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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–NYSE–96–36 and should be submitted by April 14, 1997.

VII. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Sections 6(b)(4), 6(b)(5), and 6(b)(8) and the rules and regulations thereunder.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[115] that the proposed rule change (SR–NYSE–96–36) is approved on a pilot basis ending May 13, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[116]

Jonathan G. Katz,

Secretary.

[FR Doc. 97–7280 Filed 3–21–97; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–38410; File No. SR–OCC–96–18]

Self-Regulatory Organizations: The Option Clearing Corporation Order Granting Approval of a Proposed Rule Change To Revise Rules To Include Limited Cross-Guarantee Agreement

March 17, 1997.

On December 9, 1996, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–OCC–96–18) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] Notice of the proposal was published in the **Federal Register** on January 28, 1997.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change revises OCC's by-laws and rules to authorize OCC to execute ''Limited cross-guarantee agreements'' with other clearing agencies. A limited cross-guarantee agreement is an agreement between two or more clearing agencies that provides that if the parties to the agreement must liquidate the assets of an entity that is a member of two or more of the agencies (''common member'') and at least one of the clearing agencies liquidates the assets of the common member in its control to a loss and at least one liquidates the assets of the common member to a gain, each clearing agency liquidating to a gain will make the excess assets of the common member in its control available to each clearing agency liquidating to a loss up to the amount of the loss. If all of the parties to a limited cross-guarantee agreement liquidate the assets of a common member in their respective control to a gain or if all liquidate to a loss, the agreement provides that no assets will be made available by any party to the agreement to any other party. The cross-guaranties established in a limited cross-guarantee agreement are limited in the sense that each part to the agreement guarantees funds to the other parties only if it liquidates the assets of a common member in its control to a net gain and only up to the amount of the net gain.

The effect of a limited cross-guarantee agreement is to enable each part to the agreement to have recourse to the assets of a defaulting common member in the control of the other parties to the agreement. Therefore, a limited cross-guarantee agreement should reduce the risk of each of the clearing agencies which is a party to such an agreement because a defaulting common member may have positions spread across markets in such a manner that its net asset position at one clearing agency is positive even though its net asset position at another clearing agency is negative.

OCC is currently pursuing discussion of the terms of a limited cross-guarantee agreement with other clearing agencies. OCC anticipates that it will be filing with the Commission one or more limited cross-guarantee agreements to which it has become a party following the conclusion of those discussions.

The Commission has generally stated its support of the use of limited cross-guarantee agreements as a mean of reducing the exposure of clearing agencies to loss as a result of the default of common members.[3]

As part of its rules revision to provide for limited cross-guarantee agreements, OCC will add definitions of ''common member,'' ''cross guarantee party,'' and ''limited cross-guarantee agreement'' to Article I of its by-laws. OCC will add new paragraph (i) to Section 5 of Article VIII of its by-laws to provide explicitly that OCC may use the clearing fund contributions of a clearing member to satisfy its limited cross-guarantee obligations to other clearing agencies with respect to that clearing member. New paragraph (i) provides that the amount charged against a clearing member's contributions to the stock clearing fund and non-equity securities clearing fund will be in proportion to the clearing member's contributions to the stock clearing fund and the non-equity securities clearing fund as fixed at the time of the suspension of the clearing member. New paragraph (i) does not provide OCC with any authority to use the clearing fund contributions of other clearing members (*i.e.*, other than the defaulting clearing member) to satisfy any limited cross-guarantee obligation that OCC has to another clearing agency because OCC will not have any obligation pursuant to a limited cross-guarantee agreement which could require recourse to the clearing fund contributions of other clearing members.

OCC also will add new paragraph (j) to Section 5 of Article VIII of its by-laws to establish a rule for allocating funds received by OCC pursuant to a limited cross-guarantee agreement where OCC has charged, or will charge, the stock clearing fund and the non-equity securities clearing fund. The new paragraph provides that the funds will be credited to the stock clearing fund and the non-equity securities clearing fund in proportion to the computed contributions of the suspended clearing member to the two clearing funds as fixed at the time of the suspension of the clearing member. If one of the two clearing funds is made whole then the remainder of the funds will be credited entirely to the other clearing fund.

OCC will add three new interpretations to Article VIII, Section 5 of its by-laws. New interpretation .03 states explicitly that if OCC has a deficiency after the application of all available funds of a suspended clearing member and if OCC cannot determine

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[115] 15 U.S.C. 78s(b)(2).

[116] 17 CFR 200.30–3(a)(12).

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

[2] Securities Exchange Act Release No. 38188 (January 21, 1997), 62 FR 4089.

[3] Securities Exchange Act Release No. 37616 (August 28, 1996), 61 FR 46887 [File Nos. SR–MBSCC–96–02, SR–GSCC–96–03, and SR–ISCC–96–04] (order approving proposed rule changes seeking authority to enter into limited cross-guaranty agreements).

whether or in what amount it will be entitled to receive funds from a cross-guarantee party or when it will receive such funds, with respect to the clearing member, OCC may, in its discretion, make a charge against other clearing members' contributions to the stock clearing fund and/or the non-equity securities clearing fund. New interpretation .04 states explicitly that if OCC determines that it is likely to receive funds from a cross-guarantee party with respect to the clearing member, OCC may in anticipation of receipt of the funds from the cross-guarantee party, forego making a charge, or make a reduced charge against other clearing members' contributions to the stock clearing fund and/or the non-equity securities clearing fund. If OCC does not receive the anticipated funds or receives funds in a smaller amount than anticipated, OCC may make a charge or an additional charge against other clearing members' contributions to the stock clearing fund and/or the non-equity securities clearing fund. New interpretation .05 states explicitly that if OCC were ever to be required to refund funds which it had received from a cross-guarantee party back to the cross-guarantee party, OCC could make a charge or an additional charge against other clearing members' contributions to the stock clearing fund and/or the non-equity securities clearing fund to make itself whole. The charge would be based on the other clearing members' computed contributions as fixed at the time of the refund and not at the time of the suspension of the clearing member.

OCC also will add new paragraph (d) to its Rule 1104 to state explicitly that OCC may use any positive balance remaining in a clearing member's liquidating settlement account to satisfy any obligation with respect to that clearing member which OCC may have to any other clearing agency pursuant to a limited cross-guarantee agreement. The new paragraph is needed to assure that OCC's use of the assets of a clearing member in this manner is authorized by OCC's rules because Rule 1104(a) states that funds of a suspended clearing member subject to OCC's control shall be placed in the clearing member's liquidating settlement account and used ''for the purposes hereinafter specified.''

II. Discussion

Seciton 17A(b)(3)(F) of the Act[4] 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. The Commission believes the rule change is consistent with OCC's obligation to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible because cross-guarantee agreements among clearing agencies are a method of reducing clearing agencies' risk of loss due to a common member's default. Furthermore, the Commission has encouraged the use of cross-guarantee agreements and other similar arrangements among clearing agencies.[5] Consequently, cross-guarantee agreements should assist clearing agencies in assuring the safeguarding of securities and funds in their custody or control.

The Commission also believes the rule change is consistent with OCC's obligation to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. The Commission believes that by entering into such cross-guarantee agreements, clearing agencies can mitigate the systemic risks posed to an individual clearing corporation and to the national clearance and settlement system arising from the default of a common member.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular 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–OCC–96–18) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[6]

Jonathan G. Katz,

Secretary.

[FR Doc. 97–7341 Filed 3–21–97; 8:45 am]

BILLING CODE 8010–01–M

[4] 15 U.S.C. 78q–1(b)(3)(F).

[5] Securities Exchange Act Release Nos. 36431 (October 27, 1995), 60 FR 55749 [File No. SR–GSCC–95–03] and 36597 (December 15, 1995), 60 FR 66570 [File No. SR–MBSCC–95–05] (orders approving proposed rule changes authorizing the release of clearing data relating to participants).

[6] 17 CFR 200.30–3(a)(12).

DEPARTMENT OF STATE

Office of Defense Trade Controls

[Public Notice 2521]

Statutory Debarment Under the International Traffic in Arms Regulations

AGENCY: Department of State.

ACTION: Notice.

SUMMARY: Notice is hereby given that the Department of State has imposed statutory debarment pursuant to Section 127.7(c) of the International Traffic in Arms Regulations (22 CFR Parts 120–130) (ITAR) for all export license applications and other requests for approval involving the Armaments Corporation of South Africa, Ltd. (Armscor); Kentron (Pty) Ltd. (Kentron); the Denel Group (Pty) Ltd. (Denel); and, any divisions, subsidiaries, associated companies, affiliated persons, and successor entities.

EFFECTIVE DATE: February 27, 1997.

FOR FURTHER INFORMATION CONTACT: Philip S. Rhoads, Chief, Compliance and Enforcement Branch, Office of Defense Trade Controls, Department of State (703–875–6644).

SUPPLEMENTARY INFORMATION: Section 38(g)(4) of the Arms Export Control Act (22 U.S.C. 2778) (AECA) prohibits licenses and other requests for approval for the export of defense articles and the furnishing of defense services to be issued to a person, or any party to the export, convicted of violating or conspiring to violate the AECA. This notice is provided in order to make the public aware that the following entities are prohibited from participating directly or indirectly in the export from the United States of defense articles, related technical data, or defense services for which a license or other approval is required from the Department of State under the AECA:

1. The Armaments Corporation of South Africa, Ltd., (Armscor), Private Bag X337, 0001 Pretoria, South Africa
2. The Denel Group (Pty) Ltd. (Denel), P.O. Box 8322, 0046 Hennopsmeer, South Africa
3. Kentron (Pty) Ltd., P.O. Box 7412, 0046 Hennopsmeer, South Africa.

Effective June 8, 1994, the Department of State implemented a policy of denial pursuant to Sections 38 and 42 of the AECA and Sections 126.7(a) (1) and (a)(2) of the ITAR for Armscor, Denel, Kentron, and, any divisions, subsidiaries, associated companies, affiliated persons, and successor entities in response to an indictment returned in the U.S. District Court for the Eastern