leakage rate is 73.81 standard cubic feet per hour, which is 41.5 percent of the limit of 0.6 L_a. Based on this margin, it is clear that extending the test interval a maximum of 6 months will not affect the overall integrity of the containment.

The above data provides a basis for showing that the probability of exceeding the offsite dose rates established in 10 CFR Part 100 will not be increased by extending the current Type B and C testing intervals for a maximum of 6 months. The change will not increase the probability or consequences of accidents, no changes are being made in the types of any effluents that may be released offsite, and there is no significant increase in the allowable individual or cumulative occupational radiation exposure. Accordingly, the Commission concludes that there are no significant radiological environmental impacts associated with the proposed action.

With regard to potential nonradiological impacts, the proposed action does involve features located entirely within the restricted area as defined in 10 CFR Part 20. It does not affect nonradiological plant effluents and has no other environmental impact. Accordingly, the Commission concludes that there are no significant nonradiological environmental impacts associated with the proposed action.

Alternatives to the Proposed Action

Since the Commission has concluded there is no measurable environmental impact associated with the proposed exemption, any alternative with equal or greater environmental impact need not be evaluated. The principal alternative to the exemption would be to require rigid compliance with the requirements of Sections III.D.2(a) and III.D.3 of Appendix J to 10 CFR Part 50. Such action would not enhance the protection of the environment and would result in increased radiation exposure for the licensee.

Alternate Use of Resources

This action does not involve the use of any resources not considered previously in the Final Environmental Statement for Fermi, Unit 2, dated August 1981.

Agencies and Persons Consulted

In accordance with its stated policy, on November 9, 1995, the staff consulted with the Michigan State official, Mr. Dennis Hahn of the Michigan Department of Public Health, Nuclear Facilities and Environmental Monitoring, regarding the environmental impact of the proposed action. The State official had no comments.

Finding of No Significant Impact

Based upon the environmental assessment, the Commission concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the Commission has determined not to prepare an environmental impact statement for the proposed action.

For further details with respect to the proposed action, see the licensee's request for exemption dated September 1, 1995, which is available for public inspection at the Commission's Public Document Room, The Gelman Building, 2120 L Street NW., Washington, DC, and at the local public document room located at the Monroe County Library System, 3700 South Custer Road, Monroe, Michigan 48161.

Dated at Rockville, Maryland, this 22nd day of November 1995.

For the Nuclear Regulatory Commission.

Tae Kim,

Acting Director, Project Directorate III–1, Division of Reactor Projects—III/IV, Office of Nuclear Reactor Regulation.

[FR Doc. 95–29224 Filed 11–29–95; 8:45 am]

BILLING CODE 7590–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–36491; File No. SR–GSCC–95–02]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to Netting Services for the Non-Same-Day-Settling Aspects of Next-Day and Term Repurchase and Reverse Repurchase Transactions

November 17, 1995.

On August 1, 1995, the Government Securities Clearing Corporation (''GSCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–GSCC–95–02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] On August 29, 1995, and September 19, 1995, GSCC amended the filing.[2] Notice of the proposal was published in the Federal Register on September 26, 1995.[3] One comment letter was received regarding the proposed rule change.[4] For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

On May 12, 1995, GSCC implemented its comparison service for next-day (also referred to as ''overnight'') and term repurchase and reverse repurchase transactions involving government securities as the underlying instrument (''repos'').[5] As of October 10, 1995, forty-five members are participating in this service. This rule filing allows GSCC to implement the next stage of its repo services, which is providing netting and risk management services for the non-same-day-settling aspects of next-day and term repo transactions.[6]

The repo netting process began in test mode on October 12, 1995, and continues on a daily basis. The test process is conducted using data submitted during the previous day's production cycle. GSCC anticipates fully implementing repo netting in mid-November 1995 after the November refunding of government securities. In order to accommodate the repo netting process, the proposed rule change substantially modifies GSCC's procedures and methodologies as described below.

(1) Eligibility for Netting

GSCC netting members, other than interdealer broker netting members, may participate in the repo netting system upon being designated by GSCC's Membership and Standards Committee as eligible for such services.[7] The

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] Letters from Jeffrey F. Ingber, General Counsel and Secretary, GSCC, to Christine Sibille, Division of Market Regulation, Commission (August 24, 1995, and September 14, 1995).

[3] Securities Exchange Act Release No. 36252 (September 19, 1995), 60 FR 49649.

[4] Letter from Barry E. Silverman, President, Delta Government Options Corp., to Jonathan G. Katz, Secretary, Commission (October 20, 1995).

[5] For a complete description of GSCC's repo comparison service, refer to Securities Exchange Act Release No. 35557 (March 31, 1995), 60 FR 17598 [File No. SR–GSCC–94–10] (order approving proposed rule change relating to implementing a comparison service for repos).

[6] GSCC plans to offer its repo services in three phases. Phase I involves providing comparison and netting services for next-day and term repo transactions; Phase II will focus on providing comparison, netting, and risk management services for open repos; and Phase III will focus on providing intraday netting and risk management services for same-day settling aspects of repo transactions. Future phases will add the following repo services (not necessarily in this order): (1) tracking and facilitation of collateral substitutions, (2) enhanced comparison services for forward-settling repos, and (3) interest rate protection for forward-settling repos.

[7] Interdealer broker netting members will not be eligible for GSCC's repo netting service during this first phase because brokering in the repo market currently is done on a ''give up'' basis with interdealer brokers giving up the name of each counterparty to the other counterparty and the no longer having any involvement in the transaction.

Committee will base its determination of eligibility on: (1) Satisfactory participation in GSCC's repo comparison service, (2) demonstration by the member of its ability to meet its obligations with regards to the netting and settlement of repos, and (3) execution by the member of documents provided by GSCC to ensure that the netting and settlement of the member's repos will be done in conformity with GSCC's rules.

A start leg or a close leg of a repo is eligible for netting and settlement through the netting system if: (1) The repo is compared through GSCC, (2) (i) for the start leg, the number of calendar days between the business day on which the repo is submitted to GSCC and the scheduled settlement date for the close leg associated with the settling start leg must not be greater than the maximum number of calendar days set by GSCC, which initially is 195 calendar days and (ii) for the close leg, the number of calendar days between the business day on which the repo is submitted to GSCC and the scheduled settlement date for the close leg must not be greater than the maximum number of calendar days set by GSCC, (3) netting of the start or close leg must occur on or before its scheduled settlement date (*i.e.*, the leg cannot be a same-day settling leg), (4) data on each side of the repo must be submitted to GSCC by members designated as eligible to participate in the repo netting process, (5) the underlying securities must be eligible for netting,[8] and (6) the maturity date of the underlying securities must be on or later than the scheduled settlement date of the leg.

A forward-settling start leg[9] is not netted with other trades and is not guaranteed until the scheduled settlement date for that start leg. A forward-settling close leg is not netted with other trades and is not guaranteed until the scheduled settlement date for the associated start leg.

(2) Netting Process

Each night a participating repo netting member's eligible repo transactions will be netted with its regular buy/sell cash activity and Treasury auction purchases in the same CUSIP to establish a single net position in each security. For netting purposes, the settlements associated with repo start legs and reverse repo close legs will be treated as short positions. The settlements associated with repo close legs and reverse repo start legs will be treated as long positions. The difference between a member's total short activity and its total long activity within a CUSIP is its net position in the CUSIP.

GSCC will provide each participant with a daily netting system output that will breakdown its net positions by reporting for each security: (1) The net cash position, (2) the net repo position, and (3) the total net position.[10] Each participant's forward-settling net position for each of its securities is recalculated on a daily basis. Forward-settling net positions automatically convert into deliver or receive obligations on their scheduled settlement dates.

(3) Settlement

Each processing day, GSCC conducts two settlement processes. These are a securities settlement and a funds-only settlement.[11] For securities settlement, each netting member is obliged to deliver to or to receive from GSCC its net deliver or receive obligation in each CUSIP that is generated as a result of the netting process. Securities settlement for repo legs will not differ from securities settlement for regular cash activity. For funds-only settlement, GSCC will add amounts pertaining to repos to amounts pertaining to regular cash activity and Treasury auction purchases and will report such amounts within the existing categories (*e.g.*, forward margin or fail mark obligations).[12]

(4) Coupon Protection

When the start leg of a repo is initiated, securities are moved from the account of the funds borrower (*i.e.*, the long side for the close leg) to the account of the funds lender (*i.e.*, the short side for the close leg) until the settlement date of the close leg. However, because the funds lender is not entitled to any coupon payments which are made by the issuer directly to the funds lender's clearing bank while the securities are in its possession, the coupon payments will be passed through from the funds lender (short side) to the funds borrower (long side) when the coupon date is after the repo start date and on or before the repo close date. GSCC's current procedures for paying coupon on all fail obligations will not change and will apply to fail obligations arising from repos as well.[13]

(5) Collateral Substitution

In this initial phase of repo netting, GSCC will not perform collateral substitutions on an automated basis. However, participants may make collateral substitutions by designating new underlying collateral for a repo transaction through use of the ''cancel and correct'' feature of GSCC's comparison system. GSCC's operations staff manually will process the collateral substitution as it does now for clearing fund securities margin.

(6) Guarantee of Settlement

As in cash transactions, GSCC novates the repo transaction at the time the start or close leg is netted. At that time, GSCC assumes contraparty responsibility and guarantees settlement of the repo. GSCC's guarantee includes the return of the underlying collateral to the funds borrower and both the return of principal (repo start amount) and the payment of interest to the term of the repo transaction to the funds lender. As discussed above, forward-settling repo start legs and close legs are not netted or guaranteed until the scheduled settlement date of the start leg.

(7) Forward Margin

Because GSCC guarantees the settlement of all transactions once they are compared and netted, each day GSCC will mark-to-market each participant's forward-settling net positions and will recalculate each participant's forward margin obligation. Participating members will then be assessed forward margin accordingly in their daily funds settlement.[14]

Margin for cash trades will continue to be calculated by marking each transaction to the market using the following formula:

Market value=GSCC Price×Par Amount+Accrued Coupon Interest

[8] Pursuant to GSCC's rules, an eligible security is a security issued or guaranteed by the U.S., a U.S. government agency or instrumentality, or a U.S. government-sponsored corporation (except a mortgage-backed security) that GSCC has listed on its eligible securities master file.

[9] A forward-settling transaction is submitted one or more business days prior to its scheduled settlement date.

[10] The daily netting system output separately lists forward-settling start legs and close legs until such transactions are eligible for netting (*i.e.*, the settlement date of the start leg).

[11] At 2:00 a.m., GSCC issues to each participant its netting output reports which establish the participant's deliver, receive, and payment obligations for the day. By 10:00 a.m., a participant must satisfy its funds only settlement obligations, and GSCC will pay funds credits owed to participants by 11:00 a.m. A participant may satisfy its securities deliver obligations at any time during the day.

[12] The daily net funds-only settlement amount for each netting member will be adjusted to reflect certain changes to GSCC's margining processes as discussed below in Section (7).

[13] Under these procedures, on the coupon payment date GSCC will collect the coupon payment from a member with a fail net short position and pass the coupon payment to the member with the fail net long position.

[14] Because forward-settling start legs are not guaranteed until the scheduled settlement date, such transactions are not margined.

Calculated to Scheduled Settlement Date

The resulting value is then subtracted from the contract value to calculate the appropriate margin amount.

To take into account differences between the repo market and the when-issued cash market, including the fact that the liquidation process for repos involves a cost-of-carry element, forward margin calculations for repos will differ from those of cash market trades. To margin a forward-settling repo close leg, GSCC begins by calculating market value, using the following formula:

Market Value=GSCC Price×Par Amount+Accrued Coupon Interest Calculated to Current Date

The market value calculated is subtracted from the repo's contract value[15] to establish a debit or credit collateral mark.

Next, the repo financing mark for the transaction is calculated. If a member in a net short position (reverse side) fails, GSCC will replace the position by buying securities and putting them out on repo in the market and thus will incur a financing cost. Conversely, if a member in a net long position (repo side) fails, GSCC will replace the position by selling securities obtained by doing a reverse repo in the market and thus will create interest income potential. To account for its possible financing costs and interest income potential, GSCC computes the financing mark and includes it in the clearing margin calculation. The formula used to calculate the financing mark is:

Financing Mark=Market Value of Repo×GSCC Repo Rate×Number of Days to Scheduled Settlement Date÷360

GSCC tailors its repo rate to each individual repo transaction. To establish the repo rate, GSCC first determines if the collateral underlying the repo is general or specific.[16] For general collateral repos, GSCC uses the remaining term of the repo to determine the appropriate market repo rate. For specific collateral repos, GSCC uses both the CUSIP and the remaining term of the repo to determine the specific repo rate. GSCC uses multiple market sources to obtain repo rates which are monitored on a daily basis. After calculating, GSCC debits from the reverse (short) side the financing mark and credits the financing mark to the repo (long) side.

The total forward margin for repos is calculated using the following formula:

Total Forward Margin=Collateral Mark+Financing Mark

The debit and credit margins calculated for the individual transactions comprising the participant's net settlement position are then added together. A participant's total forward margin is the mathematical sum of the individual debit and credit margins calculated across all securities and across all settlement dates.

Any credit margin amounts resulting from both cash and repo trades remaining after being used to fully offset debit margin amounts across CUSIPs will be paid out to participants in funds settlements. There are the following exceptions to this pay-through policy: (1) only bank and category one dealer netting members that have been active in the netting system for at least sixty days may collect credit forward margin amounts, (2) if a member has been awarded Treasury securities at auction, GSCC's obligation to pay to such member a credit forward margin payment will be limited by the amount of debit forward margin payment(s) that under GSCC's rules the Federal Reserve Banks are not obligated to pay to GSCC, and (3) GSCC may suspend a member's right to collect credit forward margin if the member is placed on surveillance.

Because credit margins now will be paid to participants, only cash may be used as margin. Members will no longer be able to post collateral in advance in lieu of their cash forward margin obligations. GSCC will pay interest on all margin amounts collected and will charge interest on all margin amounts paid on a daily basis using the effective Fed Funds rate.

(8) Clearing Fund

GSCC's method of calculating a member's clearing fund contribution now is based on the net settlement positions of all of the cash and repo activities of the participant. The funds settlement risk component and the securities settlement risk component of the clearing fund calculation has been changed to take into account the average of a member's most active ten days over the most recent seventy-five business days instead of the average of the most recent twenty business days.[17]

The clearing fund formula also has been modified to anticipate any exposure resulting from the clearance of the present day's settlement transactions. Specifically, a member's outstanding net settlement position for clearing fund purposes is calculated alternately by disregarding an by including the amount of securities underlying the positions that are scheduled to settle that day. The portion of the clearing fund formula that reflects securities settlement exposure is calculated by taking the average offset margin amount[18] or, if greater, the greatest of the following three calculations; (1) fifty percent of that day's gross margin amount, (2) one hundred percent of that day's offset margin amount calculated by excluding positions that are schedule to settle that day or (3) one hundred percent of that day's offset margin amount including positions that are scheduled to settle that day.[19]

The calculation of the securities settlement exposure for a Category 2 dealer netting member or a Category 2 futures commission merchant netting member also is revised to require such member to deposit the greatest (1) such member's average gross margin amount based on the average of the ten most active days over the most recent seventy-five business days, (2) such member's gross margin amount calculated by including positions settle that day, or (3) such member's gross margin amount calculated by excluding positions settling that day.

The proposed rule change adds a new component, the repovolatility factor, to the clearing fund formula. Repo volatility factors are a set of percentages which are applied to the net settlement repo positions to cover the securities' settlement exposure posed by such repo activity.[20] Initially, the repo volatility factor for general collateral repos will be set at fifty basis points. The repo volatility factor for specific repos that

[15] The contract value of the repo is the dollar value at which the close leg is to be settled.

[16] General collateral repos refer to repo transactions that do not specify the underlying collateral by a CUSIP number while specific collateral repos indicate by CUSIP number what the underlying security must be.

[17] This change has been made to both the general rules on clearing fund deposits and the specific rules for Category 2 dealer netting members and Category 2 futures commission merchants.

[18] The offset margin amount is the gross margin (the dollar value of a member's net settlement positions multiplied by the appropriate margin factors) as reduced by offsetting short and long positions based on maturity date and par amount. The average offset margin, which is part of the securities settlement risk component discussed above, takes the average of offset margins from the ten most active days over the previous seventy-five business days.

[19] Prior to this filing, securities settlement exposure was calculated as the greater of the average offset margin amount or 50% of the gross margin amount.

[20] These percentages are derived based on GSCC's research, which has been conducted with the assistance of tits members, on historical repo rate volatility including repo market participants' analytics and raw data itself. GSCC is building and will maintain its own date base on the historical daily volatility of repo rates.

are expected to convert to general collateral repos on a certain date will be the same as the factor for general collateral repos. The repo volatility factor for all other specific repos will be the spread between the system rate for the repo and the system rate for general collateral repos with a minimum factor of fifty basis points.

Each member is required to add to its clearing fund requirement the greater of (1) the product of the repo volatility factors and the market value of the member's repo transactions reduced by offsetting short and long positions based on maturity date and par amount [21] (''offset repo volatility amount'') or (2) the average of a member's ten highest offset repo volatility amounts over the most recent seventy five business days. Participants may submit requests for the return of excess collateral on a monthly basis instead of on a quarterly basis.

(9) Obligation To Submit Trades

GSCC Rule 11, Section 3, which requires a netting member to submit all eligible trades to GSCC for comparison and netting, is not applicable to a netting member's repo transactions. Rule 18, Section 4 requires a repo netting member to submit for comparison and netting all repo trades eligible for netting to either GSCC, to another Commission registered clearing agency, or a clearing agency exempted by the Commission from Clearing agency registration.

II. Comments

The Commission received one comment letter opposing the proposal.[22] This commenter argues that: (1) GSCC's system does not novate trades, and therefore, its members may not offset repo trades on their books in reliance on Interpretation 41 of the Financial Accounting Standards Board (''FASB''); [23] (2) GSCC's repo volatility factor provides inadequate protection in a volatile market; [24] (3) GSCC does not have a third party credit line to pay for customer defaults; and (4) GSCC has not imposed trading limits on its members. In its response to the commenter, GSCC states that the commenter's arguments are based on misrepresentations and misstatements regarding GSCC and its processes.[25]

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Section 17A(b)(3)(F).[26] Section 17A(b)(3)(F) requires that the rules of a clearing agency 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. The Commission believes GSCC's rule change meets these goals because the implementation of a netting system for repos continues the process whereby GSCC provides the benefits of centralized automated settlement to a broader segment of government securities transactions and because the netting system is being implemented with safeguards adequately designed to limit the risks to GSCC and its participants associated with the netting of repo transactions.

In addition to centralizing and automating the settlement process, repo netting provides several benefits to participants. Among others, these include: (1) guaranteed settlement, (2) reduction in FedWire transfer activity through the netting of a member's repo transactions with its cash transactions and auction purchases, (3) automated coupon tracking, and (4) automated output.

The proposed rule change also is consistent with the recommendations of the Joint Report on the Government Securities Market.[27] The Joint Report recommended, among other things, that GSCC include more trades in its netting system. The Joint Report noted that the benefits of netting are greater as more trades are included in the net and that as more trades are included in GSCC's net a larger percentage of market trades become guaranteed trades.

The Commission also believes that GSCC has put in place adequate safeguards to limit the settlement risk associated with repo transactions. For example, GSCC does not novate or guarantee the start leg of a repo until the scheduled settlement date. In addition, GSCC's guarantee is limited to repos that are schedule to settle within 195 days of submission to GSCC. The Commission believes that these measures provide additional risk protection. As GSCC becomes more experienced in the netting of repos, it may decide that it can eliminate or modify these limitations consistent with its responsibility to safeguard securities and funds.[28]

The Commission further believes that GSCC's forward margin and clearing fund calculations provide adequate risk management. GSCC's margining system takes into account changes in the price of the underlying collateral and the risk that GSCC may need to replace the underlying collateral if a participant defaults. The clearing fund calculation is based on both a member's funds settlement amount and securities settlement amount. With respect to repos, GSCC also will collect clearing fund contributions based on changes in the financing rate which will reflect possible changes in repo rates. The Commission believes that the margin and clearing fund contributions appropriately take into account the risks posed to GSCC by the settlement of repos.

The Commission also notes that GSCC's rules require that netting

[21] A twenty-five percent disallowance will be imposed an all offsets.

[22] *Supra* note 4.

[23] The commenter asserts that nothing in GSCC's rules or procedures prevents it from assigning a guaranteed obligation to a system participant having an equal obligation and stepping out as a counterparty.

[24] Specifically, the commenter asserts that GSCC's repo volatility factor is based upon two standard deviations from the mean rate over the historical period instead of the three standard deviations used by the commenter.

[25] In its letter, GSCC addressed each of the commenter's points. (1) Regarding novation of trades, GSCC asserts that its rules clearly set forth the novation process whereby GSCC stands in the middle of all net settlement positions as a counterparty to each member for settlement purposes, and with regard to repos, as counterparty it ensures the return of the underlying collateral to the funds borrower and both the return of principal and the payment of interest to the term of the repo to the funds lender. (2) Regarding the protection given by GSCC's repo volatility factor in a volatile market, GSCC asserts that it does not plan to use a two standard deviation measure for the repo volatility component of its clearing fund calculation as asserted by the commenter and states that the factor will reflect the interest rate exposure incurred by GSCC in guaranteeing payment to the funds lender in a repo transaction. (3) Regarding third-party credit support, GSCC asserts that it uses a dynamic margining process whereby margin is recalculated and collected daily and increases or decreases daily based on the level of members' net activity. GSCC states that the dynamic nature of the margining process provides a high level of assurance that GSCC's overall settlement process for the Government securities industry never fails. (4) Regarding system limits and risk assessment, GSCC asserts that it has a comprehensive and highly automated management reporting system that allows it to assess the risks presented by members' activities and changing market conditions. GSCC asserts that the clearing fund and forward margin requirements imposed on members act as limits on system-wide exposure because a member can only increase its trading activity to the extent that it can meet its daily margin obligations. Letter from Jeffrey F. Ingber, General Counsel and Secretary, GSCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (October 27, 1995).

[26] 15 U.S.C. 78q–1(b)(3)(F) (1988).

[27] Joint Report on the Government Securities Market (January 1992) at 31 (''Joint Report''), prepared by the Department of the Treasury, the Securities and Exchange Commission, and the Board of Governors of the Federal Reserve System.

[28] Should GSCC decide that it can modify or eliminate the limitations in a manner consistent with its statutory safeguarding obligations, it will file for Commission approval a proposed rule change.

members submit a repo transaction to either GSCC or another registered or exempted clearing agency. The Commission believes that such a requirement is consistent with the Act's goal of establishing a national system for the clearance and settlement of securities by including more trades within the system.[29]

Currently, GSCC will not accept same-day settling repo legs or open repos. The Commission understands that GSCC needs to study further the risk involved with such repos and to modify its systems in order to process these trades in a safe and efficient manner. The Commission believes that the current limitations on eligible transactions are appropriate.

The one adverse commenter argued that GSCC's system does not comply with FASB's Interpretation No. 41 because GSCC does not novate the trades.[30] The Commission believes that the commenter mischaracterizes GSCC's netting process. Pursuant to Section 6 of GSCC's Rule 11, all obligations between netting members are terminated at the time a report of such positions and obligations are made available to members and are replaced by obligations to deliver to and/or to receive from GSCC securities and payments.

The adverse commenter also argues that GSCC's repo volatility factor should take into account a three standard deviation move instead of a two standard deviation move.

Contrary to the commenter's statement, GSCC does not rely upon a two standard deviation movement. Instead, the current minimum repo volatility factor of fifty basis points exceeds the largest one day movement (forty-one basis points) in all general collateral repos.[31]

The commenter also argues that GSCC does not have sufficient liquidity through a third party credit line and does not limit the positions of members. In its release announcing standards for the registration of clearing agencies, the Commission stated that a clearing agency should establish an appropriate level of clearing fund contributions based on the risks to which it is subject.[32] The purpose of the clearing fund is to enable a clearing agency to meet its obligations to its participants. The Commission believes that by revising its clearing fund formula to take into account repo activity, GSCC will have sufficient liquidity to provide for the safeguarding of securities and funds. Further, GSCC's clearing fund is based upon each member's level of trading activity.[33] Thus, GSCC will collect payments from members in proportion to their trading activity.

Nonetheless, the Commission believes it is appropriate for GSCC to review its liquidity needs and resources after it has experience operating the repo netting system. Accordingly, GSCC has agreed to conduct a study of its liquidity resources within a year after implementing this service, and to provide a copy of such study to the Commission.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with Section 17A(b)(3)(F) of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–GSCC–95–02) be, and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[34]

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010–01–M

[29] 15 U.S.C. 78q–1(a)(2)(A) (1988).

[30] The commenter noted that although Price Waterhouse LLP issued an opinion stating that GSCC members would be allowed to offset for financial statement purposes positions in repos, this opinion is based on GSCC's description of the novation process by which GSCC becomes the counterparty. Letter from Barry E. Silverman, *supra* note 4, referring to a letter from Price Waterhouse LLP to GSCC (May 30, 1995).

[31] In contrast, a two standard deviation movement is equal to ten basis points.

[32] Securities Exchange Act Release No. 16900 (June 17, 1980), 45 FR 41920.

[33] While the commenter suggests that in its repo clearing system it establishes trading limits for all participants, such limits only prohibit additional trading activity that is not margined (*i.e.*, the commenter requires that a participant submit additional margin in order to submit additional trades).

[34] 17 CFR 200.30–3(a)(12) (1994).

DEPARTMENT OF TRANSPORTATION

Federal Railroad Administration

Petition for Waivers of Compliance

In accordance with 49 CFR 211.9 and 211.41, notice is hereby given that the Federal Railroad Administration (FRA) has received from the American Railway Car Institute (ARCI) a request for waiver of compliance with certain requirements of the Railroad Power Brakes and Drawbars Regulations. The petition is described below, including the regulatory provisions involved, the nature of the relief being requested and the petitioner's arguments in favor of relief.

American Railway Car Institute (ARCI) (FRA Waiver Petition Docket Number PB–95–3)

The ARCI seeks a permanent waiver of compliance from section 232.2 of the Railroad Power Brakes and Drawbars Standards (49 CFR Part 232). That section states in part: ''The maximum height of drawbars for freight cars—shall be 34½ inches, and the minimum height of drawbars for freight cars on such standard-gauge railroads—shall be 31½ inches—ARCI is requesting to increase the maximum allowable coupler height one inch from 34.5 inches to 35.5 inches for bottom shelf E couplers and top and bottom shelf E couplers only. ARCI states that the granting of this waiver will allow railroads and car builders to build safer and more efficient cars. It claims industry's need for safer suspension systems is being hampered by the small range of allowable coupler heights. Railroads, truck manufacturers, and freight car manufacturers know that rail worthiness of many cars would be improved if spring travel could be increased. For example, cars negotiating changes in super-elevation as they enter and exit curves would be subject to less wheel unloading if they had softer, more compliant, longer travel suspensions. Wheel unloading is most undesirable in curves, as the wheel set is often developing high lateral forces. High lateral forces combined with wheel unloading can result in derailment. The small range of allowable coupler heights severely limits the use of longer travel springs. By increasing the allowable range of coupler height of one inch would allow designers to make a significant improvement in rail worthiness.

FRA has determined that a public hearing will be held in this matter. Accordingly a public hearing is hereby set for 10 a.m. on January 10, 1996, Room 3328 in the Nassif Building, 400 Seventh Street SW., Washington, DC 20590.

The hearing will be an informal one and will be conducted in accordance with Rule 25 of the FRA Rules of Practice (49 CFR Part 211.25), by a representative designated by the FRA. The hearing will be a nonadversary proceeding in which all interested parties will be given the opportunity to express their views regarding this waiver petition.

Interested parties are also invited to participate in these proceedings by submitting written views, data or