

2. Statutory Basis

These proposed amendments are consistent with sections 6(b)(5) and 15A(b)(6) of the Act⁷ in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The amendment is also consistent with section 11A(a)(1)(D) of the Act⁸ which provides that the linking of all markets for qualified securities through communications and date processing facilities will foster efficiency, enhance competition, increase the information available to brokers, dealers, and investors, facilitate the offsetting of investors' orders, and contribute to the best execution of such orders. In particular, by enhancing the linkage among all ITS Participant Markets and promoting coordinated openings and reopenings in ITS Securities, the Participants believe the proposed rule changes are consistent with the Act.

B. Self-Regulatory Organizations' Statement on Burden on Competition

The Participants do not believe that the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organizations' Statement on Comments on the Proposed Rule Changes Received From Members, Participants, or Others

No written comments were either solicited or received.

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

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90

is less than one point. The NYSE notes that NYSE rules would continue to govern when NYSE specialists would be required to issue indications of interest. See NYSE filing SR-NYSE-97-03. Similarly, AMEX notes that in connection with a reopening following a "circuit breaker" halt, AMEX's rules require dissemination of an indication in the same circumstances as the NYSE. AMEX notes that its proposed amendments are intended to conform to the amendment to the ITS Plan agreed to by the Participants. See AMEX filing SR-AMEX-97-07.

⁷ 15 U.S.C. 78f(b)(6); 15 U.S.C. 78o-3(b)(6).

⁸ 15 U.S.C. 78k-1(a)(1)(D).

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 the self-regulatory organization consents, the Commission will:

(A) by order approve the 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Participants. All submissions should refer to File Nos. SR-AMEX-97-07, SR-BSE-96-11, SR-CHX-96-34, SR-CSE-97-03, SR-NASD-97-09, SR-NYSE-97-03, and SR-PSE-97-05 and should be submitted by March 14, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-38272; File No. SR-DTC-96-24]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Revision of Fees

February 11, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 31, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission

¹ 15 U.S.C. 78s(b)(1).

("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DTC. 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 proposed rule change amends DTC's schedule of fees to establish a 3.5 percent surcharge on all service fees DTC charges to participants, pledge banks, limited participants, and other DTC users ("participants and users").

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

In its filing with the Commission, DTC 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. DTC 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

The purpose of the proposed rule change is to establish a surcharge of 3.5 percent on all service fees DTC charges to its participants and users beginning on January 1, 1997. According to DTC, the surcharge is necessary to recover the costs of upgrading its systems to recognize data fields containing dates incorporating the year 2000 and the years thereafter ("Year 2000 Project"). DTC estimates that the total cost of its compliance initiatives will range from \$25 million to \$35 million over the duration of the Year 2000 Projects. These costs reflect new staff to be hired for year 2000 conversion efforts, the cost associated with diverting present DTC staff from service-related development, other staff related costs, and the cost of consulting assistance. The cost of the Year 2000 Project for 1996 has been charged against DTC's excess revenues for the year.

DTC will list the surcharge as a separate line item on its monthly bill to its participants and users and will continue the surcharge indefinitely until all compliance costs have been

² The Commission has modified the text of the summaries prepared by DTC.

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.