

will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to File No. SR-CBOE-94-53 and should be submitted by February 23, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Mandatory Participation in the Yield-to-Price Conversion Process**

January 27, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 8, 1994, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which items have been prepared primarily 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 proposed rule change would modify GSCC rules to require participation by members of GSCC's netting system in GSCC's yield-to-price conversion process.

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

In its filing with the Commission, GSCC 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. GSCC 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**

(a) The purpose of the proposed rule change is to make the participation by members of GSCC's netting system in GSCC's yield-to-price conversion process mandatory. On October 16, 1992, GSCC implemented its yield-to-price conversion feature, which allows yield trades to be netted and novated on the night the trade is entered and eliminate the need for double submission of when-issued trades. At that time, in order to not impose undue operational or system burdens on certain firms, participation in the conversion process was not made mandatory.

Participation in the yield-to-price conversion process is important for a netting member and for the settlement process in general because otherwise a netting member's when-issued trades do not have GSCC's guarantee of settlement until auction date. Because of this, since October 1992, GSCC has not admitted an entity into netting system membership unless the applicant has agreed to participate in the yield-to-price process at the time of commencement of participation in the netting system. Currently, only one netting member still is not participating in the conversion process, and it is anticipated that it will commence participation in the yield-to-price process by the end of this year.

In light of the importance for a netting member to participate in the yield-to-price conversion process and given the expectation that all current netting members will be participating in the near future, GSCC wishes to make participation in the yield-to-price conversion process by netting members mandatory. GSCC recognizes that there may be temporary situations, for example when an entity commences its participation in the netting system, in which there are operational or other considerations that render participation in the yield-to-price conversion process difficult for a member. In such circumstances, GSCC will retain the ability to temporarily exempt such member from the requirement to participate in the yield-to-price conversion process. For GSCC's protection, however, GSCC will calculate such member's clearing fund deposit and forward mark allocation payment obligations as if it were participating in the yield-to-price conversion process.

(b) The proposed rule change will ensure that netting members' eligible

trades are encompassed within GSCC's netting process and therefore that settlement is guaranteed at the earliest point in time possible. Thus, GSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder.

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

GSCC does not believe that the proposed rule will have an 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**

Comments on the proposed rule change have not yet been solicited or received. Members will be notified of the rule filing and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments it receives on this matter.

**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 reason 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, DC 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

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).