$5,000 increments, and the average is a rolling average.

<sup>8</sup>The specific terms being defined in SCCP's rules are attached as Exhibit B to File No. SR-SCCP-95-06. The file is available for review in the Commission's Public Reference Room and at the principal office of SCCP.

<sup>19</sup> 17 CFR 200.30-3(a)(12) (1995).

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

<sup>2</sup> Letter from J. Keith Kessel, Compliance Officer, SCCP, to Peter R. Geraghty, Esq., Division of Market Regulation ("Division"), Commission (December 14, 1995).

<sup>3</sup> Securities Exchange Act Release No. 36671 (January 3, 1996), 61 FR 677.

<sup>4</sup> Letter from William W. Uchimoto, SCCP, to Jerry Carpenter, Esq., Assistant Director, Division, Commission (January 24, 1996).

<sup>5</sup> Letter from J. Keith Kessel, Compliance Officer, SCCP, to Peter R. Geraghty, Esq., Division, Commission (February 5, 1996).

<sup>6</sup> For a description of Philadep's SDFS system, refer to Securities Exchange Act Release No. 36681 (January 4, 1996), 61 FR 7451 [File No. SR-Philadep-95-08] (notice of filing of a proposed rule change).

<sup>7</sup> SCCP and Philadep are wholly-owned subsidiaries of the Philadelphia Stock Exchange, Inc. SCCP and Philadep have a substantial overlap of participants and strategic business objectives.

(c) Regional Interface Operations ("Rio") Account—The contribution of a RIO Participant is based on the participant's monthly average of trading activity during the preceding quarter, \$1,000 for every twenty-five trading units of one hundred shares (with a \$10,000 minimum and a \$75,000 maximum contribution). The required contributions are rounded upward to \$5,000 increments. RIO is defined as a participant account whereby the participant elects to settle with a clearing corporation other than SCCP.

(d) Layoff Account—The contribution of a Layoff Participant is set at a uniform rate of \$25,000. A Layoff Participant is defined as a participant account whereby the participant elects to settle with a clearing corporation other than SCCP for trades not executed on the Philadelphia Stock Exchange.

(e) Specialist Margin Account—The contributions of a Specialist Margin Participant is set at a uniform rate of \$35,000.

(f) Non-Specialist Margin Account—The contribution of a Non-Specialist Margin Participant is set at a uniform rate of \$35,000.

SCCP will recalculate each participant's fund deposit requirement at the end of each month based on the previous three months prior to the most recent month. SCCP will notify its participants of any required deposit increases and the amount of such additional deposit within ten business days of the end of the month. Participants whose deposit requirements have decreased will be notified at least quarterly although they may inquire and withdraw excess deposits monthly. Participants may leave excess cash deposits in the participants fund.

SCCP estimates that at the time of implementing the proposed modifications, SCCP and Philadep will have combined liquidity resources of over \$73 million consisting of \$7.3 million in the SCCP participants fund, \$1.1 million in the Philadep participants fund, \$4.7 million in unrestricted capital, and \$60 million in lines of credit.<sup>9</sup> SCCP will routinely monitor these amounts and assess the need to increase liquidity resources over time based on SCCP and Philadep activity levels.

## II. Discussion

Section 17A(b)(3)(F) of the Act<sup>10</sup> requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and 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 SCCP's proposed rule change is consistent with SCCP's obligations under Section 17A(b)(3)(F) to promote the prompt and accurate clearance and settlement of securities transactions because the proposal converts SCCP's money settlement system from a NDFS system to a SDFS system. The conversion to a SDFS system should help reduce risk by, among other things, eliminating overnight participant credit risk. The SDFS system also should reduce risk by achieving closer conformity with the payment methods used in the derivatives markets, government securities markets, and other markets.

The Commission believes the proposal is consistent with SCCP's obligations to assure the safeguarding of securities and funds in its custody or control because the proposed rule change converts SCCP's participants fund to an all cash fund which should increase the liquidity of the fund. In addition, SCCP has increased its liquidity resources by retaining additional committed and uncommitted lines of credit totaling \$60 million.

However, the Commission continues to be concerned about (1) The adequacy of SCCP's participants fund formulas in providing a sufficient source of cash liquidity and (2) the formulas' conformity with the standards set forth by the Division.<sup>11</sup> The Commission believes that clearing agencies operating SDFS systems must have a sufficient liquidity from combination of cash and lines of credit to ensure that settlement occurs at the end of the business day even if a participant fails to settle with the clearing agency or if the clearing agency experiences a systems problem. The Commission further believes that a clearing agency must have on hand an amount of accessible cash which will enable the clearing agency to fund settlement for most participant failures or systems problems without having to immediately draw on its lines of credit (*i.e.*, a clearing agency's lines of credit should be its secondary source of liquidity and not its primary source). The Commission is concerned with the level of cash provided by SCCP's formulas and whether that level of cash liquidity is sufficient given the increased demand for liquidity under an SDFS environment and SCCP's use of the participants fund to finance specialists purchases.<sup>12</sup>

The Commission believes that clearing agencies must establish an appropriate level of clearing fund contributions based on, among other things, its assessment of the risks to which it is subject.<sup>13</sup> Although SCCP submitted to the Commission its assessment of the risks presented by its conversion to an SDFS system and the risks posed by its participants and their clearing activities, the Commission desires a more thorough analysis. For example, the Commission believes SCCP's recent clearing arrangement with the West Canada Clearing Corporation ("WCCC") presents additional risks that were not present when SCCP conducted its original risk assessment. Historically, WCCC's activity at the Midwest Clearing Corporation ("MCC") was mostly net sell transactions which meant WCCC often had an obligation to deliver a large volume of securities to MCC. Under the proposed rule change, SCCP's participants fund formulas do not take into consideration a participant's short positions and the risks the short positions pose to SCCP. Therefore, the Commission is temporarily approving through August 31, 1996, the portion of the proposed rule change relating to the participants fund formulas.

During the period of temporary approval, the Commission will monitor and analyze the adequacy of the participants fund formulas in an SDFS environment. In this regard, the Commission requests that SCCP submit prior to filing for permanent approval of the participants fund formulas a detailed report including (1) a description of the different types of participants at SCCP, the types of clearing activities the participants conduct, and the number of each type of participant, and (2) a detailed discussion of the types of risks these participants and their activities pose and the measures SCCP will take to mitigate the risks. Furthermore, the Commission requests that SCCP submit a complete risk assessment analysis that calculates the cumulative risks associated with SDFS, specialist financing, increased short position activity, and increased clearing activity of over-the-counter securities.

SCCP 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 of amendments. The Commission finds good cause for approving the proposed

<sup>9</sup> As of the date of this order, SCCP and Philadep have secured \$20 million in uncommitted lines of credit and \$40 million in committed lines of credit.

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

<sup>11</sup> Securities Exchange Act Release No. 16900 (June 17, 1980), 45 FR 41920 (order approving standards for clearing agency registration).

<sup>12</sup> For a complete description of SCCP's specialist financing program, refer to Securities Exchange Act Release No. 20221 (September 23, 1983), 48 FR 45167 (order approving full registration of DTC,

SCCP, MSTC, OCC, MCC, PSDTC, PCC, NSCC, and Philadep).

<sup>13</sup> *Supra* note 11.

rule change prior to the thirtieth day after the date of publication of notice of filing of amendments because the proposed rule change modifies SCCP's rules in anticipation of SCCP's conversion to an SDFS system on February 22, 1996. Accelerated approval of the proposal will allow SCCP to effect the conversion and to implement the procedures provided under the proposed rule change on that date.

### III. 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, 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 SCCP. All submissions should refer to the file number SR-SCCP-95-06 and should be submitted by March 21, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File Nos. SR-SCCP-95-06) be, and hereby is, temporarily approved through August 31, 1996, for those sections of the proposal relating to the participants fund formulas and permanently approved for the remainder of the proposed rule change.

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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## SMALL BUSINESS ADMINISTRATION

### Surety Bond Guarantee Program Fees

**AGENCY:** Small Business Administration (SBA).

**ACTION:** Notice.

**SUMMARY:** This Notice establishes the fees payable by Principals and Sureties participating in SBA's Surety Bond Guarantee Program (13 CFR Part 115).

**FOR FURTHER INFORMATION CONTACT:** Barbara Brannan, Office of Surety Guarantees, (202) 205-6540.

**SUPPLEMENTARY INFORMATION:** In a final rule published on January 31, 1996, SBA indicated that it was completing an analysis of the performance of the Surety Bond Guarantee Program and was evaluating whether changes in the Principal's guarantee fee and the Surety's guarantee fee were warranted. See 61 FR 3266, 3269 (January 31, 1996). SBA has completed that review and is setting the Principal's and the Surety's fees in this Federal Register Notice. Capitalized terms used in this Notice have the meanings assigned to such terms in 13 CFR § 115.10.

Beginning March 1, 1996 and ending on April 30, 1996, the following guarantee fees will be in effect:

(1) The guarantee fee payable by Principals under 13 CFR §§ 115.32(b) and 115.66 will be \$6.00 per thousand dollars of the Contract amount.

(2) The guarantee fee payable by Prior Approval Sureties under 13 CFR § 115.32(c) and by PSB Sureties under 13 CFR § 115.66 will be 20% of the bond Premium.

Beginning May 1, 1996, the following guarantee fees will become effective:

(1) The guarantee fee payable by Principals under 13 CFR §§ 115.32(b) and 115.66 will be \$7.45 per thousand dollars of the Contract amount.

(2) The guarantee fee payable by Prior Approval Sureties under 13 CFR § 115.32(c) and by PSB Sureties under 13 CFR § 115.66 will be 23% of the bond Premium.

The guarantee fees scheduled to take effect on May 1, 1996 are higher than the guarantee fees currently in place in the Surety Bond Guarantee Program, but are lower than the fees SBA had proposed for the Program in the proposed rule published on November 27, 1995. See 60 FR 58263 (November 27, 1995). SBA's proposal to increase the Principal's fee to \$8.00 per thousand dollars of the Contract amount and the Surety's fee to 25% of the bond Premium was not well-received by the participants in the Program. Most of the comments submitted to SBA predicted serious adverse consequences for Principals and for the Program if the fees were increased as proposed.

After a careful review of these comments and of Program performance and trends, it has been determined that some increase in the fees is,

nevertheless, necessary to increase the reserves in the Program's revolving fund to cover potential unfunded liabilities should the Program be terminated.

While improvements in Program operations have resulted in decreased claims payments and increased claims recoveries over the past several years, current reserves in the revolving fund are not sufficient to satisfy all such unfunded Program liabilities. The increased fees established in this Notice have been calculated as the minimum necessary to bridge this gap over a period of years. The increases are not scheduled to go into effect until May 1, 1996 in order to allow sufficient time for Program participants to make any necessary adjustments to their accounting systems.

SBA will continue to evaluate the performance of the Surety Bond Guarantee Program to determine whether the fee increases adopted today remain necessary, and to monitor their effect on both Principals and the Program generally. If the Program continues to perform as well as it has in the recent past, SBA would expect, eventually, to be able to reduce Program fees.

Any future changes in the fee amounts will be published by SBA in the form of a Notice in the Federal Register.

Information on other requirements concerning the fees may be found at 13 CFR §§ 115.32 and 115.66.

Dated: February 23, 1996.

Philip Lader,  
*Administrator.*

[FR Doc. 96-4612 Filed 2-28-96; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Federal Transit Administration

#### Environmental Impact Statement for the Metrorail Extension to Largo Town Center, Prince Georges County, Maryland

**AGENCY:** Federal Transit Administration, DOT.

**ACTION:** Notice of intent to prepare an Environmental Impact Statement (EIS).

**SUMMARY:** The Federal Transit Administration (FTA) and the Maryland Mass Transit Administration (MTA), in cooperation with Prince George's County and the Washington Metropolitan Area Transit Authority (WMATA), intend to prepare an Environmental Impact Statement (EIS) for a Metrorail Extension from the Addison Road Metrorail Station to Largo

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