is appropriate in the public interest because allowing Bank Austria to utilize a REIT to hold its real estate related assets in the United States will, under the IRC, allow the head office of Bank Austria to treat the earnings on those assets as not being effectively connected with a United States trade or business and to be taxed on those earnings on a pass-through basis, which will render Bank Austria's United States operations more efficient and less costly. In addition, applicants note that specific provisions of New York state tax law also provide more beneficial tax treatment to REITs than to certain other kinds of entities, including banks. Applicants believe that the combined effect of the treatment of REITs under the IRC and New York state tax law will lower their cost of doing business in the United States and encourage Bank Austria to continue investing in the United States, and perhaps expand its investment activities. Applicants state that the tax-treatment which Bank Austria seeks for its investments in the United States is generally available to REITs and no public interest is served by requiring Bank Austria to hold certain of its assets in its New York Branch rather than in a separate subsidiary.

6. Applicants submit that exempting Mortgage Corp. from the Act is consistent with the protection of investors. Applicants claim that the proposed use of Mortgage Corp. to restructure the manner in which Bank Austria holds its United States real estate related assets will not subject investors to any of the abuses addressed by the Act. Applicants state that all of Mortgage Corp.'s common stock will be owned by Bank Austria and that Preferred Shares will be given to a limited number of employees as a bonus in order to enable Mortgage Corp. to rely on the REIT provisions of the IRC. It is anticipated that there will be fewer than 100 holders of Preferred Shares who are residents of the United States.

7. Applicants submit that granting Mortgage Corp. the requested exemption is consistent with the policies and provisions of the Act. Applicants note that although the Act deals with companies which invest and reinvest in securities, it contains exemptions for some entities which would otherwise come within its purview, in particular entities that are wholly-owned subsidiaries of companies that are themselves exempt from the Act and through which exempt companies conduct their activities and entities that invest in real estate.

Applicants' Conditions

Applicants agree that any order of the Commission granting the requested relief will be subject to the following conditions:

1. Mortgage Corp. will operate as a REIT and its investments will be limited to those permitted for a REIT under the IRC.

2. Mortgage Corp. will issue no securities other than shares of common stock to be held by Bank Austria, Preferred Shares to be given at no cost from time to time to employees of Bank Austria solely when necessary or advisable for maintaining a number of shareholders sufficient to rely on the REIT provisions of the IRC, commercial paper to finance or refinance any of its investments, and a credit agreement with Bank Austria in the approximate amount of $50,000,000. No participants in or syndication of the credit agreement will be made.

3. No employee will own more than one Preferred Share. Bank Austria will offer to buy at their appraised value Preferred Shares from its employees under the circumstances described in the application. Mortgage Corp. also will not permit there to be more than 109 holders of Preferred Shares at any time.

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

Margaret H. McFarland,

Deputy Secretary

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39341; File No. SR–CHX–97–28]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Amending the Exchange's Clearing the Post Policy for Cabinet Securities

November 21, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on October 23, 1997, the Chicago Stock Exchange, Incorporated (''CHX'' or the ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, III below, which Items have been prepared by the self-regulatory organization. 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 proposes, for a six-month pilot period, to amend interpretation and policy .02 of Rule 10 of Article XX and amend Rule 11 of Article XX relating to clearing the post for cabinet securities. The text of the proposed rule change is available at the Office of the Secretary, the CHX, 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 self-regulatory organization included statements concerning the purpose of and basis for the period 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 self-regulatory organization 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 the proposed rule change is to amend the Exchange's existing clearing the post policy for cabinet securities for a six-month pilot period. The clearing the post policy is contained in interpretation and policy .02 of CHX Article XX, Rule 10.[2] The Exchange's clearing the post policies were previously contained in several Notices to Members which had been approved by the Commission.[3] These Notices to Members, and their corresponding Approval Orders, explain the Exchange's clearing the post requirements.

In general, the clearing the post policy requires a floor broker or market maker to clear the post by his or her physical presence at the post. The purpose of this

[1] 15 U.S.C. 78s(b)(1).

[2] *See* Securities Exchange Act Release No. 39337 (November 19, 1997) granting immediate effectiveness to SR–CHX–97–30.

[3] Securities Exchange Act Release No. 33806 (March 23, 1994) 59 FR 15248 (Notice of Filing and Immediate Effectiveness of File No. SR–CHX–94–03); Securities Exchange Act Release No. 17766 (May 8, 1981) 46 FR 25745 (Order approving SR–MSE–81–3 and SR–MSE–81–5); and Securities Exchange Act Release No. 28638 (November 30, 1990) 55 FR 49731 (Order approving SR–MSE–90–7).

proposed rule change is to permit a floor broker or market maker to clear the post in cabinet securities by phone. The bids and offers made to clear the post by phone will be audibly announced at the cabinet post through a speaker system maintained by the Exchange. This new policy will be effective for a six-month pilot period to permit the Exchange to determine the effectiveness of the new policy before implementing it on a permanent basis.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5)[4] of the Act in that it is designed to prevent fraudulent and manipulative acts and practices and to perfect the mechanism of a free and open market.

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 Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments were either solicited or received.

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

Within 35 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 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 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 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 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. 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–CHX–97–28 and should be submitted by December 19, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

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[4] 15 U.S.C. 78f(b)(5).

[5] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39340; File No. SR–GSCC–97–05]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change to Modify the Loss Allocation Process

November 21, 1997.

On July 8, 1997, the Government Securities Clearing Corporation (''GSCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–GSCC–97–05) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] On July 23, 1997, GSCC filed with the Commission an amendment to the proposed rule change. Notice of the proposal was published in the **Federal Register** on September 19, 1997.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

Generally, if a GSCC member were to default, after liquidating the defaulting member's positions and applying its collateral deposited with GSCC, GSCC would allocate any loss that it did not absorb from its own capital among members pro rata based on the extent of their recent activity with the defaulting member. In order to determine which members will be subject to loss allocation, GSCC would look at trading authority that was entered into GSCC's netting system during as many days as is necessary to reach a level of activity that is equal to or greater than five times the dollar value of the liquidated positions.

Pursuant to this proposed rule change, GSCC is limiting the amount to which any netting member that is not an interdealer broker is liable for loss allocation arising from blind brokered activity.[3] The new cap per loss event is equal to the lesser of $5 million or five percent of the total loss amount arising from blind brokered activity that is allocated to members that are not interdealer brokers as a group. To the extent that this cap is applicable, any amounts not collected from individual netting members will be reallocated to the entire netting membership pro rata based on each member's average daily clearing fund deposit requirement over the twelve month period prior to the insolvency.

GSCC states that the $5 million cap is intended to provide to all members the same level of protection that interdealer broker members currently have for blind brokered activity. The 5% limit is intended to ensure that no single member will be liable for an amount of loss for blind brokered activity that is significantly greater than the amount of loss allocated to other dealer members.

II. Discussion

Section 17A(b)(3)(F)[4] of the Act provides that the rules of a clearing agency must be designed to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible, and Section 17A(b)(3)(D)[5] of the Act provides that the rules of a clearing agency must provide for equitable allocation of charges among its participants. Prior to the rule change, nonbroker members could be assessed for the entire loss resulting from blind brokered transactions even though they did not have any control or knowledge of their counterparty. Because in brokered transactions, dealers cannot select their counterparty, these members may not be able to limit their losses resulting from the counterparty's default. The rule change limits the member's liability but still provides the member with an incentive to minimize the risk of loss. Therefore, the Commission believes that the rule

[1] 15 U.S.C. 78s(b)(1).

[2] Securities Exchange Act Release No. 39066 (September 12, 1997), 62 FR 49280.

[3] Interdealer broker netting members already have a $5 million cap per loss event on their liability for loss allocation.

[4] 15 U.S.C. 78q–1(b)(3)(F).

[5] 15 U.S.C. 78q–1(b)(3)(D).