in order to eliminate warrant fail obligations. Since warrants have been eligible at EMCC, EMCC's records also indicate that there is high fail rate with respect to warrant obligations. In order to eliminate there fails, members have requested that EMCC implement a similar process. The proposed rule change would allow EMCC to perform a bilateral pair-off process for warrant obligations.

In order to be eligible to be paired-off, the obligations must be within the same ISIN, and the fail deliver obligations and fail receive obligations must have a contract value of $0. In addition, fail deliver and fail receive obligations will be paired-off only if the quantity of warrants with respect to one or more fail receive obligations (either singly or in the aggregate) is equal to the quantity of warrants with respect to one or more fail deliver obligations (either singly or in the aggregate).

Using the process described above, EMCC will determine which fail deliver and fail receive obligations are to be paired-off and will issue a report to each member identifying such paired-off obligations. EMCC will also instruct the member's qualified securities depository to cancel the previously issued debit and credit instructions relating to such paired-off obligations. At the time the report is distributed to members, their rights or obligations with respect to the paired-off fail deliver and fail receive obligations, under the Rules are extinguished.

Although EMCC becomes the counterparty to all transactions submitted to it, upon receipt of securities by EMCC they are redelivered from EMCC to the original counterparty to the underlying transaction. It is possible that the pair-off process will result in the canceling of the fail obligation of only one of the original counterparties, leaving the corresponding fail obligation open at EMCC. Under these circumstances, EMCC will allocate any warrants received by giving priority first to the oldest fail receive obligation and next to the fail receive obligation relating to the largest number of warrants. EMCC will not allocate any warrants which would not fully satisfy a fail receive obligation. For example, if EMCC receives 10 warrants from a member with a fail deliver obligation (where the corresponding fail receive obligation had been canceled) and there are 3 fail receive obligations of the same age, one of which is for 7 warrants, one of which is for 6 warrants, and one of which is for 5 warrants, EMCC will deliver 7 of the 10 warrants received to satisfy the fail receive obligation for 7 warrants and will not deliver the remaining 3 warrants until it has received a sufficient quantity of warrants which will allow it to fully satisfy at least one fail receive obligation.

EMCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

EMCC does not believe that the proposed rule change will have an impact on 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 relating to the proposed rule change have been solicited or received. EMCC will notify the Commission of any written comments received by EMCC.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to facilitate the prompt and accurate clearance and settlement of securities transactions for which it is responsible. The Commission believes that the rule change should provide EMCC with a process that should reduce the number of outstanding fail receive obligations and fail deliver obligations relating to warrants. The failure of one party to satisfy their settlement obligations threatens the entire clearance and settlement system because that party's failure may in turn cause other parties to fail to meet their obligations. Therefore, by reducing the number of outstanding fails at EMCC, the proposed rule change should facilitate the prompt and accurate clearance and settlement of securities transactions.

EMCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of notice because accelerated approval will enable EMCC to begin reducing the number of fail obligations relating to warrants immediately.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of EMCC. All submissions should refer to File No. SR–EMCC–98–5 and should be submitted by August 6, 1998.

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,[4] that the proposed rule change (File No. SR–EMCC–98–5) be and hereby is approved on an accelerated basis.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–18964 Filed 7–15–98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40185; File No. SR–NSCC–97–13]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to Changes in Membership Standards

July 9, 1998.

On October 30, 1997, the National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commission'') and on December 31, 1998, amended a proposed rule change (File No. SR–NSCC–97–13) pursuant to Section 19(b)(1) of the Securities Exchange Act

[4] 15 U.S.C. 78s(b)(2).

[5] 17 CFR 200.30–3(a)(12).

of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on February 27, 1998.[2] One comment letter was received.[3] For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

Currently, NSCC's rules provide that it will establish, as deemed necessary or appropriate, standards of financial responsibility, operational capability, experience, and competence for membership, as well as guidelines for the application of membership standards. [4] The purpose of the rule change is to establish specific standards under which NSCC may deny an applicant membership or to cease to act for a participant.[5]

The revised rule will allow NSCC to deny membership to any applicant or to cease to act for any participant if a person who has either significant managerial responsibility or significant ability to influence the policies and actions of the applicant or participant (through ownership interest, contract, or otherwise), whether or not the person currently acts as a principal or registered representative, has a record that reflects any adverse history as enumerated in the rule. The types of adverse history enumerated in the rule include felony and misdemeanor proceedings and convictions; certain disciplinary, regulatory, or administrative proceedings and actions; arbitration or civil actions; multiple customer complaints; termination or permitted resignation after investigation or allegation of sales practice problems, violation of rules, regulation, laws, or standards of conduct; or being subject to heightened supervision.

Any action, complaint, or proceeding referred to in the rule that is not taken against a person will nonetheless be deemed to be taken against that person if his or her activities are cited in whole or in part as being a contributing cause. However, no person will be deemed to have an adverse regulatory history due to being named in customer complaints or adverse civil proceedings merely because of the persons's management or ownership position in the applicant or participant unless the number of complaints or proceedings are disproportionate to the size of the firm.

The rule change will also allow NSCC to deny membership to an applicant or to cease to act for a participant if a correspondent of the applicant or participant or any entity for which the applicant or participant is financially responsible would fail to meet the above membership standards. However this provision of the rule will apply only if the size of the business of the correspondent or other entity is significant relative to the capital of the applicant or participant. NSCC has informed the Commission that it intends to construe the new rule in a manner which will not limit its authority under its rules to deny membership to, to cease to act for, or to obtain further assurances from any applicant or participant when the circumstances warrant even if the circumstances include or consist solely of items that are not specific grounds for such action under the rule change.

II. Comment Letters

The Commission received one comment letter in response to the proposed rule change (*supra* note 3). The commenter supported the rule change but believed an applicant or participant should be able to appeal a decision to deny membership.

III. Discussion

Section 17A(b)(3)(F) of the Act [6] requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible. The Commission believes that the proposed rule change is consistent with NSCC's obligations under Section 17A(b)(3)(F) because it should enable NSCC to better manage its risk exposure by specifically authorizing NSCC to consider applicant's and participants' regulatory history. An adverse regulatory history can indicate that an applicant would or a participant does present an unacceptably high risk to NSCC and its participants.

Section 17A(b)(3)(H) of the Act [7] also requires that the rules of the clearing agency provide a fair procedure with respect to the denial of participation and the prohibition or limitation by the clearing agency of any person with respect to access to services offered by the clearing agency. The Commission believes that the proposed rule change is consistent with NSCC's obligations under Section 17A(b)(3)(H) because it defines the specific bases upon which NSCC may deny membership or cease to act for a participant.

In response to the issue of whether an applicant can appeal a denial of its membership application, the Commission notes that Rule 2 of NSCC's Rules and Procedures currently provides a hearing process for any applicant that is deemed to not meet membership requirements before the applicant is denied membership.

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 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–NSCC–97–13) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–18907 Filed 7–15–98; 8:45 am]

BILLING CODE 8010–01–M

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

[2] Securities Exchange Act Release No. 39693 (February 23, 1998), 63 FR 10058.

[3] Letter from William C. Alsover, President, Centennial Securities Company, to David F. Hoyt, NSCC (November 7, 1997).

[4] Rule 15 of NSCC's Rules and Procedures.

[5] NSCC has taken note of the findings set forth in the April 15, 1997, memorandum entitled, ''The Joint Regulatory Sales Practice Sweep; Heightened Supervisory Procedures,'' which was the product of an initiative involving the National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc., the Securities and Exchange Commission, and the North American Securities Administrators Association, Inc.

[6] 15 U.S.C. 78q–1(b)(3)(F).

[7] 15 U.S.C. 78q–1(b)(3)(H).

[8] 17 CFR 200.30–3(a)(12)..

SMALL BUSINESS ADMINISTRATION

Small Business Investment Company of Connecticut (License #02–0052), Notice of License Surrender

Notice is hereby given that the Small Business Investment Company of Connecticut (SBIC/CT), Bridgeport, Connecticut, has surrendered its license to operate as a small business investment company under the Small Business Investment Act of 1958, as amended (''the Act''). SBIC/CT was licensed by the Small Business Administration on January 31, 1961.

Under the authority vested by the Act and pursuant to the regulations promulgated thereunder, the surrender of the license was accepted on June 29, 1998, and accordingly, all rights, privileges, and franchises derived therefrom have been terminated.

(Catalog of Federal Domestic Assistance Program No. 59.011, Small Business Investment Companies)