

Section 6 of the Act in general and with Section 6(b)(5) in particular in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

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

The Exchange believes the proposed rule change will impose no inappropriate burden on competition.

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

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 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 the self-regulatory organization consents, the Commission will:

(A) By order approve the 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 at 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 CSE. All submissions should refer to File No. SR-CSE-96-05 and should be submitted by October 3, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37639; File No. SR-DCC-96-09]

Self-Regulatory Organizations; Delta Clearing Corp.; Notice of Filing of Proposed Rule Change Regarding Securities Eligible as Margin

September 4, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 2, 1996, Delta Clearing Corp. ("DCC") 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 DCC. On August 16, 1996, DCC filed an amendment to its proposed rule change.² 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 amend DCC's rules to allow participants the option of posting margin with DCC in the form of U.S. Treasury notes or U.S. Treasury bonds to amend the haircuts applicable to securities deposited as margin.

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

In its filing with the Commission, DCC 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. DCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

¹ 17 CFR 200.30-3(a)(12).

² 15 U.S.C. 78s(b)(1) (1988).

³ Letter from John Grebenstein, Executive Director, DCC, to Michele Bianco, Division of Market Regulation, Commission (August 16, 1996).

⁴ The Commission has modified parts of these statements.

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

Currently, DCC participants may post margin in either U.S. Treasury bills or in central bank funds (e.g., Federal funds).⁴ The purpose of the proposed rule change is to amend DCC's procedures for the clearance and settlement of over-the-counter options and of repurchase and reverse repurchase agreements to allow participants the option of posting margin either in central bank funds or in U.S. Treasury bills, notes, or bonds.

DCC participants trade and maintain inventories in a wide range of U.S. Treasury securities. However, participants do not always maintain inventory in U.S. Treasury bills that are eligible as DCC margin collateral. Consequently, participants incur additional costs in order to satisfy DCC's requirement that margin collateral be supplied in U.S. Treasury bills.

DCC also believes that expanding the allowable margin collateral to include U.S. Treasury notes and bonds will improve participants' ability to meet margin calls in a timely fashion because they will be able to select from a greater portion of the securities in their securities inventories to meet their margin requirements. DCC also believes that because the U.S. Treasury securities markets is extremely liquid that DCC's acceptance of U.S. Treasury notes and bonds as collateral will not impede DCC's ability to liquidate if necessary and thus not increase the risk to DCC or to the national clearance and settlement system.

Furthermore, DCC believes that with the appropriate "haircut" margin calls met using U.S. Treasury notes and bonds will pose no additional risk to the system. As its haircuts, DCC is proposing to use the Commission's schedule for valuation of government securities as set forth in the Commission's uniform net capital rule.⁵ DCC believes that this approach is conservative because the Commission's schedule provides for a larger percentage reduction in the valuation of U.S. Treasury securities with greater maturities. The magnitude of the reduction in value is consistent with DCC's methodology of assuming a three standard deviation movement in the

⁴ With respect to options, participants also can post margin in the form of cover (i.e., Treasury securities that would be deliverable upon exercise of an option).

⁵ 17 CFR 240.15c-1 (1996). The schedule for valuation of government securities is set forth in paragraph (c)(2)(vi)(A) of Rule 15c3-1.

yield of the security based on the last one hundred day period's closing prices. DCC's clearing bank, Bank of New York, will accept these securities without further haircut. However, if the Bank of New York alters its haircut schedule such that this proposed rule change is not acceptable to it, DCC will submit a proposed rule change seeking Commission approval to amend its rule to conform to the Bank of New York haircut schedule.

DCC believes that the proposed rule change is consistent with Section 17A of the Act and the rules and regulations thereunder applicable to DCC. In particular, Section 17A(b)(3)(F) of the Act⁶ which requires that a clearing agency be organized and its rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and to remove impediments to and to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. DCC believes the proposed rule change will permit wider utilization of the system by providing participants with the opportunity to meet efficiently margin requirements consistent with DCC's obligations to safeguard funds and securities.

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

DCC does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

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 the self-regulatory organization 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 in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of DCC. All submissions should refer to the file number SR-DCC-96-09 and should be submitted by October 3, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37652; International Release No. 1017; File No. SR-DTC-96-13]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Relating to the Admission of Foreign Entities As Depository Participants

September 5, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ Notice is hereby given that on July 12, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-13) 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 on the proposed rule change from interested persons.

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

DTC proposes to amend its current participants admissions policy to permit entities that are organized in a foreign country and are not subject to U.S. federal or state regulation ("foreign entities") to become DTC participants.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the 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 Rules 2 and 3 set forth the basic standards for the admission of DTC participants. The admission of an entity that is unable to meet the financial obligations arising from its depository transactions can directly affect all other participants. Accordingly, DTC's rules provide that the admission of a participant is subject to an applicant's demonstration that it meets reasonable standards of financial responsibility, operational capability, and character. Furthermore, DTC's rules require all participants to demonstrate to DTC that these standards are met on an ongoing basis.

In determining whether to grant access to its services, DTC's 1990 "Policy Statement on the Admission of Participants" ("1990 Policy Statement") considers whether the applicant is subject to comprehensive U.S. federal or state regulation to be a critical factor.³ Such regulation includes, among other things, capital adequacy, financial reporting and recordkeeping, operating performance, and business conduct of the applicant. Under the 1990 Policy Statement, an applicant not subject to

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

³ The 1990 Policy Statement is set forth in Securities Exchange Act Release No. 27808 (March 16, 1990), 55 FR 11279 [SR-DTC-90-01] (notice of filing of proposed rule change). For a complete discussion of the 1990 Policy Statement, refer to Securities Exchange Act Release No. 28754 (January 8, 1991), 56 FR 1548 (order approving proposed rule change).

⁶ 15 U.S.C. 78q-1(b)(3)(F) (1988).

¹ 15 U.S.C. 78s(b)(1) (1988).