

using one or more intermediate special purpose subsidiaries (collectively, "PSCo Subs"). As special purpose subsidiaries to be formed for the primary purpose of acquiring an interest in Foreign Utility, PSCo Subs will derive no income from United States operations and will not be public-utility company operating in the United States. PSCo Subs will not engage in any business other than the acquisition of Foreign Utility, supervision of PSCo's investments in Foreign Utility and the participation in the management and operations of Foreign Utility.

PSCo states that it will not seek recovery through higher rates to its customers or the customers of its public-utility subsidiary, Cheyenne Light, Fuel and Power Company ("CLF&P"), to compensate it for any possible loss that it might sustain by reason of the proposed Foreign Utility investment or for any inadequate returns on such investment. PSCo has further undertaken to apply to the Colorado Public Utilities Commission and CLF&P has undertaken to apply to the Wyoming Public Service Commission, which have jurisdiction over the respective companies' retail electric and gas rates, for certification that each commission has the authority and resources to protect ratepayers subject to its jurisdiction and that it intends to exercise its authority in connection with the proposed Foreign Utility investment. PSCo represents that its domestic utility operations will be fully separated from its foreign operations.

As a result of the proposed acquisition, Foreign Utility will be a public-utility subsidiary of PSCo within the meaning of section 2(a)(8) of the Act. PSCo requests an unqualified order under section 3(b) of the Act exempting Foreign Utility from all provisions of the Act applicable to it as a subsidiary company of PSCo. The application states that, if an unqualified exemption under section 3(b) is granted, the PSCo Subs will rely upon the exemption provided by rule 10(a)(1) under the Act with respect to Foreign Utility, and PSCo will rely upon rule 11(b)(1) to provide an exemption from the approval requirements of sections 9(a)(2) and 10 to which it would otherwise be subject.

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

Margaret H. McFarland,
Deputy Secretary.

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Sunshine Act Meeting

Agency Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following open meeting during the week of January 27, 1997.

An open meeting will be held on Tuesday, January 28, 1997, at 10:00 a.m., in Room 1C30. The closed meeting, previously announced in 62 FR 3546, January 23, 1997, will follow the open meeting.

The subject matter of the open meeting scheduled for Tuesday, January 28, 1997, at 10:00 a.m., will be:

Consideration of whether to issue a release adopting amendments to revise Rule 4-08 of Regulation S-X to provide for specific disclosures of accounting policies for certain derivative instruments and to add Item 305 to Regulation S-K to provide for disclosure of market risk information related to certain derivative and other instruments. For further information, please contact Russell Mallett in the Office of the Chief Accountant at (202) 942-4400.

Commissioner Wallman, as duty officer, determined that no earlier notice thereof was possible.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

Dated: January 24, 1997.

Jonathan G. Katz,
Secretary.

[FR Doc. 97-2202 Filed 1-24-97; 12:27 pm]

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[Release No. 34-38186; File No. SR-DTC-96-21]

Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to the Reversal of Reclamations by Issuing and Paying Agents

January 21, 1997.

On November 5, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-21) 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 December 6, 1996.² No comment letters

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 38007 (December 2, 1996), 61 FR 64774.

were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The rule change offers a new service that will allow issuing and paying agents ("IPA") to direct DTC to reverse all matched reclamations for a particular program which are made after 3:00 p.m. and which are attributable to issuer failure. Under DTC's money market instruments ("MMIs") program, IPAs act as agents for MMI issuers. As such, IPAs issue MMIs on the issuers' behalf, and DTC automatically processes income and maturity payments to the IPAs' accounts. Both the credits generated from the issuances and the debits generated from income and maturity payments are netted into the IPA's DTC settlement obligation.

An IPA may issue MMIs and make periodic payments of income, redemption, or other proceeds on MMIs upon presentment throughout the day. An IPA is able to reverse issuances and payments for a particular program in the event of an issuer's failure by giving notice to DTC by 3:00 p.m. of the IPA's refusal to pay. This reversal mechanism is designed to make the MMI market more efficient by allowing IPAs to make issuances and payments throughout the day with respect to a particular MMI program while providing the IPAs with the protection of being able to reverse until 3:00 p.m. these issuances and payments in the event that it becomes apparent that an issuer will be unable to honor its obligation under a particular MMI program.³ If this mechanism were not in place, an IPA would have to wait until it received funds from an issuer before making any payments to avoid taking the credit risk and being potentially at risk for the funds it had distributed throughout the day. This process permits participants having positions in the MMIs to use credits for payments on the MMIs throughout the day.⁴

To facilitate the conversion to the same day funds settlement ("SDFS"), DTC implemented a new processing schedule. As part of the new processing schedule, DTC introduced an extended

³ The refusal to pay deadline was set at 3:00 p.m. by the industry during the period when deliveries of MMIs were made physically.

⁴ Currently, throughout the processing day a participant is allowed to use all payment credits it has received that day in connection with MMI programs, other than the single largest net payment, in order to meet its net debit cap and collateral monitor requirements.

reclamation period that allowed participants to reclaim deliveries (*i.e.*, return deliveries) until 3:30 p.m.⁵ The reclamation procedure is designed to provide the recipient of a delivery with the opportunity to reject the delivery.

Prior to this amendment, a participant could unwind through the reclamation process issuances previously made by the IPA between 3:00 p.m. and 3:30 p.m., but an IPA was not able to unwind after 3:00 p.m. income and maturity payments it had made. The rule change extends the IPA's refusal to pay opportunity with respect to reclamations made to its account between 3:00 p.m. and the end of the reclamation period. The rule change allows IPAs to instruct DTC to reverse those reclaims that are processed after 3:00 p.m. in the event that the IPA believes the reclaims are associated with the issuer's insolvency. The IPA is able to request the reversal of these reclamations by giving DTC oral notice within fifteen minutes after the end of the reclamation period. Within thirty minutes after the end of the reclamation period, the IPA is required to provide DTC with written notice of the basis for which DTC could treat the issuer as insolvent under its rules.⁶ A copy of the

⁵ The end of the reclamation period is approximately 3:30, but this deadline may vary slightly depending upon the timing of the release of other DTC controls.

⁶ DTC's Rule 12 which governs insolvency provides: "An issuer of MMI securities subject of any transaction in the MMI Program shall be treated by [DTC] in all respects as insolvent in the event that the issuer is determined to be insolvent by any agency which regulates such issuer or in the event of the entry of a decree or order by a court having jurisdiction in the premises adjudging the issuer a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the issuer under the Federal Bankruptcy Code or any other applicable Federal or State law or appointing a receiver, liquidator, assignee, trustee, sequester (or other similar official) of the issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs or the institution by the issuer of proceedings to be adjudicated a bankrupt or insolvent or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequester (or other similar official) of the issuer or of any substantial part of its property, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the issuer in furtherance of any such action and, notwithstanding the foregoing, upon the filing by the issuer of a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the issuer under the Federal Bankruptcy Code or any other applicable Federal or State law, or the filing against it or any such petition, at any time [DTC] receives notice thereof, either written or oral and from whatsoever source and, without

IPA's written notice would then be provided to all participants.

II. Discussion

Section 17A(b)(3)(F) provides that the rules of a clearing agency must be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency.⁷ The Commission believes that the rule change is consistent with DTC's obligations under the Act because it enables IPAs to make issuances and payments with respect to a particular MMI program throughout the day while still affording the IPAs certain protections in the event of an issuer default. By extending IPA's ability to reverse payments in the event of issuer default, the proposal should result at the end of the day in a decrease in the number of money transfers that have been made to participants but to which the participants are not entitled because of issuer defaults while still providing for credits to be made available to participants during the day. As a result, the proposal should help facilitate the clearance and settlement of securities transactions, while still providing for the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

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-DTC-96-21) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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awaiting any further adjudication, consent thereto, acceptance or approval of such filing, determines to its reasonable satisfaction that such has occurred."

⁷ 15 U.S.C. 78q-1(b)(3)(F)

⁸ 17 CFR 200.30-3(a)(12).

[Release No. 34-38188; File No. SR-OCC-96-18]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change To Revise Rules To Include Limited Cross-Guarantee Agreements

January 21, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 9, 1996, The Options Clearing Corporation ("OCC") 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 OCC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

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

The purpose of the proposed rule change is to revise OCC's by-laws and rules to authorize OCC to execute "limited cross-guarantee agreements" with other clearing agencies.

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

In its filing with the Commission, OCC 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. OCC 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

The purpose of the proposed rule change is to revise 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

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by OCC.