

arguments concerning the foregoing. 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. 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 Room. 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-CBOE-97-44 and should be submitted by October 16, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39095; File No. SR-DTC-97-08]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding the Memo Segregation Service

September 19, 1997.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on June 1, 1997, The Depository Trust Company ("DTC") 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 DTC. 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 proposed rule change will modify the procedures for participants to control their collateral in connection

with the use of DTC's memo segregation service ("memo seg").

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

In its filing with the Commission, DTC 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. DTC 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

DTC developed memo seg to assist participants in their compliance with Rule 15c3-3 under the Act.³ Rule 15c3-3, among other things, requires that broker-dealers maintain control of all fully-paid and excess margin securities they hold for the accounts of customers.⁴ Memo seg enables participants, particularly broker-dealer participants, to segregate customer fully-paid and excess margin securities by creating a memo position within their free accounts. This memo position enables participants to protect themselves from unintended deliveries of customer fully-paid and excess margin securities that either are in the participant's free account or that may be received during the daily processing cycle.

One of DTC's primary risk management controls to protect DTC in the event of a participant's failure to settle is DTC's collateralization procedures. These procedures are designed to assure that a participant's net debit does not exceed the total collateral available in its account. One of the methods available to a participant to collateralize its account is to give DTC a standing instruction that designates as collateral those securities in its free account at the start of the processing day. Currently, this instruction would apply to all securities in the participant's free account, including securities for which a memo seg position has been created.

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

³ For a detailed description of memo seg, refer to Securities Exchange Act Release No. 26250 (November 3, 1988), 53 FR 45638 (File No. SR-DTC-88-16) (order permanently approving DTC's proposed rule change).

⁴ 17 CFR 240.15c3-3.

Accordingly, the proposed rule change will amend DTC's participant collateralization procedures to exclude start-of-day memo seg positions from classification as collateral even if the participant has given DTC a standing instruction to designate as collateral all securities in its free account. If a participant subsequently wishes to utilize memo seg positions as collateral, it will be permitted to do so by giving DTC the appropriate instructions. DTC believes that the proposed rule change will assist participants in retaining the protections of memo seg from one day to the next which should reduce the potential for unintended deliveries of customer fully paid or excess margin securities.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(A) of the Act⁵ and the rules and regulations thereunder because it promotes efficiencies in the clearance and settlement of securities transactions.

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

DTC perceives no impact on competition by reason of the proposed rule change.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments from DTC participants or others have not been solicited or received on the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁶ and Rule 19b-4(e)(4) thereunder⁷ because it effects a change in an existing service of DTC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of DTC or persons using the service. At any time within sixty days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors,

⁵ 15 U.S.C. 78q-1(b)(3)(A).

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(e).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. 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. 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, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR-DTC-97-08 and should be submitted by October 16, 1997.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39099; File No. SR-GSCC-97-08]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Extend the Maximum Term for Repurchase Agreements

September 19, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 6, 1997, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-97-08) as described in Items I and II below, which items have been

prepared primarily by GSCC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval of the proposal.

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

GSCC proposes to amend the time frame for the maximum allowable number of calendar days that the term of a repurchase agreement ("repo") may span.

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

In its filing with the Commission, GSCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. GSCC has prepared summaries, set forth in section (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

GSCC proposes to extend the maximum number of calendar days that a repo's term may span and still be eligible for netting services from 360 calendar days to two calendar years. GSCC Rule 11 states the requirements that a repo must meet in order to be eligible for netting services and provides that the number of calendar days between the scheduled settlement date for the close leg and the business day on which trade data is submitted may not be greater than the "maximum number of business days established by the Corporation for such purpose and published in a schedule made available to members. * * *" When GSCC introduced its repo netting service in November 1995, it set the maximum number of days allowable between scheduled settlement and data submission at 195 calendar days.³ Last year, it received Commission approval

² The Commission has modified the text of the summaries submitted by GSCC.

³ Securities Exchange Act Release No. 36491 (November 17, 1995), 60 FR 61577 [File No. SR-GSCC-95-02] (order approving proposed rule change implementing netting services for certain repo transactions).

to extend this maximum time period to 360 calendar days.⁴

In response to rising repo volumes and at the request of GSCC's members that engage in repos with a term of greater than one year, GSCC proposes to extend the time period that a repo term may span and still be eligible for netting services to two years. Members will benefit from the inclusion of longer term repos in the netting service because clearing and settlement risks and costs will be further reduced by encompassing more repo transactions into the net. GSCC believes that its risk management procedures currently in place are sufficient to protect against any exposure created by longer repo terms. GSCC will continue to monitor and to evaluate all aspects of its repo netting services.

GSCC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F)⁵ of the Act and the rules and regulations thereunder because it promotes the prompt and accurate clearance and settlement of securities transactions and safeguards securities and funds in GSCC's custody or control.

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

GSCC does not believe that the proposed rule change will have an impact 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

Written comments relating to the proposed rule change have not yet been solicited or received. Members will be notified of the rule change filing and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments received by GSCC.

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 must be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.⁶ The Commission believes that the proposed

⁴ Securities Exchange Act Release No. 37996 (November 27, 1996), 61 FR 64778 [File No. SR-GSCC-96-11].

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ *Id.*

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).