

Moreover, applicants will comply with section 15(f)(1)(B) of the Act for at least two years following consummation of the Transaction, and applicants agree that all Interested Directors will continue to be treated as interested persons of the Companies and the Advisers for all purposes other than section 15(f)(1)(A) for so long as such directors are "interested persons" as defined in section 2 (a) (19) of the Act and are not exempted from such definition by any applicable rules or orders of the SEC. Applicants are not seeking any assurances from the SEC regarding the future status of any such director. Accordingly, applicants argue that no unfair burdens will be placed on the Companies as a result of the Transaction. In addition, because the Transaction will result in the automatic termination of the existing advisory or subadvisory agreement between one of the Advisers and each Company, the Board and shareholders of each Company will have the opportunity to consider and approve the new contract with each Adviser. Such arrangements will continue only if it is determined that they continue to be in the best interests of such Company's shareholders.

Applicants' Condition

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

If, within three years of the completion of the Transaction, it becomes necessary to replace any director, that director will be replaced by a director who is not an "interested person" of any Adviser within the meaning of section 2(a)(19)(B) of the Act, unless at least 75% of the directors at that time are not interested persons of any Adviser, provided that this condition will not preclude replacements with or additions of directors who are interested persons of an Adviser solely by reason of being affiliated persons of broker or dealers who are affiliated persons of another investment adviser to a Company, provided that such brokers or dealers are not affiliated persons of any Adviser.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 97-20049 Filed 7-29-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

Agency Meetings; Sunshine Act Meeting

Federal Register Citation of Previous Announcement: (62 FR 40127, July 25, 1997)

STATUS: Closed Meeting.

PLACE: 450 Fifth Street, N.W., Washington, D.C.

DATE PREVIOUSLY ANNOUNCED: July 25, 1997.

CHANGE IN THE MEETING: Additional Items.

The following items will be added to the closed meeting scheduled for Tuesday, July 29, 1997, following the 10:00 a.m. open meeting: Institution of administrative proceedings of an enforcement nature. Institution of injunctive actions.

The following item will be added to the closed meeting scheduled for Thursday, July 31, 1997, following the 10:00 a.m. open meeting: Opinion.

Commissioner Hunt, as duty officer, determined that Commission business required the above changes and that no earlier notice thereof was possible.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary (202) 942-7070.

Dated: July 28, 1997.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-20168 Filed 7-28-97; 12:24 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release 34-38869; File No. 600-24]

Self-Regulatory Organizations; Delta Clearing Corp.; Notice of Filing and Order Approving a Request for Extension of Temporary Registration as a Clearing Agency

July 24, 1997.

Notice is hereby given that on June 25, 1997, Delta Clearing Corp. ("DCC") filed with the Securities and Exchange Commission ("Commission") an application pursuant to Section 19(a) of the Securities Exchange Act of 1934 ("Act")¹ to extend DCC's temporary registration as a clearing agency.² The

¹ 15 U.S.C. 78s(a).

² Letter from Stephen K. Lynner, Delta Clearing Corp. (June 12, 1997).

Commission is publishing this notice and order to solicit comments from interested persons and to extend DCC's temporary registration as a clearing agency through July 31, 1998.

On January 12, 1990, pursuant to Sections 17A and 19(a) of the Act³ and Rule 17Ab2-1(c) thereunder,⁴ the Commission granted DCC's application for registration as a clearing agency on a temporary basis for a period of thirty-six months.⁵ Since that time, the Commission has extended DCC's temporary registration through July 31, 1997.⁶ DCC now requests that the Commission grant an extension of its original order granting DCC temporary registration as a clearing agency, subject to the same terms and conditions, for a period of twelve months or for such longer period as the Commission deems appropriate.

One of the primary reasons for DCC's registration as a clearing agency was to enable it to provide for the safe and efficient clearance and settlement of transactions involving the over-the-counter trading of options of U.S. Treasury securities. Since that time, the Commission has approved DCC's request to begin clearance and settlement of repurchase agreement transactions involving U.S. Treasury securities as the underlying instrument.⁷ Currently, repurchase agreement transactions constitute the majority of the transactions cleared by DCC.

As a part of its temporary registration, DCC was granted a temporary exemption from the requirements of Section 17A(b)(3)(C),⁸ which requires that the rules of a clearing agency assure the fair representation of its shareholders or members and participants in the selection of its directors and administration of its affairs. While Commission staff and DCC staff have conducted discussions on DCC's proposed method of complying with Section 17A(b)(3)(C), the Commission believes that the issue of DCC's compliance with the fair representation requirements should be completely resolved before DCC

³ 15 U.S.C. 78q-1 and 78s(a).

⁴ 17 CFR 240.17Ab2-1(c).

⁵ Securities Exchange Act Release No. 27611 (January 12, 1990), 55 FR 1890. Prior to a 1996 name change, DCC was named Delta Government Options Corp.

⁶ Securities Exchange Act Release Nos. 31856 (February 11, 1993), 58 FR 9005 (extension until January 12, 1995); 35198 (January 6, 1995), 60 FR 3286 (extension until January 31, 1997); and 38224 (January 31, 1997), 62 FR 5869 (extension until July 31, 1997).

⁷ Securities Exchange Act Release No. 36367 (October 13, 1995), 60 FR 54095.

⁸ 15 U.S.C. 78q-1(b)(3)(C).

receives permanent registration as a clearing agency under Section 17A(b) of the Act.⁹

In light of DCC's past performance, the Commission believes that DCC complies with the statutory prerequisites for registration as a clearing agency contained in Section 17A(b)(3) of the Act except for the fair representation requirement discussed above.¹⁰ Therefore, the Commission believes that DCC should continue to be registered on a temporary basis. Comments received during DCC's temporary registration will be considered in determining whether DCC should receive permanent registration as a clearing agency.

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application. 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 application and all written comments will be available for inspection and copying at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. All submissions should refer to the File No. 600-24 and should be submitted by August 29, 1997.

It is therefore ordered, pursuant to Section 19(a) of the Act, that DCC's registration as a clearing agency (File No. 600-24) be and hereby is temporarily approved through July 31, 1998.

For the Commission by the Division of Market Regulation pursuant to delegated authority.¹¹

Jonathan G. Katz,
Secretary.

[FR Doc. 97-20054 Filed 7-29-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38868; File No. SR-DCC-97-06]

Self-Regulatory Organizations; Delta Clearing Corp.; Notice of Filing of a Proposed Rule Change Relating to the Clearance and Settlement of Mortgage-Backed Securities Repurchase Agreements

July 23, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

("Act"),¹ notice is hereby given that on April 7, 1997, the Delta Clearing Corp. ("DCC") filed with the Securities and Exchange Commission ("Commission") and on May 12, May 29, June 18, and July 9, 1997, amended the proposed rule change (File No. SR-DCC-97-06) as described in Items I, II, and III below, which items have been prepared primarily by DCC. 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

DCC is proposing amendments to its Procedures for the Clearing of Securities and Financial Instrument Transactions ("Procedures") that will establish procedures for the clearance and settlement of repurchase agreements and reverse repurchase agreements ("repos") in which the underlying collateral is book-entry mortgage-backed securities issued by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC").

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

In its filing with the Commission, DCC 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. DCC 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

DCC proposes to revise its Procedures to permit it to clear and settle repo transactions on mortgage-backed securities.³ Under the proposal, DCC will limit its clearing activity to repos on mortgage-backed securities which are issued or guaranteed directly by FNMA or FHLMC, secured by an underlying

pool of mortgages, held in book-entry form, and transferable through the Federal Reserve System.

According to DCC, the market for repo transactions in mortgage-backed securities is estimated to be approximately 25% to 40% of the size of the market for repo transactions in U.S. Treasury securities. DCC states that this estimate suggests that the outstanding notional size of the market is between \$250 billion to \$400 billion with daily turnover at 10% of the notional size. DCC believes that the market in FNMA and FHLMC instruments that may be cleared and settled through DCC under its proposed Procedures is approximately 60% to 70% of the marketplace for repo transactions in mortgage-backed securities.

The netting benefits which may accrue to participants effecting transactions through DCC's clearing system for mortgage-backed securities are twofold. First, participants will be able to net for balance sheet reporting purposes repo transactions in mortgage-backed securities pursuant to the provisions of FASB Interpretation No. 41 ("FIN 41"). Such netting could have a positive and material effect on the participants' balance sheet. Second, also pursuant to the provisions of FIN 41, participants may be able to net repo transactions in Treasury securities cleared through DCC with repo transactions in mortgage-backed securities cleared through DCC. Thus, the opportunities for a positive impact on a participant's balance sheet is significantly enhanced. DCC does not believe that any changes are required to the structuring of its clearing system in order for the netting benefits described above to accrue to participants.⁴

DCC states that although most of the primary dealer community is equipped to effect repo transactions in mortgage-backed securities, there is a core group of approximately twenty to twenty-five primary dealers for whom mortgage-backed repo trading is considered to be a core activity. Of the twenty to twenty-five active participants in the marketplace, approximately ten to fifteen consistently act as market makers in mortgage-backed repo instruments.

According to DCC, the trading practices and protocols associated with

¹ 15 U.S.C. 78s(b)(1).

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

³ Currently, DCC has separate procedures for repo transactions and option transactions. DCC has filed a proposed rule change to combine the two sets of procedures into a single set of procedures [File No. SR-DCC-97-04]. While the combined procedures have not yet been approved by the Commission, this proposed rule change amends the procedures as combined.

⁴ Paragraph 3 of FIN 41 sets forth the conditions for the availability of offset for repo transactions. While paragraph 3 requires that the counterparties and settlement date be the same for all transactions which are to be netted, there is no requirement that the securities be of the same type. Therefore, to the extent that offset was available for Treasury repo transactions, it should be available for transactions with mortgage-backed securities.

⁹ 15 U.S.C. 78q-1(b).

¹⁰ 15 U.S.C. 78q-1(b)(3).

¹¹ 17 CFR 200.30-3(a)(16).