

fees and charges in connection with ISCC's provision of services and any assessment that ISCC must pay to DTC.⁸ The preliminary settlement statement also will indicate dividend and possibly interest payments received by ISCC from DTC with respect to shares on deposit.

ISCC will transmit a final settlement statement by 10:00 a.m. of the business day following the day the related preliminary settlement statement were sent. The final settlement statement will indicate sums paid by MT. Dividend and interest credited to the ISSC/MT account at DTC will be reflected in the final settlement statement. The final settlement statement also will reflect a debit for the total dividend and interest ISSC pays to MT's withholding bank.

MT has agreed to consult with ISCC's auditors with regard to MT's financial condition, and MT will furnish its financial statements to ISCC. Further, MT has agreed to appoint a registered agent in the U.S. for service of process and will provide ISCC of proof of such appointment. MT will be subject to jurisdiction in New York for the resolution of disputes arising from the link. MT will be assigned one ISCC account number for use on behalf of MT members.

II. Discussion

The Commission believes that the proposed rule change is consistent with Section 17A of the Act and therefore is approving the proposal. Specifically, the Commission believes the proposal is consistent with Section 17A(b)(3)(F) of the Act in that it promotes the prompt and accurate clearance and settlement of securities transactions. Without the linkage, purchasers of U.S. securities on the Italian stock exchange would be required to make individual arrangements for the custody of their stock.

ISCC's provision of this service to MT enables MT to settle transactions in U.S. securities more efficiently. Further, the link between ISCC and MT should standardize the processing of U.S. securities traded on a foreign exchange in accordance with U.S. practices and procedures. The uniform standards should reduce record keeping errors and thereby enhance the accuracy of the settlement of securities transactions. In addition, this standardization should promote foreign investment in U.S.

securities which trade on foreign exchanges.

In the initial order granting ISCC temporary registration as a clearing agency, the Commission stated that the development of efficient and comparable automated national and international clearance, settlement, and payment systems is one of the more important international goals.⁹ In that order, the Commission stressed the importance of developing linkages between existing clearance and settlement systems in light of the increase in foreign activity in U.S. stocks. This linkage agreement will increase the accessibility of the U.S. securities market to foreign investors by giving Italian investors a more efficient method of settling U.S. securities.

III. Conclusion

For the reasons stated above, the Commission finds that ISCC's proposal is consistent with Section 17A of the Act.¹⁰

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (File No. SR-ISCC-94-4) be and hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35218; International Series Release No. 769; File No. SR-ISCC-94-03]

Self-Regulatory Organization; International Securities Clearing Corporation; Order Approving a Data Transmission Link With Caja de Valores, S.A.

January 11, 1995.

On August 9, 1994, the International Securities Clearing Corporation ("ISCC") submitted a proposed rule change (File No. SR-ISCC-94-03) to the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal appeared in the **Federal Register** on September 22, 1994.² No comments

were received. This order approves the proposal.

I. Description of the Proposal

ISCC has entered into a contract to establish a data transmission link with Caja de Valores ("CVSA").³ The link will permit CVSA to hold U.S. securities in The Depository Trust Company ("DTC") through ISCC. The service agreement, dated December 2, 1993, between ISCC and CVSA provides that ISCC will sponsor an account for CVSA at DTC which will provide CVSA access to certain DTC services.⁴

ISCC on behalf of CVSA will initiate book-entry deliveries for no value and will accept receives of securities by book-entry for no value.⁵ Both the receive and deliver functions will be pursuant to instructions received from CVSA, and such instructions will identify the CVSA member for whom the receipt or delivery is being effected.⁶ In special circumstances and at ISCC's discretion, DTC's withdrawal-by-transfer services also may be utilized. In such case, the securities will be delivered as directed by CVSA. CVSA will deposit with ISCC collateral to cover CVSA's obligations to ISCC.⁷ To the extent that any money settlement is required, ISCC will receive payment in the form of an official bank check or a wire transfer through the CVSA designated correspondent bank.

On each business day at about 4:00 p.m., ISCC will transmit a preliminary

³ CVSA is an Argentine corporation organized to provide settlement and depository services for securities.

⁴ Under the service agreement, ISCC upon instructions received from CVSA will: (1) Accept receives of securities by book-entry through DTC; (2) initiate book-entry delivery of securities on deposit at DTC; (3) initiate reclamations of securities received at DTC; (4) make delivery of due bill checks or payments received by ISCC with respect to securities; (5) initiate messages to other DTC participants through the broadcast function of DTC; (6) process securities on deposit at DTC and securities subject to a reorganization, takeover, or similar action provided that requisite funds, if applicable, have been received in advance; (7) withdraw rights exited from DTC and deliver such rights to the agent designated by CVSA along with instructions received with respect to such rights; (8) at the discretion of ISCC, facilitate withdrawal-by-transfer of securities on deposit at DTC; and (9) order proxy materials for securities on deposit at DTC and complete such proxy material as instructed.

⁵ The related money settlements for the securities movements will take place between the parties outside of ISCC.

⁶ As reflected on the DTC records, securities deposits will form the basis for the bookkeeping entries at CVSA on behalf of CVSA's participants.

⁷ The amount of the deposit shall be the average of the three highest one-month fees over the prior twelve months plus the amount ISCC is required to deposit with DTC with respect to the sponsored account. However, the amount of CVSA's cash deposit with ISCC cannot be less than \$50,000.

⁸ Because the account is limited to free movements of securities, monetary obligations to DTC should be limited to the payments of fees for DTC services. Under the sponsored account relationship, DTC will look to ISCC for any liability related to activity in that account.

⁹ Securities Exchange Act Release No. 26812 (May 12, 1989), 54 FR 21691.

¹⁰ 15 U.S.C. 78g-1 (1988).

¹¹ 15 U.S.C. 78s(b)(2) (1988).

¹² 17 CFR 200.30-3(a)(12) (1994).

¹³ 15 U.S.C. 78s(b) (1988).

² Securities Exchange Act Release No. 34678 (September 15, 1994), 59 FR 48651.