

Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39679; International Series No. 1119; File No. SR-AMEX-98-05]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange, Inc. Relating to the Adoption of a Definition of "Foreign Broker-Dealer"

February 18, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 3, 1998, the American Stock Exchange, Inc. (the "Amex" or the "Exchange") filed with the Securities and Exchange Commission (the "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 Amex proposes to adopt a definition of "foreign broker-dealer" for use in certain of its rules and policies for the trading of option contracts. The text of the proposed rule change is available at the Office of Secretary, Amex 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 Amex 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 placed specified in Item IV below. The Amex 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 the Statutory Basis for, the Proposed Rule Change

(1) Purpose

The Exchange has currently in place certain rules and policies for the trading of option contracts that distinguish between orders for broker-dealers and orders for customers who are not broker-dealers. Specifically, Exchange Rule 958A provides that only non-broker-dealers are eligible for the guaranteed minimum execution of ten contracts at the displayed bid or offer; Rule 950(c) allows a Registered Options Trader who is establishing or increasing a position to retain priority over or have parity with an off-floor order for the account of a broker-dealer; and Exchange policy (as codified in Exchange Rule 933 pursuant to this proposal) allows only non-broker-dealer orders to be executed through its automatic execution system. The Exchange therefore proposes to adopt a definition of foreign broker-dealer substantially to ensure that foreign broker-dealer orders under the above-mentioned rules shall receive the same treatment as U.S. broker-dealer orders, as opposed to customer treatment. The definition has been designed to provide an objective standard for the enforcement of applicable option rules and to substantially resemble the definition adopted by the Pacific Exchange ("PCX"), Philadelphia Stock Exchange ("Phlx"), and Chicago Board Options Exchange ("CBOE").²

In light of the current globalization of the securities market, Amex believes that Exchange rules which treat broker-dealers in a different manner than other market participants should be applied consistently so that foreign broker-dealers trading options on the Amex do not have an unfair competitive advantage over U.S. broker-dealers. Moreover, regulating all broker-dealers equally helps to ensure that the specialist's volume guarantees pursuant

to Rule 958A and the use of automatic execution systems are not exhausted by broker-dealer competitors to the detriment of public customers. Similarly, allowing Registered Options Traders to retain priority over or have parity with foreign as well as domestic broker-dealers will enhance their ability to fulfill their market-making responsibilities.

(2) Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5)³ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

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

The Exchange does not believe that the proposed rule change will impose any 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 solicited or received with respect to the proposed rule change.

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

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) does not become operative for 30 days from February 3, 1998, the date on which it is filed, and the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder.⁴ 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 the furtherance of the purposes of the Act.

² Exchange Act Release No. 38420 (March 19, 1997), 62 FR 14488 (March 26, 1997) (PCX); Exchange Act Release No. 39382 (December 2, 1997), 62 FR 64903 (December 9, 1997) (Phlx); and Exchange Act Release No. 39604 (January 30, 1998), 63 FR 6247 (February 6, 1998) (CBOE).

³ 15 U.S.C. 78f(b)(5).

⁴ 17 CFR 240.19b-4(e)(6).

¹ 15 U.S.C. 78s(b)(1).

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 will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to file number SR-AMEX-98-05 and should be submitted by March 18, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39684; File No. SR-DCC-98-01]

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

February 19, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 5, 1998, Delta Clearing Corp. ("Delta") filed with the Securities Exchange Commission ("Commission") the proposed rule change (File No. SR-DCC-98-01) as described in Items I, II, and III below, which items have been prepared primarily by Delta. 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

Delta proposes to modify its procedures in order to accept mortgage backed securities as margin collateral.

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

In its filing with the Commission, Delta 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. Delta 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

Currently, Delta only accepts federal funds³ or treasury securities as margin collateral. Delta proposes revisions to its procedures which would authorized Delta to accept mortgage backed securities as margin collateral.⁴

Delta's participants may clear and settle repurchase and reverse repurchase agreements in treasury securities ("treasury repos") and repurchase and reverse repurchase agreements in mortgage backed securities ("mortgage repos") through Delta's system. Some participants have chosen to clear and to settle only mortgage repos through

Delta. For those participants, there is an additional cost associated with obtaining treasury securities for purposes of supplying margin collateral. Because those participants already possess mortgage backed securities related to the transactions they are clearing through Delta, it is a more straightforward process for them to honor their margin obligations with these mortgage backed securities.

Delta believes that, with the appropriate haircuts, the provision of margin in the form of mortgage backed securities poses no additional risk to the system. Delta notes that the Commission under its uniform net capital rule generally applies the same haircuts to treasury securities and mortgage backed securities.⁵ Consistent with Delta's treatment of treasury securities used for margin collateral, Delta proposes that mortgage backed securities should be valued in accordance with the schedule of applicable haircuts found in Rule 15c3-1(c)(2)(vi)(A)(I) under the Act.⁶ Delta also notes that its clearing bank, The Bank of New York, will accept mortgage backed securities in accordance with Delta's proposal without further haircuts.

Delta believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to Delta and in particular with Section 17A(b)(3)(F) of the Act⁷ 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 perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. Delta believes the proposed rule changes will permit wider use of its system by providing participants with the opportunity to efficiently meet margin requirements consistent with Delta's obligation to safeguard funds and securities.

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

³ 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.

⁴ Mortgage backed securities are defined in Delta's procedures as book entry securities directly issued by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") whose underlying value is represented by a pool of mortgages. These may be fixed rate or adjustable rate mortgage backed securities backed by fixed rate or adjustable rate mortgage loans, respectively. Such securities must be transferable through the federal reserve system. Delta is not authorized to clear mortgage backed securities that have underlying assets that are mortgage backed securities rather than a pool of mortgage loans. Delta also is not authorized to clear notional, interest only, principal only, accrual and partial accrual securities, or floaters and inverse floaters, as such terms are defined in Schedule A to Delta's procedures. Securities Exchange Act Release No. 39241 (October 14, 1997), 62 FR 54663 (order approving proposed rule change authorizing Delta to clear mortgage repos).

⁵ Rule 15c3-1(c)(2)(vi)(A)(I), 17 CFR 240.15c3-1(c)(2)(vi)(A)(I).

⁶ Section 3(a)(42)(B) of the Act defines government securities to include securities which 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.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).