

affiliated but different entities. This flexibility would not adversely impact EMCC's operations, and it should not impact the participant's ability to be represented on the EMCC Board. Thus, the proposed rule change will amend the definition of participant shareholder to mean a shareholder that holds one or more Class A subject shares and is also a participant or an affiliate of a participant.

EMCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder applicable to EMCC because it permits EMCC's Board of Directors to continue to maintain broad representation of both EMCC's participants and the emerging market debt industry and thus allows EMCC to assure fair representation of its shareholders and participants.

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

EMCC does not believe that the proposed rule change will have any impact or impose any 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. EMCC will notify the Commission of any written comments it receives.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 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 the self-regulatory organization consents, the Commission will:

(A) by order approve such 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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the

Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. 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 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 EMCC. All submissions should refer to File No. SR-EMCC-99-10 and should be submitted by November 12, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Jonathan G. Katz,

Secretary.

[FR Doc. 99-27605 Filed 10-21-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42005; File No. SR-MBSCC-99-06]

Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Market Margin Differential Deposits

October 13, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 14, 1999, the MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MBCC-99-06) as described in Items I, II, and III below, which items have been prepared primarily by MBSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change amends the formula MBSCC uses to calculate market margin differential deposits.

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

In its filing with the Commission, MBSCC 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. MBSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

The purpose of the proposed rule change is to amend the formula MBSCC uses to calculate market margin differential deposits to the participants fund.³ Specifically, the proposed rule change adds net position and net-out position components to the market margin differential deposit formula.

Article IV, Rule 2, Section 4 of MBSCC's rules sets forth the formula used to calculate a participant's daily market margin differential deposit to the participants fund. This formula currently requires a participant to make a daily market margin differential deposit to the participants fund equal to the sum of: (a) 130% (or such other percentage of MBSCC from time to time may determine) of adjusted net losses, plus (b) 100% (or such other percentage as MBSCC from time to time may determine) of certain projected cash settlement obligations owed to MBSCC, minus (c) the amount of any market margin differential deposits previously made by the participant to and remaining in the participants fund.

The proposed rule change replaces the 130% of adjusted net losses component as contained in subsection (a) of the formula with 130% (or such other percentage of MBSCC from time to time may determine) of the greater of: (i) adjusted net losses or (ii) 25 basic points

² The Commission has modified the text of the summaries prepared by MBSCC.

³ MBSCC requires participants to maintain collateral in the form of deposits to the participants fund. Each participant's participants fund is comprised of a basic deposit, a minimum market margin differential deposit, and a market margin differential deposit. The basic deposit is equal to a minimum of \$1,000 and a maximum of \$10,000 with the actual amount determined based on the average six months billing for the participant. The minimum market margin differential deposit is equal to \$250,000. The market margin differential deposit is based on the formula set forth in Article IV, Rule 2, Section 4 of MBSCC's rules and is the subject of this rule filing.

⁵ 15 U.S.C. 78q-1.

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

(or such other number of basic points as MBSCC from time to time may determine) of net position and 25 basic points (or such other number of basic points as MBSCC from time to time may determine) of the largest outstanding net-out position minus excess profits from forward transactions.

The proposed rule change establishes a baseline margin requirement for net position and net-out position risk as illustrated by the following two examples. The first circumstance arises where a participant is not subject to a margin call on a particular day because it does not have adjusted net losses. The 130% multiplier, which is designed to address market volatility, is not effective if the participant does not have adjusted net losses. The net position component, therefore, should address the circumstance where a participant does not have adjusted net losses but has a large net position and there is market volatility between margin calls.

The second circumstance relates to the fact that losses of non-original contra-sides in excess of an insolvent participant's participant fund are prorated to and assessments are made against the insolvent participant's original contra-sides. MBSCC's netting system pairs-off and nets-out buy and sell trades with original and non-original contra-sides. Netting substantially reduces the number of trades requiring clearance. Although netting eliminates the need to clear net-out trades, it does not eliminate the potential liability for pro-rata assessments against original contra-sides. The participants fund, however, currently does not include a margin component for potential pro-rata assessments against original contra-sides. The net-out component, therefore, should address the circumstance where an original contra-side nets-out of transactions and otherwise does not have sufficient deposits to the participants fund to satisfy potential pro-rata assessments.

The new requirement is initially set at 25 basis points of net position and 25 basis points of largest outstanding net-out position. MBSCC has determined that 25 basis points and crediting excess profits from forward transactions is currently appropriate based on an assessment of participants' participants fund deposits.

The proposed rule change also modifies Article I, Rule 1 of MBSCC's rules to add definitions of the terms "Excess Profits from Forward Transactions" and "Net Position."

MBSCC believes that the proposed rule change is consistent with the requirements of the Section 17A(b)(3)(F)

of the Act and the rules and regulations thereunder because the proposal should help MBSCC assure the safeguarding of securities and funds which are in the custody or control of MBSCC or for which it is responsible.

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

MBSCC does not believe that the proposed rule change will have an impact on 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

No written comments relating to the proposed rule change have been solicited or received. MBSCC will notify the Commission of any written comments received by MBSCC.

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 MBSCC 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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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, NW, Washington, DC 20549. Copies of such filing also will be available for

inspection and copying at the principal office of MBSCC. All submissions should refer to File No. SR-MBSCC-99-06 and should be submitted by November 12, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Jonathan G. Katz,

Secretary.

[FR Doc. 99-27602 Filed 10-21-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42014; File No. SR-NSCC-99-07]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to Liability With Respect to Affiliated Entities

October 15, 1999.

On May 13, 1999, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-99-07) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on August 3, 1999.² On August 10, 1999, NSCC amended the proposed rule change.³ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The Boards of Directors of NSCC and The Depository Trust Company ("DTC") have initiated a plan to integrate NSCC and DTC. As a step in the integration plan, a holding company has been established which will own NSCC and DTC as operating subsidiaries.⁴ NSCC has informed the Commission that a consideration in the NSCC/DTC integration plan is to insulate NSCC and DTC from the risks and obligations of the other.

The rule change adopts NSCC Rule 58, which provides that

¹ 17 CFR 200.30-3(a)(12).

² 15 U.S.C. 78s(b)(1).

³ Securities Exchange Act Release No. 41662 (July 27, 1999), 64 FR 42160.

⁴ The amendment represented technical amendments to the proposed rule change and as such did not require republication of notice.

⁵ For a description of the holding company structure, refer to Securities Exchange Act Release No. 41800 (August 27, 1999), 64 FR 48694 [File No. SR-NSCC-99-10].