

in each offer. The fees paid by the participants that submitted acceptances in those offers covered DTC's costs in processing the offers. Recently, DTC has processed an increased number of low volume tender offers.<sup>5</sup> In the 170 low volume tender offers processed by DTC in the month of December 1998, participants submitted an average of only 1.5 acceptances in each offer. As a result, the fees paid by the participants that submitted acceptances in those low volume tender offers fell short of covering DTC's costs in processing the offers.

In order to recover its costs in processing low volume tender offers, DTC will require an offeror making such an offer to pay the low volume tender offer processing fee of \$2,700 to DTC before DTC announces the offer to its participants or conducts any other processing activities for the offer. The proposed low volume tender offer processing fee of \$2,700 is intended to make up for the current difference in revenues to DTC between regular tender offers and low volume tender offers. The low volume tender offer processing fee plus participants' tender offer acceptance fees from the average of 1.5 acceptances in low volume tender offers should approximately equal participants' tender offer acceptance fees from the average of 85 acceptances in regular tender offers. The fee, which can be paid by certified check or by wire payment, will apply to each security issue for which the offer is making a low volume tender offer. DTC will continue to charge the tender offer acceptance fee to any participants who submit acceptances in such offers.

DTC will apply the low volume tender offer processing fee to all low volume tender offers that DTC announces on or after the date of this order. However, if DTC receives more than \$27,000 from the tender offer acceptance fees paid by participants in a low volume tender offer, DTC will refund the entire low volume tender offer processing fee of \$2,700 to the offeror after the conclusion of the offer.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder applicable to DTC since the low volume tender offer fee equitably charges most of DTC's costs in processing such offers to the offerors making the offers and not to DTC's

participants, which rarely submit acceptances in such offers.

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

DTC perceives no impact on competition by reason of the proposed rule change.

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

Written comments from DTC participants or others have not been solicited or received on the proposed rule change.

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

Section 17A(b)(3)(D) of the Act<sup>7</sup> requires that the rules of a clearing provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. The Commission believes that the proposed rule change is consistent with DTC's obligations under the Act because the low volume tender offer processing fee should allow DTC to more equitably allocate and recover its costs in processing low volume tender offers.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing. Approving prior to the thirtieth day after publication of notice will allow DTC to immediately implement the low volume tender offer acceptance fee which should allow DTC to immediately avoid incurring unrecovered processing costs that would otherwise be passed on to its participants.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. 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 Section, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR-DTC-99-01 and should be submitted by March 10, 1999. *It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-99-01) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-3772 Filed 2-16-99; 8:45 am]

BILLING CODE 8010-01-M

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-41022; File No. SR-GSCC-99-01]

**Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Regarding the Expansion of GSCC's GCF Repo Service**

February 5, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 27, 1999, the Government Securities Clearing Corporation ("GSCC") 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 GSCC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

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

The proposed rule change will expand GSCC's GCF Repo service to allow participating dealers to engage in GCF Repo trading with participating dealers that use different clearing banks.<sup>2</sup>

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The complete text of the proposed rule change is attached as Exhibit A to GSCC's filing, which is available for inspection and copying at the Commission's public reference room and through GSCC.

<sup>5</sup> In 1997, DTC processed 39 low volume tender offers, in 1998, DTC processed 537 low volume tender offers. To date in 1999, DTC has received offering materials for over 300 low volume tender offers.

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(D).

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>3</sup>

### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The GCF Repo service allows GSCC members that are not interdealer brokers ("dealers") to trade general collateral repos involving U.S. Government securities throughout the day without requiring trade for trade settlement on a delivery versus payment basis ("DVP").<sup>4</sup> GSCC believes that the GCF Repo service will bring benefits to the Government securities marketplace, including increased liquidity, enhanced ability to trade general collateral repos (which are an alternative collateral source for dealers), risk protection, and access to a broad spectrum of industry participants.

GSCC believes that these benefits cannot be fully realized without an after-hours interbank securities allocation.<sup>5</sup> The need for an after-hours allocation arises because not all of the GSCC dealer members clear at the same bank. As a result of free and unrestricted trading among all GSCC members, on any particular business day net securities and cash positions with respect to GCF Repo transactions will most likely not balance within each clearing bank. That is, the net securities borrowed position will not match the net securities loaned position across

dealers intrabank (although these positions will balance across the clearing banks).

GSCC's proposed solution is to introduce the GCF Repo service in phases. On November 23, 1998, GSCC implemented the GCF Repo service within each participating clearing bank separately. As a result, a participating dealer can trade GCF Repos only with other participating dealers that use the same clearing bank. This first phase allows GSCC and its members to monitor the GCF Repo process in operation on a limited basis and to detect processing inefficiencies before the service is made more widely available. However, GSCC believes that this first phase results in a fragmented marketplace that has limited liquidity, both of which run contrary to the goals of the GCF Repo project.

Therefore, GSCC now seeks to expand the GCF Repo service to allow a participating dealer to engage in GCF Repo trading with dealers that use different clearing banks. GSCC has enlisted the assistance of its two clearing banks, The Bank of New York ("BONY") and The Chase Manhattan Bank ("Chase"), to establish an alternate mechanism to permit an after-hours movement of cash and securities between the clearing banks.

Each clearing bank will establish a special clearance account in the name of GSCC to be used exclusively to effect this after-hours movement of securities. At the end of each business day, GSCC will establish the net GCF Repo settlement position and collateral allocation obligation or entitlement for each participating dealer with respect to each generic CUSIP number, and each clearing bank will make all possible internal cash and securities GCF Repo deliveries between GSCC and the dealers that clear at that bank. At this stage, the clearance customers of one of the two banks—assume that it is Chase—will be in an aggregate net funds borrower position (or aggregate net short securities position), and the customers of the other bank—assume that it is BONY—will be in aggregate net funds lender position (or aggregate net long securities position). GSCC will then instruct Chase to allocate to the special GSCC clearance account at Chase securities in an amount equal to the net short securities position.

GSCC will establish on its own books and records two "securities accounts" as defined in Article 8 of the New York Uniform Commercial Code ("NYUCC"), one in the name of Chase and one in the name of BONY. The Chase securities account will be comprised of the securities in GSCC's special clearance

account maintenance by BONY, and the BONY securities account will be comprised of the securities in GSCC's special clearance account maintained by Chase. GSCC will appoint Chase as its agent to maintain GSCC's books and records with respect to the BONY securities account, and GSCC will appoint BONY as its agent to maintain GSCC's books and records with respect to the Chase securities account.

The BONY and Chase securities accounts will enable the bank that is in the net long securities position to receive securities after the close of the securities Fedwire. Once the bank has received the securities, it can credit them by book-entry to a GSCC account and then to the dealers that clear at that bank that are net long securities in connection with GCF repo trades. The establishment of the securities accounts by GSCC also will give each clearing bank a "securities entitlement" under Article 8 of the NYUCC and the comfort of relying on GSCC as its "securities intermediary" as defined in Article 8 of NYUCC.

In the example described above, Chase will transmit to BONY a description of the securities in the BONY securities account. Based on this transmission, BONY will transfer funds equal to the aggregate net funds borrowed position to a demand deposit account in the name of GSCC that is maintained by Chase. Upon receipt of the funds by Chase, Chase will release any liens it may have on the special GSCC clearance account, and GSCC will release any liens it may have on the BONY securities account (both these accounts being comprised on the same securities). BONY will credit the securities in the BONY securities account to GSCC's regular GCF Repo clearance account at BONY, and BONY will further credit these securities to dealers participating in the GCF Repo service that clear at BONY and that are in a net long securities position. Thus, GSCC, Chase, and BONY will have accomplished an after-hours movement of securities between clearing banks that will enable dealers that clear at both banks to trade GCF Repo with each other.

All securities and funds movements occurring on a particular business day between the participating clearing banks will be reversed the next business day within a timeframe established by GSCC and the clearing banks. This timeframe will correspond to the timeframe already established by GSCC's Rule 20 for the reversal of GCF Repo transactions between GSCC and its participating netting members.

<sup>3</sup>The Commission has modified the text of the summaries prepared by GSCC.

<sup>4</sup>For a detailed description of the GCF Repo Service, refer to Securities Exchange Act Release No. 40623 (October 30, 1998) 63 FR 59831 (November 5, 1998) [File No. SR-GSCC-98-02] (order approving proposed rule).

<sup>5</sup>GSCC is discussing with the staff of the Federal Reserve Bank of New York ("FRBNY") and the Board of Governors of the Federal Reserve System ("Board of Governors") reopening the securities Fedwire for a brief period of time after the normal 3:30 p.m. close to accomplish after-hours DVP movement of securities and cash between the clearing banks. However, GSCC understands that an after-hours DVP window cannot be established until FRBNY completes its Year 2000 systems changes and the Board of Governors issues a proposal for public comment and determines that establishing such a window is in the public interest.

GSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder because it will broaden access to GSCC's existing GCF Repo service for members and increase market liquidity.

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

GSCC does not believe that the proposed rule change will have any impact or 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 relating to the proposed rule change have not yet been solicited or received. Members will be notified of the rule change filing, and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments received by GSCC.

**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 the self-regulatory organization 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, including whether the proposed rule change is consistent with the Act. 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 Section, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to File No. SR-GSCC-99-01 and should be submitted by March 10, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-3771 Filed 2-16-99; 8:45 am]

BILLING CODE 8010-01-M

**DEPARTMENT OF STATE**

**Office of Defense Trade Controls**

[Public Notice No. 2981]

**Notifications to the Congress of Proposed Commercial Export Licenses**

AGENCY: Department of State.

ACTION: Notice.

**SUMMARY:** Notice is hereby given that the Department of State has forwarded the attached Notifications of Proposed Export Licenses to the Congress on the dates shown on the attachments pursuant to section 36(c) and in compliance with section 36(e) of the Arms Export Control Act (22 U.S.C. 2776).

**EFFECTIVE DATE:** As shown on each of the three letters.

**FOR FURTHER INFORMATION CONTACT:** Mr. William J. Lowell, Director, Office of Defense Trade Controls, Bureau of Political-Military Affairs, Department of State ((703) 875-6644).

**SUPPLEMENTARY INFORMATION:** Section 38(e) of the Arms Export Control Act mandates that notifications to the Congress pursuant to section 36(c) must be published in the **Federal Register** when they are transmitted to Congress or as soon thereafter as practicable.

Dated: December 9, 1998.

**William J. Lowell,**

*Director, Office of Defense Trade Controls.*

BILLING CODE 4710-25-P

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 17 CFR 200.30-3(a)(12).