

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-96-28 and should be submitted by July 18, 1996.

It is therefore ordered pursuant to Section 19(b)(2) of the Act, that the proposed rule change is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-16369 Filed 6-26-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37343; File No. SR-GSCC-96-02]

**Self-Regulatory Organizations;
Government Securities Clearing
Corporation; Order Approving
Proposed Rule Change Modifying the
Minimum Financial Criteria for
Category One Interdealer Broker
Netting Membership**

June 20, 1996.

On February 13, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-96-02) 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 March 14, 1996.² GSCC amended the filing on May 16, 1996.³ No comment letters were received regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Securities Exchange Act Release No. 36945 (March 7, 1996), 61 FR 10614.

³ GSCC amended the filing to request that the proposed rule change become effective upon approval by the Commission and not with the implementation of the second stage of netting services for repurchase and reverse repurchase transactions involving government securities as the underlying instrument ("repos") as originally requested. Letter from Jeffrey F. Ingber, General Counsel and Secretary, GSCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (May 16, 1996).

I. Description

GSCC is modifying its rules to reflect a new minimum financial criteria for category one interdealer broker ("IDB") membership in GSCC's netting system. Such financial criteria will be based on levels of (1) excess net capital if the member is a broker-dealer registered with the Commission pursuant to Section 15 of the Act⁴ or (2) excess liquid capital if the member is a government securities broker registered pursuant to Section 15C of the Act.⁵ Excess net capital is defined in GSCC's rules as the difference between the net capital of a broker or dealer and the minimum net capital such broker or dealer must have to comply with the requirements of Rule 15c3-1(a) under the Act.⁶ Excess liquid capital is defined in GSCC's rules as the difference between the liquid capital of a government securities broker or dealer and the minimum liquid capital that such broker or dealer must have to comply with the requirements of 17 CFR 402.2 (a), (b), and (c).

Currently, GSCC has two categories of netting system membership for IDBs. Category one IDBs act exclusively as brokers and trade only with netting members and with certain "grandfathered" nonmember firms.⁷ Currently, the minimum financial requirement for category one IDBs is \$4.2 million in excess net or liquid capital, as applicable. Category two IDBs have a minimum financial requirement of \$25 million in net worth and \$10 million in excess net or liquid capital, as applicable.⁸

GSCC's proposed rule change will modify the minimum financial requirement for category one IDBs to require \$10 million in excess net or liquid capital, as applicable. Category one IDBs will continue not to have a minimum net worth requirement.

III. Discussion

The Commission finds that the proposed rule change is consistent with

⁴ 15 U.S.C. § 78o (1988).

⁵ 15 U.S.C. § 78o-5 (1988).

⁶ 17 CFR 15c3-1(a) (1975).

⁷ GSCC maintains a list of grandfathered entities which are non-netting system members that historically have done business with GSCC's interdealer broker netting members. Business done by the interdealer broker netting members with grandfathered entities is treated by GSCC as business done with an actual netting member.

⁸ Unlike a category one IDB, a category two IDB is permitted to have up to ten percent of its business with non-netting members other than grandfathered, nonmember firms. This determination is based on the category two IDB's dollar volume of next-day and forward settling activity in eligible securities over the prior twenty business days.

the Act, and specifically with Sections 17A(b)(4)(B)⁹ and 17A(b)(3)(F).¹⁰ Section 17A(b)(4)(B) provides that a registered clearing agency may deny participation to or condition the participation of any person if such person does not meet such standards of financial responsibility as are prescribed by the rules of the clearing agency. Section 17A(b)(3)(F) requires 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. GSCC believes that given the large dollar volume of activity that the IDBs have submitted and continue to submit to GSCC for netting and settlement and their principal nature vis-a-vis GSCC, it is appropriate to require as a condition to participation that all IDBs have and maintain a minimum level of excess net or liquid capital of at least \$10 million. The Commission believes that modifying the minimum financial criteria for category one IDBs should strengthen GSCC's overall risk management process and enhance its membership standards. The Commission believes that the increased capital requirement for category one IDBs should provide for greater financial responsibility, operational capacity, experience, and competence. The Commission also believes that by enhancing its risk management process the increase will facilitate GSCC in fulfilling its statutory obligations under Section 17A of the Act with respect to the safekeeping of securities or funds in its custody or control or for which it is responsible.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with Section 17A of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-GSCC-96-02) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority,¹¹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-16450 Filed 6-26-96; 8:45 am]

BILLING CODE 8010-01-M

⁹ 15 U.S.C. 78q-1(b)(4)(B) (1988).

¹⁰ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

¹¹ 17 CFR 200.30-3(a)(12) (1995).