

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

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

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

Through its repo clearing system, DCC clears repo transactions that have been agreed to by DCC participants through the facilities of interdealer brokers that have been specially authorized by DCC ("authorized brokers") to offer their services to DCC participants.³ Currently, Liberty Brokerage, Inc., RMJ Special Brokerage Inc., Euro Brokers Maxcor Inc., Tullet and Tokyo Securities Inc., and Tradition (Government Securities), Inc., are authorized brokers.⁴ The purpose of the proposed rule change is to give notice that DCC has authorized Patriot to act as a broker in DCC's clearance and settlement system for repo trades.

The proposed rule change will facilitate the prompt and accurate clearance and settlement of securities transactions, and therefore, the proposed rule change is consistent with the requirements of the Act, specifically Section 17A of the Act, and the rules and regulations thereunder.⁵

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

DCC does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

² The Commission has modified parts of these statements.

³ For a complete description of the DCC's repo clearance system, see Securities Exchange Act Release No. 36367 (October 13, 1995), 60 FR 54095.

⁴ Securities Exchange Act Release Nos. 36367 (October 13, 1994), 60 FR 54059; 36901 (February 28, 1996), 61 FR 8991; 37212 (May 14, 1996), 61 FR 25722; and 37235 (May 20, 1996), 61 FR 26942.

⁵ 15 U.S.C. 78q-1 (1988).

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

Comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁶ and Rule 19b-4(e)(4) thereunder⁷ in that the proposal effects a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 communication 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at DCC. All submissions should refer to File No. SR-DCC-96-08 and should be submitted by July 30, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

⁶ 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

⁷ 17 CFR 240.19b-4(e)(4) (1995).

⁸ 17 CFR 200.30-3(a)(12) (1995).

Jonathan G. Katz,

Secretary.

[FR Doc. 96-17352 Filed 7-8-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37390; International Series Release No. 999; File No. SR-ISCC-96-03]

Self-Regulatory Organizations; International Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to the Clearing Fund Formula

July 1, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 16, 1996, the International Securities Clearing Corporation ("ISCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-ISCC-96-03) as described in Items I, II, and III below, which items have been prepared primarily by ISCC. 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 Changes

ISCC is filing the proposed rule change to extend approval of its clearing fund formula.²

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

In its filing with the Commission, ISCC 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. ISCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

¹ 15 U.S.C. § 78s(b)(1) (1988).

² The Commission temporarily approved two previous ISCC proposed rule changes amending ISCC's clearing fund formula. Securities Exchange Act Release No. 35970 (July 13, 1995), 60 FR 37698 [File No. SR-ISCC-95-03] (notice of filing and order granting accelerated approval on a temporary basis of ISCC's clearing fund formula) and Securities Exchange Act Release No. 34392 (July 15, 1994), 59 FR 37798 [File No. SR-ISCC-94-1] (order temporarily approving on an accelerated basis ISCC's clearing fund formula).

³ The Commission has modified these summaries.

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

The purpose of the proposed rule is to extend approval of ISCC's clearing fund formula.⁴ ISCC is obligated to the London Stock Exchange ("LSE") to pay for all securities delivered to ISCC through the ISCC-LSE link. ISCC has no responsibility to complete open pending trades (*i.e.*, once a member fails, ISCC no longer accepts delivery of securities for such member through the link). To adequately cover ISCC's exposure, each member's clearing fund deposit requirement is calculated and collected on a weekly basis. Each member is required to deposit the greater of (a) the largest deposit requirement imposed over the last 365 day period or (b) the deposit that would be required based on the clearing fund calculation using trades due to settle over the next week. Calculations are made each Tuesday, and members are required to deposit additional clearing fund amounts within three days.⁵

ISCC's clearing fund formula is: (Gross Debit Value) x (Market Risk Factor) + (Foreign Exchange Factor).⁶ The Gross Debit Value is a member's largest single daily gross debit value based on debit values for five consecutive business days including the day on which the calculation is performed less 15% of the Institutional Net Settlement ("INS") receive value for that same day.⁷ The Market Risk Factor

is based on the largest calculated percentage change in the Financial Times Index over a six day period over a minimum of 365 days.⁸ The Market Risk Factor will continue to be set at 7%. The Foreign Exchange Factor is based in part on the Estimated Foreign Exchange Volatility, which is an amount that is equal to the largest one day percentage change in the U.S. dollar/British pound foreign exchange rate over a minimum of 365 days.⁹ The Estimated Foreign Exchange Volatility will continue to be set at 4%.¹⁰ The Market Risk Factor and Foreign Exchange Risk Factor for members on surveillance can be increased in the discretion of ISCC by 3%, 5%, and 7% for members on Advisory, Class A, and Class B surveillance, respectively.

The proposed rule change will permit ISCC to safeguard securities and funds in its custody or control and is therefore consistent with Section 17A of the Act¹¹ and the rules and regulations thereunder.

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

ISCC does not believe that the proposed rule change 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

ISCC will notify the Commission of any written comments received by ISCC.

occur automatically through the LSE. Therefore, ISCC generally is not required to pay the LSE for these securities. The debits arising from these redeliveries may be offset only partially because these securities may be reclaimed (*i.e.*, returned) by the receiver, and in such circumstance, ISCC is liable to the LSE for the full value of the reclamation.

⁸ ISCC bases its clearing fund calculations on the assumption that it will take one day to sell all of a defaulting participant's positions. Under a five day settlement period, this results in a six day exposure for market risk with five days between trade date and settlement date and one day between settlement date and close out of positions. There also is a one day exposure for foreign exchange risk because ISCC converts U.S. dollars to British pounds on the settlement date and converts the proceeds from the sale of the positions to U.S. dollars the following day.

⁹ The Foreign Exchange Factor is the product of the Gross Debit Value and the Estimated Foreign Exchange Volatility less the produce of the Gross Debit Value times the Market Risk Factor times the Estimated Foreign Exchange Volatility.

¹⁰ During the period from 1989 to 1992, the maximum fluctuation in the U.S. dollar-British pound exchange rate was 4.445%. ISCC will continue to review annually the foreign exchange risk factor.

¹¹ 15 U.S.C. § 78q-1 (1988).

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 ISCC 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 Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of ISCC. All submissions should refer to the file number (ISCC-96-03) and should be submitted by: July 30, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority,¹²

Jonathan G. Katz,
Secretary.

[FR Doc. 96-17356 Filed 7-8-96; 8:45 am]

BILLING CODE 8010-01-M

⁴ In 1986, ISCC and the London Stock Exchange ("LSE") entered into a linkage agreement which allows ISCC to obtain comparison and settlement services in the United Kingdom from the LSE on behalf of ISCC members. At that time, the LSE settled trades on a fortnightly basis with all trades that occurred during a two week period settling on the same day. On July 18, 1994, the LSE moved to a ten day rolling settlement cycle with trades settling ten days after trade date. On June 26, 1995, the LSE moved to a five day rolling settlement period. In response to the change to a rolling settlement cycle, ISCC adjusted its method of calculating its clearing fund requirements.

⁵ For example, ISCC calculates a member's clearing fund requirement on Tuesday, August 2, based on trades due to settle on Tuesday, August 2, through Monday, August 8 (*i.e.*, trades conducted on Tuesday, July 26, through Monday, August 1). Because an ISCC member has three business days after the calculation to make additional deposits, under the five day rolling settlement cycle, ISCC generally is calculating and collecting clearing fund contributions based on trades which already have settled. Under the prior ten day rolling settlement system, the clearing fund formula was based on the actual largest daily obligation of a member during the relevant time period, and the clearing fund deposit could be calculated and collected prior to the settlement day.

⁶ Members will continue to be required to contribute a minimum of \$50,000 to the clearing fund.

⁷ Under the INS system, redeliveries of securities from ISCC members to institutional participants can

¹² 17 CFR 200.30-3(a)(12) (1995).