

will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to File No. SR-CBOE-94-53 and should be submitted by February 23, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35285; File No. SR-GSCC-94-08]

**Self-Regulatory Organizations;  
Government Securities Clearing  
Corporation; Notice of Filing of  
Proposed Rule Change Relating to  
Mandatory Participation in the Yield-to-  
Price Conversion Process**

January 27, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 8, 1994, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which items have been prepared primarily 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 proposed rule change would modify GSCC rules to require participation by members of GSCC's netting system in GSCC's yield-to-price conversion process.

**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.

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

(a) The purpose of the proposed rule change is to make the participation by members of GSCC's netting system in GSCC's yield-to-price conversion process mandatory. On October 16, 1992, GSCC implemented its yield-to-price conversion feature, which allows yield trades to be netted and novated on the night the trade is entered and eliminate the need for double submission of when-issued trades. At that time, in order to not impose undue operational or system burdens on certain firms, participation in the conversion process was not made mandatory.

Participation in the yield-to-price conversion process is important for a netting member and for the settlement process in general because otherwise a netting member's when-issued trades do not have GSCC's guarantee of settlement until auction date. Because of this, since October 1992, GSCC has not admitted an entity into netting system membership unless the applicant has agreed to participate in the yield-to-price process at the time of commencement of participation in the netting system. Currently, only one netting member still is not participating in the conversion process, and it is anticipated that it will commence participation in the yield-to-price process by the end of this year.

In light of the importance for a netting member to participate in the yield-to-price conversion process and given the expectation that all current netting members will be participating in the near future, GSCC wishes to make participation in the yield-to-price conversion process by netting members mandatory. GSCC recognizes that there may be temporary situations, for example when an entity commences its participation in the netting system, in which there are operational or other considerations that render participation in the yield-to-price conversion process difficult for a member. In such circumstances, GSCC will retain the ability to temporarily exempt such member from the requirement to participate in the yield-to-price conversion process. For GSCC's protection, however, GSCC will calculate such member's clearing fund deposit and forward mark allocation payment obligations as if it were participating in the yield-to-price conversion process.

(b) The proposed rule change will ensure that netting members' eligible

trades are encompassed within GSCC's netting process and therefore that settlement is guaranteed at the earliest point in time possible. Thus, GSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder.

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

GSCC does not believe that the proposed rule will have an 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**

Comments on the proposed rule change have not yet been solicited or received. Members will be notified of the rule filing and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments it receives on this matter.

**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 reason 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., 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

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

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 GSCC. All submissions should refer to File No. SR-GSCC-94-08 and should be submitted by February 23, 1995.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35288; File No. SR-GSCC-94-10]

**Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Proposed Rule Change Relating to Implementing a Comparison Service for Repurchase and Reverse Repurchase Transactions Involving Government Securities as the Underlying Instrument**

January 27, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 30, 1994, 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 on the proposed rule change from interested persons.

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

GSCC proposes to modify its rules to provide comparison services for repurchase and reverse repurchase transactions involving government securities as the underlying instrument ("repos").

**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.

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

GSCC proposes to provide comparison, netting, and risk management services to participants in the government securities repo market. GSCC ultimately intends to provide services for the opening ("on") and closing ("off") legs of all overnight repos (also referred to as next-day repos), term repos (also referred to as forward setting repos), and open repos, including the same-day settling aspects of those repos. These services will include the tracking of rate changes and open repo interest, the provision to the funds borrower of coupon protection, the provision to all parties of a comprehensive audit trail for their repo activity from inception to settlement, and the monitoring and facilitation of collateral substitutions.

Of paramount importance to GSCC is that it ensures that the types of services that it provides are appropriate for the repo market and beneficial to its participants. In this regard, several years ago, GSCC began discussing with its Board members and with the Public Securities Association's ("PSA") Repo Committee how GSCC might best provide centralized and automated comparison, netting, risk management, and settlement services for the repo market.

A Working Group of the PSA's Repo Committee, in a December 10, 1992, letter to GSCC, encouraged GSCC to proceed with providing comparison services for repos while working on establishing an acceptable plan for the provision of netting services for repos. At that time, GSCC undertook several initiatives that helped establish a foundation for the safe and effective provision of services for repos. In particular, it significantly upgraded its technological capabilities. GSCC now has two physically remote data processing sites. At each site, GSCC maintains redundant hardware configurations. Each processing site is in an environment totally dedicated to GSCC and is capable of processing the day's business independent of the other. Also, GSCC is in the process of implementing a real time communications switch that will support interactive communication with members in order to facilitate their sending data to GSCC as trades occur.

GSCC commenced its efforts to implement services for repos this past June by taking in data on repo

transactions from certain member firms that are active in the repo market. The main objective of the tests was to collect live data that GSCC could use to evaluate the viability of its draft input specifications and to assess the impact of repo processing on existing systems and services. With these tests having been successfully concluded, GSCC now plans to implement the initial stage of the first phase of its planned repo services commencing in the first quarter of 1995.

The comprehensive services to be provided by GSCC for repos will be offered in three phases. The first phase will involve the provision of comparison and netting services. This rule filing will provide authority for GSCC to implement the initial stage of the first phase, which is the provision of comparison services for overnight and term repos. Subsequent rule filings will be made for authority to implement both the next stage of the first phase of repo services, which is the provision of netting and risk management services for the non-same-day settling aspects of next-day forward settling repo transactions, and future phases of repo services.

The second implementation phase of GSCC's planned repo services will focus on the provision of comparison, netting, and risk management services for open repos as well as the offering of additional services of benefit to industry participants, including the tracking of rate changes, the tracking and facilitation of collateral substitutions, and other enhancements to the comparison process designed to provide full service comparison for the repo product.

The last phase of GSCC's planned implementation of repo services will focus on providing intraday netting and risk management services for the same-day settling aspects of repo transactions, including settlement of same-day settling start legs and close-outs of open repos.

Encompassing repos in GSCC's automated comparison process will provide industry participants with many benefits, including: (1) Elimination of the need for physical confirmations, (2) timely comparison of repo trade data, (3) easier monitoring of the status of open repo transactions and of the modifications made to those transactions over their life (e.g., tracking of repo interest rate changes), (4) enhanced ability for identification and correction of errors, (5) easier recordkeeping, and (6) easier access to audit trail information.

Again, Phase 1 comparison will involve the comparison of all overnight

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).