

letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

GSCC was formed by the National Securities Clearing Corporation ("NSCC") in 1986. Initially, GSCC was a wholly-owned subsidiary of NSCC. However, in December 1987 GSCC shares were issued in a private placement, and now approximately seventy-five percent of GSCC's shares are owned by its member firms.

GSCC's shareholders agreement provides that NSCC has the right to nominate two individuals for election to the GSCC Board and that GSCC is to designate one of those individuals to the position of Vice-Chairman. Since GSCC was incorporated in 1986, GSCC's by-laws have provided that the Vice-Chairman of GSCC's Board shall automatically be its CEO and that GSCC's President shall automatically be the COO.

GSCC believes that in order to ensure its independence, GSCC's Board of Directors should determine itself which individuals should serve as the CEO and COO. Therefore, the rule change amends GSCC's by-laws to:

- (1) Delete the provision that states that the Vice Chairman of the Board shall be CEO of GSCC,
- (2) Delete the provision that states that the President shall be the COO of GSCC, and
- (3) Make other conforming changes to appropriately reflect the responsibilities of the CEO and COO.

II. Discussion

Section 17A(b)(3)(C) of the Act³ requires that the rules of a clearing agency be designed to assure a fair representation of its shareholders (or members) and participants in the selection of its directors and administration of its affairs. The Commission believes that the rule change is consistent with GSCC's obligations under Section 17A(b)(3)(C) because the amendments to GSCC's by-laws should increase the flexibility of GSCC's Board of Directors to determine which individuals should serve as GSCC's CEO and COO. As a result, the rule should give GSCC's member firms better representation and control the administration of GSCC's affairs.

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 with Section 17A of the Act⁴ 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-GSCC-98-03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Jonathan G. Katz,

Secretary.

[FR Doc. 98-30100 Filed 11-9-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40634; File No. SR-NSCC-98-13]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Modifying NSCC's Annuities Processing Service

November 4, 1998.

Pursuant to Section 19(b) (1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 8, 1998, as amended by facsimile on October 8, 1998, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-NSCC-98-13) as described in Items I, II, and III below, which items have been prepared primarily by NSCC. 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 permit members to use the Annuities Processing Service ("APS") to submit data and to settle payments with respect to life insurance products.

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

In its filing with the Commission, NSCC 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. NSCC 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

NSCC currently transmits data and information and settles payments with respect to annuities through APS.³ Under the proposed rule change, NSCC will transmit data and information and settle payments relating to life insurance products as well as annuity products through APS. According to NSCC, the processing of data and information and the settlement of payments with respect to life insurance products would be identical to the processing of annuity products. Since the name "Annuities Processing Service" or APS is commonly known and recognized, NSCC has no current plans to change the name of the service.

NSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁴ and the rules and regulations thereunder since it will facilitate the prompt and accurate processing of transactions.

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

NSCC does not believe that the proposed rule change will 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

No written comments have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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)(iii) of the Act⁵ and Rule 19b-4(e)(4) thereunder⁶ because the

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

³ APS is a centralized communication link connecting participating insurance carriers with broker-dealers, banks, and the broker-dealers' or banks' affiliated life insurance agencies where appropriate. For a more detailed description of APS, refer to Securities Exchange Act Release No. 39096 (September 19, 1997), 62 FR 50416 [File No. SR-NSCC-96-21] (order approving proposed rule change).

⁴ 15 U.S.C. 78q-1.

⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

⁶ 17 CFR 240.19b-4(e)(4).

⁴ 15 U.S.C. 78q-1.

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b) (1).

³ 15 U.S.C. 78q-(b)(3)(C).

proposal effects a change in an existing service of NSCC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of NSCC 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, 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, 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 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 NSCC. All submission should refer to File No. SR-NSCC-98-13 and should be submitted by December 1, 1998.

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

Johathan G. Katz,

Secretary.

[FR Doc. 98-30098 Filed 11-9-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40638; File No. SR-OCC-98-09]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of a Proposed Rule Change Relating to Differential Index Options

November 4, 1998.

Pursuant to Section 19(b) (1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 7, 1998, 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

Under the proposed rule change, OCC will amend its By-Laws and Rules to provide for the clearance and settlement of differential index options.²

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.³

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

1. Description of Differential Index Options

The American Stock Exchange, Inc. ("AMEX") has submitted a proposed rule change to the Commission to trade

differential index options.⁴ The purpose of OCC's proposal is to provide for the issuance, clearance, and settlement of differential index options.

A differential index is a measure, expressed in percentage terms, of the difference between the performance of one security or index (called the "designated interest") and the performance of another security or index (called the "benchmark") over the life of an option. The determination of the value of a differential index differs from the determination of the value of a standard index although both types of indices have a specific value at any given time.⁵

A differential index option, like other index options, is a cash settled option that entitles an exercising holder to receive and requires an assigned writer to pay an "exercise settlement amount."⁶ In the case of a call, the exercise settlement amount is based on the extent to which the aggregate current index value exceeds the aggregate exercise price. In the case of a put, the exercise settlement amount is determined by the extent to which the aggregate exercise price exceeds the aggregate current index value. A differential index option differs from a standard index option in that its exercise settlement amount is based upon the difference between the relative performance of two securities or indices rather than the absolute performance of a single index. The differential index options that AMEX has proposed to trade are European style, meaning that they can be exercised only upon expiration.

The clearance and settlement of differential index options is similar to that of other index options. The reporting authority for the underlying differential index will be required to provide the value of the index to OCC as of a specified date and time.⁷ OCC will then use the value of the differential index to determine the exercise settlement amount. OCC believes that differential index options can readily be processed, margined, and settled pursuant to the same rules and

⁴ Securities Exchange Act Release No. 40537 (October 8, 1998), 63 FR 56052 [File No. SR-AMEX-98-12].

⁵ According to OCC, AMEX has proposed to trade Index Differential Options (a designated index versus a benchmark index), Equity Differential Options (a designated stock versus a benchmark index), and Paired Stock Differential Options (a designated stock versus a benchmark stock).

⁶ Differential index options are index options even if the designated security or the benchmark security is an equity security.

⁷ Computation of differential index values will be the exclusive function of the reporting authority.

¹ 15 U.S.C. 78s(b) (1).

² The complete text of the proposed amendments to OCC's By-Laws and Rules is included in OCC's filing, which is available for inspection and copying at the Commission's public reference room and through OCC.

³ The Commission has modified the text of the summaries prepared by OCC.

⁷ 17 CFR 200.30-3(a)(12).