Commission ("Commission") a proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by PSE. 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

PSE proposed to modify its rules to implement a three business day settlement standard for securities transactions.

II. Self-Regulatory Organization's Statement Regarding the Proposed Rule Change

In its filing with the Commission, PSE 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 PSE 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

On October 6, 1993, the Commission adopted Rule 15c6-1 under the Act which establishes three business days after the trade date ("T+3") instead of five business days ("T+5") as the standard settlement cycle for most securities transactions.2 The rule will become effective June 7, 1995.3 In the release adopting Rule 15c6-1, the Commission concluded that a T+3 settlement cycle, as compared to the current T+5 settlement cycle, will reduce credit and liquidity risks and will increase efficiency in broker-dealer and clearing agency operations. Accordingly, in order to accommodate the implementation of the new settlement standard established by the Commission's Rule 15c6-1, PSE will amend the following rules.

Rule 5.7 currently provides that transactions in stocks traded "regular" shall be "ex-dividend" or "ex-rights" as the case may be, on the fourth business day preceding the record date fixed by the company or the date of the closing of transfer books, except when the Board rules otherwise. PSE is proposing to replace the term "fourth" in this

provision with the term "second." Rule 5.7 also currently provides that should such record date or such closing of transfer books occur upon a day other than a business day this rule shall apply for the fifth preceding business day. The PSE is proposing to replace the term "fifth" in this provision with the term "third."

Rule 5.9(a)(2) currently provides that for transactions settling on a "regular way" basis, bids and offers in securities admitted to dealings on an "issued" basis shall be made for delivery on the fifth business day following the day of the contract. The PSE proposes to replace the term "fifth" with the term "third."

Rule 5.9(a)(3) currently provides that for transactions settling on a "seller's option" basis, bids and offers in securities admitted to dealings on an "issued" basis shall be made for delivery at the option of the seller within the time specified in the option, which time shall be not less than six business days nor more than sixty days following the date of the contract, except that the PSE may provide otherwise in specific issues of securities. The PSE proposes to replace the term "sixth" in this rule with the term "fourth."

Rule 5.9(a)(4) currently provides that for transactions settling on a "next day" basis, bids and offers in securities admitted to dealings on an "issued" basis shall be made for delivery on the next full business day following the day of the contract. For rights and warrants this rule generally is applicable only during the five business days preceding the final day for trading therein. The PSE proposes to replace the term "fifth" in this rule with the term "third."

Rule 9.12(a)(4) currently provides that no member organization shall grant delivery versus payment ("DVP") or receipt versus payment ("RVP") privileges to a customer without obtaining an agreement from the customer to provide instructions to its agent no later than the fourth day after the trade date for RVP trades or no later than the third business day after trade date for DVP trades. The PSE proposes to shorten these time frames to the second day after trade date for RVP trades and the first day after trade date for DVP trades.

Finally, the PSE has agreed to an implementation plan proposed by the National Securities Clearing Corporation ("NSCC") for transition to a T+3 settlement cycle.⁴ The schedule is as follows.

| Trade date | Settle- ment cycle | Settlement date |
|--------------------------------------------------------------|--------------------------|--------------------------------------------|
| June 2 Friday June 5 Mon- day. June 6 Tues- day. | 5 day 4 day 4 day | June 9 Fri. June 9 Fri. June 12 Mon. |
| June 7 Wed- nesday. | 3 day | June 12 Mon. |

If the Commission determines to alter the exemptions currently provided in Rule 15c6–1, the PSE may be required to file additional rule amendments.

The PSE believes that the proposal is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities.

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

PSE 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.

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

No written comments were either solicited or 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 the PSE 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

scheduled for Friday, June 9, will incorporate trades from Friday, June 2 (the last T+5 settlement day) and from Monday, June 5 (a T+4 settlement day). The second double-day settlement, scheduled for Monday, June 12, will include trades from Tuesday, June 6 (a T+4 settlement day) and from Wednesday, June 7 (the first T+3 settlement day).

 $^{^2}$ Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891.

³ Securities Exchange Act Release No. 34952 (November 9, 1994), 59 FR 59137.

⁴NSCC will use two double-settlement days for the conversion. The first double-day settlement,