

temporary registration as a clearing agency through May 31, 1997.⁵

GSCC provides clearance and settlement service for its members' transactions in government securities. GSCC offers its members services for next-day settling trades, forward settling trades, auction takedown activity, repurchase transactions, the multilateral netting of trades, the novation of netted trades, and daily marking-to-the-market. In connection with GSCC's clearance and settlement services, GSCC provides a centralized loss allocation procedure and maintains margin to offset netting and settlement risks.

At the time of GSCC's initial temporary registration, the Commission granted GSCC an exemption from compliance with the fair representation requirements in Section 17A(b)(3)(C) of the Act.⁶ GSCC's current selection process for its board of directors permits any GSCC member to nominate candidates for election to the board and to vote for candidates so nominated. However, the shareholder agreement requires that six directors be dealer participants, three directors be broker participants, and three directors be clearing agent bank participants.⁷ As part of GSCC's request for full clearing agency registration, GSCC has requested that the Commission withdraw GSCC's exemption from the fair representation requirements.⁸

While GSCC states that it believes that its current selection process for its board of directors assures members fair representation, GSCC also states that it plans to modify the method of electing directors.⁹ Therefore, the Commission will defer its decision on whether GSCC meets the fair representation

requirements until GSCC submits its new selection procedures and the Commission has had an opportunity to evaluate it. The Commission also believes that at this time GSCC's temporary registration as a clearing agency and GSCC's exemption from the fair representation standards of Section 17A(b)(3)(C) should be continued.

It is therefore ordered that GSCC's temporary registration as a clearing agency (File No. 600-23) be and hereby is extended through May 31, 1997, subject to the terms set forth above.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-30677 Filed 12-2-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37986; International Series Release No. 1032; File No. 600-20]

Self-Regulatory Organizations; International Securities Clearing Corporation; Notice of Filing and Order Granting Approval of a Request for an Extension of Temporary Registration as a Clearing Agency Until May 31, 1997

November 25, 1996.

Notice is hereby given that on October 10, 1996, the International Securities Clearing Corporation ("ISCC") filed with the Securities and Exchange Commission ("Commission") an application pursuant to Section 19(a)(1) of the Securities Exchange Act of 1934 ("Act"),¹ to extend ISCC's temporary registration as a clearing agency.² The Commission is publishing this notice and order to solicit comments from interested persons and to extend ISCC's temporary registration as a clearing agency through May 31, 1997.

On May 12, 1989, the Commission granted the application of ISCC for registration as a clearing agency pursuant to Sections 17A and 19(a) of the Act³ and Rule 17Ab2-1(c)⁴ thereunder on a temporary basis for a period of eighteen months.⁵ At that time, the Commission granted to ISCC a temporary exemption from compliance with Section 17A(b)(3)(C) of the Act⁶

which requires that the rules of a clearing agency assure the fair representation of its shareholders (or members) and participants in the selection of its directors and administration of its affairs.⁷ Since that time, the Commission has extended ISCC's temporary registration through November 30, 1996.⁸

One of the primary reasons for ISCC's registration as a clearing agency was to enable it to provide for the safe and efficient clearance and settlement of international securities transactions by providing links to centralized, efficient processing systems in the United States and in foreign financial institutions. ISCC continues to develop its capacity to offer these services.⁹

As a part of its temporary registration, ISCC was granted an exemption from the fair representation request of Section 17A(b)(3)(C) of the Act due to ISCC's limited participant base. In its letter dated October 10, 1996, ISCC noted that it had filed a proposed rule change which it believes will enable ISCC to comply with the fair representation requirements. Because ISCC's proposal is still undergoing Commission review, the Commission is extending ISCC's temporary registration from clearing agency registration and ISCC's exemption from the fair representation requirements of Section 17A(b)(3)(c).

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application. Such written data, views, and arguments will be considered by the Commission in granting permanent registration or instituting proceedings to determine whether registration should be denied in accordance with Section 19(a)(1) of the Act.¹⁰ 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 application and all written comments will be available for

⁷ Currently, ISCC's Board of Directors is authorized for a maximum of twenty-two members. The twenty-two directors on the board of National Securities Clearing Corporation ("NSCC"), the sole shareholder of ISCC, serve as ISCC's board of directors.

⁸ Securities Exchange Act Release Nos. 28606 (November 16, 1990), 55 FR 47976; 30005 (November 27, 1991), 56 FR 63747; 33233 (November 22, 1993), 58 FR 63195; and 36529 (November 29, 1995), 60 FR 62511.

⁹ For example, ISCC has added two service providers, Standard Chartered Bank and S.D. Indeval, S.A. de C.V., to its Global Clearance Network to provide settlement and custody services in the Asian-Pacific Region and Mexico, respectively. Securities Exchange Act Release Nos. 36902 (February 28, 1996), 61 FR 8995 and 36605 (January 30, 1996), 61 FR 4508.

¹⁰ 15 U.S.C. § 78s(a)(1) (1988).

⁵ On May 24, 1988, the Commission granted GSCC's initial application for registration as a clearing agency pursuant to Sections 17A and 19(a) of the Act and Rule 17Ab2-1 [17 CFR 240.17Ab2-1 (1966)] thereunder for a period of three years. Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19639. The Commission subsequently has extended GSCC's registration until November 30, Securities Exchange Act Release Nos. 29067 (April 11, 1991), 56 FR 15652; 32385 (June 3, 1993), 58 FR 32405; 35787 (May 31, 1995), 60 FR 30324; and 36508 (November 27, 1995), 60 FR 61719.

⁶ 15 U.S.C. § 78q-1(b)(3)(C) (1988).

⁷ In its order granting GSCC its initial temporary approval, the Commission stated that while the composition of GSCC's board of directors reasonably reflected GSCC's anticipated initial membership, the Commission believed that it would be appropriate to defer to a later date its determination of whether GSCC's process for selecting its board of directors assures participants fair representation. This decision was based on the fact that GSCC planned on expanding its services during the temporary registration period and on the uncertainty with regard to GSCC's future participant base.

⁸ Registration Letter, *supra* note 3.

⁹ *Id.*

¹⁰ 17 CFR 200.30-3(a)(50)(i) (1996).

¹ 15 U.S.C. § 78s(a)(1) (1988).

² Letter from Julie Beyers, Associate Counsel, ISCC, to Christine Sibille, Division of Market Regulation, Commission (October 10, 1996).

³ 15 U.S.C. §§ 78q-1 and 78s(a) (1988).

⁴ 17 C.F.R. 240.17Ab2-1(c) (1996).

⁵ Securities Exchange Act Release No. 26812 (May 12, 1989), 54 FR 21691.

⁶ 15 U.S.C. § 78q-1(b)(3)(C) (1988).

inspection at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. All submissions should refer to File No. 600-20 and should be submitted by January 2, 1997.

It is therefore ordered, that ISCC's registration as a clearing agency (File No. 600-20) be and hereby is temporarily approved through May 31, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-30678 Filed 12-2-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37987; File No. SR-NASD-96-39]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Incorporated Amending the Requirements for the Use in Advertisements and Sales Literature of Investment Company Rankings

November 25, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 17, 1996,¹ the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 by the self-regulatory organization. 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 NASD is herewith filing a proposed rule change to Rule IM-2210-3 of the NASD's Conduct Rules to allow for the use in advertisements and sales literature of investment company rankings that represent short, medium and long term performance. Below is the text of the proposed rule change.

¹¹ 17 C.F.R. § 240.30-3(a)(50) (1996).

¹ On November 21, 1996, the NASD filed Amendment No. 1 with the Commission. The amendment clarified that rankings based on yield may be based on periods of less than one year. The amendment also made technical amendments to the text of the rule. See Letter from John Ramsay, Deputy General Counsel, NASD Regulation, Inc. to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated November 20, 1996.

Proposed new language is italicized; proposed deletions are in brackets.

IM-2210-3. Use of Rankings in Investment Companies Advertisements and Sales Literature

(d) Time Periods

(1) Any investment company ranking set forth in an advertisement or sales literature must be, at a minimum, current to the most recent calendar quarter ended, in the case of advertising, prior to the submission for publication, or, in the case of sales literature, prior to use.

(2) Except for money market mutual funds:

(A) advertisements and sales literature must not use any rankings, *other than rankings based on yield*, based on a period of less than one year.

(B) any investment company ranking based on total return must be accompanied by rankings based on total return for [the] a one year period for investment companies in existence for one year; [the] one and five year periods for investment companies in existence for at least five years; and [the] one, five and ten year periods for investment companies in existence for at least ten years supplied by the same Ranking Entity [in the category], *relating to the same investment category, and based on the same time period; provided that, if rankings for such one, five and ten year time periods are not published by the Ranking Entity, then rankings representing short, medium and long term performance must be provided in place of rankings for the required time periods.*

(C) an investment company ranking based on yield may be based only on the current SEC standardized yield. An investment company ranking based on the current SEC standardized yield must be accompanied by rankings based on total return for [the] a one year period for investment companies in existence for one year; [the] one and five year periods for investment companies in existence for at least five years; and [the] one, five and ten year periods for investment companies in existence for at least ten years supplied by the same Ranking entity [in the category], *relating to the same investment category, and based on the same time period; provided that, if rankings for such, one, five and ten year time periods are not published by the Ranking Entity, then rankings representing short, medium and long term performance must be provided in place of rankings for the required time periods.*

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

In its filing with the Commission, the self-regulatory organization 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. The self-regulatory organization 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

1. Purpose

In 1994, the Commission approved what is now IM-2210-3 of the NASD Conduct Rules, which provides guidelines for the use of rankings in investment companies' advertisements and sales literature ("Guidelines").² Among other things, the Guidelines require that all rankings used in advertising and sales literature by member firms to promote non-money market mutual fund performance include rankings over one, and, if available, five and ten year periods. Prior to the Guidelines, there were no specific standards for the use of rankings. Members generally had selected rankings for whatever time period that produced the most favorable rankings for an investment company.

Since the approval of the Rankings Guidelines, staff of NASD Regulation, Inc. ("NASDR") have considered the issue of whether to allow for greater flexibility in the use of time periods other than those prescribed by the Guidelines. The staff notes that some rankings, which are based on adjusted total return to reflect criteria and methodologies established and imposed by the ranking entities, use time periods that do not meet the three specifically prescribed time periods contained within the Guidelines. For example, one ranking entity has developed a ranking system that summarizes an investment company's risk/reward profile for 3, 5 and 10 year periods. This system provides a composite ranking that seeks to measure how well an investment company has balanced return and risk in the past. This ranking entity does not intend that its risk adjusted rankings measure one year time periods and considers such measurements to be statistically meaningless and potentially misleading.

NASDR believes that performance-adjusted rankings which use different time periods than those prescribed by the Guidelines can help investment company investors make informed investment decisions if presented in a way that is not misleading. NASDR staff determined that the Guidelines, as originally approved, should be revised consistent with the original goal that would prevent selectivity of time periods.

The proposed rule change revises subparagraphs (2) (B) and (C) to

² Securities Exchange Act Release No. 34354 (July 12, 1994), 59 FR 36461 (July 18, 1994).