

facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market. The NASD believes that the reassignment of NNM securities within SOES tier size levels and minimum quotation size levels will further these ends by providing an efficient mechanism for small, retail investors to execute their orders on Nasdaq and by providing investors with the assurance that they can effect trades up to a certain size at the best prices quoted on Nasdaq.

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

The NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

*(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**

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act and Section (e) of Rule 19b-4 promulgated thereunder because the re-ranking of NNM securities into appropriate SOES tier sizes was done pursuant to the NASD's stated policy and practice with respect to the administration and enforcement of two existing NASD rules. Further, in the SOES Tier Size Order, the Commission requested that the NASD provide this information as an interpretation of an existing NASD rule under Section 19(b)(3)(A) of the Act.

At any time within 60 days of the filing of a rule change pursuant to Section 19(b)(3)(A) of the Act, the Commission may summarily abrogate the 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 furtherance of the purposes of the Act.

**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. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to SR-NASD-96-33 and should be submitted by October 25, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 96-25504 Filed 10-3-96; 8:45 am]

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**[Release No. 34-37753; File No. SR-NSCC-96-14]**

**Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to the Use of Letters of Credit as Clearing Fund Collateral**

September 30, 1996.

On July 25, 1996, the National Securities Clearing Corporation ("NSCC") filed a proposed rule change (File No. SR-NSCC-96-14) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the Federal Register on August 26, 1996, to solicit comments from interested persons.<sup>2</sup> No comments were received. As discussed below, this order approves the proposed rule change.

**I. Description**

With this order, the Commission is granting full approval to NSCC's rule filing concerning participants' use of letters of credit as clearing fund collateral. Previously, the Commission granted temporary approval to the proposed rule change.<sup>3</sup> Specifically, the

rule change increases the minimum cash contribution for any member that uses letters of credit to collateralize its clearing fund required deposit from \$50,000 to the greater of \$50,000 or 10% of that member's required clearing fund deposit up to a maximum of \$1,000,000. In addition, the rule change provides that only 70% of a member's required clearing fund deposit may be collateralized with letters of credit. The rule change also adds headings to the clearing fund formula section for clarity and made other nonsubstantive drafting changes.

**II. Discussion**

Section 17A(b)(3)(F) of the Act requires that a clearing agency's rules be designed to ensure the safeguarding of securities and funds in its custody or control or for which it is responsible and to protect investors and the public interest.<sup>4</sup> The Commission believes NSCC's proposal to increase the minimum cash contribution for those participants using letters of credit to collateralize their clearing fund obligations should make NSCC's clearing fund more liquid which should enable NSCC to meet its obligation to safeguard securities and funds and to protect the interests of investors and of the public.

Although letters of credit are useful means of funding clearing agency guarantee deposits, their unrestricted use may present risks to clearing agencies. Because letters of credit reflect the issuer's promise to pay funds upon presentation of stipulated documents by the holder, a clearing agency holding letters of credit will be exposed to risk should the issuer refuse to honor its promise to pay. Furthermore, because under the Uniform Commercial Code the issuer may defer honoring a payment request until the close of business on the third banking day following receipt of the required documents, a clearing agency making a payment request may have to either await payment or seek alternative short-term financing. This waiting period could reduce a clearing agency's liquidity and thereby could hinder its ability to meet its payment obligations on a timely basis.<sup>5</sup>

extensions to the temporary approval to allow the Commission and the NSCC sufficient time to review and to assess the use of letters of credit as clearing fund collateral. Most recently, the Commission extended temporary approval through September 30, 1996. Securities Exchange Act Release No. 36360 (October 11, 1995), 60 FR 53945 [File No. SR-NSCC-95-12.]

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>5</sup> To compensate for risks such as issuer defaults and delays in honoring letters of credit, NSCC

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

<sup>2</sup> Securities Exchange Act Release No. 37582 (August 19, 1996), 61 FR 43800.

<sup>3</sup> The proposed rule change was originally filed on October 27, 1989, and on January 31, 1990, was approved temporarily through December 31, 1990. Securities Exchange Act Release No. 27664 (January 31, 1990), 55 FR 4297 [File No. SR-NSCC-89-16]. Subsequently, the Commission granted a number of

While the Commission is approving NSCC's filing, the Commission continues to believe that it is prudent for clearing agencies that accept letters of credit as clearing fund contributions to limit their exposures by imposing concentration limits on the use of letters of credit to prevent any one issuer's letters of credit from constituting too large a percentage of their total required clearing fund contributions. Therefore, the Commission urges NSCC to review its clearing fund policies and procedures for the acceptance of letters of credit with respect to concentration limits.

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and particularly with 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,<sup>6</sup> that the proposed rule change (File No. SR-NSCC-96-14) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-25505 Filed 10-3-96; 8:45 am]

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## SMALL BUSINESS ADMINISTRATION

### Notice of Action Subject to Intergovernmental Review

The SBA is notifying the public that it intends to grant the pending applications of 35 existing SBDCs for refunding. A short description of the SBDC program follows.

The SBA is publishing this notice 90 days before the expected refunding date. The SBDCs and their mailing addresses are listed below. A copy of this notice also is being furnished to the respective State single points of contact designated under the Executive Order.

Each SBDC application must be consistent with any area-wide small business assistance plan adopted by a State-authorized agency. A State single point of contact and other interested State or local entities may submit written comments regarding an SBDC refunding within 30 days from the date

currently has a \$4,000,000 line of credit that can be sued for liquidity purposes. Under the terms of NSCC's line of credit the letters of credit in the NSCC clearing fund may be used as collateral.

<sup>6</sup> 15 U.S.C. 78s(b)(2) (1988)

<sup>7</sup> 17 CFR 200.30(a)(12) (1996).

of publication of this notice to the SBDC and to Johnnie L. Albertson, Associate Administrator for SBDCs, U.S. Small Business Administration, 409 Third Street, S.W., Suite 4600, Washington, D.C. 20416.

### Description of the SBDC Program

A partnership exists between SBA and an SBDC. SBDCs offer training, counseling and other business development assistance to small businesses. Each SBDC provides services under a negotiated Cooperative Agreement with SBA, the general management and oversight of SBA, and a state plan initially approved by the Governor. Non-Federal funds must match Federal funds. An SBDC must operate according to law, the Cooperative Agreement, SBA's regulations, the annual Program Announcement, and program guidance.

### Program Objectives

The SBDC program uses Federal funds to leverage the resources of states, academic institutions and the private sector to:

- (a) Strengthen the small business community;
- (b) Increase economic growth;
- (c) Assist more small businesses; and
- (d) Broaden the delivery system to more small businesses.

### SBDC Program Organization

The lead SBDC operates a statewide or regional network of SBDC subcenters. An SBDC must have a full-time Director. SBDCs must use at least 80 percent of the Federal funds to provide services to small businesses. SBDCs use volunteers and other low cost resources as much as possible.

### SBDC Services

An SBDC must have a full range of business development and technical assistance services in its area of operations, depending upon local needs, SBA priorities and SBDC program objectives. Services include training and counseling to existing and prospective small business owners in management, marketing, finance, operations, planning, taxes, and any other general or technical area of assistance that supports small business growth.

The SBA district office and the SBDC must agree upon the specific mix of services. They should give particular attention to SBA's priority and special emphasis groups, including veterans, women, exporters, the disabled, and minorities.

### SBDC Program Requirements

An SBDC must meet programmatic and financial requirements imposed by

statute, regulations or its Cooperative Agreement. The SBDC must:

- (a) Locate subcenters so that they are as accessible as possible to small businesses;
- (b) Open all subcenters at least 40 hours per week, or during the normal business hours of its state or academic Host Organization, throughout the year;
- (c) Develop working relationships with financial institutions, the investment community, professional associations, private consultants and small business groups; and
- (d) Maintain lists of private consultants at each subcenter.

Dated: September 27, 1996.

Johnnie L. Albertson,  
Associate Administrator for Small Business Development Centers.

### Addresses of Relevant SBDC State Directors

Mr. Michael York, State Director,  
Maricopa Community College, 2411  
West 14th Street, Tempe, AZ 85281-  
6941, (602) 731-8202.

Ms. Denise Arend, Acting State Director,  
California Trade & Comm. Agency,  
801 K Street, Suite 1700, Sacramento,  
CA 95814, (916) 324-5068.

Mr. Woodrow McCutchen, Director,  
Howard University, 2600 6th St.,  
N.W., Room 125, Washington, D.C.  
20059, (202) 806-1550.

Mr. Hank Logan, State Director,  
University of Georgia, Chipcopee  
Complex, Athens, GA 30602, (706)  
542-6762.

Mr. Sam Males, State Director,  
University of Nevada/Reno, College of  
Business Admin., Room 411, Reno,  
NV 89557-0100, (702) 784-1717.

Mr. Steve Thrash, State Director,  
Economic Development Council, One  
North Capitol, Suite 420,  
Indianapolis, IN 46204, (317) 264-  
6871.

Mr. Charles Davis, State Director,  
University of Southern Maine, 96  
Falmouth Street, Portland, ME 04103,  
(207) 780-4420.

Mr. Barry Bartlett, Acting State Director,  
Salt Lake Community College, 8811  
South 700 East, Sandy, UT 84070,  
(801) 255-5878.

Ms. Kathryn Wallace, State Director,  
Office of Business Development, 1625  
Broadway, Suite 1710, Denver, CO  
80202, (303) 892-3809.

Mr. Jerry Cartwright, State Director,  
University of West Florida, 19 West  
Garden Street, Pensacola, FL 32501,  
(904) 444-2060.

Mr. Darryl Mleynek, State Director,  
University of Hawaii/Hilo, 200 West