

regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. In addition, the NASD believes that its proposal will serve to conform the NASD's affirmative determination rule with the New York Stock Exchange's ("NYSE") affirmative determination rule, thereby promoting uniformity and consistency in the application and interpretation of parallel NASD and NYSE rules and avoiding member firm confusion. In sum, the NASD believes the proposal will ease some of the operational concerns raised by members with respect to the standing assurance provision, without compromising the regulatory purposes served by the Interpretation.

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

The NASD believes that the proposed rule change will not result in any burden on competition that is not necessary or appropriate in furtherance of purposes of the Act.

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

Within 35 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 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 NASD 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. In particular, the Commission seeks comment on whether the benefits associated with the annotation requirement contained in the Interpretation outweigh those associated with the use of a fax sheet to an extent necessary to justify a presumption that

reliance on a fax sheet will be deemed conduct inconsistent with the Interpretation in the case of a "fail to deliver" situation. In addition, the Commission seeks comment on the extent to which interested persons perceive a problem associated with the possibility of an arbitrary application of the Interpretation. 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. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-95-62 and should be submitted by February 13, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Jonathan G. Katz,
Secretary.

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[Release No. 34-36714; File No. SR-NSCC-95-13]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change Enabling Members Settling Mutual Fund Transactions in Same Day Funds To Settle Through a Settling Bank

January 16, 1996.

On November 3, 1995, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-95-13) pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the Federal Register on November 28, 1995.² No comment letters were received. For the reasons

discussed below, the Commission is approving the proposed rule change.

I. Description

NSCC's proposed rule change modifies NSCC's rules to enable members settling mutual fund transactions in same day funds to settle their obligations with NSCC through a settling bank. The proposal establishes a new membership category for settling banks. To become a settling bank, a bank will be required to meet the operational and financial requirements established by NSCC. These requirements include that a settling bank must have a short-term obligation rating of at least A-2 by Standard and Poor's Corporation or P-2 by Moody's Investor Services Incorporated.³ Banks that do not meet this standard may be considered on an exception basis. Each bank that qualifies as a settling bank will be required to enter into a separate agreement with each member on whose behalf it will perform settlement functions.

Under the rules, settling banks will have the opportunity to refuse to settle for one or more members by notifying NSCC within the time established by NSCC. The proposed rules also specify that settling banks will be required to wire funds by the deadline imposed by NSCC or be subject to a penalty fee. In addition, any settling bank that fails to pay on settlement day will be required to cover NSCC's interest costs resulting from its failure to settle in a timely manner. NSCC's proposed rule change also makes conforming changes to relevant sections of NSCC's rules.

II. Discussion

Section 17A(b)(3)(F)⁴ 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 the proposed rule change is consistent with NSCC's obligations under the Act because the proposal will help facilitate NSCC's conversion to a same day funds settlement system on February 22, 1996 by establishing a structure by which

³ A-2 and P-2 are credit ratings issued, respectively, by Standard and Poor's Corporation and Moody's Investor Services, Inc., to recommend the credit worthiness of various financial institutions with regard to certain financial obligations. These agencies may look at many factors, including profitability, capital, asset quality, liquidity, and management, before assigning a rating to the obligations of a financial institution.

⁴ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Securities Exchange Act Release No. 36495 (November 20, 1995), 60 FR 58697.

NSCC and its members can settle in same day funds.⁵

The proposed rule change allows members settling mutual fund transactions in same day funds to settle their obligations with NSCC through a settling bank. Because settlement banks net their settling members, fund members, and their own NSCC debits and credits into a single debit or credit balance with NSCC, the number of payments made to NSCC or by NSCC at settlement will be reduced. Reducing the number of payments between members and NSCC should make the settlement process more efficient and should reduce the risk of error associated with multiple payments between NSCC and individual members. As a result, the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds which are in the custody or control of NSCC or for which it is responsible should be promoted.

Furthermore, the use of settling banks should reduce the risks associated with a member's failure to settle because a settling bank must notify NSCC by the designated cutoff time of its refusal to settle for a particular member. The settling bank's notice to NSCC allows NSCC the opportunity to prepare for the possibility of member failure by identifying alternate sources of financing (e.g., lines of credit or member collateral). This also should further NSCC's ability to meet its obligation to safeguard securities and funds which are in its custody or control or for which it is responsible.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with Section 17A(b)(3)(F) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-95-13) be, and hereby is approved.

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

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[Release No. 34-36708; International Series Release No. 915; File No. SR-NYSE-95-36]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to the Specifications and Content Outline for the Japan Module (Series 47) of the General Securities Registered Representative Examination

January 11, 1996.

I. Introduction

On October 25, 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 adopt the Japan module of the General Securities Registered Representative Examination.

The proposed rule change was published for comment in the Federal Register on December 4, 1995.³ No comments were received on the proposal. This order approves the proposal.

II. Description of the Proposal

Presently, registered representatives who already are qualified to conduct business in Japan and who wish to sell securities in the United States must qualify as registered representatives in the U.S. by successfully completing the General Securities Registered Representative Examination (Series 7).⁴ In an effort to reduce redundant qualification requirements, the Exchange has developed the Japan module (Series 47) of the Series 7. As a subset of the Series 7, this 160 question module is designed to test the Japanese registered representatives' knowledge of U.S. securities laws, markets, investment products, and sales practices.

To become registered with the Exchange, qualified Japanese registered representatives in good standing with the Japanese securities authorities would be required to obtain a passing score on the Series 47. Japanese representatives seeking to sell municipal securities, however, would

be required to pass either the standard Series 7 or a combination of the Series 47 and the Series 52 (Municipal Securities Representative Examination).

III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission believes the proposal is consistent with the requirements of Section 6(b)(5) and Section 6(c)(3)(B).⁵

The Commission believes the proposal is consistent with Section 6(b)(5)⁶ because it is designed to help perfect the mechanism of a free and open market. The Series 47 reduces duplicative qualification requirements and, at the same time, allows the Exchange to ensure that the Japanese representatives wishing to become registered with the Exchange are fully qualified.

The Commission believes the proposal is consistent with Section 6(c)(3)(B)⁷ because it establishes standards of training, experience, and competence for persons associated with Exchange members and member organizations. The Japan module should provide comprehensive coverage of the topics contained in the Series 7 that are not covered, or are not covered in sufficient detail, in the Securities Sales Representative Qualification Examination. Accordingly, the Series 47, combined with the Securities Sales Representative Qualification Examination, should measure the qualifications of Japanese representatives adequately.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-NYSE-95-36) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 36514 (Nov. 27, 1995), 60 FR 62118.

⁴ Likewise, U.S. qualified registered representatives desiring to conduct securities business in Japan must satisfy Japanese requirements by passing the Securities Sales Representative Qualification Examination or by meeting experiential requirements.

⁵ 15 U.S.C. 78f(b)(5) and 78f(c)(3)(B).

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78f(c)(3)(B).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12) (1994).

⁵ For a complete description of the same-day funds conversion, refer to NSCC, Important Notice (October 16, 1995 and November 29, 1995).

⁶ 17 CFR 200.30-3(a)(12) (1994).