

or otherwise in furtherance of the purposes of the Act.

#### 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR-DTC-97-08 and should be submitted by October 16, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39099; File No. SR-GSCC-97-08]

#### Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Extend the Maximum Term for Repurchase Agreements

September 19, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on August 6, 1997, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-97-08) as described in Items I and II below, which items have been

prepared primarily by GSCC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval of the proposal.

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

GSCC proposes to amend the time frame for the maximum allowable number of calendar days that the term of a repurchase agreement ("repo") may span.

#### 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 section (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

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

GSCC proposes to extend the maximum number of calendar days that a repo's term may span and still be eligible for netting services from 360 calendar days to two calendar years. GSCC Rule 11 states the requirements that a repo must meet in order to be eligible for netting services and provides that the number of calendar days between the scheduled settlement date for the close leg and the business day on which trade data is submitted may not be greater than the "maximum number of business days established by the Corporation for such purpose and published in a schedule made available to members. \* \* \*" When GSCC introduced its repo netting service in November 1995, it set the maximum number of days allowable between scheduled settlement and data submission at 195 calendar days.<sup>3</sup> Last year, it received Commission approval

<sup>2</sup> The Commission has modified the text of the summaries submitted by GSCC.

<sup>3</sup> Securities Exchange Act Release No. 36491 (November 17, 1995), 60 FR 61577 [File No. SR-GSCC-95-02] (order approving proposed rule change implementing netting services for certain repo transactions).

to extend this maximum time period to 360 calendar days.<sup>4</sup>

In response to rising repo volumes and at the request of GSCC's members that engage in repos with a term of greater than one year, GSCC proposes to extend the time period that a repo term may span and still be eligible for netting services to two years. Members will benefit from the inclusion of longer term repos in the netting service because clearing and settlement risks and costs will be further reduced by encompassing more repo transactions into the net. GSCC believes that its risk management procedures currently in place are sufficient to protect against any exposure created by longer repo terms. GSCC will continue to monitor and to evaluate all aspects of its repo netting services.

GSCC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F)<sup>5</sup> of the Act and the rules and regulations thereunder because it promotes the prompt and accurate clearance and settlement of securities transactions and safeguards securities and funds in GSCC's custody or control.

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

GSCC does not believe that the proposed rule change will have an 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 relating to the proposed rule change have not yet been solicited or received. Members will be notified of the rule change filing and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments received by GSCC.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>6</sup> The Commission believes that the proposed

<sup>4</sup> Securities Exchange Act Release No. 37996 (November 27, 1996), 61 FR 64778 [File No. SR-GSCC-96-11].

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> *Id.*

<sup>8</sup> 17 CFR 200.30-3(a)(12).

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

rule change is consistent with GSCC's obligations under the Act because the proposal permits GSCC to provide the benefits of centralized, automated settlement to a broader segment of repos involving government securities. Thus, the proposal should assist in the prompt and accurate clearance and settlement of securities transactions.

As discussed in the order approving GSCC's repo netting system, the Commission believes that GSCC has put into place adequate risk management procedures to limit the settlement risk associated with repo transactions.<sup>7</sup> The Commission also believes that GSCC has adequately analyzed the application of these risk management procedures to the risks associated with longer term repo transactions and therefore will be able to adequately safeguard itself and its participants from the risk associated with the inclusion of longer term repo transactions in the netting system. Thus the proposal is consistent with GSCC's obligation to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.

GSCC requests that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause exists for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing because accelerated approval will allow GSCC to immediately expand its netting services to include repos with terms between 360 calendar days and two years. This will permit more participants that conduct repo transactions to benefit from the positive effects of netting.

#### 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-97-08 and should be submitted by October 16, 1997.

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-GSCC-97-08) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39096; File No. SR-NSCC-96-21]

#### Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to the Establishment of the Annuities Processing Service

September 19, 1997.

On December 26, 1996, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-96-21) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> On February 27, 1997, and May 12, 1997, NSCC amended the proposed rule change. Notice of the proposal was published in the **Federal Register** on August 6, 1997.<sup>2</sup> For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

The proposed rule change amends NSCC's rules to establish the Annuities Processing Service ("APS"). APS will be a centralized communication link that connects participating insurance carriers with broker-dealers, banks, and the broker-dealers' or banks' affiliated life insurance agencies where

appropriate. Only those annuity plans<sup>3</sup> that are purchased by individuals from insurance carriers through broker-dealers, banks, or their affiliated insurance agencies will be eligible for processing through APS.

NSCC will implement APS in phases. Phase I will provide NSCC's participants with the ability to send and receive daily information regarding annuity contract positions, the value of a contract's underlying assets, and settlement of commission monies.<sup>4</sup> This information will be transmitted through the "position and valuation," and "commission and charge back" components of Phase I.

The position and valuation component will permit insurance carriers to transmit information regarding the value of individual annuity contracts and the value of the assets underlying the contracts to broker-dealers and insurance agencies. Insurance carriers will submit position and valuation information to NSCC, which NSCC will forward to the party designated as recipient by the insurance carrier.

The commission and charge back component will permit insurance carriers and agencies to communicate concerning periodic trail or asset-based compensation and transaction-based commission payments, each paid by an insurance carrier to an agency, as well as charge backs paid by an agency to an insurance carrier. Insurance carriers and agencies will settle these payments through NSCC's money settlement system.

Insurance carriers will be able to initiate commission and charge back transactions by submitting instructions to NSCC. On any day prior to settlement, an annuities agency or annuities carrier member may submit a cancel instruction if the member does not recognize the transaction or an exit instruction if the member recognizes the transaction but wants that transaction to be processed outside of APS.<sup>5</sup> A

<sup>3</sup> APS will process variable rate and fixed rate annuity products. Letter from Julie Beyers, Associate Counsel, NSCC (February 26, 1997).

<sup>4</sup> NSCC intends to implement additional phases in the future to include the processing of annuity contract applications and the settlement of premium payments. In addition, the scope of information included in APS may be expanded beyond position and valuation information. NSCC will be required to make the appropriate rule filings with the Commission at such times as NSCC is ready to implement these additional components.

<sup>5</sup> According to NSCC, this feature will not be available when the APS becomes operational; it will be added at a later date. Until the exit and cancel features are added, an annuities agency or annuities carrier member must go outside of APS to arrange for the reversal of a commission and charge back transaction that was erroneously entered into APS.

<sup>8</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> Securities Exchange Act Release No. 38889 (July 30, 1997), 62 FR 42274.

<sup>7</sup> *Supra* note 3.