President's budget submission to Congress. This version of the appendix is valid through the end of February, 1998. Copies of the updated appendix and the Circular can be obtained from the OMB Publications Office (202–395–7332) or in an electronic form through the OMB home page on the world-wide WEB, http://www.whitehouse.gov/WH/EOP/omb. Updates of this appendix are also available upon request from OMB's Office of Economic Policy (202–395–3381), as is a table of past years' rates.

Nominal Discount Rates. Nominal interest rates based on the economic assumptions from the budget are presented below. These nominal rates are to be used for discounting nominal flows, which are often encountered in lease-purchase analysis.

NOMINAL INTEREST RATES ON TREASURY NOTES AND BONDS OF SPECIFIED MATURITIES

[In percent]

3-year	5-year	7-year	10-year	30-year
5.8	5.9	6.0	6.1	6.3

Real Discount Rates. Real interest rates based on the economic assumptions from the budget are presented below. These real rates are to be used for discounting real (constant-dollar) flows, as is often required in cost-effectiveness analysis.

REAL INTEREST RATES ON TREASURY NOTES AND BONDS OF SPECIFIED MATURITIES

[In percent]

3-year	5-year	7-year	10-year	30-year
3.2	3.3	3.4	3.5	3.6

Analyses of programs with terms different from those presented above may use a linear interpolation. For example, a four-year project can be evaluated with a rate equal to the average of the three-year and five-year rates. Programs with durations longer than 30 years may use the 30-year interest rate.

[FR Doc. 97–4992 Filed 2–27–97; 8:45 am]

BILLING CODE 3110–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38329; International Series Release No. 1059; File No. 600–29]

Self-Regulatory Organizations; Cedel Bank, Notice of Filing To Amend Order Exempting Cedel Bank From Registration as a Clearing Agency

February 24, 1997.

Introduction

On August 31, 1995, Cedel Bank, société anonyme, Luxembourg (''Cedel'')[1] filed with the Securities and Exchange Commission (''Commission'') an application on Form CA–2[2] for exemption from registration as a clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934 (''Exchange Act'')[3] and Rule 17Ab2–1 thereunder.[4] Notice of Cedel's application was published in the Federal Register on June 19, 1996.[5] On February 24, 1997, the Commission granted Cedel's application for exemption from registration as a clearing agency to permit Cedel to offer clearance, settlement, and credit support services to U.S. entities for transactions in eligible U.S. government securities.[6] The exemption is subject to certain conditions and limitations which are set forth in the Cedel exemption order.

Contemporaneously with the granting of Cedel's limited exemption from registration as a clearing agency, the Commission is publishing this notice to solicit comments from interested persons on the specific issue of whether Cedel should be permitted, without registering as a clearing agency, to offer its securities processing and collateral management services to U.S. entities for U.S. debt and equity securities in addition to U.S. government securities. The Commission seeks comment on this issue because the Commission believes that the provision of clearance, settlement, and collateral management services by a non-U.S. clearing agency for U.S. entities in U.S. debt and equity securities raises issues that were not addressed sufficiently in the Cedel notice or the comments thereto.

II. Description of the Proposal

As more fully described in the Cedel notice and the Cedel exemption order, Cedel offers to its customers international clearance and settlement, trade confirmation, securities custody, and securities lending services.[7] Cedel also offers to its customers its Global Credit Support Service (''GCSS'') which is a book-entry, real-time collateral management service for cross-border securities collateralization.[8] In its application for exemption, Cedel requested that it be permitted to provide clearance and settlement, securities lending, and GCSS services for transactions involving U.S. securities, including equity and debt securities.

The comment letters regarding the Cedel notice generally indicated that the ability to provide clearance, settlement, and collateral management services for transactions involving U.S. Treasury securities (''U.S. Treasuries'') appeared to be the most critical element of Cedel's proposed services. This is especially true for GCSS because U.S. Treasuries appear to be the preferred securities for use as collateral in securing international credit obligations. Commenters did not specifically discuss any unique or additional benefits to be

[1] Cedel Bank is a wholly-owned subsidiary of Cedel International. On January 1, 1995, Cedel, which was established in 1970, was converted into Cedel Bank to perform lending, clearing, and settlement activities, and a parent company, Cedel International, was created into which Cedel transferred the nonbanking subsidiaries. Cedel Bank is licensed in Luxembourg both as a bank and as a ''professionnel du secteur financier'' (''PSF'') and is under the supervision of the Institute Monetaire Luxembourgeois (''IML''), Luxembourg's banking and securities regulatory authority. Cedel International is licensed as a non-bank PSF and also is under the supervision of the IML. The IML establishes capital and liquidity requirements, evaluates the financial condition and performance of all Luxembourg financial institutions, conducts on-site inspections, and monitors all financial institutions and their controlling companies for adherence to Luxembourg laws and regulations. On April 24, 1996, the Federal Reserve Board granted Cedel's request to establish a representative office in New York.

[2] Copies of the application for exemption are available for inspection and copying at the Commission's Public Reference Room, in File No. 600–29.

[3] 15 U.S.C. 78q–1.

[4] 17 CFR 240.17Ab2–1.

[5] Securities Exchange Act Release No. 37309 (June 12, 1996), 61 FR 31201 (Notice of filing of application for exemption from registration as a clearing agency) (''Cedel notice'').

[6] Securities Exchange Act Release No. 38328 (February 24, 1997), (order approving application for exemption from registration as a clearing agency) (''Cedel exemption order''). The definition of ''eligible U.S. government securities'' is set forth in Section II of this notice.

[7] For a more detailed description of Cedel's clearance, settlement, and credit support services, *see* the Cedel notice, 61 FR at 31201–04.

[8] GCSS became operational on a limited basis on September 30, 1996, with four institutions participating (Bank of America, Banque Paribas, Dresdner Bank, and Salomon Brothers). Pursuant to the Cedel exemption order, eligible U.S. government securities can be included in GCSS. However, the Cedel exemption order does not permit Cedel to provide securities processing services through GCSS or otherwise for other U.S. debt or equity securities transactions involving U.S. entities.

derived from permitting Cedel to provide securities processing services for U.S. equity and debt securities in addition to U.S. Treasuries, what types of equity and debt securities should be deemed to be ''U.S. debt and equity securities,'' or how the restrictions and conditions, such as volume limitations, should be applied with respect to such securities.

The Cedel exemption order permits Cedel to provide clearance, settlement, and collateral management services for Fedwire-eligible U.S. government securities [9] and mortgage backed pass-through securities that are guaranteed by the Government National Mortgage Association (''GNMAs'') [10] (collectively, ''eligible U.S. government securities''),[11] subject to certain limitations and conditions. Among other things, the Cedel exemption order limits the volume of eligible U.S. government securities that can be processed through Cedel and requires Cedel to provide the Commission with certain information to assist the Commission in ascertaining whether Cedel is in compliance with the terms of the exemption order, and information relating to the default or near default of certain Cedel customers or their affiliates.[12]

III. Proposed Modification of Exemption

A. Introduction

The Commission is further considering Cedel's request to offer its securities processing and collateral management services to U.S. entities for U.S. debt and equity securities. Accordingly, the Commission seeks comment regarding the appropriateness of permitting an unregistered non-U.S. clearing agency such as Cedel to offer clearance and settlement and other securities processing services for U.S. debt and equity securities in transactions involving U.S. entities. If it is appropriate for a non-U.S. clearing agency to provide such services, the Commission also seeks comment on the types of U.S. debt and equity securities which Cedel should be permitted to process for U.S. entities. Furthermore, the Commission seeks comment on additional conditions, such as volume limits and the methods by which such limits should be calculated, that should be included in an exemption order.

1. Appropriateness

The Commission seeks comment on whether an exemption from clearing agency registration under Section 17A of the Exchange Act is appropriate for a non-U.S. entity, and Cedel in particular, that performs clearance, settlement, and credit support services for transactions in U.S. debt and equity securities involving U.S. entities. The Commission anticipates that such an entity would substantially meet the standards established for the registration of clearing agencies [13] but cannot fully comply with all of the registration provisions because of certain organizational, operational, and jurisdictional differences.

The Commission specifically requests comment on the manner in which an unregistered non-U.S. clearing agency may be integrated into the national clearance and settlement system for U.S. equity and debt securities, and whether such integration would pose any additional or unique risks to U.S. investors or to the national clearance and settlement system. In the event a non-U.S. clearing agency may pose such risks, commenters are invited to discuss risk management controls that should be required by or for such a clearing agency. The Commission anticipates that such risk management controls would include special collateralization requirements, waivers of immunity with regard to pledged collateral, and submission to the jurisdiction of U.S. courts for such non-U.S. entity.

2. Types of Classes of Securities

If modification of Cedel's exemption order to include U.S. debt and equity securities is appropriate, the Commission seeks comment on the specific types and classes of such securities that may be encompassed by such an exemption. In particular, the Commission seeks comment as to factors to be considered in connection with such a determination. For example, should eligible securities be limited to those registered pursuant to Section 12 or Section 15(d) of the Exchange Act? Should the domicile of the issuer be a factor in such a determination? Should an exemption be limited only to those U.S. debt and equity securities for which there is a ''ready market'' or satisfy some liquidity standard? [14] If so, how should a ready market or such liquidity standard be defined? [15] Should covered securities be limited to those that are depository eligible at a U.S. registered clearing agency and, if so, should the exemption require an effective linkage between the U.S. and non-U.S. clearing agencies?

3. Volume Limitation and Other Conditions

As discussed in the Cedel exemption order, the Commission believes that volume limitations on the amount of securities that may be processed through Cedel are necessary to limit any potential negative effects on the national clearance and settlement system. Accordingly, the Commission seeks comment on whether five percent or another proportion of some defined market would be an appropriate limit with respect to U.S. debt and equity securities.[16] The Commission also seeks

[9] ''Government securities'' is defined in Section 3(a)(42) of the Exchange Act, 15 U.S.C. 78c(a)(42). Fedwire is a large-value transfer system operated cooperatively by the twelve Federal Reserve Banks that supports the electronic transfer of funds and the electronic transfer of book-entry securities.

[10] GNMAs, unlike other mortgage-backed securities such as those guaranteed by the Federal National Mortgage Association (''FNMAs'') and the Federal Home Loan Mortgage Association (''FHLMCs''), are issued in certificated form and therefore cannot be transferred over Fedwire.

[11] ''Eligible U.S. government securities'' also includes any collateralized mortgage obligation (''CMO'') whose underlying securities are Fedwire-eligible U.S. government securities or GNMA guaranteed mortgage-backed pass-through securities and which are depository eligible securities in a U.S. registered clearing agency.

[12] As more fully described in the Cedel exemption order, for purposes of the volume limitation, securities ''processed through Cedel'' means a security that is processed in GCSS, Cedel's tripartite repo service, Cedel's securities lending program, or Cedel's clearance and settlement system. The inclusion of the volume limitation reflects the Commission's determination to take a gradual approach toward permitting an unregistered, non-U.S. clearing agency such as Cedel to provide securities processing services to U.S. market participants. In this regard, the Commission notes that the eligible U.S. government securities covered by the Cedel exemption order trade in a market characterized by the highest level of liquidity.

[13] Securities Exchange Act Release No. 16900 (June 17, 1980), 45 FR 41920. *See also* the Cedel exemption order, *supra* note 6.

[14] *See* note 12, *supra*.

[15] For example, under the Commission's net capital rule, a ready market is defined to include (i) a recognized established securities market in which there exists independent bona fide offers to buy and sell so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined for a particular security almost instantaneously and where payment will be received in settlement of a sale at such price within a relatively short time conforming to trade custom, or (ii) where securities have been accepted as collateral for a loan by a bank as defined in section 3(a)(6) of the Securities Exchange Act of 1934 and where the broker or dealer demonstrates to its examining authority that such securities adequately secure such loans. 17 CFR 240.15c3–1(c)(11)(i) and (ii).

[16] Pursuant to the Cedel exemption order, the average daily volume of eligible U.S. government securities processed through Cedel may not exceed 5% of the total average daily dollar value of the aggregate volume in eligible U.S. government securities. The total average daily dollar value of eligible U.S. government securities volume is derived from total daily value of securities activity through Fedwire, Government Securities Clearing Corporation, MBS Clearing Corporation, Participants Trust Company, and any other source that the Division of Market Regulation deems appropriate to reflect the aggregate volume in eligible U.S. government securities. Cedel's average daily volume is derived from the value of eligible

Continued

comment on whether there should be a concentration limit whereby Cedel would be prohibited from reaching its entire volume limit for U.S. debt and equity securities by processing transactions involving the U.S. debt or equity securities of only one or a limited number of issuers.

The Commission invites commenters to discuss any other issues that may arise or restrictions that should be imposed in connection with any modification of Cedel's exemption order to permit Cedel to offer securities processing services for U.S. debt and equity securities that have not been discussed in this notice or adequately addressed in the Cedel exemption order.

B. Fair Competition

As discussed in the Cedel notice, Section 17A of the Exchange Act requires the Commission in exercising its authority under that section to have due regard for the maintenance of fair competition among clearing agencies.[17] Therefore, the Commission invites commenters to address what the likely effect on competition and on the U.S. securities markets would be if the Commission modifies Cedel's exemption from registration as a clearing agency to permit Cedel to process U.S. debt and equity securities transactions involving U.S. entities.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application by March 31, 1997. Such written data, views, and arguments will be considered by the Commission in deciding whether to expand Cedel's exemption from registration to include processing U.S. debt and equity securities. Persons desiring to make written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Reference should be made to File No. 600–29. Copies of the application and copying at the Commission's Public Reference Room 450 Fifth Street, N.W., Washington, D.C. 20549.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[18]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–5026 Filed 2–27–97; 8:45 am]

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U.S. government securities that are processed through Cedel involving a U.S. counterparty or its affiliate.

[17] 15 U.S.C. 781q–1(a)(2).

[18] 17 CFR 200.30–3(a)(16).

[Release No. 34–38324; File No. SR–Amex–97–07]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Disclaimer Provisions of Amex Rule 902C

February 24, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on January 29, 1997, the American Stock Exchange, Inc. (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Exchange has requested accelerated approval for the proposal. This order approves the Amex's proposal on an accelerated basis and solicits comments from interested persons.

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

The Amex is proposing to amend Exchange Rule 902C to include the de Jager Year 2000 Index (''Index'') in the disclaimer provisions of the Rule.

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 self-regulatory organization 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 III below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

In conjunction with a proposal to list and trade options on the de Jager Year 2000 Index, the Amex is proposing to amend Exchange Rule 902C to provide a disclaimer for de Jager & Company, a consulting company active in promoting awareness of the ''Year 2000'' problem. The Exchange's proposal to list and trade options on the Index has been given summary effectiveness treatment pursuant to Section 19(b)(3)(A) of the Act.[3]

The Amex and de Jager & Company have developed a new index called The de Jager Year 2000 Index, based entirely on shares of widely-held companies whose business is expected to benefit from the need of companies, governments, and others to address and resolve the ''Year 2000'' problem.[4] The ''Year 2000'' problem arises because most business application software programs (mainframe, client/server, and personal computer) written over the past twenty years use only two digits to specify the year, rather than four.

Therefore, on January 1, 2000, unless the software is corrected, most computers with time-sensitive software programs will recognize the year as ''00'' and may assume that the year is ''1900.'' This could either force the computer to shut down or lead to incorrect calculations. The Index will be calculated and maintained by the Amex. A representative of de Jager & Company will be available to advise the Exchange when, pursuant to Exchange Rule 901C(b), the Amex substitutes stocks, or adjusts the number of stocks included in the Index, based on changing conditions in the ''Year 2000'' industry or in the event of certain types of corporate actions. It is anticipated that the Amex will consult with de Jager & Company on a quarterly basis to review possible candidates for removal from or inclusion in the Index.

The disclaimer, identical in content to disclaimers currently in place for Standard & Poor's Corporation (''S&P''),[5] Morgan Stanley & Co. Incorporated,[6] and Inter@ctive Enterprises L.L.C.,[7] states that de Jager & Company does not guarantee the accuracy or completeness of the Index, makes no express or implied warranties with respect to the Index, and will have no liability for any damages, claims, losses, or expenses caused by errors in the Index calculation.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general and

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

[2] 17 CFR 240.19b–4.

[3] See Securities Exchange Act Release No. 38307 (February 19, 1997) (Amex–97–04).

[4] The industries represented by these companies include: packaged software providers; computer programming consulting firms; and computer outsourcing services.

[5] See Exchange Rule 902C(c).

[6] See Exchange Rule 902C(d).

[7] See Exchange Rule 902C(e).