

of a non-IDB netting member to submit in a timely and accurate manner to GSCC or to another registered or exempted clearing agency data on all of its brokered repo transactions⁴ and (2) provide that if a non-IDB member fails without good cause to submit data on a brokered repo transaction in a timely or accurate basis, GSCC may treat the transaction as compared based on the data submission received from the counterparty IDB for purposes of assessing all clearing fund. Prior to GSCC's assessing clearing fund and funds-only settlement consequences to a non-IDB netting member that has failed to submit such trade data in a timely and accurate basis, GSCC would attempt to contact (e.g., by telephone) as promptly as possible such non-IDB netting member in order to confirm the accuracy of the data submitted by its IDB netting member counterparty. If the lack of comparison arose because of operational or other problems on the part of the IDB party and the non-IDB netting member therefore does not know the trade, GSCC would not assess margin consequences against the non-IDB netting member.

GSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will promote the prompt and accurate clearance and settlement of securities transactions and will assure the safeguarding of securities and funds in the custody or control of GSCC or for which GSCC is responsible.

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

GSCC does not believe that the proposed rule change 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

No written comments have been solicited or received. GSCC will notify the Commission of any written comments received by GSCC.

⁴ GSCC rules currently require that repo netting members submit either to GSCC or to another registered clearing agency or a clearing agency that has been exempted from registration as a clearing agency by the Commission in a timely manner data on all eligible repo transactions. Currently, only one other registered clearing agency clears and settles repo transactions in government securities. Typically, dealers enter into a brokered transaction with the understanding that such trade will be cleared and settled through a specified clearing agency. Therefore if the counterparties to a repo transaction have selected GSCC as the clearing agency to be used, failure to submit the relevant data may be a violation of GSCC's rules.

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-96-12 and should be submitted by March 14, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-38283; File No. SR-NSCC-96-19]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change To Discontinue the Operation of the Securities Clearing Group's Data Base

February 13, 1997.

On October 3, 1996, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-96-19) 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 November 6, 1996.² No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The proposed rule change amends the Securities Clearing Group Agreement of the Securities Clearing Group ("SCG")³ to discontinue the operation of the SCG data base. The SCG data base contains information on common participants of the SCG members relating to settlement payment obligations, clearing fund and margin requirements and deposits, and other related information. The members of the SCG created the SCG data base as a means to coordinate and share information on common participants and increase cooperation among the SCG members.

Termination of the SCG data base is desirable for several reasons. First, NSCC has established and agreed to make available to the SCG members access to its Collateral Management Service ("CMS").⁴ The CMS will not only make available to the SCG members information similar to that

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 37904 (October 31, 1996), 61 FR 57506.

³ The SCG was established in 1989 as a result of developments surrounding the October market break and subsequent studies on the causes of the market break. The stated purpose of the SCG is to increase cooperation and coordination among securities clearing entities and to facilitate the sharing of certain clearance and settlement information regarding surveillance and member risk monitoring. For a further description of the SCG, refer to Securities Exchange Act Release No. 27044 (July 25, 1989), 54 FR 30963 [File Nos. SR-DTC-88-20, SR-MCC-88-10, SR-MSTC-88-07, SR-NSCC-88-09, SR-OCC-89-02, SR-Philadep-89-01, and SR-SCCP-89-01] (order approving the establishment of the SCG).

⁴ For a description of the Collateral Management Service, refer to Securities Exchange Act Release No. 36091 (August 10, 1995), 60 FR 42931 [File No. SR-NSCC-95-06] (order approving a proposed rule change establishing the CMS).

⁵ 17 CFR 200.30-3(a)(12).

contained in the SCG data base but will also provide members with enhanced features and capabilities. For example, the SCG data base contains aggregate information on clearing fund and margin deposits including excess and deficit amounts whereas the CMS contains both aggregate information on clearing fund and margin deposits including excess and deficit amounts as well as detailed information on the underlying collateral comprising clearing fund and margin deposits (*i.e.*, cash, securities, and letters of credit). The SCG members recognize that termination of the SCG data base is desirable at this point to avoid redundancies with the CMS.

Second, termination of the SCG data base will eliminate the occurrence of a significant increase in costs that would be required to maintain the SCG data base because the data base on which it is built is no longer supported by the original vendor. As a result, SCG members would be required to enter into a new and more costly contract with a new vendor. Third, because the CMS contains more detailed information and more features than the SCG data base, use of the CMS in place of the SCG data base should enable the SCG members to better coordinate and share information and to monitor clearing fund and margin deposits with respect to common participants.

Accordingly, the SCG members have executed Amendment No. 6 to the SCG Agreement.⁵ The Amendment: (i) authorizes the termination of the SCG data base, (ii) authorizes NSCC to use all data information, computer coding, and programs contained in the SCG data base in establishing and maintaining the operation of CMS, and (iii) grants to each SCG Member a nonexclusive and nontransferable license to use NSCC's CMS.

II. Discussion

Section 17A(b)(3)(F) provides that the rules of a clearing agency must be designed to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.⁶ The Commission believes that the proposed rule change is consistent with the Act because the amendment to the SCG Agreement provides for each SCG member to have access to the CMS, and

the Commission believes the CMS and the data contained in it should assist SCG members in assuring the safeguarding of securities and funds in their custody or control. The Commission also believes the termination of the SCG data base in conjunction with NSCC's grant to each SCG member of a nonexclusive and nontransferable license to use the CMS, should foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-96-19) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38284; File No. SR-OCC-96-15]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Revisions to the Standards for Letters of Credit Deposited as Margin

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 4, 1996, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-OCC-96-15) as described in Items I, II, and III below, which items have been prepared primarily by OCC. 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 purpose of the proposed rule change is to request the Commission's permanent approval for OCC's

modifications to its standards for letters of credit deposited with OCC as a form of margin.²

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.³

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

In previous filings, OCC has proposed and the Commission has approved on a temporary basis OCC's modifications to its rules governing letters of credit deposited with OCC as a form of margin.⁴ This filing proposes to make permanent the Commission's temporary approval of OCC's modifications to its Rule 604, which sets forth the standards for letters of credit deposited with OCC as a form of margin.

The modifications for which OCC has temporary approval are as follows. First, in order to conform to the Uniform Commercial Code and to avoid any

² For a complete description of these modifications to the standards for letters of credit, refer to Securities Exchange Act Release No. 29641 (August 30, 1991), 56 FR 46027 [File No. SR-OCC-91-13] (order temporarily approving proposed rule change through February 28, 1992).

³ The Commission has modified the text of the summaries prepared by OCC.

⁴ Securities Exchange Act Release Nos. 29641 (August 30, 1991), 56 FR 46027 [File No. SR-OCC-91-13] (order temporarily approving proposed rule change through February 28, 1992); 30424 (February 28, 1992), 57 FR 8106 [File No. SR-OCC-92-06] (order temporarily approving proposed rule change through May 31, 1992); 30763 (June 1, 1992), 57 FR 24284 [File No. SR-OCC-92-11] (order temporarily approving proposed rule change through August 31, 1992); 31126 (September 1, 1992), 57 FR 40925 [File No. SR-OCC-92-19] (order temporarily approving proposed rule change through December 31, 1992); 31614 (December 17, 1992), 57 FR 61142 [File No. SR-OCC-92-37] (order temporarily approving proposed rule change through June 30, 1993); 32532 (June 28, 1993), 58 FR 36232 [File No. SR-OCC-93-14] (order temporarily approving proposed rule change through June 30, 1994); 34206 (June 13, 1994), 59 FR 31661 [File No. SR-OCC-94-06] (order temporarily approving proposed rule change through June 30, 1995); 36138 (August 23, 1995), 60 FR 44926 [File No. SR-OCC-95-9] (order temporarily approving proposed rule change through June 28, 1996); and 37618 (August 29, 1996), 61 FR 46889 [File No. SR-OCC-96-07] (order temporarily approving proposed rule change through June 30, 1997).

⁵ A copy of the Amendment is attached to NSCC's filing. A copy of the filing is available for copying and inspection in the Commission's Public Reference Room or through NSCC.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).