

settlement statement which will detail the net amount due to ISCC from CVSA or from ISCC to CVSA. Under the service agreement, CVSA agrees to pay to ISCC all 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 was sent. The final settlement statement will indicate sums paid by CVSA. Dividend and interest credited to the ISCC/CVSA account at DTC will be reflected in the final settlement statement. The final settlement also will reflect a debit for the total dividend and interest ISCC pays to CVSA's withholding bank.

CVSA has agreed to consult with ISCC's auditors with regard to CVSA's financial condition, and CVSA will furnish its financial statements to ISCC. Further, CVSA has agreed to appoint a registered agent in the U.S. for service of process and will provide ISCC of proof of such appointment. CVSA will be subject to jurisdiction in New York for the resolution of disputes arising from the link. CVSA will be assigned one ISCC account number for use on behalf of CVSA 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, Argentine purchasers of U.S. securities would be required to make individual arrangements for the custody of their stock.

ISCC's provision of this service to CVSA enables CVSA to settle transactions in U.S. securities more efficiently. Further, the link between ISCC and CVSA should standardize the processing of U.S. securities traded in foreign countries 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

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.

transactions. In addition, this standardization should promote foreign investment in U.S. securities.

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 Argentine 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-ISC-94-03) be, and hereby is, approved.¹²

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,

Deputy Secretary.

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Self-Regulatory Organizations; International Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Global Clearance Networking Service

January 10, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 17, 1994, the International Securities Clearing Corporation ("ISCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by ISCC.

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

¹⁰ 15 U.S.C. 78q-1 (1988).

¹¹ 15 U.S.C. 78s(b)(2) (1988).

¹² 17 CFR 200.30-3(a)(12) (1994).

¹³ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

The Commission is publishing this notice to solicit comments from interested persons.

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

The purpose of ISCC's proposed rule change is to add additional service providers to ISCC's Global Clearance Networking ("GCN") service and to permit other international data formats to be used.

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

In its filing with the Commission, ISCC 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. ISCC 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

ISCC's Rule 50 provides that ISCC may establish a foreign clearing, settlement, and custody service in conjunction with banks and trust companies. Presently, ISCC has established a GCN relationship with Citibank, N.A. The purpose of the proposed rule change is to add two additional GCN service providers: Standard Bank of South Africa ("Standard")² and Westpac Custodian Nominees Limited of Australia ("Westpac").³ Standard will offer to ISCC members clearance, settlement, and custody services in South Africa. Westpac will offer to ISCC members

² Standard was established in 1862. Standard's Securities Services Division provides comprehensive services to over three hundred foreign banks, stockbrokers, and custodian accounts. Standard also is positioned through their subsidiary, Stanbic Bank, to provide clearance and settlement services in other southern and central African countries. Standard meets the requirements under Rule 17f-5 under the Investment Company Act of 1940 to be an eligible foreign custodian. Standard currently manages in excess of 30 billion in U.S. dollars.

³ Westpac was established in 1944. Westpac currently provides custodial and securities settlement services to over 500 local and international clients. Westpac is qualified as an eligible foreign custodian under Rule 17f-5 under the Investment Company Act of 1940. Westpac manages over 50.2 billion in Australian dollars in assets under custody.