

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

DTC has not sought or received comments on the proposed rule change.

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 DTC 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, 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 Room, 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 DTC. All submissions should refer to the file number SR-DTC-96-13 and should be submitted by October 3, 1996.

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. 34-37647; File No. SR-GSCC-96-8]

**Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Repurchase Agreement Netting Service**

September 5, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on August 1, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-96-8) as described in Items I, II, and III below, which items have been prepared primarily by GSCC. On August 9, 1996, GSCC filed an amendment to the proposed rule change.<sup>2</sup> 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 reimburse two costs related to interdealer broker netting members' ("IDBs") participation in GSCC's netting system for repurchase and reverse repurchase transactions ("repo") involving government securities as the underlying instruments.

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*

Recently, the Commission approved File No. SR-GSCC-96-04 to allow IDB netting members to participate in

GSCC's netting service for repos.<sup>4</sup> Under the rule, IDB and non-IDB netting members can submit data on brokered repos to GSCC in the same manner as they do for cash transactions.<sup>5</sup> GSCC compares, nets, and settles repo close legs and repo start legs submitted prior to start date (*i.e.*, non-same-day-settling start legs) pursuant to GSCC's existing procedures for the netting and settlement of repos. The member parties to brokered repos assume the responsibility for the intraday settlement of start legs outside of GSCC.

This filing will amend GSCC's rules to accommodate IDB participation in repo netting and, more particularly, the ineligibility of intraday settling start legs for netting and settlement through GSCC. The first change relates to the clearance charges incurred by participating IDBs for the settlement of the start legs of brokered repos. The term clearance charges is a commonly used term that refers to costs charged by a clearing agent bank to a broker-dealer customer related to the settlement by that customer of its securities movement obligations. Such costs many include both fixed charges and pass through charges such as the costs of Fed Wire.

As GSCC stated in its prior rule filing,<sup>6</sup> its long-range plans for repo services entail the full and complete automation of all aspects of start and close leg processing, including the intraday settlement of repo start legs. GSCC believes that intraday settlement of start legs will be introduced next year. Once intraday settling start legs are netted by GSCC, participating IDBs will not incur any clearance cost for them because no movements of securities between IDBs and their dealer customers will be required. Rather, IDB's settlement obligations will be satisfied through the netting process.<sup>7</sup> In order to not disadvantage IDBs that wish to participate in the repo netting process immediately, GSCC will absorb IDBs' clearance charges related to the settlement of intraday repo start legs. To protect itself from being obligated to pay for clearance charges that are significantly higher than those that are customary in the industry, GSCC will reserve the right to absorb such charges

<sup>4</sup> Securities Exchange Act Release No. 37482 (August 1, 1996), 61 FR 40275 ("Release No. 37482").

<sup>5</sup> IDBs are restricted to submitting to GSCC data on offsetting repo transactions done with GSCC repo netting participants in order to ensure that the IDB will net out of the repo transaction.

<sup>6</sup> Release No. 37482.

<sup>7</sup> Because IDBs will be permitted only to submit to GSCC data on offsetting repo transactions done with GSCC netting participants, their settlement obligations for the start legs will net out as they do with the close legs.

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1996).

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

<sup>2</sup> Letter from Jeffrey Ingber, General Counsel and Secretary, GSCC, to Christine Sibille, Division of Market Regulation, Commission (August 6, 1996).

<sup>3</sup> The Commission has modified the text of the statements GSCC submitted.

only up to a dollar amount deemed reasonable by it.

Also in order to not disadvantage IDBs participating in the initial brokered repo netting service, if an IDB incurs or causes GSCC to incur an overnight financing cost resulting solely from securities delivered late in the day that the IDB is not able to redeliver before the close of the Fed Wire, the IDB may submit a bill for this financing cost to GSCC. If GSCC determines that such cost was incurred unavoidably and without fault by the IDB, GSCC will absorb or reimburse the IDB for this cost and will allocate it as it normally allocates financing costs under its fee structure. The term "overnight financing cost" is a commonly used term that refers to the costs charged by a clearing agent bank to a broker-dealer customer related to the financing by the bank of securities held from one business day until the next business day in the customer's clearing account. To protect itself from being obligated to pay for overnight financing charges that are significantly higher than those that are customary in the industry, GSCC will reserve the right to absorb such charges only up to a dollar amount deemed reasonable by it.

The Board of Directors of GSCC also has determined it appropriate to make these fee reimbursement provisions applicable to a division of a dealer netting member that: (1) Operates in an overall manner as a broker; (2) participates in the repo netting service through a separate GSCC account; and (3) abides by the restrictions imposed on IDBs that participate in the repo netting process.

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it should facilitate the prompt and accurate clearance and settlement of securities transactions.<sup>8</sup>

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

GSCC 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*

GSCC has not solicited or received comment on the proposed rule change.

Members will be notified of the rule change filing, and comments will be solicited by an Important Notice.

**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 GSCC 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, 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 Room, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of GSCC. All submissions should refer to the file number SR-GSCC-96-8 and should be submitted by October 3, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-23309 Filed 9-11-96; 8:45 am]

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[Release No. 34-37658; File No. SR-GSCC-96-07]

**Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Amendments to a Proposed Rule Change Relating to the Rights and Responsibilities of Interdealer Broker Netting Members**

September 6, 1996.

On July 2, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-96-07) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> relating to the rights and responsibilities of interdealer broker ("IDB") netting members. GSCC amended the filing on July 23, 1996.<sup>2</sup> Notice of the proposed rule change, as amended, was published in the Federal Register on August 20, 1996.<sup>3</sup> On August 16, 1996, and on August 21, 1996,<sup>4</sup> GSCC filed amendments No. 2 and 3 to the filing. Amendment 2 and amendment No. 3 are 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, as amended, from interested persons.

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

The purpose of amendment No. 2 is to clarify that Category 1 IDB have no liability for losses resulting from nonmember brokered transactions. The purpose of amendment No. 3 to the proposed rule change is to require that at least thirty percent of a Category 1 IDB's clearing fund deposit consist of cash or eligible netting securities and that no more than seventy percent of its clearing fund deposit be met by pledging eligible letters of credit.

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

<sup>2</sup> Letter from Karen Walraven, Vice President and Associate General Counsel, GSCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation ("Division"), Commission (July 18, 1996).

<sup>3</sup> Securities Exchange Act Release No. 37565 (August 14, 1996), 61 FR 43103.

<sup>4</sup> Letters from Karen Walraven, Vice President and Associate Counsel, GSCC, to Jerry W. Carpenter, Division, Commission (August 12, 1996, and August 15, 1996).

<sup>8</sup> 15 U.S.C. 78q-1 (1988).

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1996).