

Arizona, Arkansas, Colorado, Louisiana, Montana, New Mexico, Oklahoma, Texas, Utah, Wyoming:

OPM Philadelphia Oversight Division
(215) 597-9797, 600 Arch Street,
Room 3400, Philadelphia, PA 19106-
1596

Connecticut, Delaware, Maine, Maryland (except as noted below), Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Puerto Rico, Virgin Islands:

OPM San Francisco Oversight Division
(415) 281-7050, 120 Howard Street,
Room 760, San Francisco, CA 94105-
0001

Alaska, California, Hawaii, Idaho, Nevada, Oregon, Washington, Pacific Ocean Area:

OPM Washington, DC Oversight Division (202) 606-2990, 1900 E Street, NW., Room 7675, Washington, DC 20415-0001

The District of Columbia. In Maryland: the counties of Charles, Montgomery, and Prince George's. In Virginia: the counties of Arlington, Fairfax, King George, Loudoun, Prince William, and Stafford; the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park; and any overseas area not included above.

U.S. Office of Personnel Management,
Lorraine A. Green,
Deputy Director.

[FR Doc. 96-25202 Filed 10-2-96; 8:45 am]

BILLING CODE 6325-01-P

Prospective Payment Assessment Commission

Meetings

Notice is hereby given of the meetings of the Prospective Payment Assessment Commission on Tuesday and Wednesday, October 8 and 9, 1996, at the Madison Hotel, 15th & M Streets, NW, Washington, DC, 202/862-1600.

The Full Commission will convene at 9:00 a.m. on October 8, 1996, and adjourn at approximately 5:00 p.m. On Wednesday, October 9, 1996, the meeting will convene at 9:00 a.m. and adjourn at approximately 3:30 p.m. The meetings will be held in Executive Chambers 1, 2, and 3 each day.

All meetings are open the public.

Donald A. Young,
Executive Director.

[FR Doc. 96-25376 Filed 10-2-96; 8:45 am]

BILLING CODE 6820-BW-M

RAILROAD RETIREMENT BOARD

Proposed Collection; Comment Request

SUMMARY: In accordance with the requirement of Section 3506 (c)(2)(A) of the Paperwork Reduction Act of 1995 which provides opportunity for public comment on new or revised data collections, the Railroad Retirement Board (RRB) will publish periodic summaries of proposed data collections.

Comments are invited on: (a) Whether the proposed information collection is necessary for the proper performance of the functions of the agency, including whether the information has practical utility; (b) the accuracy of the RRB's estimate of the burden of the collection of the information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden related to the collection of information on respondents, including the use of automated collection techniques or other forms of information technology.

Title and purpose of information collection: Employee's Certification; OMB 3220-140.

Section 2 of the Railroad Retirement Act (RRA), provides for the payment of an annuity to the spouse or divorced spouse of a retired railroad employee. For the spouse or divorced spouse to qualify for an annuity, the RRB must determine if any of the employee's previous marriages create an impediment either to the current marriage between the employee and his or her spouse or to the marriage which previously existed between the employee and his or her former spouse.

The requirements relating to obtaining evidence for determining valid marital relationships are prescribed in 20 CFR 219.30 through 219.35.

Section 2(e) of the RRA requires that an employee must relinquish all rights to any railroad employer service before a spouse annuity can be paid.

The RRB uses Form G-346 to obtain the information needed for determining if any of the employee's previous marriages create an impediment to the current marriage. Form G-346 is completed by the retired employee who is the husband or wife of the applicant for a spouse annuity. Completion is required to obtain a benefit. One response is requested of each respondent.

The RRB proposes a minor editorial change to Form G-346 to incorporate language required by the Paperwork Reduction Act of 1995. The RRB estimates that 5,400 G-346's are completed annually at an estimated

completion time of five minutes per response. Total respondent burden is estimated at 450 hours.

ADDITIONAL INFORMATION OR COMMENTS:

To request more information or to obtain a copy of the information collection justification, forms, and/or supporting material, please call the RRB Clearance Officer at (312) 751-3363. Comments regarding the information collection should be addressed to Ronald J. Hodapp, Railroad Retirement Board, 844 N. Rush Street, Chicago, Illinois 60611-2092. Written comments should be received within 60 days of this notice.

Chuck Mierzwa,
Clearance Officer.

[FR Doc. 96-26265 Filed 10-2-96; 8:45 am]

BILLING CODE 7905-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-37731; File Nos. SR-OCC-96-04 and SR-NSCC-96-11]

Self-Regulatory Organizations; The Options Clearing Corporation and National Securities Clearing Corporation; Order Approving Proposed Rule Changes Relating to an Amended and Restated Options Exercise Settlement Agreement Between the Options Clearing Corporation and the National Securities Clearing Corporation

September 26, 1996.

On February 6, 1996, and April 6, 1996, The Options Clearing Corporation ("OCC") and the National Securities Clearing Corporation ("NSCC"), respectively, filed with the Securities and Exchange Commission ("Commission") the proposed rule changes (File Nos. SR-OCC-96-04 and SR-NSCC-96-11) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposed rule changes was published in the Federal Register on June 17, 1996.² On July 10, 1996, NSCC filed an amendment to its proposed rule change to attach as Exhibit A to its original filing a copy of the Third Amendment and Restated Options Exercise Settlement Agreement ("Third Restated Agreement").³ Because the Third Restated Agreement had previously been filed as an exhibit to File No. SR-

¹ 15 U.S.C. 78s(b)(1) (1988).

² Securities Exchange Act Release No. 37298 (June 10, 1996), 61 FR 30650.

³ Letter from Julie Beyers, Associate Counsel, NSCC, to Jerry Carpenter, Assistant Director, Division of Market Regulation, Commission (July 10, 1996).

OCC-96-04, no notice of filing of NSCC's amendment was required. No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule changes.

I. Description of the Proposals

The purpose of the proposed rule changes is to put into effect the Third Restated Agreement⁴ between OCC and NSCC providing for the settlement of exercises and assignments of equity options.⁵ The proposals also seek to make related changes to OCC's Rules, primarily to Rule 601 which sets forth the calculation of margin requirements for equity options, and to make related changes in NSCC's clearing fund formula in order to exclude from the clearing fund calculation trades for which NSCC has protection under the terms of the Third Restated Agreement.

In 1977, OCC entered into an Options Exercise Settlement Agreement with Stock Clearing Corporation (NSCC's predecessor), with MMC, and with SSCP. In 1991, OCC entered into a Restated Options Exercise Agreement ("Restated Agreements") with each of NSCC, MCC, and SSCP. The Restated agreements never became effective because in 1993, prior to Commission approval of proposed rule changes pertaining to these Restated Agreements, OCC entered into a Second Restated Options Exercise Agreement ("Second Restated Agreements") with each of NSCC, MCC, and SSCP.⁶ The Commission approved the proposed rule changes pertaining to the Second Restated Agreements.⁷ However, after the proposals were approved the parties

⁴ A copy of the executed Third Restated Agreement is attached as Exhibit A to OCC's and to NSCC's filings. A copy of each of the filings and all exhibits is available for copying and inspection in the Commission's Public Reference Room or through OCC or NSCC, respectively.

⁵ OCC has provided Stock Clearing Corporation of Philadelphia ("SCCP") with a Third Restated Agreement which has terms substantially parallel to the terms of the Third Restated Agreement between OCC and NSCC. OCC has advised SSCP that it is prepared to execute a Third Restated Agreement with SSCP if and when SSCP wishes to do so. Because Midwest Clearing Corporation ("MCC") has withdrawn from the clearance and settlement business, OCC plans to propose entering into a termination agreement with MCC to formally terminate the Second Restated Agreement between OCC and MCC.

⁶ The three Second Restated Agreements were filed by OCC with the Commission in Amendment No. 2 to File No. SR-OCC-5, and also were filed by NSCC, SSCP and MCC in amendments to File Nos. SR-NSCC-91-07, SR-SCCP-92-01, and SR-MCC-92-02, respectively.

⁷ Securities Exchange Act Release No. 33543 (January 28, 1994), 54 FR 5639 [File Nos. SR-OCC-92-05, SR-NSCC-91-07, SR-NSCC-91-07, SR-SCCP-92-01 and SR-MCC-92-02] (order approving proposed rule changes relating to revised options exercise settlement agreements).

to the Second Restated Agreements agreed to suspend the effectiveness of those agreements because OCC's proposed implication to a two group margin system would have caused increases in the margin requirements far in excess of the increase which had been anticipated when the Second Restated Agreements were originally proposed. The Second Restated Agreements never became effective.

A. Changes Made by the Third Restated Agreements

The Third Restated Agreement alters the provisions of the Second Restated Agreement between OCC and NSCC principally to establish a two-way guarantee between OCC and NSCC and to change the guarantee formulas. In the Second Restated Agreement, OCC guaranteed compensation to NSCC for losses incurred by NSCC in closing out the exercise and assignment activity ("E&A activity") of a defaulting OCC clearing member, and NSCC agreed to guarantee settlement of pending stock trades arising from E&A activity commencing at the same time that it guaranteed regular-way settlements of ordinary stock transactions (*i.e.*, at midnight of T+1). However, the Second Restated Agreement did not require NSCC to return to OCC any net value remaining from the liquidation of the E&A activity of a defaulting clearing member. As a result, OCC provided for a two product group margin system for equity options to ensure that OCC gave no margin credit for net positive values of a clearing member's E&A activity that would be unavailable to OCC if NSCC were to liquidate the clearing member's positions at NSCC arising from its E&A activity.

The Third Restated Agreement provides for a two-way guarantee between OCC and NSCC. Thus, if NSCC suspends a common member⁸ and

⁸ In the Third Restated Agreement, the term common member refers to an OCC clearing member that also is an NSCC member and that has designated NSCC as its designated clearing corporation for purposes of effecting settlement of its E&A activity. Under the Third Restated Agreement, like the Second Restated Agreement, three alternatives are available to a clearing member that does not want to become a member of NSCC or SSCP but wants to settle its E&A activity through another entity which is a member of NSCC or SSCP. A clearing member may appoint (1) another OCC clearing member (an "appointed clearing member"), (2) a member of NSCC (a "nominated correspondent"), or (3) if the OCC clearing member is a Canadian clearing member, the Canadian Depository for Securities. These three alternative settlement arrangements are described in detail in Amendment No. 2 to File No. SR-OCC-92-5. This notice of filing describes the provisions of the Third Restated Agreement with respect to an OCC clearing member that is a common member, but the provisions of the Third Restated Agreement are

incurs a loss, OCC would owe NSCC an amount determined in accordance with the formula described below, and if OCC suspends a common member and insures a loss, NSCC would owe OCC an amount determined in accordance with the formula described below.

The guarantee of each clearing corporation to the other in the Third Restated Agreement is unconditional in that each clearing corporation's guarantee is not dependent on the ability of the clearing corporation to use assets of its suspended member to make a guarantee payment. Therefore, OCC and NSCC believe that the trustee for a bankrupt OCC clearing member or for a bankrupt NSCC member should not be able to successfully attack either OCC's or NSCC's right to receive guarantee payments from each other or their right to make guarantee payments to each other in accordance with the provisions of the Third Restated Agreement. OCC or NSCC would seek recovery of the amount of any guarantee payment which either made to the other from the assets of the suspended clearing member whose failure necessitated the payment. OCC and NSCC believe that their authority to do so would be within the special provisions of the Bankruptcy Code that protect the close-out activities of securities clearing agencies.⁹

B. Guarantee Formulas

The Second Restated Agreement between NSCC and OCC provided that OCC would compensate NSCC for losses incurred by NSCC in closing out the E&A activity of a defaulting participating member¹⁰ reported by OCC to NSCC. The amount that OCC guaranteed to NSCC would be the smallest of three quantities referred to in the Second Restated Agreement as the net options loss, the net overall loss, and the maximum guarantee.¹¹ The

designed also to apply to each of the alternative settlement arrangements.

⁹ 11 U.S.C. §§ 555.

¹⁰ As defined in the Second Restated Agreement, the term participating member generally refers to an entity that is an OCC clearing member and also is a participant in a correspondent clearing corporation ("CCC") (*i.e.*, NSCC, MCC, or SSCP) or an entity that is a party to any of the three alternative arrangements for effecting settlement through a CCC as provided under the Second Restated Agreement.

¹¹ The net options loss was essentially the actual net loss incurred by NSCC in closing out the E&A activity with respect to which NSCC was unconditionally obligated at the time of the default. The net overall loss was essentially the actual net loss incurred by NSCC in closing out all transactions of the defaulting participating member with respect to which NSCC was unconditionally obligated at the time of the default. The maximum guarantee amount was essentially the sum of the mark-to-market amounts, positive and negative, for all E&A activity with respect to which NSCC was

Third Restated Agreement between OCC and NSCC sets forth a revised formula for the calculation of the amount which OCC would owe NSCC if NSCC were to suspend a participating member.¹² It also provides an analogous formula for the calculation of the amount which NSCC would owe OCC if OCC were to suspend a participating member.

Pursuant to the Third Restated Agreement, the formula for payment by OCC under its guarantee to NSCC provides that if NSCC were to suspend a common member, OCC would owe NSCC the lesser of the common member's (i) net member debit to NSCC or (ii) calculated margin requirement. The formula for payment by NSCC under its guarantee to OCC provides that if OCC were to suspend a common member, NSCC would owe OCC the lesser of the common member's (i) net member debit to OCC or (ii) calculated margin credit.¹³ The term net member debit to NSCC is defined to mean the actual net overall debit or loss, if any, realized by NSCC from its close-out of the common member (*i.e.*, the debit or loss after application of all assets available to NSCC including the common member's contribution to

NSCC's clearing fund).¹⁴ The term net member debit to OCC is defined to mean the actual net overall debit or loss, if any, realized by OCC from its close-out of the common member (*i.e.*, the debit or loss after application of all assets available to OCC including the common member's margin deposits and contribution to OCC's clearing fund). The term calculated margin credit is defined to mean the algebraic sum of the mark-to-market amounts¹⁵ calculated by OCC's margin system relating to settlements arising from E&A activity with respect to which NSCC has become unconditionally obligated to settle and the mark-to-market amounts calculated by NSCC's system for offsetting activity in NSCC's system in the same underlying stocks if the algebraic sum is positive (*i.e.*, if the sum represents a net positive value of the settlements). The term calculated margin requirement is defined to mean the same algebraic sum if the algebraic sum is negative (*i.e.*, if the sum represents a net negative value of the settlements).¹⁶

The calculation of the calculated margin requirement or calculated margin credit will take into account the value of offsetting deliver and receive obligations at NSCC including fails but excluding free deliver and receive obligations in the underlying stocks in which each common member has E&A activity. NSCC will give OCC a report of

offsetting deliver and receive obligations in its system on a daily basis prior to 8:00 P.M. Central Time.

The calculation of the calculated margin requirement or calculated margin credit is perhaps best illustrated with an example prepared by OCC and NSCC. Suppose that ABC is a common member of NSCC and OCC, that ABC is assigned the exercise of 100 XYZ June 85 call options, that the closing price of XYZ on the day after the exercise ("E+1") is 90, and that ABC had no other E&A activity. If ABC also has no non-E&A settlements in XYZ at NSCC, the calculated margin requirement for ABC would be \$50,000 (90 minus 85 equals \$5.00 per share for each of 10,000 shares). If ABC's non-E&A activity at NSCC in XYZ netted to a right to receive 5000 shares at a weighted average price of 87 and if NSCC gave OCC notice to that effect prior to 8:00 p.m. on E+1, then the \$15,000 in-the-money value of those shares would be taken into account as an offsetting obligation, and the calculated margin requirement for ABC would be \$35,000 commencing at the time on E+2 when OCC is scheduled to make regular daily money settlement with ABC.¹⁷ If ABC's non-E&A activity at NSCC in XYZ instead netted to a right to receive 15,000 shares at a weighted average price of 87 and if NSCC gave OCC notice to that effect prior to 8:00 p.m. on E+1, the value of only 10,000 of those shares (*i.e.*, the amount on the opposite side of the market from the obligation to deliver created by the assigned call) would be taken into account in calculating the calculated margin requirement. Those 10,000 shares would have an in-the-money value of \$30,000, and the calculated margin requirement for ABC would be \$20,000 commencing at the time on E+2 when OCC is scheduled to make regular daily money settlement with ABC.

OCC reports E&A activity to NSCC each night. Offsetting positions information reported back to OCC by NSCC on the evening of E+1 would be

unconditionally obligated at the time of the default. The term mark-to-market amount was defined in the Second Restated Agreement to mean the difference between the exercise price of an option and the closing price of the underlying stock on the trading day immediately preceding the then most recently completed regular morning settlement with OCC of the participating member.

¹² Under the Third Restated Agreement the term participating member specifically refers to (1) a common member, (2) an NSCC clearing member that (i) has been appointed as an appointed clearing member by an OCC clearing member that is an appointing clearing member and (ii) has designated NSCC as its designated clearing corporation for the settlement of its E&A activity, (3) an OCC clearing member that (i) is a nominating clearing member, (ii) has appointed a nominated correspondent that is an NSCC member, and (iii) has designated NSCC as its designated clearing corporation for the settlement of its E&A activity, and (4) an OCC clearing member that is a Canadian clearing member. The terms appointing clearing member, appointed clearing member, nominating clearing member, and nominated correspondent are defined in Article I of OCC's By-Laws.

¹³ Generally, if either NSCC or OCC suspended a common member, the other would also suspend the common member. OCC's Rule 1102(a) entitles OCC to suspend a clearing member which had been suspended by its designated clearing corporation (Securities Exchange Act Release No. 33543 (January 28, 1994) 59 FR 5639 [File No. SR-OCC-92-05]). However, the two formulas under the Third Restated Agreement would require at most a payment by one of the two clearing corporations to the other and not a payment by each clearing corporation to the other. This is true because the suspended common member's E&A activity in settlement at NSCC would generate either a calculated margin requirement or a calculated margin credit but not both. Thus, the application of at least one of the two formulas would result in a guaranteed amount equal to zero.

¹⁴ The net member debit to NSCC concept is similar to the net overall loss concept under the Second Restated Agreement. However, the concepts differ in that the net overall loss was the net loss resulting from the close-out of all of a suspended member's settlement activity at NSCC whereas the net member debit to NSCC is the net debit remaining after application of all of a suspended member's assets that are available to NSCC. The difference in these concepts reflects a judgment on the part of the two clearing corporations that the guarantee of each by the other should not obligate either to make any payment to the other if the other in fact has sufficient assets of the suspended member to make itself whole without recourse to the clearing fund deposits of its other members.

¹⁵ Under the Third Restated Agreement, the term mark-to-market amount is defined to mean: (i) with respect to any option exercise or assignment position, the difference between the value of the position calculated using its exercise price and its closing price on the preceding trading day and (ii) with respect to any other position at NSCC, the difference between the value of the position calculated using its trade price and its closing price on the preceding trading day.

¹⁶ The calculated margin requirement concept is similar to the maximum guarantee amount concept under the Second Restated Agreement. The concepts differ in that the maximum guarantee amount did not take into account offsetting activity in NSCC's system in the same underlying stocks. OCC and NSCC have concluded that the calculated margin requirement and calculated margin credit concepts render the net options loss concept under the Second Restated Agreement superfluous. Thus, there is no counterpart in the guarantee formula in the Third Restated Agreement to the net options loss concept in the Second Restated Agreement.

¹⁷ OCC currently collects from clearing members who owe OCC a net dollar amount in regular daily settlement at 9:00 a.m. and pays clearing members who are entitled to receive a net dollar amount in regular daily settlement at 10:00 a.m. In the example in the text, OCC would be obligated to take the in-the-money value of ABC's non-E&A activity into account in calculating ABC's calculated margin requirement if NSCC suspended ABC after 10:00 a.m. (at the latest) even if ABC in fact failed to make money settlement with OCC on E+2. After discussing with NSCC staff the question of when offsetting non-E&A activity should be taken into account, OCC staff has concluded that the time of regular daily money settlement is an appropriate time to incorporate the information in the preceding evening's report from NSCC into calculations of the calculated margin requirement or calculated margin credit.

taken into account in the calculation of the calculated margin requirement or calculated margin credit and would be reflected in OCC's regular morning settlement on the morning of E+2. Information reported back to OCC by NSCC on the evening of E+2 would be taken into account in any calculation of the calculated margin requirement or calculated margin credit and would be reflected in OCC's regular morning settlement on the morning of E+3.

Although NSCC will provide OCC with reports of offsetting deliver and receive obligations in its system on a daily basis and although OCC will monitor these reports for unusual position concentrations, OCC will not actually use the information in the reports in its margin calculations for its members.¹⁸

OCC's guarantee is the Third Restated Agreement is similar to its guarantee in the Second Restated Agreement in that the guarantee does not cover the exposure of NSCC to loss from exercise settlements that would result if a participating member transfers settlements from its account at NSCC to the account of any other member of NSCC (even another participating member or another member that is an affiliate of the participating member) and that second member defaults on its obligations to NSCC with respect to those settlements.

C. Delivery of Stock Held in Escrow

The Second Restated Agreement between NSCC and OCC contemplated that OCC would, if necessary, deliver to NSCC stock held in lieu of margin to cover a suspended clearing member's short call positions against payment by NSCC of the exercise price for the positions and that the value of any such covered short position would not be taken into account in determining the amount guaranteed by OCC to NSCC. In contrast, the Third Restated Agreement does not contemplate that OCC will deliver stock held to cover short call positions because, as described above, the Third Restated Agreement provides for taking the value of offsetting deliver and receive obligations at NSCC into account in the calculation of the calculated margin requirement or calculated margin credit.

¹⁸ Unlike NSCC, OCC employs three types of accounts for its members: customer accounts, market-maker accounts, and firm accounts. Separate margin calculations are made with respect to each type of member account. Therefore, in order to use the information in NSCC's reports in OCC's margin calculations, OCC would have to disaggregate the information received from NSCC on an account-by-account basis. This disaggregation, even if possible, could not be done without major changes in both OCC's and NSCC's systems.

D. Amendments to OCC Rule 601

Because of the guarantee extended by NSCC to OCC, OCC proposes to amend Rule 601 to enable OCC to give margin credit for long option positions in firm and market-maker accounts that have been reported to NSCC for settlement. As a result, OCC will be able to calculate margin for equity options in one product group. The amendments to Rule 601 essentially reverse changes which were proposed in File No. SR-OCC-92-5.¹⁹

E. Amendment to OCC Rule 1107

OCC proposes to amend Rule 1107 to provide that OCC will liquidate securities deposited to cover assigned short call positions and will use the proceeds to reimburse itself for the incremental amount, if any, which OCC is obligated to pay to the designated clearing corporation by reason of the covered short positions as well as for the exercise price of the covered options and for any costs associated with the liquidation.

F. Amendment to NSCC's Clearing Fund Formula

NSCC proposes to amend its clearing fund formula in order to exclude from the calculation trades for which NSCC has protection under the terms of the Third Restated Agreement.²⁰

OCC and NSCC believe the proposed rule changes are consistent with the purposes and requirements of Section 17A of the Act because the proposals (i) will enhance the system used by OCC to effect settlement of exercises and assignments of equity options by providing for a two-way guarantee between OCC and NSCC thereby permitting OCC to return to a one product group margin system and (ii) will enhance NSCC's ability to protect itself and its members against loss.

II. Discussion

Section 17A(b)(3)(F)²¹ 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 and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. As set forth below, the Commission believes OCC's and NSCC's proposed

¹⁹ *Supra* note 6.

²⁰ The complete text of the amendments to NSCC's clearing fund formula is set forth in NSCC's filing. A copy of the filing is available for copying and inspection in the Commission's Public Reference Room or through NSCC.

²¹ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

rule changes are consistent with their obligations under Section 17A(b)(3)(F).

The Commission believes the proposals are consistent with OCC's and NSCC's obligations to assure the safeguarding of securities and funds in their custody or control because the proposed rule changes should further reduce OCC's and NSCC's risk exposure by including cross-guarantees for transactions effected through NSCC's and OCC's settlement link. The guarantees, among other things, should reduce the risk of loss to OCC and NSCC resulting from a failed common member's equity options exercise and assignment activity.

The Commission also believes because the Third Restated Agreement establishes a two-way guarantee to better protect both OCC and NSCC against the risk of loss resulting from the default of a common member, the proposals are consistent with OCC's and NSCC's obligation to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposals are consistent with the requirements of Section 17A(b)(3)(F) 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 changes (File Nos. SR-OCC-96-04 and SR-NSCC-96-11) be, and hereby are, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-25278 Filed 10-2-96; 8:45 am]
BILLING CODE 8010-01-M

[Release No. 34-37736; File No. SR-PSE-96-07]

Self-Regulatory Organizations; Pacific Stock Exchange Incorporated; Order Granting Approval To Proposed Rule Change and Notice of Filing of, and Order Granting Accelerated Approval to, Amendment No. 1 to the Proposed Rule Change Relating to the General Reorganization and Revision of the Exchange's Membership Rules

September 26, 1996.

I. Introduction

On March 5, 1996, the Pacific Stock Exchange Incorporated ("PSE" or "Exchange") submitted to the Securities

²² 17 CFR 200.30-3(a)(12) (1996).