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[Release No. 34-35808; File No. SR-SCCP-95-1]

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to One-Day Settlement

June 5, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 5, 1995, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-SCCP-95-1) as described in Items I and II below, which items have been prepared primarily by SCCP. The Commission is publishing this notice to solicit comments from interested persons and grant accelerated approval of the proposed rule change.

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

SCCP is filing the proposed rule change to offer its participants the ability to effect one-day settlements.

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

In its filing with the Commission, SCCP 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. SCCP 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

Under the proposed filing, SCCP proposes to offer one-day settlement capability to its participants through an interface with the one-day settlement system offered by the National

Securities Clearing Corporation ("NSCC").³ In the current T+5 settlement environment, trades compared or recorded after T+3 typically settle two days thereafter and therefore are not included in the normal settlement cycle on T+5. For example, trades received on T+4 presently settle on T+6. As the industry converts to a T+3 settlement environment, trades may miss the settlement date if the registered clearing corporations cannot effect one-day settlements. Without a one-day settling capability, trades compared and recorded on T+2 will not settle until T+4.

SCCP proposes to interface with NSCC to offer one-day settlement for trades submitted prior to SCCP's cut-off time on T+4 in a T+5 settlement environment and submitted prior to SCCP's cut-off time on T+2 in a T+3 settlement environment, including over-the-counter trades, fixed income transaction system trades, and other regional interface operator trades. SCCP will receive and accept input from participants up to approximately 7:00 p.m. in order to interface with the established NSCC cut-off time of 9 p.m. Those trades received before the 7 p.m. daily cut-off time on T+2 and thereafter (i.e., trades received before the daily cut-off time on T+3, T+4, etc.) will settle on the next business day. Trades received subsequent to the daily cut-off time on T+2 and thereafter will continue to settle two business days later.

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

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

SCCP does not believe that the proposed rule change will impact 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

No written comments have been solicited or received. SCCP will notify the Commission of any written comments received.

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

Section 17A(b)(3)(F) of the Act⁴ requires the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that SCCP's one-day settling capability should help promote prompt and accurate clearing and settlement because it will increase the number of trades that are included in the normal settlement cycle. Thus, the number of failed trades and the time required for settlement should be reduced.

As of June 7, 1995, Rule 15c6-1 will require securities transactions to be completed within a three-day settlement cycle.⁵ The Commission believes that settlement of trades in a shorter time frame will reduce risk to the securities market, including risk to clearing corporations as a result of member failure. Without one-day settling capability, it is possible that many trades may fail to settle within the new three-day cycle. Thus, the proposal advances the risk reduction goals of Rule 15c6-1.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing because such approval will permit SCCP to implement the interface with NSCC and to provide one-day settling capability prior to the conversion to a three-day settlement cycle.

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

⁴ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁵ Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (adoption of Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (change of effective date of Rule 15c6-1 from June 1, 1995 to June 7, 1995).

¹ 15 U.S.C. 78s(b)(1) (1988).

² The Commission has modified the language in these sections.

³ For a complete description of NSCC's one-day settlement system, refer to Securities Exchange Act Release No. 35442 (March 3, 1995), 60 FR 13196.