

proposed rule change (File No. SR-CBOE-95-48) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority:<sup>29</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-38048; File No. SR-GSCC-96-13]

**Self-Regulatory Organizations;  
Government Securities Clearing  
Corporation; Notice of Filing of a  
Proposed Rule Relating to the  
Eligibility of Treasury Inflation  
Protection Securities for Netting  
Services**

December 13, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 21, 1996, the Government Securities Clearing Corporation ("GSCC") 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 GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change will make the U.S. Department of Treasury's Treasury Inflation Protection Security eligible for clearance and settlement at GSCC.

**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 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 sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

**(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 make the Treasury Inflation Protection Security eligible for clearance and settlement at GSCC. The Treasury Inflation Protection Security is a marketable, book-entry inflation protection security that is being issued by the Department of the Treasury.<sup>3</sup> GSCC believes that in order to maximize the desirability of the Treasury Inflation Protection Security from a trading perspective and to ensure that their introduction does not result in any increased clearance and settlement risk for the marketplace, GSCC should be able to compare, net, and settle these securities. Therefore, GSCC is planning to make the Treasury Inflation Protection Security eligible for its netting process prior to the U.S. Department of Treasury's first auction of the Treasury Inflation Protection Security, which is scheduled for the January 1997 auction of the ten-year note. Other maturities will be issued later.

The Treasury Inflation Protection Security provides inflation protection by adjusting semiannually the principal amount of investors' holdings by multiplying the stated value at issuance (i.e., par amount) by an index ratio. The applicable index will be the U.S. City Average All Items Consumer Price Index for All Urban Consumers ("CPI") published by the Bureau of Labor Statistics of the U.S. Department of Labor. The Treasury Inflation Protection Security will be redeemed at maturity at the greater of its inflation adjusted principal or its par amount.

The Treasury Inflation Protection Security will be issued with a stated fixed rate of interest based on the rate determined at auction. Although the interest rate is fixed, because the interest rate is paid on a varying amount of principal, the coupon payments will also be variable. This will be the first time that GSCC has made a variable-rate security eligible for netting.

For GSCC to process the Treasury Inflation Protection Security, the following enhancements must be made to GSCC's automated system.

1. Creation and maintenance of a database of historical CPI indexes. This

data is necessary for determining accrued interest, which is used in valuing positions for settlement purposes and for forward margin and clearing fund calculations.

2. Modification of the security database to permit GSCC to designate the Treasury Inflation Protection Security as a variable rate security.

3. Modifications to participant input and output formats to take into account different and additional data elements.

After these enhancements have been made, GSCC plans to test with GSCC members before "going live" with the new service in order to ensure that participants are able to properly provide and receive data regarding transactions in these new securities.

GSCC worked with the Public Securities Association to determine a uniformly acceptable method for the industry to reflect the inflation index in the calculation of final money on Treasury Inflation Protection Security transactions. Consistent with these discussions, participants will submit transactions using a price that has not been adjusted for inflation. GSCC will compare and report transactions based on its Final Settlement Money formula. Final Settlement Money will equal the original par value multiplied by the CPI index ratio multiplied by the unadjusted price plus the inflation adjusted accrued interest. Inflation adjusted accrued interest will equal the original par value multiplied by the inflation ratio multiplied by the CPI index ratio multiplied by the interest rate multiplied by the term.

GSCC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act<sup>4</sup> and the rules and regulations thereunder because it is designed to promote the prompt and accurate clearance and settlement of securities transactions.

**(B) Self-Regulatory Organization's  
Statement of 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

<sup>29</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 789s(b)(1).

<sup>2</sup> The Commission has modified the text of the summaries prepared by GSCC.

<sup>3</sup> The Department of Treasury has proposed amendments to 31 CFR Part 356 (Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds) to accommodate the issuance of the Treasury Inflation Protection Security. Department of Treasury Circular, Public Debt Service No. 1-93 (September 23, 1996), 61 FR 50924 (September 27, 1996).

<sup>4</sup> 15 U.S.C. 78q-1(b) (3) (F).

Commission of any written comments it receives.

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

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which GSCC consents, the Commission will:

(A) By order approve such proposed rule change or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

### 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 Room, 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 GSCC. All submissions should refer to the file number SR-GSCC-96-13 and should be submitted by January 13, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-32335 Filed 12-19-96; 8:45 am]

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[Release No. 34-38052; File No. SR-NASD-96-40]

### Self-Regulatory Organizations; Order Approving Proposed Rule Change by the National Association of Securities Dealers, Inc. Amending the Inclusion Criteria for the Supplemental List of the Mutual Fund Quotation Service

December 16, 1996.

On October 18, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, and Rule 19B-4 thereunder.<sup>2</sup> The proposed rule change amends NASD Rule 6800 to provide new criteria to permit smaller mutual funds and money market funds to disseminate their prices via the Mutual Fund Quotation Service ("Service"). Notice of the proposed rule change, together with the substance of the proposal, was published in the Federal Register.<sup>3</sup> No comment letters were received. The Commission is approving the proposed rule change.

#### I. Background

The Service provides for the collection and dissemination of prices for both mutual funds and money market funds. The Service consists of two lists: the News Media List and the Supplemental List. The News Media List,<sup>4</sup> which is not being amended by this rule filing, consists of data on more than 6,000 funds which Nasdaq distributes daily to newspapers and to vendors through its Level 1 Service.

Eligible funds that do not qualify for the News Media List have been eligible for price dissemination solely through the Level 1 Service. The criteria for inclusion in this list of smaller funds has been a size test, requiring 300 fund shareholders at the time of initial application for inclusion in the Supplemental List. According to the Investment Company Institute ("ICI"), approximately 2,100 funds do not qualify for either the News Media or Supplemental Lists. In the course of discussions with ICI, the Nasdaq determined that, while many smaller funds may have smaller numbers of

beneficial owners that keep such funds from meeting the 300 shareholder test, the same funds often have substantial net assets. Because these funds do not qualify for the Nasdaq Stock Market, Inc. ("Nasdaq") Service, these smaller funds do not have a centralized means of disseminating their prices to broker-dealers, rating services and individual investors. Instead, these funds distribute their prices to various entities by fax or telephone.

#### II. The Terms of Substance of the Proposed Rule Change

The proposed rule change amends NASD Rule 6800 to revise the Service's Supplemental List criteria to delete the requirement that a fund have 300 shareholders and replace it with two alternative standards. First, a mutual fund may meet the Supplemental List inclusion standard if the fund has net assets at the time of application of \$10 million or more. In the alternative, a fund would qualify regardless of net assets or shareholder members if it has operated for two full years.

#### III. Discussion

The Commission believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act in that it promotes better processing of pricing information in securities, protects investors and the public interest, and is designed to produce fair and informative prices for smaller mutual funds. The Association has represented that the new informative prices for smaller mutual funds. The Association has represented that the new Supplemental List criteria for the Service should permit approximately 1,400 more funds to provide Nasdaq with price information through its Level 1 Service, which is distributed over more than 280,000 terminals. Because of the present inefficiencies, costs, and lack of transparency associated with communicating by fax or telephone, the Commission believes that distribution of Net Asset Value information for smaller fund through the Service significantly aids investors in such funds. The Commission believes that the Service promotes efficient, centralized dissemination of critical information to a wide audience, and thereby promotes the transparency of smaller funds prices. Furthermore, the Commission believes the Service may help the affected funds reduce the costs associated with distributing Net Asset Value information to various entities by fax or telephone.

<sup>1</sup> 15 U.S.C. § 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4

<sup>3</sup> Securities Exchange Act Release No. 37922 (November 5, 1996), 61 FR 58271 (November 13, 1996).

<sup>4</sup> The criteria for inclusion in the News Media List are: (1) for initial inclusion—at least 1,000 shareholders or \$25 million in net assets; (2) for continued inclusion—at least 750 shareholders or \$15 million in net assets.

<sup>5</sup> 17 CFR 200.30-3(a)(12) (1996).