III. Discussion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–DCC–96–12) be, and hereby is, approved through September 30, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[9]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–8996 Filed 4–8–97; 8:45 am]

BILLING CODE 8010–01–M

[9] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38472; File No. SR–GSCC–97–02]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of A Proposed Rule Change Relating To Comparison of Transactions Between Insolvent And Solvent Members

April 2, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 11, 1997, the Government Securities Clearing Corporation (''GSCC'') 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 GSCC. 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 is proposing that it have the authority to issue a comparison of a transaction based solely on data submitted by one netting member when the counterparty to the trade becomes insolvent.

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.[2]

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

(i) Under the ordinary application of its rules, a transaction is not eligible for netting and guaranteed settlement by GSCC until and unless it is compared. Except for purchases made through the U.S. government's auction of Treasury securities, GSCC's rules provide that a comparison can only be generated upon the matching of data provided by two members. GSCC believes that this poses a potential problem from a risk management perspective in a situation where a netting member becomes insolvent and does not submit trades it or an executing firm for which it acts entered into prior to its insolvency. Absent the taking by GSCC of extraordinary action to compare the trade, such trades will not be netted and guaranteed. In such situations, GSCC believes it necessary and appropriate for it to have the clear authority under its rules to deem a transaction compared based solely on the data submitted by the insolvent member's counterparty. However, this needs to be done in a manner that does not expose GSCC to liability to a netting member for fraudulent or collusive activity.

In order to accomplish these goals, GSCC is proposing that it have the authority to issue a comparison of a transaction basedon data submitted by a solvent netting member, which may be an interdealer broker, under the following circumstances: (1) The data submitted by the solvent member indicates that the counterparty to the transaction is either an insolvent member or an executing firm that uses the insolvent member as its submitting member; (2) the solvent member has submitted in a timely manner all of its activity with the insolvent member or executing firm; (3) if GSCC had announced to its members that it would cease to act for the insolvent member as of a specified date and time (and, thus, not accept any further trades submitted against such member), the transaction was executed before such specified date and time; (4) the transaction is not an ''off-the-market'' transaction as defined in GSCC's rules,[3] and (5) GSCC has made a determination that the transaction was entered into by the solvent member or an executing firm that uses the solvent member as its submitting member in good faith and not primarily in order to take advantage of the insolvent member's financial condition.

(ii) The proposed rule change is consistent with the requirements of Section 17A the Act and the rules and regulations thereunder because they will make clear GSCC's authority to take action to compare trades in an insolvency situation without exposing GSCC to liability to a netting member for fraudulent or collusive activity.

B. Self-Regulatory Organization's Statement on Burden on Competition

GSCC does not believe that the proposed rule change will have an 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

Written comments relating to the proposed rule change have not yet been solicited or received. Members will be notified of the rule change filing and comments will be solicited by an important notice. GSCC will notify the Commission of any written comments received by GSCC.

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 the 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

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

[2] The Commission has modified the text of the summaries submitted by GSCC.

[3] GSCC has filed a proposed rule change (File No. SR–GSCC–97–01) that will add a definition of ''off-the-market'' transactions to its rules. Essentially, an off-the-market transaction is a trade that has a price that differs significantly from the prevailing market price.

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. Copies of such filing will also be available for inspection and copying at the principal office of the GSCC. All submissions should refer to File No. SR–GSCC–97–02 and should be submitted by April 30, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[4]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–8997 Filed 4–8–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38463; File No. SR–NASD–97–14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to the Amendment of its Margin Rules

April 1, 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 February 26, 1997, NASD Regulation, Inc. (''NASD Regulation'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation. 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

NASD Regulation proposes to amend the margin rules, Rule 2520 of the Conduct Rules, of the National Association of Securities Dealers, Inc. (''NASD'' or ''Association''). Specifically, NASD Regulation is proposing to amend Rule 2520 (''old Rule 2520'') to: (1) Renumber paragraphs (a) and (b) as Rules 2521 and 2522, respectively; and renumber paragraph (c) as Rule 2520 (referred to herein as ''Rule 2520'') to facilitate the use and comparison of the Rule in relation to the New York Stock Exchange's (''NYSE'') margin rule; (2) conform Rule 2520 to recent amendments to Federal Reserve Board Regulation T; and (3) add margin requirements for various over-the-counter (''OTC'') options and interest rate composite securities. The text of the proposed rule change is attached to NASD Regulation's rule filing as Exhibit 2.

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

In its filing with the Commission, NASD Regulation 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. NASD Regulation 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

As a result of the Federal Reserve Board of Governor's recent amendments to Regulation T, which governs the extension of credit by broker/dealers, and the NYSE's recent proposed amendments to its margin rule, NYSE Rule 431,[3] NASD Regulation is proposing to renumber old Rule 2520 to permit its members and others to more easily use and compare the provisions of the rule to NYSE Rule 431. In addition, NASD Regulation is proposing amendments to Rule 2520, the NASD's margin rule, to conform the NASD's margin requirements to Regulation T and NYSE Rule 431.

Numbering. At one time, former Article III, Section 30 of the NASD Rules of Fair Practice had substantially the same margin requirements as NYSE Rule 431.[4] Several years ago Section 30 was amended to adopt the same numbering scheme as NYSE Rule 431 in order to facilitate the use and comparison of the two rules. For example, old Section 30.3(f)(2) relates to margin requirements for puts, calls and other options. The same provisions appear in NYSE Rule 431(f)(2). Thus, any member could find the provisions in both the NASD and NYSE's rules under the same subsection number ''(f)(2).'' When the NASD Manual was reorganized in 1996, new rule numbering conventions were adopted that resulted in the renumbering of Article III, Section 30 as old Rule 2520. Under the 1996 numbering scheme, old Section 303.(f)(2), for example, became old Rule 2520(c)(6)(B). As a result of these numbering changes, comparison between old Rule 2520 and NYSE Rule 431 became much more problematic.

NASD Regulation is proposing to renumber old Rule 2520 by: (1) Renumbering paragraphs (a) and (b) as Rules 2521 and 2522, respectively; and (2) renumbering paragraph (c) as Rule 2520. This renumbering will cause most of the paragraphs and subparagraphs of Rule 2520 to have the same numbering as those of NYSE Rule 431, thereby facilitating comparison and use of the two rules. The renumbered Rule 2520 is set forth in Exhibit 2 to the rule filing; however, the former numbering of each subsection is not shown.

Amendments to Conform Rule 2520 to Regulation T. NASD Regulation is proposing two technical changes to Rule 2520 (as renumbered) to correct references to recently-repealed or renumbered provisions of Regulation T:

1. *Definition of OTC margin bond.* Rule 2520 (e)(2)(C), referring to the definition of OTC margin bond as stated in Regulation T, Section 220.2(t),[5] is proposed to be amended to eliminate the ''(t).'' Section 220.2 has been amended to eliminate subsection numbering.

2. *Cash equivalent.* Rule 2520(f)(2)(H)(iv), referring to cash equivalents as ''those instruments referred to in Section 220.8(a)(3)(ii) of Regulation T,'' is proposed to be amended to change the reference to Section 220.*2* of Regulation T. When Regulation T was amended, Section

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[4] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] See Securities Exchange Act Release No. 38411 (March 17, 1997) 62 FR 14174.

[4] There were a few minor differences in the two Rules related to the fact that the NASD regulates the over-the-counter market and that certain requirements in the respective rules relate only to exchange specialists or dealers.

[5] The definition of OTC margin bond in Regulation T, Section 220.2 refers to several types of debt securities with specifically defined characteristics, all of which are sold or traded over-the-counter, not on an exchange.