

Commission." The term "Collateral Management Service" also is added to Rule 1 and defined as "the collateral management information-sharing service operated by the National Securities Clearing Corporation."

Section 2 of Rule 29 ("Release of Clearing Data") is amended to permit GSCC to release clearing data to CFTC-Recognized Clearing Organizations and to NSCC solely in connection with NSCC providing CMS.<sup>5</sup> Section 4 of Rule 29 is amended to clarify that the term "Clearing Data" includes, in addition to transaction data, other data that is received by GSCC in the clearance and/or settlement process.

## II. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>6</sup> As discussed below, the Commission believes the proposed rule change is consistent with GSCC's obligation under Section 17A(b)(3)(F) because the proposal sets forth GSCC's responsibilities and obligations with regard to releasing participants' clearing data and facilitates GSCC's participation in NSCC's CMS by enabling GSCC to provide information regarding GSCC's participants to NSCC for its CMS. GSCC's and its participants' participation in NSCC's CMS should help GSCC and other clearing agencies to better monitor clearing fund, margin, and other similar required deposits that protect a clearing agency against loss should a member default on its obligations to the clearing agency.<sup>7</sup>

<sup>5</sup> Section 2(a) of Rule 29 already permits GSCC to release clearing data to other self-regulatory organizations such as NSCC that have regulatory authority over a GSCC member. The purpose of new Section 2(b) is to make explicit GSCC's authority to release clearing data to NSCC for its CMS.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>7</sup> Although GSCC currently does not have any cross-guarantee agreements or arrangements with other clearing agencies, NSCC's CMS will be especially beneficial to those participating clearing entities that have executed cross-guaranty agreements or have other cross-guarantee arrangements. The Commission supports the use of cross-guaranty agreements and other similar arrangements among clearing agencies as a method of reducing clearing agencies' risk of loss due to a common participant's default and encourages GSCC to explore such agreements or arrangements.

Currently, The Depository Trust Company ("DTC") and NSCC are the only clearing agencies registered with the Commission that have executed a cross-guaranty agreement. The agreement provides that in the event of a default of a common member, any resources remaining after the failed common member's obligations to the guaranteeing clearing agency have been satisfied will be made available to the other clearing agency. The guaranty is not absolute but rather is limited to the extent

## III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of Section 17A(b)(3)(F) of the Act 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-95-03) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Customer Confirmations

December 15, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), and Rule 19b-4 thereunder, notice is hereby given that on November 28, 1995, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (SR-MSRB-95-18) as described in Items I, II, and III below, which Items have been prepared by the Board. The Commission is publishing

of the resources relative to the failed member remaining at the guaranteeing clearing agency. The principal resources will be the failed members' settlement net credit balances and deposits to the clearing agencies' clearing funds. For a complete description of DTC's and NSCC's agreement, refer to Securities Exchange Act Release No. 33548 (January 31, 1994), 59 FR 5638 [File Nos. SR-DTC-93-08 and SR-NSCC-93-07].

The Midwest Securities Trust Company ("MSTC") and Midwest Clearing Corporation ("MCC") and the Philadelphia Depository Trust Company ("Philadep") and the Stock Clearing Corporation of Philadelphia ("SCCP") each have cross-guarantee arrangements with their related affiliate. Pursuant to Section 3, Rule 2, Article VI of MSTC's Rules, a defaulting participant's obligations at MSTC or MCC will be discharged by application of that participant's deposits at either clearing agency if that participant is a common member to both clearing agencies. MCC's Rules contain a similar provision. Similarly, pursuant to Section 4, Rule 4 of SSCP's Rules, SSCP will make available any portion of a defaulting participant's contribution to its participants fund to offset a loss suffered by Philadep by reason of that participant's default. Philadep's Rules contain an identical provision.

<sup>8</sup> 17 CFR 200.30-3(a)(12) (1994).

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 MSRB is filing herewith a proposed rule change to rule G-15(a) on customer confirmations (hereafter referred to as the "proposed rule change"). On July 11, 1995, the Commission approved an amendment to rule G-15(a) which completely revised the test and incorporated many interpretations that had been issued over the years. The proposed rule change makes several clarifying and technical changes to the text. In order to simplify compliance for dealers, the Board requests that the provision in rule G-15(a)(i)(A)(6)(h) regarding disclosure of the "premium paid over accreted value" be withdrawn, effective upon filing. The Board requests that the proposed rule change be made operative 90 days after filing, pursuant to Section 19(b)(3)(A) of the Act. The text of proposed rule change is as follows. (Additions are italicized; deletions are bracketed.) Rule G-15(a). Customer Confirmations.

(i)(A)(1)-(5) No change.

(6) Final Monies. The following information relating to the calculation and display of final monies shall be shown:

(a)-(g) No change.

(h) for callable zero coupon securities, [any premium paid over the accreted value of the securities] *if applicable, the percentage of the purchase price at risk due to the lowest possible call, which shall be calculated based upon the ratio between (i) the difference between the price paid by the customer and the lowest possible call price, and (ii) the price paid by the customer.*

(7)-(8) No change.

(B) No change.

(C) Securities descriptive information. The confirmation shall include descriptive information about the securities which includes, at a minimum:

(1) Credit backing. The following information, if applicable, regarding the credit backing of the security:

(a) Revenue securities. For revenue securities, a notation of that fact, [regardless of whether such designation appears in the formal title of the security,] and a notation of the primary source of revenue (e.g., project name). *This subparagraph will be satisfied if these designations appear on the confirmation in the formal title of the security or elsewhere in the securities description.*

(b) No change.

(2)-(3) No change.

(4) Tax information. The following information that may be related to the tax treatment of the security:

(a)-(b) No change.

(c) Original issue discount securities. If the securities pay periodic interest and are sold