

purposes fairly intended by the policy and provisions of the 1940 Act.

#### Conclusion

For the reasons set forth above, Applicants represent that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-2873 Filed 2-8-96; 8:45 am]

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[Release No. 34-36810; File No. SR-CSE-96-01]

#### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Cincinnati Stock Exchange Relating to Clearance Identification Procedures for Members**

February 5, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 16, 1996, The Cincinnati Stock Exchange ("CSE" 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 proposes to amend the CSE's by-laws to clarify that members must "give up" a valid CSE clearing number. The text of the proposed rule change is available at the Office of the Secretary, the CSE, and at the Commission.

#### **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 has filed proposed Interpretation .03 to Article II, Section 5.1, of its by-laws for the purpose of clarifying that a member may only "give up" its own or another CSE member's clearing number when executing a transaction on the Exchange.<sup>2</sup> This requirement ensures that the Exchange will have the ability to exercise jurisdiction over all of the parties involved in executing and settling trades that occur on the CSE.

##### **2. Statutory Basis**

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>3</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>4</sup> in particular in that it is designed to promote just and equitable principles of trade and, in general, to protect investors and the public interest.

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

The Exchange believes the proposed rule change will impose no burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### **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

<sup>2</sup> The CSE member whose clearing number is "given up" is responsible for clearing that trade.

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

(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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR-CSE-96-01 and should be submitted by March 1, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-2870 Filed 2-8-96; 8:45 am]

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[Release No. 34-36806; File No. SR-DTC-95-26]

#### **Self-Regulatory Organizations; the Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Securities Payment Order Instructions to Modify Substitute Income Payments on Stock Loans**

February 2, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 5, 1995, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-95-26) as described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is

<sup>5</sup> 17 C.F.R. 200.30-3(a)(12).

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

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

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 proposed rule change facilitates participant recordkeeping by enabling a participant to specify that a Securities Payment Order ("SPO")<sup>2</sup> is for the specific purpose of increasing or decreasing the amount of a substitute payment<sup>3</sup> made in connection with distributions on borrowed securities.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>4</sup>

##### (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 enable participants to account for SPOs given to increase or decrease the amount of a substitute payment in connection with a securities loan. The amount of a substitute payment may be affected by laws requiring the withholding of taxes or by a contract between the parties. The proposed rule change will allow participants to use existing procedures to specify the purpose of the withholding.<sup>5</sup>

The following is an example of how the proposed rule change would be used

by participants. A typical stock loan occurs to cover a short sale or a fail. Suppose the borrower, B, sells 100 shares sort to a third party, X. B arranges to borrow stock from a lender, L, to settle with X. L delivers the 100 shares to B through DTC with a deliver order ("DO") coded as a stock loan. B then delivers the 100 shares to X with an ordinary DO used to settle the transaction. While the loan is outstanding, the record date for an upcoming distribution occurs. X does not know that B was a short seller or that the stock now in X's position at DTC was borrowed from L. DTC's books on the record date show L with 0, B with 0, and X with 100 shares. DTC will pay the distribution only to X.

The typical stock loan contract provides that the borrower will compensate the lender in lieu of any distribution made on the borrowed securities during the period of the loan that the lender would have received absent the loan. The compensating payment is referred to in the United States as a substitute payment. Because X and not L receives the distribution on payment date, B owes L a substitute payment. Consequently, there are two payments. The payment to X is a dividend, and the payment from B to L is a substitute payment.

Under DTC's existing Stock Loan Income Tracking ("SLT") system,<sup>6</sup> does not need to take any action to cause the payment of the substitute payment to L. The SLT system notes the stock loan DO and creates a memo account to be utilized on future distributions. Under the SLT procedures, B's account will be debited and L's account credited the cash amount of the substitute payment. For U.S. securities, the loan contract between a U.S. lender and a U.S. borrower provides that the substitute payment will be computed as 100% of the dividend amount.

However, some payments by B to L require tax withholding. For example, if B and L are both U.S. tax residents and the stock loan is a U.S. security, B is required to obtain L's Tax Identification Number ("TIN") before paying the substitute payment. The Internal Revenue Code requires B to report the amount of the substitute payment and L's TIN to the Internal Revenue Service ("IRS") with a copy of L. If the IRS determines that L's TIN is invalid, B may be required to withhold 31% of each future substitute payment to L and

remit it to the IRS. This requirement is known as "backup withholding."

It should be noted that the possibility of L supplying B with an invalid TIN causing B to have to make back up withholdings is extremely remote. Nevertheless, if this happens when, for example, a dividend paralleling a substitute payment is \$1.00, B needs a way to cause DTC to make a substitute payment of 69¢ instead of \$1.00. Under DTC's existing rules, B would use DTC's SPO procedure to instruct DTC to debit L and credit B for 31¢. L, having been credited \$1.00 by DTC and debited 31¢, would receive a net payment of 69¢. B would receive a net debit of 69¢ and also would be required to remit 31¢ to the IRS for a net payment of \$1.00. This is exactly the amount of the substitute payment required under B's and L's stock loan contract.

B could issue an SPO for 31¢ under DTC's existing rules and its settlement statement would show the 31¢, but the settlement statement would not state that the 31¢ constituted a decrease in a substitute payment. Therefore, DTC is enhancing the SPO and stock loan process to give a borrowing participant a method of indicating for its records that a certain SPO was for the specific purpose of increasing or decreasing the amount of a substitute payment made in connection with the distribution on borrowed securities.

The proposed rule change is consistent with the requirements of the Act and specifically with Sections 17A(b)(3)(A) and (F)<sup>7</sup> because the proposed rule change promotes the prompt and accurate clearance and settlement of securities transactions by enabling substitute payments to be correctly identified.

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

DTC 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

During the design phase of SLT, DTC received suggestions and comments indicating that the preferred method of increasing or decreasing substitute payments in the SLT would be through DTC's existing SPO function. DTC participants suggested that with modifications the SPO could allow lenders or borrowers to specify that a particular SPO increased or decreased

<sup>2</sup> SPOs allow DTC participants to make money payments through DTC when these payments are in connection with, but are not the direct result of, securities transactions in DTC (e.g., stock loans). For a complete description of SPOs refer to Securities Exchange Act Release No. 15193 (October 10, 1978), 43 FR 46615 [File No. SR-DTC-78-10] (order approving a proposed rule change relating to the implementation of securities payment orders).

<sup>3</sup> A substitute payment is a payment made by a borrower of securities to the lender in lieu of dividends, interest, or other distributions on the securities.

<sup>4</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>5</sup> If this rule change were not implemented, participants could accomplish the same purpose using existing procedures, but their records would not be specific with regard to the reason for the SPO.

<sup>6</sup> For a complete description of SLT, refer to Securities Exchange Act Release No. 34665 (September 13, 1994), 59 FR 48345 [File No. SR-DTC-94-07] (order approving proposed rule change establishing the Stock Loan Income Tracking System).

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(A) and (F) (1988).

the borrower's substitute payment to the lender. With modifications, participants also could enter the SLT-related SPO in advance of the payment date so that DTC could execute the SLT-related SPO payment on the payment date for the distribution on the borrowed shares. This proposed rule change is to implement these modifications and also is to assist participants in recordkeeping for cross-border stock loans of U.S. securities.

### 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) <sup>8</sup> of the Act and pursuant to Rule 19b-4(e)(4) <sup>9</sup> promulgated thereunder because the proposal constitutes 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 such 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 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 also will be available for inspection and copying at the principal

office of DTC. All submissions should refer to the file number SR-DTC-95-26 and should be submitted by March 1, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-2872 Filed 2-8-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36809; File No. SR-PSE-95-31]

### Self-Regulatory Organizations; Pacific Stock Exchange, Incorporated; Order Granting Approval to Proposed Rule Change Relating to Arbitration Procedures Involving Prehearing Document Exchanges

February 5, 1996.

On December 7, 1995, the Pacific Stock Exchange Incorporated ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") <sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change relating to arbitration procedures that would increase the prehearing document exchange deadline from ten days to twenty days. On December 18, 1995, the Exchange submitted Amendment No. 1 to the proposed rule change to the Commission.<sup>3</sup>

The proposed rule change, together with Amendment No. 1, was published for comment in the Federal Register on December 27, 1995.<sup>4</sup> No comments were received on the proposal.

PSE Rule 12.14(c) currently requires that, at least ten calendar days prior to the first scheduled hearing date, all parties serve on each other copies of documents in their possession that they intend to present at the hearing and identify the witnesses they intend to present at the hearing. The Exchange has proposed to increase this time period from ten to twenty calendar days. The Exchange maintains that this change will help alleviate the burden that currently falls on the Exchange's

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1995).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The amendment corrected the proposal's reference to Section 15A(b)(6) as its statutory basis and deleted superfluous language describing an affirmative obligation to supplement and correct discovery. See Letter dated December 13, 1995, from Rosemary A. MacGuinness, Senior Counsel, PSE, to Glen Barrentine, Senior Counsel/Team Leader, SEC.

<sup>4</sup> Securities Exchange Act Release No. 36603 (Dec. 19, 1995), 60 FR 67007.

Arbitration Department and parties to an arbitration proceeding in responding to last minute discovery requests arising from the exchange of documents intended to be used by the parties at the arbitration hearing.

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, and, in particular, with the requirements of Section 6(b).<sup>5</sup> Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5) <sup>6</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest. Moreover, the proposed amendment should assist parties in the process of preparing and organizing their cases and should provide the parties with a more reasonable time frame within which to address last minute discovery requests.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (SR-PSE-95-31) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Margaret H. MacFarland,

*Deputy Secretary.*

[FR Doc. 96-2871 Filed 2-8-96; 8:45 am]

BILLING CODE 8010-01-M

## SOCIAL SECURITY ADMINISTRATION

### Representative Payment Advisory Committee; Public Meeting Reminder

**AGENCY:** Social Security Administration.  
**ACTION:** Notice of reminder of public meeting.

**SUMMARY:** On December 22, 1995, the Social Security Administration published a notice in the Federal Register (60 FR 66573) in accordance with section 10(a)(2) of the Federal Advisory Committee Act announcing the forthcoming meeting of the Representative Payment Advisory Committee. This notice serves as a reminder that, in accordance with that announcement, the Representative Payment Advisory Committee meeting scheduled for February 15-16, 1996 will be held as planned. The Committee will hear testimony at the Environmental

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

<sup>9</sup> 17 CFR 240.19b-4(e)(4) (1994).