answers to be included in the record. When a participant designates written cross-examination, it shall simultaneously file with the Secretary of the Commission only, two copies of the actual documents to be included as written cross-examination.

The Secretary of the Commission shall prepare for the record a packet containing all materials designated for written cross-examination, alphabetically, by participant which initally posed the question. The witness will verify the answers and materials in the packet, and they will be entered into the transcript by the presiding officer. Counsel for a witness may object to written cross-examination at that time, and any designated answers or materials found objectionable will be stricken from the record.

B. Oral cross-examination. Oral cross-examination will be permitted for testing assumptions, conclusions, or other opinion evidence. Requests for permission to conduct oral cross-examination should be served three days before the announced appearance of a witness accompanied by (1) specific references to the subject matter to be examined, and (2) page references to the relevant direct testimony.

7. General

Argument will not be received in evidence. It is the province of the lawyer, not the witness. It should be presented in brief or memoranda.

New affirmative matter (not in reply to another party's direct case) should not be included in rebuttal testimony or exhibits.

Cross-examination will be limited to testimony which is adverse to the participant wishing to cross-examine.

Legal memoranda, where appropriate, will be welcome at any stage of the proceeding.

Attachment B—Hearing Schedule for Proceedings Postal Rate and Fee Changes

[Docket No. R84-1]

December 21, 1983—Prehearing Conference (9:30 a.m. in the Commission hearing room).

January 19, 1984—Completion of all discovery directed to the Postal Service.

February 14, 1984—Beginning of hearings, *i.e.*, cross-examination of the Postal Service's case-in-chief. (9:30 a.m. in the Commission hearing room.)

March 5, 1984—Filing of the case-in-chief of each participant (including that of OCA).

April 5, 1984—Completion of all discovery directed to the intervenors.

April 30, 1984—Beginning of evidentiary hearings as to the case-in-chief of other participants. (9:30 a.m. in the Commission hearing room.)

May 21, 1984—Rebuttal evidence of the Postal Service and each participant. (No discovery to be permitted on this rebuttal evidence; only oral cross-examination.)

May 30, 1984—Beginning of evidentiary hearings on rebuttal evidence. (9:30 a.m. in the Commission hearing room.)

June 27, 1984—Initial briefs filed.

July 9, 1984—Reply briefs filed.

July 16, 1984—Oral Argument (if scheduled).

[FR Doc. 83-33712 Filed 12-19-83; 8:45 am]

BILLING CODE 7715-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 20475; SR-CBOE-80-16]

Chicago Board Options Exchange, Inc.; Order Extending Partial Approval of Proposed Rule Change on a Summary and Temporary Basis

December 13, 1983.

I. Introduction

On June 9, 1980, the Chicago Board Options Exchange, Incorporated ("CBOE"), LaSalle at Jackson, Chicago, IL 60604, filed with the Commission, pursuant to the Securities Exchange Act of 1934 (the "Act") and Rule 19b-4 thereunder, copies of a proposed rule change to modify its operations and procedures relating to options market makers. Among other things, the proposed rule change created a single class of market makers by eliminating supplemental appointments, increased the number of options classes in which market makers were permitted to have appointments, and established a new Exchange committee responsible for evaluating the performance of and taking disciplinary action against market makers. The proposed rule change also prescribed minimum requirements concerning the extent to which a market maker's trading activity must be conducted in person.[1] The rule change was approved by the Commission on February 12, 1981,[2] but the 1981 approval order was vacated on April 5, 1982, by the United States Court of Appeals for the Seventh Circuit in *Clement* v. *Securities and Exchange Commission*, an action challenging the minimum requirement for in-person market maker transactions, and the matter was remanded to the Commission.[3]

On May 11, 1982, with extensions thereafter effective until December 12, 1983, the Commission reviewed the rule filing and summarily and temporarily approved those portions of the proposed rule change not addressed in *Clement*.[4] During this interval, the Commission awaited certain amendments to the proposal and additional information from CBOE.[5] The Commission also solicited and evaluated public comment upon the proposed rule change.[6]

Further information has been received from the CBOE concerning the impact of CBOE's previous in-person requirement prior to that requirement's elimination by *Clement* v. *Securities and Exchange Commission*.[7] The Commission expects to act soon with respect to the proposed in-person rule. In the interim, it will be necessary for the Commission to extend for an additional 30 days its summary and temporary approval of those

[1] Notice of the proposed rule change was published in Securities Exchange Act Release No. 16919 (June 24, 1980), 45 FR 43914 (1980). Subsequently, on July 9, 1980, the CBOE filed an amendment to the proposed rule change excluding certain closing transactions from the calculations of transactions required to be executed in person by market makers and requiring the recording of additional information on market maker orders. Notice of the amendment to the proposed rule change was published in Securities Exchange Act Release No. 17012 (July 25, 1980), 45 FR 51325 (1980).

[2] Securities Exchange Act Release No. 17535 (February 12, 1981), 46 FR 13055 (1981) ("1981 Approval Order").

[3] *Clement* v. *Securities and Exchange Commission*, 674 F.2d 641 (7th Cir. 1982).

[4] *See* Securities Exchange Act Release Nos. 18727 (May 11, 1982), 47 FR 21169 (1982); 18983 (August 16, 1982), 47 FR 37020 (1982); 19203 (November 1, 1982), 47 FR 50790 (1982); 19386 (December 30, 1982), 48 FR 915 (1983); 19641 (March 29, 1983), 48 FR 14795 (1983); and 19923 (June 28, 1983), 48 FR 31133 (1983); 20082 (August 12, 1983), 48 FR 37755 (1983); 20228 (September 23, 1983), 48 FR 44962 (1983); and 20362 (November 10, 1983), 48 FR 52529 (1983).

[5] CBOE filed a substantive amendment to the proposed rule change on October 19, 1982. *See* Securities Exchange Act Release No. 19203 (November 1, 1982), 47 FR 50790 (1982). The Commission also received a letter from CBOE requesting approval of its proposed "in-person" rule on a pilot basis. *See* letter of May 10, 1983, from Anne Taylor, Secretary and Associate General Counsel, CBOE, to Richard Chase, Division of Market Regulation, Securities and Exchange Commission. File No. SR-CBOE-80-16.

[6] The public comments received since the beginning of November 1982 are discussed in Securities Exchange Act Release Nos. 19386 (December 30, 1982), 48 FR 915 (1983); 19641 (March 29, 1983), 48 FR 14795 (1983); and 20082 (August 12, 1983), 48 FR 37755 (1983), and are available for public inspection in File No. SR-CBOE-80-16. A further letter from CBOE, noted in the preceding footnote, is discussed in Securities Exchange Act Release No. 19923 (June 28, 1983), 48 FR 31133 (1983).

[7] *See* letter of Anne Taylor, Secretary and Associate General Counsel, CBOE, to Kevin Fogarty, Division of Market Regulation, Securities and Exchange Commission, September 22, 1983. File No. SR-CBOE-80-16.

portions of the proposed rule change not at issue in *Clement*.[8]

Copies of the original submission, all subsequent amendments, all written statements with respect to the proposed rule change which are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those which 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 Room. Copies of the filing and of any subsequent amendments also will be available for inspection and copying at the principal office of the CBOE.

It is therefore ordered, that the proposed rule change referenced above, and to the extent indicated above, be, and it hereby is, approved until January 11, 1984.

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

George A. Fitzsimmons,
Secretary.

[FR Doc. 83-33716 Filed 12-19-83; 8:45 am]
BILLING CODE 8010-01-M

[Release No. 13672; 812-5692]

National Aviation and Technology Corporation, et al.; Application for an Order Exempting Applicants

December 13, 1983.

Notice is hereby given that National Aviation & Technology Corporation ("National Aviation"), registered under the Investment Company Act of 1940 ("Act") as an open-end, non-diversified investment company, National Telecommunications & Technology Fund, Inc. ("Teletech", and together with National Aviation herein referred to collectively as the "Funds" and individually as a "Fund"), 50 Broad Street, New York, New York 10004, registered under the Act as an open-end, diversified investment company, and American Fund Advisors, Inc. ("AFA"), registered under the Investment Advisers Act of 1940 as an investment adviser (collectively, the "Applicants"), filed an application on November 8, 1983, pursuant to Section 6(c) of the Act for an order of exemption from the provisions of Section 15(a) of the Act to the extent necessary to permit AFA to continue to act as investment adviser to each Fund under an investment management agreement currently in effect until the next meeting of stockholders of the Fund, provided the meeting is held prior to May 31, 1984. All interested persons are referred to the application on file with the Commission for a statement of the representations contained therein, which are summarized below.

Applicants state that on October 6, 1983, Mr. T. F. Walkowicz, a controlling stockholder of AFA, died. Mr. Walkowicz owned 56% of AFA's common stock, thus his death resulted in the "assignment" (as defined in Section 2(a)(4) of the Act) of the investment management agreements between the Funds and AFA (the "Old Agreements") pursuant to the provisions of the Act and the Old Agreements. The assignments resulted in the automatic statutory termination of the Old Agreements.

According to the Application, on October 20, 1983, the Board of Directors of each Fund, including a majority of the directors who are not "interested persons" as defined in the Act, approved a new investment management agreement. Applicants state that the provisions of the new investment management agreements (the "New Agreements") are substantially identical to the respective provisions of the Old Agreements. Applicants state that the New Agreements commenced on October 6, 1983, and remain in force for a period of two years, provided they are approved by the appropriate Fund's stockholders within 120-day period required by Rule 15a-4 or such longer period as may be permitted by the Commission following the commencement of the New Agreements. Applicants state that AFA is currently providing investment advisory services to the Funds pursuant to the New Agreements.

Applicants represent that in order to ensure continuity of management and control of AFA, the Board of Directors of the Funds conditioned their approval of the New Agreements on the exercise by the officers of AFA of certain then currently exercisable options to purchase AFA stock. Applicants state that, as a result, 20,375 shares of AFA stock, constituting 24.9% of AFA's currently outstanding stock, were purchased pursuant to the options granted between 1980 and 1982 to management employees of AFA. Applicants represent that, with the exception of Mr. Walkowicz, the management group of AFA remains unchanged. Moreover, according to Applicants, while the death of Mr. Walkowicz resulted in the transfer of a controlling block of AFA stock, it did not result in any significant change in management policy or personnel of AFA. Applicants represent that AFA continues to provide advisory services of the same nature and on the same terms as it did previously. Further, Applicants represent that AFA's business policies and its operations are being conducted in substantially the same manner as they were prior to Mr. Walkowicz's death.

In addition, Applicants state that complying with Section 15(a) of the Act would result in increased costs and burdens to the Funds and their stockholders and to AFA without providing any meaningful corresponding benefits to the Funds or their stockholders. Special stockholder meetings would have to be held for the sole purpose of approving new investment advisory agreements and subsequent annual meetings would still be required.

Section 15(a) of the Act provides, in pertinent part, that it shall be unlawful for any person to serve or act as investment adviser of a registered investment company except pursuant to a written contract that has been approved by a majority of the outstanding voting securities of such registered company.

Applicants seek an order pursuant to Section 6(c) of the Act temporarily exempting them from the provisions of Section 15(a) of the Act to the extent necessary to permit AFA to continue to serve as investment adviser of the Funds pursuant to the respective New Agreements until the next regularly scheduled annual meetings of the Funds, provided such meetings take place prior to May 31, 1984.

Notice is further given that any interested person wishing to request a hearing on the application may, not later than January 9, 1983, at 5:30 p.m., do so by submitting a written request setting forth the nature of his/her interest, the reasons for the request, and the specific issues of fact or law that are disputed, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549. A copy of the request should be served personally or by mail upon Applicants at the address stated above. Proof of service (by affidavit or, in the case of an attorney-at-law, by certificate) shall be filed with the request. After said date, an order dispcsing of the application will be issued unless the Commission orders a hearing upon request or upon its own motion.

[8] CBOE has consented to this extension of partial approval.

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

George A. Fitzsimmons,

Secretary.

[FR Doc. 83-33717 Filed 12-19-83; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 20474; SR-NSCC-83-14]

Filing of Proposed Rule Change of the National Securities Clearing Corporation and Order Granting Accelerated Approval of Proposed Rule Change

I. Introduction

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78(s)(b)(1) (the "Act"), notice is hereby given that on December 1, 1983, the National Securities Clearing Corporation ("NSCC") filed with the Commission a proposed rule change that would amend Section II, Subsection D, of NSCC's Procedures relating to the comparison of municipal securities trades. Before filing the proposal with the Commission, NSCC consulted its Municipal Bond Advisory Committee and all 21 of NSCC's municipal securities broker and dealer members. NSCC states in its filing that they have informally concurred with the proposed rule change. The Commission is publishing this Order both to solicit comment on the proposed rule change and to approve the proposed rule change on an accelerated basis.

Interested persons can submit written comments on the proposal within 21 days from the date this Order is published in the **Federal Register** and should file six copies of their comments with the Secretary of the Commission, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, D.C. 20549. Please refer to File No. SR-NSCC-83-14.

Copies of the proposal, amendments, comment letters, and written communications relating to the proposed rule change, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, can be inspected and copied at the Commission's Public Reference Room in Washington, D.C. You also may inspect and copy the filing at NSCC's main office in New York City.

II. Background

On November 14, 1983, the Commission approved a proposed rule change of the Municipal Securities Rulemaking Board ("MSRB") that will require certain municipal securities transactions to be compared, confirmed and affirmed, and settled through the automated facilities of registered clearing agencies.[1] As approved by the Commission, the MSRB Rules will establish a two-step approach to ease the municipal securities industry into the automated clearing agency environment.

As of August 1, 1984, municipal securities dealers, brokers and customers that participate in registered clearing agencies will be required, in effect, to use the facilities of a registered clearing agency to compare, confirm, and affirm their municipal securities transactions. Trades covered by the Rules include all transactions in municipal securities issues that are assigned CUSIP numbers.[2]

MSRB Rule G-12 will require municipal securities brokers and dealers to use the automated facilities of a clearing agency for the comparison of their inter-dealer trades if they, or their agents, participate in a registered clearing agency that provides comparison services. The parties to such an inter-dealer trade will be required to submit trade data and other information to the clearing agency for comparison in accordance with the clearing agency's rules. Parties to an inter-dealer trade that participate in different clearing agencies will not be exempt from the Rule if the clearing agencies are interfaced or linked with one another for comparison purposes. Similarly, parties to an inter-dealer trade that participate in a securities depository that is linked or interfaced with a clearing corporation that provides linked comparison services will be subject to the Rule.

MSRB Rule G-15 will prohibit participating municipal securities brokers or dealers from settling trades against payment ("COD/DVP")[3] with their customers whenever the customers or their agents participate in a registered securities depository, unless certain conditions are met. First, the dealer must obtain from the customer, prior to or at the time of accepting a COD/DVP trade order, certain information necessary to identify the customer, its settlement agent or custodian, and the customer's account with the agent. Second, the dealer, customer, and settlement agent, as appropriate, must use the facilities of a securities depository to confirm and affirm transactions in municipal securities issues assigned CUSIP numbers.[4] The MSRB, however, would exempt from this Rule internal trades of a dealer-bank department.[5]

As a second step, effective February 1, 1985, affected persons will be required to settle by book-entry, through the facilities of a registered clearing agency, certain transactions in municipal securities issues that are depository-eligible. A "depository-eligible security" is an issue of securities that is eligible for safekeeping and book-entry transfer services in a registered securities depository.[6]

Thus, MSRB Rule G-12 will require municipal securities brokers and dealers to settle, by book-entry movement, all inter-dealer transactions in depository-eligible municipal securities issues if those transactions are compared successfully through the facilities of a registered clearing agency. Although settlement must occur by book-entry movement, participants will not be required to settle trades through any particular clearing corporation accounting operation.[7] Accordingly,

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[1] Securities Exchange Act Release No. 20365 (November 14, 1983), 48 FR 52531 (November 18, 1983) ("MSRB Order").

[2] The CUSIP Service Bureau automatically assigns CUSIP numbers to municipal securities issues with greater than one year to maturity and a total principal amount greater than $500,000. (A CUSIP number may be assigned to an issue with a total principal amount less than $500,000 upon request.) Currently, over one million long-term municipal securities issues have been assigned CUSIP numbers. This represents more than 20 times the number of corporate issues assigned CUSIP numbers. *See Prospects for Automation of Municipal Clearance and Settlement Procedures*, MSRB Reports (April 29, 1983), at 11, n. 1.

[3] Federal credit regulations require customers to settle securities transactions with their brokers no later than seven business days following execution. Federal credit regulations extend this time limit to thirty-five days for certain transactions involving customers who establish special cash accounts and who agree to settle purchases against the delivery of securities (cash-on-delivery—"COD") or to settle sales upon payment (delivery-versus-payment—"DVP"). The time limit for a COD/DVP transaction is extended to 35 days if delivery of the security is delayed due to the mechanics of the transaction and is not related to the customer's unwillingness or inability to pay. *See* 12 CFR 220.4(c) (1982).

[4] *See* note 2, *supra*. Under this Rule, the municipal securities broker or dealer also must: (i) identify such transactions as DVP or COD transactions on the trade ticket; (ii) send the confirmation to the customer not later than the first business day following trade date; and (iii) obtain a representation (written or oral) from the customer that instructions regarding the transaction will be transmitted to the customer's settlement agent.

[5] Thus, this Rule would not require a dealer-bank or its non-participant customer to use the automated facilities of a clearing agency for the confirmation, affirmation and book-entry settlement of any customer-dealer obligation when both parties use a department of the dealer-bank as their agent. *See* MSBR letter to Robert V. Slater, Second Vice President, The Northern Trust Company (September 21, 1983) in File No. SR-MSRB-83-13.

[6] Currently, all registered securities depositories offer safekeeping and ancillary services for registered-form municipal securities. However, only some depositories offer those services for bearer-form municipal securities. *See* the MSRB Order, at note 36.

[7] Several types of accounting systems are used by registered clearing corporations. The most

Continued

participants may provide standing instructions to settle on a trade-for-trade basis.[8]

In addition, MSRB Rule G–15 will require certain municipal securities brokers or dealers and their customers to settle, by book-entry through the facilities of a registered securities depository,[9] COD/DVP transactions in depository-eligible municipal securities issues.

III. Description of the Proposed Rule Change

The proposed rule change would provide that all municipal securities trades submitted by NSCC's members for comparison [10] will be treated automatically as Special Trades. Under NSCC's procedures, Special Trades are not included in NSCC's CNS or DBO Accounting Systems, but are settled on a trade-for-trade basis.[11] Thus, successful comparison of these trades will cause NSCC to generate to each party to the municipal securities trade receive and deliver orders at the trade's original contract price. In addition, the proposal provides that the close-out provisions of MSRB Rule G–12 [12] will apply to such trades. The proposal also incorporates the delivery requirements of MSRB Rule G–12(e),[13] including the provision that acceptance of partial deliveries is not required. Moreover, the proposal would waive NSCC's current requirement that its members, including municipal securities brokers and dealers, participate in a qualified securities depository.[14] Finally, NSCC would guarantee municipal securities trades from the morning of the fourth business day after trade date to the next business day, consistent with NSCC's current practice. To protect itself against financial exposure from municipal securities broker and dealer default or insolvency, NSCC in its filing states that it will apply to municipal securities broker and dealer members its comprehensive financial responsibility and operational standards and will require those members to contribute to NSCC's clearing fund under NSCC Rule 4. Moreover, NSCC's insolvency procedures will apply fully to municipal securities broker and dealer members.[15]

IV. NSCC's Rationale for the Proposed Rule Change

NSCC states in its filing that the purpose of the proposed rule change is to ease municipal securities brokers and dealers into the automated securities processing environment in an orderly fashion before the new MSRB Rules become effective. NSCC states that the proposal is only an interim measure until next Spring when NSCC implements a national municipal securities comparison service and enhances its automated clearance systems to provide municipal securities brokers and dealers with the opportunity to clear their municipal transactions through CNS, as well as trade-for-trade. Thus, NSCC hopes to have its enhanced municipal securities systems operational a few months before August 1, 1984, when the first phase of the MSRB Rules becomes effective.

By introducing the municipal securities industry to automated securities processing services gradually, NSCC believes it will increase the ability of that industry to adapt to the upcoming automation requirements and will reduce the possibilities for confusion and dislocation. NSCC also hopes that the early implementation of this proposal will facilitate NSCC's future efforts to provide the municipal securities industry with enhanced automated services and to tailor systems to the needs of the municipal securities industry.

Finally, NSCC believes that its proposal should encourage municipal securities brokers and dealers to participate in NSCC because the proposal coincides with current municipal securities industry practice in several respects. First, the proposal eliminates NSCC clearnace system's current CNS priority for clearing municipal securities trades.[16] Instead, under the proposal, compared municipal securities trades will have to be cleared on a trade-for-trade basis. Second, the proposal specifically incorporates for

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sophisticated accounting system is the Continuous Net Settlement ("CNS") system, which generates a single, daily net "buy" or "sell" position for each securities issue in which a participant has compared trades scheduled to settle on the fifth day after trade date and nets accumulated settlement obligations in that issue. The system severs the link between the original parties to the compared trades and interposes the system as the *contra* party. Accordingly, the clearing corporation's CNS system, rather than the original parties to the trade, becomes the entity obligated to deliver or receive securities and money. Unlike CNS systems, daily balance order ("DBO") systems traditionally have not interposed clearing corporations between parties. Instead, a DBO system generates a daily net "buy" or "sell" position for each issue of securities in which a participant has a compared trade due to settle, and allocates among, and issues to, participants net daily settlement orders to deliver or receive. As a result of the netting cycle, a participant may be required to deliver securities to, or receive securities from, a participant with which it had no direct trades.

[8] Many municipal securities dealers attempt to preserve confidentiality about their trading activities through the use of "broker's brokers." In a traditional DBO System, however, broker's brokers can net to zero, leaving municipal securities dealers to deliver securities to and receive payments from securities dealers they, in effect, ultimately "traded with" through the brokers' broker. For that reason, among others, municipal securities dealers historically have settled on a "trade-for-trade" basis with their broker's broker when circumstances required.

[9] The Depository Trust Company ("DTC"), together with several regional securities depositories, operates an automated settlement system for institutional transactions (the "ID system") in corporate securities issues. The ID system coordinates among certain broker-dealers, investment managers, and custodian banks participating in the system the tasks needed to effect customer-side settlement of corporate securities transactions. This service will be expanded to include municipal securities transactions and municipal securities brokers, dealers, customers and their agents. *See* MSRB Order.

[10] NSCC's Demand As Of Service will be available to resolve aged, uncompared municipal securities trades. *See* NSCC Procedures, Section II, Subsection C for a description of this service.

[11] Special trade receive and deliver securities orders have the same status, and are generally subject to the same Rules and Procedures as balance orders issued in connection with the DBO system. *See, e.g.,* NSCC Procedures, Part V. *See also* notes 7 and 8, *supra.*

[12] MSRB Rule G–12(h) provides that a purchaser can close-out confirmed trades that have not been completed by the seller after giving the seller notice of intention to close-out and an opportunity for the seller to complete the transaction. To effect the close-out, the purchaser can choose (1) to buy-in the municipal securities at current market value for the seller's account and liability; (2) to accept substituted securities of equal value plus cost; or (3) to require the seller to repurchase the securities from the purchaser at cost plus accrued interest and any change in market value. A seller making good delivery of securities that are rejected by the purchaser may sell-out the securities for the account and liability of the purchaser after giving the purchaser notice of intention to sell-out and an opportunity to complete the transaction.

[13] MSRB Rule G–12(e) sets forth the delivery requirements for municipal securities, such as the place and time of delivery, form of delivery, partial delivery, payment, and rejection.

[14] NSCC Rule 22 provides for such waiver if, in NSCC's judgment, the waiver is necessary or expedient. NSCC believes that the waiver is necessary at this time because many municipal securities brokers and dealers are not currently members of an eligible securities depository and MSRB Rules will not require such brokers and dealers to use such depositories until February 1985. After that date, NSCC will have to decide whether the waiver should be retained, and if so, to what degree.

[15] NSCC can protect securities and funds in its custody and control from the risk of municipal security broker-dealer default or insolvency by, among other things, (1) applying NSCC's insolvency procedures under NSCC Rule 20, including NSCC Rule 12 trade reversals, as well as close-out procedures; (2) requiring members pursuant to NSCC Rule 15 to provide further assurances of financial responsibility and operational capability; and (3) increasing a member's clearing fund contribution pursuant to NSCC Rule 4.

[16] Under NSCC's current Rules and Procedures, all compared trades, including municipal securities trades, are folded into CNS unless the traded issue is not depository eligible (in which case, the trades are cleared through the DBO system), or unless the participant requests that the trades be settled as Special Trades.

municipal securities trades the delivery and close-out provisions of MSRB Rule G-12. Third, contrary to NSCC's current rules, the proposal would not require municipal securities brokers and dealers to accept partial deliveries of municipal securities.[17] Finally, NSCC has waived the requirement that municipal securities members also participate in a qualified securities depository, a requirement retained for other NSCC members.

NSCC believes that its proposed rule change is consistent with Section 17A of the Act because it will not affect NSCC's ability to safeguard securities and funds in its custody and control. In addition, by making the proposed adjustments to NSCC's systems before August 1984, the proposal facilitates the establishment of a national clearance and settlement system for municipal securities.

Discussion

For the following reasons, the Commission believes that the proposal is consistent with Section 17A of the Act and should be approved. First, the Commission believes that the proposed rule change will facilitate the inclusion of municipal securities transactions in the national clearance and settlement system. As discussed in more detail in the MSRB Order, the municipal securities industry has not widely used the automated securities processing services of clearing agencies. The new MSRB Rules will have an important, beneficial effect on the municipal securities industry by making clearing agency usuage mandatory in certain circumstances. Significantly, the proposal should provide municipal securities brokers and dealers with an effective vehicle to become acquainted with automated clearance and settlement systems before the MSRB Rules effective date in August 1984. Second, the proposal is tailored to current municipal securities industry practices. The Commission believes that this thoughtful tailoring should encourage municipal securities brokers and dealers to use automated comparison facilities and should prevent confusion. Third, the proposal's early implementation should give NSCC important experience with the needs of the municipal securities industry. That early involvement should help NSCC in its efforts to provide the industry with well-conceived, enhanced automated services on a timely basis.

[17] MSRB Rule G-12 does not require acceptance of partial deliveries.

While the Commission believes that the proposal is consistent with Section 17A of the Act, the Commission at the same time recognizes that the effeciencies from full clearing agency participation, such as those provided by CNS, will not be available to NSCC's municipal securities participants for several months. The Commission, however, believes that the proposal is an appropriate way to further the statutory goal of facilitating the establishment of a national clearance and settlement system for municipal securities transactions under Section 17A of the Act.

The Commission also believes that the proposal ensures the safeguarding of securities and funds in NSCC's custody or for which it is responsible. As stated in the filing, NSCC will guarantee municipal securities trades from the morning of the fourth business day after trade date to the next business day consistent with NSCC's current procedures. To guard against the risks of municipal securities broker and dealer default or insolvency, NSCC will not relax will not relax its membership and member-surveillance standards and will be able to take effective action under its Rules and Procedures to protect itself and its members.[18] Thus, municipal securities broker and dealer members will be subject to essentially the same regulatory oversight by NSCC as other types of NSCC members.

VI. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, particularly Section 17A, and the rules and regulations thereunder applicable to registered clearing agencies.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing. Immediate implementation of the proposal will enable municipal securities brokers and dealers to gain immediate experience with automated comparison and clearance facilties, consistent with the expressed expectation of NSCC's members.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change referenced above be, and it hereby is, approved.

[18] *see* note 15, *supra*.

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

George A. Fitzsimmons,

Secretary.

[FR Doc. 83-33718 Filed 12-19-83; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 20477; File No. SR-PSE-83-22]

Filing of Proposed Rule Change by Pacific Stock Exchange, Inc.

December 13, 1983.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 6, 1983, the Pacific Stock Exchange, Inc. ("PSE") filed with the Securities and Exchange Commission the proposed rule change as described herein. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

The proposed rule change would amend Article III ("Election, Meetings, Term of Office, Proxies") of the PSE's Constitution in the following two ways: (1) Section 1(a) of Article III would be amended to change the date of the PSE's annual meeting from the third Thursday in January to the fourth Thursday in January in order to eliminate a conflict between the present meeting date and the expiration of an options cycle, which the PSE states has made it difficult for some of its members to attend the annual meetings; (2) Sections 1(c), 4(d), 5(a), and 6 of Article III would be amended to authorize the PSE's Board of Governors to appoint dates of record for determining whether members are on good standing and authorized to be present and vote at the annual meetings and other meetings.[1] In its filing, the PSE states that the proposed amendments to the PSE Constitution are consistent with Section 6(b) of the Act, in general, and further the objectives of Section 6(b)(3), in particular, in that they provide for the fair representation of PSE members in the selection of directors and the administration of the affairs of the Exchange.

In order to assist the Commission in determining whether to approve the proposed rule change or institute proceedings to determine whether the proposed rule change should be disapproved, interested persons are invited to submit written data, views

[1] The PSE states that these proposed amendments to the PSE's Constitution have been approved by the PSE's Board and will be put to a vote of the membership on January 17, 1984 when a two-thirds affirmative vote of those members voting will be required for ratification.