intends to invest through the Joint Accounts. Each Fund whose regular custodian is a custodian other than the bank at which a proposed Joint Account would be maintained and that wishes to participate in the Joint Account would appoint the latter bank as a sub-custodian for the limited purposes of: (1) receiving and disbursing cash; (2) holding any Short-Term Repurchase Agreements; and (3) holding any collateral received from a transaction effected through the Joint Account. All Funds that appoint such sub-custodians will have taken all necessary actions to authorize such bank as their legal custodian, including all actions required under the Act.

2. The Joint Accounts will not be distinguishable from any other accounts maintained by the Funds at their custodians except that monies from the Funds will be deposited in the Joint Account on a commingled basis. The Joint Accounts will not have a separate existence and will not have any indicia of a separate legal entity. The Joint Accounts will only be used to aggregate individual transactions necessary for the management of each Fund's daily uninvested cash balance.

3. Cash in the Joint Accounts will be invested in one or more repurchase agreements with maturities of 7 days or less that are collateralized fully as defined in rule 2a–7 under the Act, and that satisfy the uniform standards set by the Funds for such investments. The securities subject to the repurchase agreement will be transferred to a Joint Account and they will not be held by the Fund's repurchase counterparty or by an affiliated person of that counterparty.

4. Each Fund would participate in a Joint Account on the same basis as every other Fund in conformity with its respective fundamental investment objectives, policies, and restrictions. Any future Funds that participate in the Joint Account would be required to do so on the same terms and conditions as the existing Funds.

5. Each Fund's investment in a Joint Account will be documented daily on the books of each Fund and the books of its custodian. Each Fund, through its investment adviser and/or custodian, will maintain records (in conformity with Section 31 of the Act and rules thereunder) documenting for any given day, the Fund's aggregate investment in a Joint Account and its pro rata share of each Short-Term Repurchase Agreement made through such Joint Account.

6. All assets held by a Joint Account would be valued on an amortized cost basis to the extent permitted by applicable Commission releases, rules, letters, or orders.

7. Each Fund valuing its net assets based on amortized cost in reliance upon rule 2a–7 under the Act will use the average maturity of the instrument(s) in the Joint Accounts in which such Fund has an interest (determined on a dollar-weighted basis) for the purpose of computing its average portfolio maturity with respect to the portion of its assets held in a Joint Account on that day.

8. Not every Fund participating in the Joint Accounts will necessarily have its cash invested in every Short-Term Repurchase Agreement. However, to the extent a Fund's cash is applied to a particular Short-Term Repurchase Agreement, the Fund will participate in and own its proportionate share of such Short-Term Repurchase Agreement, and any income earned or accrued thereon, based upon the percentage of such investment purchased with amounts contributed by such Fund.

9. To assure that there will be no opportunity for one Fund to use any part of a balance of a Joint Account credited to another Fund, no Fund will be allowed to create a negative balance in any Joint Account for any reason. Each Fund would be permitted to draw down its entire balance at any time, provided TIS determines that such draw down would have no significant adverse impact on any other Fund participating in the Joint Account. Each Fund's decision to invest in a Joint Account would be solely at its option, and no Fund will be obligated either to invest in the Joint Accounts or to maintain any minimum balance in the Joint Accounts. In addition, each Fund will retain the sole rights of ownership of any of its assets, including interest payable on such assets, invested in the Joint Accounts.

10. TIS will administer, manage, and invest the cash balance in the Joint Accounts in accordance with and as part of its duties under existing, or any future, investment advisory contracts or subadvisory contracts with each Fund. TIS will not collect any additional or separate fee for advising or managing any Joint Account.

11. The administration of the Joint Accounts will be within the fidelity bond coverage maintained for the Funds as required by section 17(g) of the Act and rule 17g–1 thereunder.

12. The Board of Directors of the Funds participating in the Joint Account will adopt procedures pursuant to which the Joint Accounts will operate and which will be reasonably designed to provide that the requirements set forth in the application are met. The Board will make and approve such changes that they deem necessary to ensure that such procedures are followed. In addition, the Board will determine, no less frequently than annually, that the Joint Accounts have been operated in accordance with the proposed procedures, and will permit a Fund to continue to participate therein only if it determines that there is a reasonable likelihood that the Fund and its shareholders will benefit from the Fund's continued participation.

13. Investments held in a Joint Account generally will not be sold prior to maturity except: (a) if the adviser believes that the investment no longer presents minimal credit risk; (b) if, as a result of a credit downgrading or otherwise, the investment no longer satisfies the investment criteria of all Funds participating in the investment; or (c) if the counterparty defaults. A fund may, however, sell its fractional portion of an investment in a Joint Account prior to the maturity of the investment in such Joint Account if the cost of such transaction will be borne solely by the selling Fund and the transaction would not adversely affect the other Funds participating in that Joint Account. In no case would an early termination by less than all participating Funds be permitted if it would reduce the principal amount or yield received by other Funds participating in a particular Joint Account or otherwise adversely affect the other participating Funds. Each Fund participating in such Joint Account will be deemed to have consented to such sale and partition of the investment in such Joint Account.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–21111 Filed 8–19–96; 8:45 am]

BILLING CODE 8010–01–M

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94–409, that the Securities and Exchange Commission will hold the following meeting during the week of August 19, 1996.

A closed meeting will be held on Thursday, August 22, 1996, at 10:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c) (4), (8), (9)(A) and (10) and 17 CFR 200.402(a) (4), (8), (9)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Wallman, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the closed meeting scheduled for Thursday, August 22, 1996, at 10:00 a.m., will be:

Institution of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

Opinions.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942–7070.

Dated: August 16, 1996.

Jonathan G. Katz,

Secretary.

[FR Doc. 96–21326 Filed 8–16–96; 2:18 pm]

BILLING CODE 8010–01–M

[Release No. 34–37565; File No. SR–GSCC–96–07]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Proposed Rule Change Modifying the Rights and Responsibilities of Interdealer Broker Netting Members

August 14, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on July 2, 1996, 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. On July 22, 1996, GSCC amended the filing.[2] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] Letter from Karen Walraven, Vice President and Associate Counsel, GSCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (July 18, 1996).

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

GSCC proposes to modify its rules governing the rights and responsibilities of interdealer broker (''IDB'') netting members.

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.[3]

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

At the time of the implementation of GSCC's netting system in 1989, IDBs were given distinct rights and obligations with regard to loss allocation, clearing fund margin, and funds-only settlement as a result of their status as agents for partially disclosed principals that do not take positions for their own accounts. Since 1989, the volume and types of transactions submitted by IDBs to GSCC have increased significantly.

As a result of the continuing changes in the government securities marketplace, various revisions have been proposed or have been made regarding the status of IDBs under GSCC's rules. These changes include: (i) The creation of a second category of IDB membership designed to allow IDBs with higher levels of net worth and excess net or liquid capital to do a limited amount of business away from GSCC members,[4] (ii) the establishment of a $10 million minimum net/liquid capital requirement for Category 1 IDB's,[5] (iii) the imposition of strict limitations on Category 1 IDB's scope of business allowing them to do business in eligible securities with other netting members and grandfathered firms, and (iv) in conjunction with the next planned phase of repo netting, which will include repos done on a blind brokered basis, the determination to allow IDBs to submit to GSCC eligible repo business but only with netting members on both sides of the transaction.[6] GSCC has reviewed its rules governing loss allocation and clearing fund requirements for IDBs in relation to the risks posed by IDBs to determine what amendments are appropriate.

1. Loss Allocation

Currently, if a loss or liability is incurred due to the failure of a GSCC netting member to meet its obligations, GSCC looks first to the clearing fund and forward margin collateral that the failed member maintains with GSCC. If the collateral is insufficient to cover the entire loss, GSCC looks back the number of days needed to capture an amount of trading that is equal to the amount of the liquidated positions of the failed member.[7] The loss is then allocated based on the counterparties to the trading activity captured.

To the extent that the defaulting member's trading activity represents direct transactions with other netting members (*i.e.*, the counterparties to the trade are netting members trading directly with each other without using the services of a broker), a portion of the loss equivalent to such trading activity is allocated on a pro rata basis based on the dollar value of the trading activity of each non-IDB netting member with the defaulting member netted and novated on the day of default as defined in GSCC Rule 4, Section 8(a)(v).[8]

To the extent that the defaulting member's trading activity represents member brokered transactions (*i.e.*, a brokered transaction where both the buyside and sellside counterparties to

[3] The Commission has modified the text of the summaries prepared by GSCC.

[4] Securities Exchange Act Release No. 32722 (August 1, 1993), 58 FR 42993 [SR–GSCC–93–01] (order approving proposed rule change modifying participation standards). Unless otherwise indicated, the term IDB refers to both Category 1 and Category 2 IDBs. Under current rules, Category 1 IDBs act exclusively as brokers and trade with GSCC netting members and certain grandfathered nonmember firms and must maintain $10 million in net or liquid capital. Category 2 IDBs may transact up to 10% of their trading volume with nonmembers and must maintain $25 million in net worth and $10 million in excess net or liquid capital.

[5] Securities Exchange Act Release No. 37343 (June 20, 1996), 61 FR 33564 [SR–GSCC–96–02] (order approving rule change modifying minimum financial criteria for Category 1 IDB netting membership).

[6] Securities Exchange Act Release No. 37482 (July 25, 1996), 61 FR 40275 [SR–GSCC–96–04] (order approving proposed rule change relating to IDB netting members participating in the netting and settlement services for repos).

[7] Recently, GSCC proposed modifying the loss allocation procedure to capture a level of trading activity that is at least five times the dollar value amount of the securities of the defaulting member that are liquidated. Securities Exchange Act Release No. 37548 (August 9, 1996) [File No. SR–GSCC–96–05].

[8] *Supra* note 7.