

recovered. Pass-through charges to participants, such as the cost of Participant Terminal System terminals and lines and transfer agent fees, will be excluded from the surcharge. DTC anticipates that the surcharge will raise \$11 million in 1997. DTC will evaluate the surcharge at least annually and will modify the rate if necessary.

DTC believes that the proposed rule change is consistent with Section 17A(b)(3)(D) of the Act³ and the rules and regulations thereunder because it provides for the equitable allocation of reasonable dues, fees, and other charges among DTC's participants.

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

DTC does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

(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. DTC will notify the Commission of any written comments received by DTC.

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)(ii) of the Act⁴ and pursuant to Rule 19b-4(e)(2)⁵ promulgated thereunder because the proposal changes a due, fee, or other charge imposed by DTC. 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 DTC. All submissions should refer to File No. SR-DTC-96-24 and should be submitted by March 14, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-38287; File No. SR-GSCC-96-12]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Interdealer Broker Repurchase Agreement Transactions

February 13, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 21, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-96-12) as described in Items I, II, and III below, which items have been prepared primarily by GSCC. On December 3, 1996, GSCC filed with the Commission an amendment to the proposed rule change.² 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 purpose of the proposed rule change is to amend GSCC rules to authorize GSCC to assess the clearing fund margin and mark-to-market consequences of a brokered repurchase agreement transaction ("repro") that is

uncompared on one side as if it were fully compared.

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 that 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 Statutory Basis for, the Proposed Rule Change

Occasionally, an interdealer broker ("IDB") and one of its non-IDB counterparties to a repo transaction submit to GSCC on a timely basis the relevant data for a transaction, but the other non-IDB counterparty fails to submit in a timely or accurate fashion data related to the transaction. When this occurs, the IDB's trade with the non-submitting counterparty will not compare and will not enter GSCC's netting system. The corresponding side between the IDB and the submitting counterparty will compare and will enter the net assuming all comparison requirements have been met. As a result, the IDB will not have offsetting compared and netted trades with its two counterparties and will carry a net settlement position. Thus, the IDB may incur clearing fund and mark-to-market (particularly forward margin) assessments. Given the intermediary role of IDBs in the marketplace and their more limited financial resources, GSCC believes that its risk management process works best and most safely if IDBs are netted out of their positions as intermediaries in brokered repo transactions.

To promote the overall risk management process, GSCC believes that the clearing fund and the funds-only settlement consequences of any trade that does not compare because of a non-IDB's failure to submit data should fall on that non-IDB counterparty and not on the IDB. Thus, GSCC proposes to amend Rule 19, which sets forth special provisions for brokered repo transactions, by adding Section 3 to: (1) reaffirm the obligation

³ 15 U.S.C. 78q-1(b)(3)(D).

⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

⁵ 17 CFR 240.19b-4(e)(2).

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Letter from Karen Walraven, Vice President and Associate Counsel, GSCC (November 26, 1996).

³ The Commission has modified the text of the summaries submitted by GSCC.

of a non-IDB netting member to submit in a timely and accurate manner to GSCC or to another registered or exempted clearing agency data on all of its brokered repo transactions⁴ and (2) provide that if a non-IDB member fails without good cause to submit data on a brokered repo transaction in a timely or accurate basis, GSCC may treat the transaction as compared based on the data submission received from the counterparty IDB for purposes of assessing all clearing fund. Prior to GSCC's assessing clearing fund and funds-only settlement consequences to a non-IDB netting member that has failed to submit such trade data in a timely and accurate basis, GSCC would attempt to contact (e.g., by telephone) as promptly as possible such non-IDB netting member in order to confirm the accuracy of the data submitted by its IDB netting member counterparty. If the lack of comparison arose because of operational or other problems on the part of the IDB party and the non-IDB netting member therefore does not know the trade, GSCC would not assess margin consequences against the non-IDB netting member.

GSCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will promote the prompt and accurate clearance and settlement of securities transactions and will assure the safeguarding of securities and funds in the custody or control of GSCC or for which GSCC is responsible.

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

GSCC 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. GSCC will notify the Commission of any written comments received by GSCC.

⁴ GSCC rules currently require that repo netting members submit either to GSCC or to another registered clearing agency or a clearing agency that has been exempted from registration as a clearing agency by the Commission in a timely manner data on all eligible repo transactions. Currently, only one other registered clearing agency clears and settles repo transactions in government securities. Typically, dealers enter into a brokered transaction with the understanding that such trade will be cleared and settled through a specified clearing agency. Therefore if the counterparties to a repo transaction have selected GSCC as the clearing agency to be used, failure to submit the relevant data may be a violation of GSCC's rules.

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-96-12 and should be submitted by March 14, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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⁵ 17 CFR 200.30-3(a)(12).

[Release No. 34-38283; File No. SR-NSCC-96-19]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change To Discontinue the Operation of the Securities Clearing Group's Data Base

February 13, 1997.

On October 3, 1996, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-96-19) 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 November 6, 1996.² No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The proposed rule change amends the Securities Clearing Group Agreement of the Securities Clearing Group ("SCG")³ to discontinue the operation of the SCG data base. The SCG data base contains information on common participants of the SCG members relating to settlement payment obligations, clearing fund and margin requirements and deposits, and other related information. The members of the SCG created the SCG data base as a means to coordinate and share information on common participants and increase cooperation among the SCG members.

Termination of the SCG data base is desirable for several reasons. First, NSCC has established and agreed to make available to the SCG members access to its Collateral Management Service ("CMS").⁴ The CMS will not only make available to the SCG members information similar to that

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 37904 (October 31, 1996), 61 FR 57506.

³ The SCG was established in 1989 as a result of developments surrounding the October market break and subsequent studies on the causes of the market break. The stated purpose of the SCG is to increase cooperation and coordination among securities clearing entities and to facilitate the sharing of certain clearance and settlement information regarding surveillance and member risk monitoring. For a further description of the SCG, refer to Securities Exchange Act Release No. 27044 (July 25, 1989), 54 FR 30963 [File Nos. SR-DTC-88-20, SR-MCC-88-10, SR-MSTC-88-07, SR-NSCC-88-09, SR-OCC-89-02, SR-Philadep-89-01, and SR-SCCP-89-01] (order approving the establishment of the SCG).

⁴ For a description of the Collateral Management Service, refer to Securities Exchange Act Release No. 36091 (August 10, 1995), 60 FR 42931 [File No. SR-NSCC-95-06] (order approving a proposed rule change establishing the CMS).