

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁵ and subparagraph (e) of Rule 19b-4 thereunder.⁶

At any time within sixty days of the filing of such proposed 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, 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 at 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 the CHX. All submissions should refer to File No. SR-CHX-97-18 and should be submitted by August 1, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38796; File No. SR-DCC-97-02]

Self-Regulatory Organizations; Delta Clearing Corp.; Order Approving a Proposed Rule Change Relating to Multiple Brokers for Options Transactions

June 30, 1997.

On March 11, 1997, Delta Clearing Corp. ("Delta") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DCC-97-02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act").¹ Notice of the proposal was published in the **Federal Register** on May 13, 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 modifies Delta's procedures for options trading ("Options Procedures") to allow brokers which have been approved by Delta pursuant to the conditions set forth in the Options Procedures to submit trade reports for options transactions on behalf of participants. Currently, Delta's Options Procedures provide that Delta may accept trade reports for options transactions only from one broker, Euro Broker Maxcor, Inc. ("Euro Broker").

Although the rule change allows Delta to designate certain options brokers as authorized to submit trades, such brokers will not be accorded the status of a "participant," and the Options Procedures make no provision for an authorized broker to maintain money or securities accounts at Delta. Accordingly, no provision has been made for margin requirements or liquidation of an authorized broker's accounts in the event of the broker's suspension. Nevertheless, the procedures identify the minimum requirements a brokers' broker must meet and the procedures Delta must follow in the event it determines to deny access to an authorized broker or

suspend an authorized broker's access to Delta's clearing system.³

The rule change amends Section 401 of the Options Procedures to provide for submission of trade reports by authorized brokers in the case of brokered transactions or by participants in the case of nonbrokered transactions. The rule change also amends Section 2002 of the procedures to provide that every authorized broker shall keep records showing the name of the participants to the transactions with respect to each transaction submitted by such authorized broker to be effected through Delta's clearing system.⁴

³ The conditions for designation as an authorized broker are set out in Section 2001 of the Options Procedures. The qualifications necessary for designation as an authorized broker include the following: (1) the broker must be properly registered with the Commission under Section 15(b) or 15C of the Exchange Act and be a member in good standing of the National Association of Securities Dealers, Inc.; (2) the broker must indicate an interest in brokering transactions to be cleared through Delta's clearing system and must have the operational capacity to do so; (3) the broker must review the requirements of Exchange Act Rule 17a-23 and must execute a certificate confirming its compliance therewith; (4) the broker must be in compliance with all net capital requirements; (5) the broker must maintain the books and records required to be maintained under the Options Procedures; (6) the broker must employ personnel and utilized procedures which are sufficient to discharge its obligations in a timely and efficient manner; and (7) absent special circumstances, neither the broker nor any associated persons shall be subject to a statutory disqualification.

⁴ The rule change also makes other sections of the Options Procedures apply to options brokers. These include:

(i) Section 206, requiring the delivery of financial reports and audits;

(ii) Section 208, setting forth the admission procedure for an applicant;

(iii) Section 209(a), requiring an authorized broker prior to admission as an authorized broker to execute an agreement agreeing to be bound by Delta's procedures;

(iv) Sections 209(b)(iv) and (v), pursuant to which an authorized broker agrees to permit inspection of its books and records (limited to the extent relating to transactions cleared through Delta's clearing system) and to indemnify Delta and its principals from default of misconduct by the authorized broker;

(v) Section 210(b), allowing an authorized broker to withdraw voluntarily by delivering written notice to Delta and Delta's clearing bank;

(vi) Sections 301 and 303, requiring among other things that the authorized broker maintain an office during business hours at which a representative of the authorized broker would be available to take all actions necessary for conducting business through the clearing system and maintain computer and communication equipment capable of supporting software provided by Delta enabling computer to computer communication of reports and other notices;

(vii) Article XII (Sections 1201, 1202, and 1208), providing for suspension of authorized brokers upon the terms set forth therein;

(viii) Article XV, applying the force majeure provisions to authorized brokers;

(ix) Article XVII, pursuant to which the authorized brokers agree to submit to the jurisdiction of the courts of the State of New York

⁵ *Id.* Section 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 38568 (May 2, 1997), 62 FR 26342.

Brokers may be approved to act either as authorized brokers for options transactions or as authorized brokers for repurchase agreement transactions cleared through Delta or may be approved to act as authorized brokers for both options and repurchase agreement transactions. Initially, Delta anticipates that there will be three entities which will apply and will be authorized as brokers for the options clearing system.⁵

Delta expects that the approval of authorized brokers for options transactions may increase the volume of options transactions cleared through Delta; however, Delta expects to clear no more than two hundred options contracts per day as a consequence of admitting additional authorized brokers. In light of the fact that the approval of authorized brokers may result in increased trading volume and the fact that Delta presently clears options and repurchase agreement transactions on two different hardware platforms, Delta has adopted interim internal operating procedures providing for manual oversight of participant and system exposures limits.⁶

II. Discussion

Section 17A(b)(3)(F) ⁷ of the Exchange Act requires that a clearing agency be organized and its rules be designed to promote the prompt and accurate clearance and settlement of securities transactions, to safeguard funds and securities in its custody or control, and to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. The Commission believes that Delta's introduction of multiple brokers for options transactions should permit wider utilization of its clearing system by participants. Thus, the proposal should increase the number of trades that are incorporated into the national clearance and settlement system and that will obtain the benefit of Delta's guarantee and Delta's risk management system. By allowing more trades to be

settled through an automated clearance system, the proposal should also enhance the prompt and accurate clearance and settlement of trades.

The Commission believes that providing for multiple brokers for options transactions and the possible increase in options trades processed through Delta is being done consistently with Delta's obligations to safeguard securities and funds under Section 17A. For example, Delta has adopted procedures to monitor participants' exposure. Also, Delta will only accept brokers that meet certain standards designed to ensure that the broker has the facilities to perform its functions promptly and accurately. Finally, Delta will receive the broker's financial statements and the ability to inspect the broker's books and records and thus will be able to monitor any changes in the broker's condition.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Exchange Act and in particular with the requirements of Section 17A of the Exchange Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Exchange Act, that the proposed rule change (File No. SR-DCC-97-02) 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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DEPARTMENT OF STATE

[Public Notice No. 2561]

Specification of Laws pursuant to the Taiwan Relations Act

Pursuant to Executive Order No. 13014 of August 15, 1996 (61 FR 42963), and by virtue of the authority vested in me as Assistant Secretary of State for Consular Affairs by the Secretary of State in Delegation of Authority No. 218 of September 17, 1996, and after appropriate consultation with the potentially interested or affected federal agencies, I hereby specify the following provisions of law pursuant to section 7(a) of the Taiwan Relations Act, 22 U.S.C. 3306(a):

(a) The citizenship and nationality laws of the United States, including but

not limited to Title III of the Immigration and Nationality Act (INA) of 1952, as amended, 8 U.S.C. 1401 *et seq.*, to the extent that the functions provided for therein are conferred upon diplomatic and consular officers of the United States.

(b) The passport laws of the United States, including but not limited to the Passport Act of 1926, as amended, 44 Stat. 887, 22 U.S.C. 211a *et seq.*, to the extent that the functions provided for therein are conferred upon diplomatic and consular officers of the United States.

This specification shall be published in the **Federal Register**.

Dated: June 16, 1997.

Mary A. Ryan,

Assistant Secretary of State.

The text of Delegation of Authority 218 is set forth below.

Delegation of Authority No. 218

Specification of Law Pursuant to the Taiwan Relations Act

Pursuant to section 7(a) of the Taiwan Relations Act (hereinafter, "TRA"), 22 U.S.C. 3306(a), and by virtue of the authority vested in me as Secretary of State by section 1 of the State Department Basic Authorities Act of 1956, *as amended*, 22 U.S.C. 2651a, and section 1-101 of Executive Order No. 13014 of August 15, 1996 (61 FR 42963), I hereby provide as follows:

1. Specification of Laws

I hereby specify the following provisions of law pursuant to section 7(a) of the TRA, 22 U.S.C. 3306(a):

(a) Section 1707 of the Revised Statutes (22 U.S.C. 4193);

(b) Section 1708 of the revised Statutes, *as amended* (22 U.S.C. 4194);

(c) Section 1709 of the Revised Statutes, *as amended* (22 U.S.C. 4195);

(d) Section 1710 of the Revised Statutes, *as amended* (22 U.S.C. 4196);

(e) Section 1711 of the Revised Statutes, *as amended* (22 U.S.C. 4197);

(f) Section 1718 of the Revised Statutes (22 U.S.C. 4198); and,

(g) Section 7 of the Act of April 5, 1906 (22 U.S.C. 4215).

These specifications shall be retroactive to August 15, 1996.

2. General Delegation

I hereby delegate to the Assistant Secretary of State for Consular Affairs the authority to specify laws of the United States pursuant to section 7(a) of the TRA, 22 U.S.C. 3306(a), after appropriate consultation with potentially interested or affected federal agencies, as the Assistant Secretary deems appropriate.

3. Technical Provisions

(a) Notwithstanding any provision of this Specification and Delegation of Authority, the Secretary of State or the Deputy Secretary of State may at any time exercise any function delegated herein.

or the United States courts for the Southern District of New York; and

(x) The definition of authorized representative in Article I.

⁵ Such brokers are Euro Broker, RMJ Options Trading Corp., and GFI Group, Inc.

⁶ At the start of each business day, Delta will review the exposure of each participant from options and repurchase agreement transactions to determine any violations of exposure limits. Delta will establish a watch list of any participant whose exposure is 80% of their exposure limit. Delta will monitor closely all activity by participants on the watch list. If necessary, Delta will also calculate intraday exposure for participants which may result in additional collateral calls.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 17 CFR 200.30-3(a)(12).