netting system in accordance with GSCC Rule 18.

II. Discussion

The Commission finds that the proposed rule change is consistent with the Act and specifically with Section 17A(b)(3)(F).[9] 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.

By changing the loss allocation procedures for IDBs, GSCC is increasing the percentage allocated among IDBs from losses arising from brokered transactions. IDBs will share on a collective basis equally with the dealers any loss allocation arising from brokered transactions and in proportion to the amount of trading the IDB conducted with the defaulting member. The Commission believes that the new loss allocation procedures should give IDBs a greater incentive to assess the creditworthiness of their counterparties, which should reduce the risk to GSCC of the trades submitted from IDBs. The Commission believes that by reducing the number of trades with financially suspect participants that are submitted to GSCC, the proposed rule change should enhance GSCC's ability to safeguard securities and funds. Furthermore, by placing a dollar cap on each IDB's share of a loss, the IDBs will continue to be protected from unusually large loss allocations.

The Commission believes that increasing the clearing fund requirement for IDBs should provide GSCC with more readily accessible funds if needed to cover a member's default. Moreover, the Commission believes that by requiring IDBs to fulfill a larger portion of their clearing fund deposit with cash and eligible netting securities, GSCC will increase the liquidity of its clearing fund thereby further enabling GSCC to assure the safeguarding of securities and funds in its control or for which it is responsible.

III. 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–96–07) be and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–31086 Filed 12–5–96; 8:45 am]

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[9] 15 U.S.C. 78q–1(b)(3)(F) (1988).

[10] 17 CFR 200.30–3(a)(12) (1996).

[Release No. 34–38005; File No. SR-MBSCC–96–07]

Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Modifying MBS Clearing Corporation Rules and By-Laws

December 2, 1996.

Pursuant to Section 19(b))1)[1] of the Securities Exchange Act of 1934 (''Act''), notice is hereby given that on October 29, 1996, the MBS Clearing Corporation (''MBSCC'') 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 MBSCC. 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 modifies MBSCC's rules and by-laws to create the new title of Managing Director.

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

In its filing with the Commission, MBSCC 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. MBSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[2]

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

In order to conform with how MBSCC and many firms in the industry operate, MBSCC has created the new title of Managing Director. The purpose of the proposed rule change is to modify MBSCC's rules and by-laws to accommodate the change in MBSCC's internal management structure. Article V, Rule 1 of MBSCC's rules is being amended to establish the authority of a Managing Director to act for the Corporation. Article V, Section 5.1 of MBSCC's by-laws, which describes the designation, number, and selection process for the officers of MBSCC, is being amended to establish the office of managing director and the number of managing directors that will serve as officers of the corporation. Article V, Section 5.6 is being added to the by-laws to describe the duties and responsibilities of Managing Directors. Article V, Section 5.7 is being amended to include the Managing Director as an officer for whom the vice president shall act in the Managing Director's absence. Article V, Section 5.9 and 5.10 are being amended to include the Managing Director as an officer authorized to sign certificates of stock with the secretary or assistant secretary. Article 7, Section 7.1 is being amended to include the Managing Director as one of several officers who must sign, along with the secretary or treasurer, the stockholer's certificate certifying the number of shares owned by the stockholder in the corporation.

The proposed rule change is consistent with the requirements of Section 17A of the Act[3] and the rules and regulations thereunder because it makes technical modifications to MBSCC's rules and by-laws so that they coincide with MBSCC's new internal management structure.

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

MBSCC does not believe that the proposed rule change will 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

No written comments have been solicited or received. MBSCC will notify the Commission of any written comments received by MBSCC.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)[4] of the Act and pursuant to Rule 19b–4(e)(3)[5] promulgated

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] The Commission has modified the text of the summaries prepared by MBSCC.

[3] 15 U.S.C. 78q–1 (1988).

[4] 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

[5] 17 CFR 240.19b–4(e)(3) (1996).

thereunder in that the proposed rule change is concerned solely with the administration of MBSCC. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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, D.C. 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, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of MBSCC.

All Submissions should refer to File No. SR–MBSCC–96–07 and should be submitted by December 27, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[6]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–31081 Filed 12–5–96; 8:45 am]

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[Release No. 34–37997; File No. SR–MSRB–96–11]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Interpretation of Rule G–38 on Consultants

November 29, 1996.

On November 18, 1996, the Municipal Securities Rulemaking Board (''Board'' or ''MSRB'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') a proposed rule change (SR–MSRB–96–11), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), and Rule 19b–4 thereunder. The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. The Board has designated this proposal as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Board under Section 19(b) (3)(A) of the Act, which renders the proposal effective upon receipt of this filing by the Commission. 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 Board is filing herewith a notice of interpretation concerning rule G–38 on consultants (hereafter referred to as ''the proposed rule change''). The proposed rule change is as follows:

Rule G–38 Questions and Answers

Role To Be Performed by Consultant

1. Q: Is there specific information concerning the role to be performed by a consultant that a dealer must disclose on Form G–37/G–38?

A: The role to be performed by a consultant may be described in general terms on Form G–37/G–38; however, dealers must include the state or geographic area in which the consultant is working on behalf of the dealer.

Compensation Arrangement, Total Dollar Amount Paid to Consultant During Reporting Period and Dollar Amounts Paid to Consultant Connected With Particular Municipal Securities Business

2. Q: When providing the information required to be disclosed on Form G–37/G–38, how should dealers describe the consultant's compensation arrangement?

A: Dealers must ensure that the compensation arrangement is clearly described and that it correlates with the information being disclosed concerning the total dollar amount paid to the consultant during the reporting period and the dollar amounts paid in connection with particular municipal securities business.

- For example, if a consultant is paid a monthly retainer, the amount of the monthly retainer must be disclosed and the total dollar amount paid during the reporting period must be reported.
- If a consultant is reimbursed for expenses, the amount of the reimbursed expenses must be disclosed either separately or within the total dollar amount paid for the quarter.
- If a consultant is to be paid a success fee, dealers must disclose how the success fee will be arrived at (*e.g.,* a certain percentage of profits). The sum total of the dollar amounts paid to the consultant in connection with particular municipal securities business should equal the total dollar amount paid to the consultant during the reporting period.
- In addition, if any discretionary bonus or similar payment is made, this amount must be included within the total amount paid for the quarter in which it is paid.

3. Q: What information must a dealer disclose on Form G–37/G–38 for the dollar amounts paid to a consultant connected with particular municipal securities business?

A: If any payment made during the reporting period is related to a consultant's efforts on behalf of the dealer which resulted in particular municipal securities business, whether the municipal securities business was completed during that or a prior reporting period, then the dealer must separately identify that business and the dollar amount of the payment.

Disclosure to Issuers of the Compensation Arrangement With Consultants

4. Q: Rule G–38 requires a dealer to disclose in writing its consulting arrangements to an issuer with which it is engaging or seeking to engage in municipal securities business and this written disclosure must include, among other things, the compensation arrangement. What is the level of disclosure required to issuers of the compensation arrangement with consultants?

A: The written disclosure to issuers of the compensation arrangement must explain the arrangement.

- For example, if a consultant is paid a monthly retainer, the amount of the monthly retainer must be disclosed.
- If a consultant also is reimbursed for expenses, this fact must be noted.
- If a consultant is to be paid a success fee, the dealer must disclose to the issuer how that fee will be arrived at (*e.g.,* a certain percentage of profits).

* * * * *

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

In its filing with the Commission, the Board included statements concerning the purpose of and basis for the proposed rule change and discussed any

[6] 17 CFR 200.30–3(a)(12) (1996).