

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, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the filing of the Exchange's policy imposing additional financial requirements upon Exchange members which clear the trades of options market-makers that are filed with the Commission, and all written communications relating to this matter 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, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. SR-CBOE-94-53 and should be submitted by June 11, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38636; File No. SR-GSCC-97-02]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving Proposed Rule Change Relating to Comparison of Transactions Between Insolvent and Solvent Members

May 14, 1997.

On March 11, 1997, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder² to modify GSCC's rules regarding comparison of transactions between insolvent and solvent members. Notice of the

proposed rule change together with the substance of the proposal was published in the **Federal Register**.³ No comment letters were received. The Commission is approving the proposed rule change.

I. Background

Under the ordinary application of its rules, a transaction is not eligible for netting and guaranteed settlement by GSCC until and unless it is compared. Except for purchases made through the U.S. government's auction of Treasury securities, GSCC's rules provide that a comparison can only be generated upon the matching of data provided by two members. GSCC believes that this poses a potential problem from a risk management perspective in a situation where a netting member becomes insolvent and does not submit trades entered into prior to its insolvency. Pursuant to this proposed rule change, GSCC is able to issue a comparison of a transaction based solely on data submitted by one solvent netting member, which may be an interdealer broker, under the following circumstances: (1) The data submitted by the solvent member indicates that the counterparty to the transaction is either an insolvent member or an executing firm that uses the insolvent member as its submitting member; (2) the solvent member has submitted in a timely manner all of its activity with the insolvent member or executing firm; (3) if GSCC had announced to its members that it would cease to act for the insolvent member as of a specified date and time and thus not accept any further trades submitted against such member, the transaction was executed before such specified date and time; (4) the transaction is not an "off-the-market" transaction as defined in GSCC's rules;⁴ and (5) GSCC has made a determination that the transaction was entered into by the solvent member or by an executing firm that uses the solvent member as its submitting member in good faith and not primarily in order to take advantage of the insolvent member's financial condition.

II. Discussion

Section 17A(b)(3)(F) of the Act⁵ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and

³ Securities Exchange Act Release No. 38472 (April 2, 1997), 62 FR 17259.

⁴ GSCC has filed a proposed rule change (File No. SR-GSCC-97-01) that will add a definition of "off-the-market" transactions to its rules. Essentially, an off-the-market transaction is a trade that has a price that differs significantly from the prevailing market price. Securities Exchange Act Release No. 38601 (May 9, 1997).

⁵ 15 U.S.C. 78q-1(b)(3)(F).

settlement of securities transactions and, in general, to protect investors and the public interest. The Commission believes the proposed rule change is consistent with these requirements because the proposal will provide GSCC with the authority to compare and net a trade where only one side has submitted the trade in an insolvency situation. By allowing such trades to enter GSCC's comparison and netting systems, the proposal extends the benefits of GSCC's risk management system to solvent members that entered into trades with the insolvent member in good faith and thereby helps to protect investors. Furthermore, by allowing more trades to be settled through GSCC's clearance system instead of ex-clearing, the proposal promotes the prompt and accurate clearance and settlement of securities transactions.

III. Conclusion

The Commission finds that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act⁶ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act that the proposed rule change SR-GSCC-97-02 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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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38618; File No. SR-NASD-97-36]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Redesignation of a Rule Number

May 12, 1997.

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 May 7, 1997, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 200.30-3(a)(12).

⁷ 17 C.F.R. 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.