

only up to a dollar amount deemed reasonable by it.

Also in order to not disadvantage IDBs participating in the initial brokered repo netting service, if an IDB incurs or causes GSCC to incur an overnight financing cost resulting solely from securities delivered late in the day that the IDB is not able to redeliver before the close of the Fed Wire, the IDB may submit a bill for this financing cost to GSCC. If GSCC determines that such cost was incurred unavoidably and without fault by the IDB, GSCC will absorb or reimburse the IDB for this cost and will allocate it as it normally allocates financing costs under its fee structure. The term "overnight financing cost" is a commonly used term that refers to the costs charged by a clearing agent bank to a broker-dealer customer related to the financing by the bank of securities held from one business day until the next business day in the customer's clearing account. To protect itself from being obligated to pay for overnight financing charges that are significantly higher than those that are customary in the industry, GSCC will reserve the right to absorb such charges only up to a dollar amount deemed reasonable by it.

The Board of Directors of GSCC also has determined it appropriate to make these fee reimbursement provisions applicable to a division of a dealer netting member that: (1) Operates in an overall manner as a broker; (2) participates in the repo netting service through a separate GSCC account; and (3) abides by the restrictions imposed on IDBs that participate in the repo netting process.

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it should facilitate the prompt and accurate clearance and settlement of securities transactions.⁸

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

GSCC perceives no impact on competition by reason of the proposed rule change.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

GSCC has not solicited or received comment on the proposed rule change.

Members will be notified of the rule change filing, and comments will be solicited by an Important Notice.

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

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which GSCC consents, the Commission will:

(A) by order approve such proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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, NW., Washington, DC 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 Room, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of GSCC. All submissions should refer to the file number SR-GSCC-96-8 and should be submitted by October 3, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-23309 Filed 9-11-96; 8:45 am]

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[Release No. 34-37658; File No. SR-GSCC-96-07]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Amendments to a Proposed Rule Change Relating to the Rights and Responsibilities of Interdealer Broker Netting Members

September 6, 1996.

On July 2, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-96-07) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ relating to the rights and responsibilities of interdealer broker ("IDB") netting members. GSCC amended the filing on July 23, 1996.² Notice of the proposed rule change, as amended, was published in the Federal Register on August 20, 1996.³ On August 16, 1996, and on August 21, 1996,⁴ GSCC filed amendments No. 2 and 3 to the filing. Amendment 2 and amendment No. 3 are described in Items I, II, and III below, which items have been prepared primarily by GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The purpose of amendment No. 2 is to clarify that Category 1 IDB have no liability for losses resulting from nonmember brokered transactions. The purpose of amendment No. 3 to the proposed rule change is to require that at least thirty percent of a Category 1 IDB's clearing fund deposit consist of cash or eligible netting securities and that no more than seventy percent of its clearing fund deposit be met by pledging eligible letters of credit.

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from Karen Walraven, Vice President and Associate General Counsel, GSCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation ("Division"), Commission (July 18, 1996).

³ Securities Exchange Act Release No. 37565 (August 14, 1996), 61 FR 43103.

⁴ Letters from Karen Walraven, Vice President and Associate Counsel, GSCC, to Jerry W. Carpenter, Division, Commission (August 12, 1996, and August 15, 1996).

⁸ 15 U.S.C. 78q-1 (1988).

⁹ 17 CFR 200.30-3(a)(12) (1996).

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.⁵

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

Currently, GSCC's rules provide that if a loss resulting from a defaulting member relates to brokered transactions, ten percent of the loss is allocated collectively to IDBs regardless of their activity with the defaulting member. The proposed rule change as initially filed proposed amending GSCC's rules to eliminate the collective loss allocation and instead to allocate fifty percent of the loss from either a member or nonmember brokered transactions to Category 1 and Category 2 IDBs based on the level of their trading activity with the defaulting member.⁶ However, pursuant to GSCC's rules, only Category 2 IDBs may enter into nonmember brokered transactions. Amendment No. 2 clarifies that the loss from a nonmember brokered transaction will be allocated among Category 2 IDBs pro rata based on the level of their trading activity with the defaulting member.

The purpose of amendment No. 3 to the proposed rule change is to require that at least thirty percent of a Category 1 IDB's clearing fund deposit consist of cash or eligible netting securities and that no more than seventy percent of the clearing fund deposit be met by pledging eligible letters of credit. Unlike other participants which are required to deposit ten percent of their clearing fund requirement in cash, Category 1 IDBs need only deposit \$100,000 in cash which is two percent of their proposed fixed \$5,000,000 deposit requirement. As originally filed, GSCC's proposed rule change permitted Category 1 IDBs to meet the non-cash component of their

required clearing fund deposit (*i.e.*, \$4.9 million) all or in part by pledging eligible letters of credit to GSCC. However, in amendment No. 3 GSCC states that for Category 1 IDBs, the non-cash component of their clearing fund requirement should be consistent with the composition requirements of other netting members, and therefore, no more than seventy percent of a Category 1 IDB's required clearing fund deposit may be met by pledging eligible letters of credit. At least thirty percent of their clearing fund requirement must consist of cash or eligible netting securities.

Both Category 1 IDBs, because of their increased volumes due to the implementation and expansion of repo brokering services, and Category 2 IDBs, because they may enter trades with nonmembers, present increased risk to GSCC and its other members. Therefore, GSCC believes that IDBs should be subject to the same clearing fund deposit composition requirements as other netting members, with the exception of the lower cash requirement for Category 1 IDBs.

GSCC believes the proposed rule change, as amended, is consistent with the requirements of Section 17A of the Act⁷ and the rules and regulations thereunder because the proposal should facilitate the prompt and accurate clearance and settlement of securities transactions by IDBs in GSCC's netting system.

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

GSCC does not believe that the proposed rule change as amended 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

Written comments were not solicited with respect to the proposed rule change as amended, and none have been received.

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

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which GSCC consents, the Commission will:

(a) By order approve such proposed rule change or

(b) Institute proceedings to determine whether the proposed rule change should be disapproved.

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 Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of GSCC. All submissions should refer to the file number SR-GSCC-96-07 and should be submitted by October 3, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-23343 Filed 9-11-96; 8:45 am]

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[Release No. 34-37656; File No. SR-GSCC-96-06]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Permitting All Netting Members To Receive Credit Forward Mark Adjustment Payments

September 6, 1996.

On June 15, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-96-06) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ to allow all netting members to receive credit forward mark adjustment payments. Notice of the

⁵ The Commission has modified the text of the summaries submitted by GSCC.

⁶ A member brokered transaction is a brokered transaction where both the buy-side and sell-side counterparties to the IDB are netting members. A nonmember brokered transaction is a brokered transaction where either the buy-side or sell-side counterparty to the IDB is a nonmember.

⁷ 15 U.S.C. 78q-1 (1988).

⁸ 17 CFR 200.30-3(a)(12) (1995).

¹ 15 U.S.C. 78s(b)(1) (1988).