

with, such other person; and officer, director, partner, copartner or employee of such other person; or, if such other person is an investment company, any investment adviser of the investment company. Each Partnership is an affiliated person of an affiliated person of the Company because TAMCO, the general partner of the Partnerships, and the Adviser are under common control. Thus, the proposed Exchanges may be deemed to be prohibited under section 17(a) of the Act.

2. Rule 17a-7 exempts certain purchase and sale transactions otherwise prohibited by section 17(a) if an affiliation exists solely by reason of having a common investment adviser, common directors, and/or common officers, provided, among other requirements, that the transaction involves a cash payment against prompt delivery of the security. The relief provided by rule 17a-7 may not be available to applicants because the transaction is effected on a basis other than cash. Applicants also note that TAMCO is not only the investment adviser but also has a one percent economic interest in each Partnership. As a result, applicants believe that the relief afforded by rule 17a-7 is not available.

3. Section 17(b) of the Act authorized the SEC to exempt any person from the provisions of section 17(a) if the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned and the proposed transaction is consistent with the policy of each registered investment company concerned and the general purposes of the Act.

4. Applicants believe that the proposed Exchanges satisfy the requirements of section 17(b). Applicants state that because New Fund shares will be issued to the limited partners at net asset value and only nominal shares will be outstanding after the completion of the Exchanges, their interests will not be diluted. Applicants also state that the investment objectives and policies of each New Fund are substantially similar to its corresponding Partnership and that after the Exchanges, limited partners will hold substantially the same assets as Company shareholders as they held as limited partners. Applicants also note that the partners will become investors in an entity that offers greater liquidity, without incurring immediate tax consequences or transaction and brokerage charges. In this sense, applicants submit that the Exchanges can be viewed as a change in the form

in which assets are held, rather than a disposition giving rise to section 17(a) concerns.

#### **Applicants' Condition**

Applicants agree that the order granting the requested relief will be subject to the following condition:

The Exchanges will comply with the terms of rule 17a-7(b) through (f).

For the SEC, by the Division of Investment Management, under delegated authority.

**Jonathan G. Katz,**

*Secretary.*

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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39909; File No. SR-BSE-98-4]

#### **Self-Regulatory Organization; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Boston Stock Exchange, Inc., Relating to an Administrative Change to its Listing and Maintenance Rules**

April 24, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on April 10, 1998, the Boston Stock Exchange, Inc. ("Exchange" or "BSE") 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 by the Exchange. 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 Exchange seeks to move the paragraph governing the suspension and restoration of trading in an Exchange listed security, currently located in Chapter XXIV, § 2220 of the Exchange's rules, to Chapter XXVII, § 2264.

The text of the proposed rule change is available at the Office of the Secretary, The Exchange, and at the Commission.

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

In its filing with the Commission, the Exchange 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. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

##### **1. Purpose**

The purpose of this rule change is to move the paragraph governing the suspension and restoration of trading in an Exchange listed security, currently located in Chapter XXIV, § 2220 of the Exchange's rules, to Chapter XXVII, § 2264. The proposed rule change is intended to incorporate all of the Exchange's listing and maintenance requirements in Chapter XXVII. No changes are being made to the text of the rule being relocated.

##### **2. Statutory Basis**

The Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act.<sup>2</sup>

#### **B. Self-Regulatory Organization's Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

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

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

The foregoing proposed rule change is concerned solely with the administration of the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and subparagraph (e)(3) of Rule 19b-4 thereunder.<sup>4</sup> At any time within 60 days of the filing of the 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

<sup>2</sup> 15 U.S.C. 78f(b)(5).

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(e)(3).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

purposes of the Act. In reviewing this filing, the Commission considered the proposal's impact on efficiency, competition, and capital formation.<sup>5</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. 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 submissions, 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 persons, 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 will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-BSE-98-4 and should be submitted by May 22, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39920; File No. SR-DCC-98-01]

### Self-Regulatory Organizations; Delta Clearing Corp.; Order Granting Approval of a Proposed Rule Change to Permit the Use of Mortgage Backed Securities as Margin Collateral

April 27, 1998.

On January 5, 1998, Delta Clearing Corp. ("Delta") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DCC-98-01) pursuant to Section 19(b)(1) of the Securities

Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on February 25, 1998.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

Delta's participants may clear and settle repurchase and reverse repurchase agreements in both treasury securities<sup>3</sup> ("treasury repos") and in mortgage backed securities<sup>4</sup> ("mortgage backed repos") through Delta's system. Some participants only clear and settle mortgage backed repos through Delta. Because Delta currently only accepts federal funds<sup>5</sup> or treasury securities as margin collateral, these participants incur an additional cost associated with obtaining treasury securities for purposes of supplying margin collateral. Because these participants already possess mortgage backed securities related to the transactions they are clearing through Delta, it would be a more straightforward process for them to honor their margin obligations with these mortgage backed securities.

Delta has stated its belief that with appropriate haircuts, the acceptance of margin in the form of mortgage backed securities should pose no additional risk to the system. Delta notes that the Commission under its net capital rule generally applies the same haircuts to treasury securities and mortgage backed securities.<sup>6</sup> Consistent with Delta's

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 39684 (February 19, 1998), 63 FR 9621.

<sup>3</sup> Treasury securities are defined in Delta's procedures as a treasury bill, treasury bond or treasury note issued by the United States Department of the Treasury.

<sup>4</sup> Mortgage backed securities are defined in Delta's procedures as book entry securities directly issued by the Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC"), as applicable, through its mortgage origination program, and which is designed to receive principal payments using a predetermined principal balance schedule. A mortgage security may either be a fixed rate mortgage security or an adjustable rate mortgage security. All of the following securities are excluded from the definition of mortgage securities: (i) securities which are issued in registered or bearer form, (ii) securities which are not transferable through the Federal Reserve System, (iii) securities which are not issued or guaranteed directly by FNMA or FHLMC, (iv) securities where the underlying assets are mortgage backed securities, rather than a pool of mortgages, and (v) notional, interest only, principal only, accrual and partial accrual securities, and floaters and inverse floaters.

<sup>5</sup> Federal funds are defined in Delta's procedures as cash balances available for immediate withdrawal in accounts maintained at banks that are members of the Federal Reserve system.

<sup>6</sup> Section 3(a)(42)(B) of the Act defines government securities to include securities which

treatment of treasury securities used for margin collateral, Delta will value mortgage backed securities in accordance with the schedule of applicable haircuts found in the Commission's uniform net capital rule.<sup>7</sup> Furthermore, Delta notes that its clearing bank, The Bank of New York, will accept mortgage backed securities from Delta without further haircuts.

#### II. Discussion

Section 17A(b)(3)(F) of the Act<sup>8</sup> requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that the rule change is consistent with Delta's obligations under the Act. The rule change should encourage wider use of Delta's system by providing participants with the ability to more efficiently and more economically meet their margin requirements. The revised margin collateral procedures should especially encourage more use of Delta's system by those participants that only clear and settle mortgage backed repos by allowing these participants to honor their margin obligations with mortgage backed securities they possess. Wider use of Delta's system should assist Delta in promoting the prompt and accurate clearance and settlement of securities transactions.

#### 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-DCC-98-01) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Jonathan G. Katz,**  
Secretary.

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are issued or guaranteed by corporations in which the United States has a direct or indirect interest and which are designated by the Secretary of the Treasury for exemption as necessary or appropriate in the public interest or for the protection of investors. The Department of Treasury has designated securities issued by FNMA and by FHLMC as exempt. Notice issued by the Department of Treasury (October 7, 1987), 52 FR 38559.

<sup>7</sup> Rule 15c3-1(c)(2)(vi)(A)(I), 17 CFR 240.15c3-1(c)(2)(vi)(A)(I).

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>5</sup> See 15 U.S.C. 78c(f).

<sup>6</sup> 17 CFR 200.30-3(a)(12).