

investigations to add new subsection (d) and .01 and .02 of the Commentary to require members, member organizations, persons associated with a member or member organization, and other persons or entities over whom the Exchange has jurisdiction pursuant to Rule 10.1(b) to testify before another SRO and to furnish information in connection with a regulatory inquiry, investigation, examination, or disciplinary proceeding resulting from an agreement entered into by the Exchange pursuant to Rule 14.1.<sup>4</sup> The proposed rule change would further require these persons and entities not to impede such a proceeding. Moreover, the proposal provides that the rule would apply regardless of whether the Exchange initiated an investigation pursuant to Rule 10.2(a) or a disciplinary proceeding pursuant to Rule 10.3.

Under the proposed rule change, the Exchange also makes explicit that persons or entities, required to furnish information or testimony pursuant to a regulatory agreement, will be afforded the same rights and procedural protections that such persons or entities would have if the Exchange had initiated the request for information or testimony.

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> The Commission believes the proposal is consistent with the section 6(b)(5) 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.

This proposal, which is similar to a proposal by the Chicago Board Options Exchange, Inc. that was recently approved by the Commission,<sup>6</sup> grew out of a meeting of the Intermarket Surveillance Group ("ISG") to coordinate more effectively surveillance and investigative information sharing arrangements in the stock and options markets.<sup>7</sup> The Commission believes that

the proposed rule change achieves a reasonable balance between the need for regulatory cooperation and protection of the procedural rights of Exchange members and others from whom information or testimony is requested. The rule would provide the Exchange with the authority to seek cooperation by certain persons with respect to inquiries and investigations resulting from regulatory agreements between the Exchange and another SRO while explicitly providing any person or entity required to furnish information or testimony pursuant to the rule with the same procedural rights that they would have if the request was pursuant to an Exchange initiated inquiry or investigation. In furtherance of the policy to protect procedural rights, the Exchange provides in Commentary .02 to Rule 10.2 that the Exchange will always act as an intermediary between another SRO and the exchange member, member organization, or other designated person from whom information or testimony is being sought for any inquiry made pursuant to an agreement under Rule 14.1.

The Commission believes that it the proposed rule change will further the interest of the public and provide for the protection of investors by allowing the Exchange to assist other SROs conduct prompt inquiries into possible trading violations and other possible misconduct. As the marketplaces become more global and interlinked, the Commission believes that is important that the SROs coordinate their investigatory activities to prevent fraudulent and manipulative acts and practices in all marketplaces.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-PSE-95-02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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Chicago Board Options Exchange, Inc., the Chicago Stock Exchange, Incorporated, the Cincinnati Stock Exchange, Inc., the National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc., the Pacific Stock Exchange Incorporated, and the Philadelphia Stock Exchange, Inc.

<sup>8</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1994).

[Release No. 34-35641; File No. SR-PTC-95-03]

**Self-Regulatory Organizations; Participants Trust Co.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Extending Temporary Approval of Current Margin and Pricing Methodology for Collateralized Mortgage Obligations**

April 24, 1995.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on March 28, 1995, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-95-03) as described in Items I and II below, which Items have been prepared primarily by PTC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change through April 30, 1996.

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

The proposed rule change extends through April 30, 1996, the temporary approval of the current margin and pricing methodology utilized by PTC for collateralized mortgage obligations ("CMO") that are eligible for deposit or that may become eligible for deposit at PTC.<sup>2</sup>

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

In its filing with the Commission, PTC 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. Summaries of the most significant aspects of such statements are set forth in sections A, B, and C below.

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

**Margin Under PTC's Rules**

Under PTC's rules, a certain percentage ("applicable percentage") of

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

<sup>2</sup> Securities Exchange Act Release No. 34017 (May 5, 1994), 59 FR 24495 (File No. SR-PTC-92-16) (order approving through April 30, 1995, PTC's CMO margin and pricing methodology).

<sup>4</sup> Rule 14.1 provides that the Exchange may enter into agreements with domestic and foreign self-regulatory organizations providing for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement, and other regulatory purposes.

<sup>5</sup> 15 U.S.C. 78f(b) (1988 & Supp. v. 1993).

<sup>6</sup> See Securities Exchange Act Release No. 35403 (Feb. 22, 1995), 60 FR 10884 (Feb. 28, 1995) (approving File No. SR-CBOE-94-39).

<sup>7</sup> The members of ISG are the American Stock Exchange, Inc., the Boston Stock Exchange, Inc., the