(''Act''),[1] notice is hereby given that on March 21, 1997, Delta Clearing Corp. (''DCC'') 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 primarily by DCC. 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 give notice that DCC has authorized Adams, Viner, and Mosler, Ltd. (''AVM'') to act as an interdealer broker in DCC's over-the-counter clearance and settlement system for repurchase agreement and reverse repurchase agreement (''repos'') transactions involving U.S. Treasury securities.

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

In its filing with the Commission, DCC 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. DCC 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

Through its repo clearing system, DCC clears repo transactions that have been agreed to by DCC participants through the facilities of interdealer brokers that have been authorized by DCC to offer their services to DCC participants.[3] The purpose of the proposed rule change is to give notice that DCC has authorized AVM to act as a broker in DCC's clearance and settlement system for repo trades.

The proposed rule change will facilitate the prompt and accurate clearance and settlement of securities transactions; therefore, the proposed rule change is consistent with the requirements of the Act, specifically Section 17A of the Act, and the rules and regulations thereunder.[4]

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

DCC does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[5] and Rule 19b–4(e)(4) thereunder[6] in that the proposal effects a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, 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, 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 communication 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 DCC. All submissions should refer to File No. SR–DCC–97–05 and should be submitted by June 4, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–12639 Filed 5–13–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38584; File No. SR–OCC–97–04]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to a Cross-Margining Agreement With the Chicago Mercantile Exchange and the Commodity Clearing Corporation

May 8, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 18, 1997, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') and on April 17, 1997, and April 22, 1997, amended the proposed rule change as described in Items I and II below, which Items have been prepared primarily by OCC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

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

The proposed rule change facilitates the establishment of a cross-margining arrangement among OCC, the Chicago Mercantile Exchange (''CME''), and the Commodity Clearing Corporation (''CCC'').

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

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] The Commission has modified parts of these statements.

[3] For a complete description of the DCC's repo clearance system, see Securities Exchange Act Release No. 36367 (October 13, 1995), 60 FR 54095.

[4] 15 U.S.C. 78q–1 (1988).

[5] 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

[6] 17 CFR 240.19b–4(e)(4) (1995).

[7] 17 CFR 200.30–3(a)(12) (1995).

[1] 15 U.S.C. 78s(b)(1).

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.[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 facilitate the establishment of a cross-margining arrangement among OCC, CME, and CCC. The proposed cross-margining agreement (''Agreement'') to be entered into by the three organizations is patterned after the existing trilateral cross-margining agreement among OCC, The Intermarket Clearing Corporation (''ICC''), and CME. From the time the New York Stock Exchange sold the New York Futures Exchange (''NYFE'') to the New York Cotton Exchange (''Cotton Exchange''), OCC and the Cotton Exchange have been working together to move the clearance and settlement of NYFE products from ICC to the Cotton Exchange's clearinghouse, CCC. One obstacle to transferring the clearance and settlement services from ICC to CCC was the lack of a cross-margining program among OCC, CME, and CCC. The proposed rule change will facilitate the establishment of a cross-margining program that will allow NYFE participants to continue to receive the benefits of cross-margining after CCC assumes the clearance and settlement of NYFE products on April 29, 1997.[3] The proposed Agreement will be modified as necessary from the existing OCC/ICC/CME cross-margin agreement to accommodate CCC as a participating carrying clearing organization in place of ICC. As with the OCC/CME/ICC cross-margining agreement, the proposed Agreement will accommodate bilateral and trilateral cross-margining.

Existing Cross Margining Agreement

The following describes the most important sections of the existing agreement among OCC, CME, and ICC that are being modified in order to effectuate the cross-margining program among OCC, CME, and CCC.[4]

Section 2 of the Agreement provides for the designation of either OCC or CME as the ''designated clearing organization'' (''DCO'') for a joint clearing member or pair of affiliated clearing members. This section has been changed to allow the designation of the DCO to be made by agreement among OCC, CME, and the clearing members and not by the clearing members alone as it was in the OCC/ICC/CME cross-margining program. In addition, language designating OCC as DCO in place of CME where clearing members have selected CME as DCO has been deleted. This issue is covered under a separate proposed letter agreement among the clearing organizations which was filed with the Commission by amendment to this filing.[5]

Section 5 of the Agreement includes language that provides that CCC has elected to use the margin calculations produced by the DCO's margin system for purposes of calculating the base margin requirement and risk margin requirement for any set of cross-margin accounts for which CCC is a carrying clearing organization. A provision also has been added to this section to provide that each clearing organization assumes the responsibility of determining that the margin requirements are adequate and that no clearing organization shall have liability to any other clearing organization based upon an allegation that any margin calculation was inadequate.

Section 6 of the Agreement describes the acceptable forms of margin and the procedures by which margin deposits are released to the depositing clearing members. This section provides that common stocks deposited as initial margin are valued at the lower of the values determined under the rules of OCC or CME. This replaces language providing for valuation under OCC Rule 604(d) which prescribes valuation at seventy percent of current market value or such lesser rate as approved by the Commission or the Commodity Futures Trading Commission (''CFTC''). This section also provides that valuation of Treasury securities deposited as initial margin are valued at the lower of the values determined under the rules of OCC or CME. This replaces language providing for valuation under the rules of any clearing organization.

In addition, Section 6 of the Agreement contains a new provision whereby CCC will be deemed to have given the necessary approval for the release of securities to the depositing clearing member unless CCC gives timely written objection to the release. These changes are intended for the protection of each clearing organization.

Section 7 of the Agreement provides that CCC will be deemed to have given all necessary approvals and will not be required to execute or specifically authorize any instruction or direction to transfer with respect to CME acting as CCC's agent for the purposes of transfers of funds in connection with settlement unless CCC gives timely, written notice of CCC's objection to such instruction or direction to transfer.

Similarly, this section has been changed to require CCC to obtain the approval of OCC and CME regarding the funds transfer instructions it gives to the applicable cross-margin clearing banks. In addition, a clearing member may not withdraw margin excess in excess of the amount of margin of that form deposited by the clearing member in the set of cross-margin accounts from which the withdrawal is requested.

Finally, Section 7 of the Agreement provides procedures for intraday margin calls by CCC, including procedures for intraday margin call notification to clearing members and for withdrawal of variation margin in the event of margin excess. These changes also are intended to protect each clearing organization and to incorporate CCC's intraday margin call procedures into the cross-margining program.

Section 8 of the Agreement provides that CCC is entitled to retain or receive a share of the surplus from a proprietary liquidating account that is the greater of its pro rata share of the equivalent unhedged risk[6] or five percent of the surplus. OCC or CME is entitled to receive the remaining surplus provided that if both are carrying clearing organizations, each is entitled to fifty percent of the remaining surplus for application against losses sustained from a defaulting clearing member.

Section 8 also sets forth the loss sharing procedures to be used in the event non-proprietary liquidating accounts are insufficient. If CCC is a carrying clearing organization, CCC will bear a share of the shortfall equal to the greater of its pro rata share of the daily equivalent unhedged risk or five percent of the liquidating deficit. OCC and CME, whichever is a carrying clearing organization, shall bear the remaining shortfall; however, if both OCC and

[2] The Commission has modified the text of the summaries prepared by OCC.

[3] Currently, NYFE participants receive the benefits of cross-margining through the OCC/ICC/CME cross-margining program.

[4] For a complete description of the cross-margining agreement among OCC, CME, and ICC, see Securities Exchange Act Release No. 32534 (June 28, 1993), 58 FR 36234 (order approving proposed rule changes relating to trilateral cross-margining.)

[5] Letter from Robert C. Rubenstein, OCC (April 21, 1997).

[6] For purposes of the Agreement, ''equivalent unhedged risk'' is defined as the sum of the initial margin that will be required by each carrying clearing organization on contracts in each cross-margin account by that carrying clearing organization without regard to contracts carried in cross-margining accounts at other clearing organizations.

CME are carrying clearing organizations, each will bear fifty percent of the remaining shortfall. This is different from the OCC/ICC/CME cross-margining agreement which provides that OCC and ICC together are to bear fifty percent of losses together and CME was to bear the remaining fifty percent. Because CCC is not acting as an equal participant in the current cross-margining program, this agreement has been drafted to reflect that CCC will not engage in the same level of clearing activity as OCC and CME.[7]

Section 11 of the Agreement is new and provides that no clearing organization will have any liability to another clearing organization as the result of any action taken or not taken in its capacity as a DCO unless such action or inaction constitutes willful misconduct.

Section 13 of the Agreement sets forth who may terminate the Agreement and who may withdraw from the agreement. Section 13 allows OCC, CME, and CCC to terminate the Agreement without cause by delivering notice of termination specifying a termination date not less than ninety days following the date on which notice is sent. OCC and CME also may jointly agree to remove CCC as a party to the Agreement by delivering written notice of termination specifying a termination date not less than ninety days following the date on which notice is sent.

Section 13 also provides that if CCC is the defaulting party or gives notice of default under the Agreement, the Agreement is terminated with respect to CCC only. This section further provides that the Agreement will remain in effect between OCC and CME in the event that the termination date is established with respect only to CCC. This is intended to facilitate the continuity of the Agreement in the event that CCC no longer participates in the cross-margining program.

With regard to information sharing, Section 15 of the Agreement provides that CCC has the same mutual obligation to notify the other clearing organizations if it is notified by the Cotton Exchange or NYFE of the application of any special surveillance procedures to a clearing member. These changes also are intended to protect each clearing organization.

Finally, Section 17 of the Agreement provides that the Agreement is to be deemed a ''netting contract'' for purposes of Title IV, Subtitle A of the Federal Deposit Insurance Corporation Improvement Act of 1991 (''FDICIA''). The parties to the Agreement do not intend this amendment to override any interpretation of FDICIA. Instead, the parties intend this amendment to protect the viability of the Agreement under circumstances that may give rise to application of FDICIA.

Clearing Member Agreements

Various forms of agreements are required to be executed by participating clearing members and market professionals participating in the cross-margining programs established by the cross-margining agreement.[8] Specifically, these agreements are the: (1) Proprietary cross-margin account agreements and security agreement for a joint clearing member; (2) proprietary cross-margin account agreement and security agreement for affiliated clearing members; (3) non-proprietary cross-margin account agreement and security agreement for a joint clearing member; (4) non-proprietary cross-margin account agreement and security agreement for affiliated clearing members; (5) subordination agreement for cross-margining for a joint clearing member; and (6) subordination agreement for cross-margining for affiliated clearing members.

Each agreement is based on the comparable existing agreement used in the current OCC/CME/ICC cross-margining program, and each is modified as necessary to accommodate cross-margining with CME and CCC as participating carrying clearing organizations.

Each agreement also provides that the agreement will become effective upon execution or upon receipt of all necessary regulatory approvals from the Commission and the CFTC. The purpose of this provision is to allow clearing members to have the agreements executed and in place on the date of regulatory approval to avoid any delays that may occur from obtaining signatures after regulatory approval.

OCC believes that the proposed rule change is consistent with the purposes and requirements of Section 17A(b)(3)(F) of the Act because cross-margining enhances the safety of the clearing system while providing lower clearing margin costs to participants.

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

OCC does not believe that the proposed rule change will 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 were not and are not intended to be solicited with respect to the proposed rule change, and none were received.

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

Section 17A(b)(3)(F)[9] of the Act requires that the rules of a clearing agency be designed 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. Section 17A(a)(2)(A)(ii)[10] of the Act directs the Commission to use its authority under the Act to facilitate the establishment of transactions in securities, securities options, contracts of sale for future delivery and options thereon, and commodity options. The Commission believes that the proposed rule change is consistent with these requirements under the Act.

Similar to other cross-margining arrangements to which OCC is a party, the current proposal links and coordinates the clearance and settlement facilities of OCC, CME, and CCC with respect to shared management of risks associated with the clearing members' intermarket portfolios and with respect to information sharing regarding the financial condition of participating joint and affiliated members. The Commission views cross-margining arrangements as a significant risk reduction method because they provide a means whereby individual clearing organizations do not have to independently manage the risk associated with some components (*i.e.*, the futures or options component) of a clearing member's total portfolio. Therefore, cross-margining programs serve to help OCC assure the safeguarding of securities and funds and to facilitate the establishment of linked or coordinated facilities for the clearance and settlement of futures and options, transactions in securities.[11]

In addition, since it granted approval of the first cross-margining program in 1988,[12] the Commission repeatedly has found that cross-margining programs are

[7] Conversation between Robert C. Rubenstein, OCC, and Jeffrey S. Mooney, Attorney, Division of Market Supervision, Commission (April 18, 1997).

[8] A copy of each agreement has been submitted with the proposed rule change and is available for inspection and copying in the Commission's Public Reference Room or at the principal office of OCC.

[9] 15 U.S.C. 78q–1(b)(3)(F).

[10] 15 U.S.C. 78q–1(a)(2)(A)(ii). Congress added this section to the Act as part of the Market Reform Act of 1990. Pub. L. No. 101–432, 104 Stat. 963 (1990).

[11] 15 U.S.C. 78q–1(a)(2)(A)(ii).

[12] Securities Exchange Act Release No. 26153 (October 3, 1998), 53 FR 39567 (order approving non-proprietary cross-margining program between OCC and ICC).

consistent with clearing agency responsibilities under Section 17A of the Act. Cross-margining programs, among other things, enhance clearing member liquidity and systemic liquidity both in times of normal trading and in times of market stress. Under routine trading, clearing members who participate in a cross-margining program have lower initial margin deposits. Reduced margin requirements help clearing members manage their cash flow by increasing available cash to be used for other purposes. In times of market stress and high volatility, lower initial margin requirements could prove crucial in maintaining the liquidity of clearing members and therefore would enhance liquidity in the market as a whole. By enhancing market liquidity, cross-margining arrangements remove impediments to and help perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.[13]

The cross-margining program in the present proposed rule change is based on the OCC/ICC/CME model and retains virtually all of the important safety provisions of the OCC/ICC/CME cross-margining program, the Commission believes the cross-margining programs proposed here is consistent with clearing agencies' statutory requirements to assure the safeguarding of funds and securities which are in their custody or control or for which they are responsible.

OCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of the filing because accelerated approval will allow OCC, CME, and CCC to establish the cross-margining program and will allow the continuity of clearance and settlement services for NYFE products after CCC assumes the clearance and settlement of NYSE products. In addition, the Commission does not expect to receive any adverse comments on the present rule change.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, 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 Pubic Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR–OCC–97–04 and should be submitted by June 4, 1997.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–OCC–97–04) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[14]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–12638 Filed 5–13–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38580; File No. SR–PCX–15]

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change by the Pacific Exchange, Inc. Relating to Trading Differentials for Equity Securities

May 7, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 5, 1997, the Pacific Exchange, Inc. (''PCX'') or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization (''SRO''). 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 Exchange is proposing to modify its Rule 5.3(b) to allow the Exchange to establish trading differentials for equity securities at its discretion. The text of the proposed rule change is available at the PCX and at the Commission.

II. Self-Regulatory Organization's Statement of the Propose 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 examined at the places specified in Item III below. The self-regulatory organization has prepared summaries, set forth in Section 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

PCX Rule 5.3(b) currently provides that, unless specifically ruled otherwise, the trading differentials on stocks shall be as follows: On stocks other than those traded on the New York Stock Exchange (''NYSE'') or American Stock Exchange (''Amex''); if the selling price is below ½ of $1, the trading differential is 1/32; if the selling price is ½ of $1 but under $5, the trading differential is 1/16; and if the selling price is $5 and above, the trading differential is ⅛. The rule further provides that on stocks also traded on the NYSE or the Amex, the trading differentials shall be the same as those prescribed by such exchanges.

The Exchange is proposing to modify Rule 5.3(b) to provide that the Exchange shall determine the trading differentials for equity securities traded on the Exchange. The Exchange is proposing this change in order to add flexibility, so that it can change the trading differentials on an immediate basis. The Exchange notes that some exchanges do not have specific rules on trading differentials and are able to change them on an immediate basis. The Exchange

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[13] Shortly after the 1987 market break, then Treasury Secretary Nicholas F. Brady referred to the clearance and settlement system as the weakest link in the nation's financial system and noted that improvements to the clearance and settlement system, such as those provided by cross-margining arrangements, would ''help ensure that a securities market failure does not become a credit market failure.'' The Market Reform Act of 1989: Joint Hearings on S. 648 before Subcom. on Securities and the Senate Comm. on Banking, Housing and Urban Affairs, 101 st Cong., 1st Sess. 225 (Oct. 26, 1989) (statement of Nicholas F. Brady, Secretary of the Treasury).

[14] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).