

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 the filing will also be available for inspection and copying at the principal office of the Board. All submissions should refer to File No. SR-MSRB-96-02 and should be submitted by April 5, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36942; File No. SR-NSCC-96-04]

**Self-Regulatory Organizations;
National Securities Clearing
Corporation; Notice of Filing of
Proposed Rule Change to Establish
the Daily Price and Rate File Phase of
the Mutual Fund Profile Service**

March 7, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 19, 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. On February 27, 1996, NSCC filed an amendment to the proposed rule change.² The Commission is publishing this notice to solicit comments from interested persons.

**I. Self-Regulatory Organization's
Statement of the Terms of Substance of
the Proposed Rule Change**

The proposed rule change seeks to amend NSCC's rules to establish a mutual fund profile service ("MFPS") and to seek approval for implementation of the first phase of MFPS.

**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.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 establish MFPS for use by participating NSCC members and to implement the first phase of MFPS, the daily price and rate file. MFPS will provide an automated method of transmitting and receiving information pertaining to mutual funds through a centralized and standardized facility on a timely basis. MFPS will improve the flow of such data among participating NSCC members and will enable such members to make additions, changes, corrections, or deletions to such data as needed.

NSCC members will join the MFPS either as MFPS data providers, MFPS data receivers, or both. MFPS data receivers most likely will consist of broker-dealers. Mutual funds and fund complexes are likely to be MFPS data providers but in many cases also may participate as MFPS data receivers. MFPS data providers will transmit electronically MFPS data to NSCC in a format developed by NSCC. MFPS data providers will have the option as to the amount of data pertaining to them to include in MFPS. NSCC then will group and consolidate MFPS data to fit the format developed for distribution and will transmit the data to MFPS users. MFPS data will be transmitted between NSCC and MFPS users via mainframe and/or personal computer interfaces based on users' preferences, needs, and capabilities. At this time, NSCC has not determined whether an agreement will be necessary to permit an NSCC member to participate in MFPS.

To ensure that MFPS users are capable of adequately using the service, NSCC initially proposes to limit the scope of the MFPS data to include only daily prices and rates of funds. MFPS users will be able to deliver data relating to daily prices and daily dividend accrual rates for individual securities for a specific date. NSCC will consolidate all price and rate information received from MFPS data providers on a given day into a daily price and rate file and will distribute such file to MFPS data receivers. This file also will report price

and rate corrections to users as they are identified by a fund. NSCC will maintain historical data within the database for a specified period of time.

Currently, NSCC members obtain fund price and rate information in a variety of ways including paper transmittals, facsimile, and telephone. NSCC believes that such methods of obtaining information generally are time consuming, labor intensive, and prone to error. Furthermore, NSCC believes the lack of automation and standardization of the process by which information is exchanged between NSCC members delays the receipt of time-sensitive data and contributes to processing difficulties resulting from incorrect or incomplete information. NSCC believes that MFPS will support and will expedite the processing of mutual fund transactions at the firms and funds.

Other components of MFPS will be implemented in one or more phases after approval of the daily price and rate file.⁴ These other components will include (i) the "member profile" which will maintain data for each NSCC member participating in MFPS, including personnel contacts, telephone numbers, addresses, commissions payment procedures, and the processing capabilities and data for NSCC members which act as agents for other NSCC members; (ii) the "security issue profile" which will maintain information on each individual fund maintained in the profile, including minimum purchase or maintenance requirements, fund features, and various fund processing characteristics; and (iii) the "distribution declaration information profile" which will include projected and/or actual record dates, ex-dates, reinvestment dates, and payable dates for fund dividend and capital gain payments and also may include Rule 12b-1 plan and other commission payout information. NSCC anticipates that member profile information and security issue profile information will be distributed only to specific NSCC members or to all NSCC members, depending on the instructions of the MFPS data provider.

Due to the limited number of initial MFPS users and the limited value of the initial services, NSCC will not charge fees for MFPS at this time. When NSCC believes it is providing a value added service, NSCC will file with the Commission an appropriate rule change

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from Julie Beyers, Associate Counsel, NSCC, to Christine Sibille, Division of Market Regulation, Commission (February 23, 1996).

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

⁴ Pursuant to Section 19(b)(2) of the Act, NSCC will be required to file with the Commission proposed rule changes regarding all future phases of MFPS prior to the implementation of each such phase.

proposal to implement fees and charges for MFPS.

NSCC believes the proposed rule change is consistent with Section 17A of the Act and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions.⁵

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

NSCC does not believe that the rule filing 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

NSCC solicited comments from its ICI Broker/Dealer Committee and its Mutual Fund Profile Working Committee on July 5, August 18, November 9, and November 21, 1995. NSCC received letters from Colonial Investors Service Center, Inc. (dated July 21, 1995), AIM Fund Services, Inc. (dated July 24, 1995), Edgewood Services, Inc. (dated July 31, 1995), Merrill Lynch (dated July 31, 1995), Securities Industry Software Corporation (dated July 31, 1995), A.G. Edwards & Sons, Inc. (dated August 4, 1995), DST Systems Inc. (dated September 11, 1995) and Funds Associates Ltd. ("FAL") (dated September 22, 1995). Each responding firm expressed in its letter its commitment to participate in and devote resources to the development of MFPS. In addition, NSCC received a request from A.G. Edwards & Sons, Inc. (dated August 9, 1995) that additional information be included in MFPS. NSCC is in the process of determining whether to include this information, which does not affect the implementation of the daily price and rate file phase of MFPS.

NSCC also received a memorandum from FAL, dated December 1, 1995, in which FAL requested that S.W.I.F.T. ISO formats be an option for file transmission, that additional lead time be given for projects utilizing S.W.I.F.T. formats, and that NSCC support transmission in ASCII format. With regard to FAL's request, NSCC believes that the standard data transmission procedures currently employed by NSCC meet the concerns expressed therein. In addition, NSCC provided Franklin Templeton Distributors, Inc. with the additional information concerning interactive processing that it requested in its letter (dated November 30, 1995). NSCC will notify the

Commission of any additional written comments received.

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 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 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-96-04 and should be submitted by April 5, 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. 34-36948; File No. SR-NYSE-95-10]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to the Proposed Rule Change by the New York Stock Exchange, Inc., Relating to Margin Requirements for Over-the-Counter Options and Interest Rate Composites

March 11, 1996.

I. Introduction

On March 9, 1995, the New York Stock Exchange, Inc. ("NYSE" 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")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Exchange Rule 431, "Margins," to revise the initial and/or maintenance margin requirements for short positions in a variety of over-the-counter ("OTC") options³ held in customer accounts and to adopt margin requirements for options on interest rate composites.

Notice of the proposal appeared in the Federal Register on April 7, 1995.⁴ No comments were received on the proposed rule change. The proposal was amended on September 15, 1995.⁵ This order approves the Exchange's proposal, as amended.

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ OTC options are not issued by the Options Clearing Corporation ("OCC") or listed on any national securities exchange. They are individually negotiated options contracts between a customer and a broker-dealer designed to reflect the customer's specific needs as to the options characteristics. According to the Exchange, these contracts are generally entered into by domestic and foreign institutions, mutual funds and insurance companies and are usually written for periods of less than one year.

⁴ See Securities Exchange Act Release No. 35555 (March 31, 1995), 60 FR 17831.

⁵ On September 15, 1995, the NYSE amended its proposal to increase the margin requirement for non-mortgage backed U.S. government agency debt securities that qualify for exemption under Rule 3a12-7 under the Act and are held in exempt accounts from 2% to 3% in order to meet the 97.5% confidence level for seven-day price movements. The amendment also indicates that only OTC options on corporate debt securities that qualify as OTC margin bonds under Section 220.2(t)(1) of Regulation T under the Act are accorded 15% margin treatment for OTC options. All other options that qualify as OTC margin bonds as defined in Section 220.2(t) (including foreign sovereign debt and foreign corporate debt) are not eligible for the 15% margin requirement and are subject to the current 45% margin requirement for OTC options. See Letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Sharon Lawson, Assistant Director, Division of Market Regulation ("Division"), Commission, dated September 13, 1995 ("Amendment No. 1").

⁵ 15 U.S.C. 78q-1 (1988).

⁶ 17 CFR 200.30-3(a)(12) (1995).