

to mixed and shared funding on terms and conditions materially different from any exemptions granted in the order requested, then the Investment Companies and/or the Participants, as appropriate, shall take such steps as may be necessary to comply with Rule 6e-2 and Rule 6e-3(T), as amended, and Rule 6e-3, as adopted, to the extent such rules are applicable.

11. Each Investment Company will comply with all provisions of the 1940 Act requiring voting by shareholders (which, for these purposes, shall be the persons having a voting interest in the shares of the Investment Companies), and, in particular, will comply with Section 16(a) and, if and when applicable, Section 16(b). Further, each Investment Company will act in accordance with the interpretation of the Commission of the requirements of Section 16(a) with respect to periodic elections of directors and with whatever rules the Commission may adopt with respect thereto.

12. The Participants shall submit to the Boards, at least annually, such reports, materials or data as the Boards may reasonably request so that the Boards may carry out fully the obligations imposed upon them by these stated conditions. Such reports, materials, and data shall be submitted more frequently if deemed appropriate by the Boards. The obligations of the Participants to provide these reports, materials, and data upon reasonable request of the Boards shall be a contractual obligation of the Participant under its participation agreement with an Investment Company.

13. None of the Investment Companies will accept a purchase order from a Plan if such purchase would make the Plan an owner of 10 percent or more of the assets of an Investment Company, unless such Qualified Plan executes a fund participation agreement with such Investment Company. A qualified Plan will execute an application containing an acknowledgment of this condition upon its initial purchase of the shares of an Investment Company.

Conclusion

For the reasons stated above, Applicants assert that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-27390 Filed 10-24-96; 8:45 am]

BILLING CODE 8010-01-M

[Release 34-37844; File No. 600-23]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of an Application for Clearing Agency Registration

October 21, 1996.

Notice is hereby given that on October 7, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") an application, pursuant to Sections 17A and 19(a) of the Securities Exchange Act of 1934 ("Act"),¹ requesting that the Commission grant GSCC full registration as a clearing agency or in the alternative extend GSCC's temporary registration as a clearing agency until such time as the Commission is able to grant GSCC permanent registration.² The Commission is publishing this notice to solicit comments from interested persons.

On May 24, 1988, the Commission approved pursuant to Sections 17A and 19(a) of the Act and Rule 17Ab2-1(c) promulgated thereunder³ the application of GSCC for registration as a clearing agency for a period of three years.⁴ The Commission subsequently has extended GSCC's registration until November 30, 1996.⁵

GSCC provides clearance and settlement services for its members, transactions in government securities. GSCC offers its members services for next-day settling trades, forward settling trades, auction takedown activity, repurchase transactions ("repos"), the multilateral netting of trades, the novation of netted trades, and daily marking-to-the-market. In connection with GSCC's clearance and settlement services, GSCC provides a centralized loss procedure and maintains margin to offset netting and settlement risks.

¹ 15 U.S.C. 78q-1, 78s(a) (1988).

² Letter from Sal Ricca, President and Chief Operating Officer, GSCC, to Richard Lindsey, Director, Division of Market Regulation, Commission (October 2, 1996) ("Registration Letter").

³ 17 CFR 240.17Ab2-1 (1996).

⁴ Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19639.

⁵ Securities Exchange Act Release Nos. 29067 (April 11, 1991), 56 FR 15652; 32385 (June 3, 1993), 58 FR 32405; 35787 (May 31, 1995), 60 FR 30324; and 36508 (November 27, 1995), 60 FR 61719.

GSCC believes that its efforts to enhance its system's safety and capacity argue in favor of permanent approval. For example, GSCC recently amended its rules (1) to enable GSCC to enter into one or more limited cross guarantee agreements⁶ and (2) to allow GSCC's interdealer broker netting members to become eligible for GSCC's repo netting service.⁷ In addition, GSCC represents that it and the Board of Trade Clearing Corporation have made progress toward establishing a cross-margining arrangement for the benefit of market participants that are active in both the cash and futures government markets. GSCC also represents that it is working with The Options Clearing Corporation to establish a link with the Intermarket Clearing Corporation for the settlement of certain new treasury futures products that will be offered by a futures exchange owned by the American Stock Exchange.

At the time of GSCC's initial registration, the Commission granted GSCC exemptions from the fair representation requirements in Section 17A(b)(3)(C) of the Act.⁸ In its Registration Letter, GSCC has requested that the Commission withdraw GSCC's exemption from the fair representation requirements in Section 17A(b)(3)(C). GSCC believes that its current selection process for its board of directors is equitable and assures members fair representation because any GSCC member may nominate candidates for election to GSCC's board and may vote for candidates so nominated. The Commission is reviewing GSCC's request to withdraw the exemption.

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application by November 15, 1996. Such written data, views, and arguments will be considered by the Commission in granting registration or instituting proceedings to determine whether registration should be denied in accordance with Section 19(a)(1) of the

⁶ Securities Exchange Act Release No. 37413 (July 9, 1996), 61 FR 36945.

⁷ Securities Exchange Act Release No. 37482 (July 25, 1996), 61 FR 40275.

⁸ In its order granting GSCC its initial temporary approval, the Commission stated that while the composition of GSCC's Board of Directors reasonably reflected GSCC's anticipated initial membership, the Commission believed that it would be appropriate to defer to a later date its determination of whether GSCC's process for selecting its Board of Directors assures participants fair representation. This decision was based on the fact that GSCC planned on expanding its services during the temporary registration period and on the uncertainty with regards to GSCC's future participant base.

Act.⁹ 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. Reference should be made to File No. 600-23. Copies of the amended application for registration and all written comments will be available for inspection 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.¹⁰

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-27435 Filed 10-24-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37845; File No. SR-NASD-95-54]

Self-Regulatory Organizations; Notice of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to a Modification of the Operation of the Small Order Execution System ("SOES") During Locked and Crossed Markets

October 21, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on November 15, 1995,¹ the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

⁹ 15 U.S.C. 78s(a)(1) (1988).

¹⁰ 17 CFR 200.30-3(a)(16) (1996).

¹ The NASD amended the proposed rule change four times subsequent to its initial filing. Amendment No. 4, filed October 16, 1996, changed the narrative in the proposed rule change. Amendment No. 3, filed October 2, 1996, replaced Amendment No. 2, which was filed September 23, 1996. Amendment No. 2, in turn, replaced Amendment No. 1, which was filed August 5, 1996.

The proposed rule change, as originally submitted, would have provided market makers with a 15-second grace period following their receipt of a SOES execution report during locked and crossed markets in which to update their quotation in that security before being required to execute another SOES order in that security. The filing as amended would establish a 5 second grace period between SOES executions in locked and crossed markets. See Letter from Robert E. Aber, Vice President and General Counsel, The Nasdaq Stock Market to Katherine England, Assistant Director, Division of Market Regulation, Commission (October 2, 1996).

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

The NASD proposes to modify NASD Rule 4730(b)(4)² to provide that during locked or crossed markets, the system will execute orders in five-second intervals against a locked or crossed market maker at the best price, regardless of whether the market maker was responsible for the locked or crossed condition. Below is the text of the rule change. Proposed new language is in italics. Deleted language is in brackets.

Marketplace Rules

* * * * *

Rule 4730 Participation Obligations in SOES

* * * * *

b. * * *

(4) At any time a locked or crossed market, as defined in Part VI, Section 2(e) of Schedule D to the NASD By-Laws, exists for an NNM security, a Market Maker with a quotation for that security in the Nasdaq System that is [causing the] locked or crossed [market] may have orders representing shares equal to the minimum exposure limit or the firm's exposure limit, whichever is greater, executed by SOES for that Market Maker's account at its quoted price if that price is the best price. Those orders will be executed irrespective of any preference indicated by the Order Entry Firm. *During locked or crossed markets, SOES will execute orders against those Market Makers that are locked or crossed in predetermined time intervals. This period of time shall initially be established as five (5) seconds, but may be modified upon necessary Commission approval and appropriate notification to SOES participants.*

* * * * *

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 NASD 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. The NASD has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

² NASD Manual, Marketplace Rules (CCH), Rule 4730.

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

The NASD is proposing to modify SOES to provide that during locked or crossed markets, the system will execute orders in five-second intervals against a locked or crossed market maker at the best price, regardless of whether the market maker was responsible for the locked or crossed condition. Currently, when markets are not locked or crossed, SOES provides market makers with a 15-second period of time following their receipt of a SOES execution report to update their quotation before being required to execute another order in that security through SOES. When the market for a Nasdaq National Market security is locked or crossed,³ however, SOES is currently designed so that the market maker whose quotation is locked or crossed will have SOES orders representing shares equal to the SOES minimum exposure limit⁴ or the firm's exposure limit, whichever is greater, executed by SOES against that market maker's account without any delay between SOES executions ("locked and crossed market rule").⁵ Thus, in such instances, unlike the operation of SOES during non-locked or crossed markets, the market maker's account will receive SOES executions without any delay between executions until its exposure limit is exhausted. In addition, during locked or crossed markets, SOES orders are executed against market makers whose quotations are locked or crossed irrespective of any preference indicated by the SOES order entry firm.

The locked and crossed market rule was formulated by the NASD and approved by the SEC in response to the operation of SOES during the October 1987 Market Break.⁶ Specifically, the feature was added to remedy the situation where SOES would cease executing orders in locked and crossed market situations. The feature was designed to increase the accuracy of displayed quotations in NNM securities by providing an incentive for market

³ Quotations are "locked" when the bid price quoted by one market maker in a security equals the ask price quoted by another market maker in the same security. Quotations are "crossed" when the bid price quoted by one market maker in a security is greater than the ask price quoted by another market maker in the same security.

⁴ The minimum exposure limit for SOES is currently twice the maximum SOES order size for a given security. Thus, the minimum exposure limit for a NNM security in the 1,000-share tier size is 2,000 shares.

⁵ See Rule 4730(b)(4).

⁶ See Securities Exchange Act Release No. 25791 (June 9, 1988), 53 FR 22594 (order approving file No. SR-NASD-88-1).