SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41019; File No. SR–GSCC–98–04]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to the Establishment of a Cross-Margining Program

February 3, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on November 16, 1998, the Government Securities Clearing Corporation (''GSCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by GSCC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Under the proposed rule change, GSCC will establish a cross-margining arrangement initially with the Commodity Clearing Corporation (''CCC'') and thereafter with other futures clearing organizations.

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.[2]

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The proposed cross-margining arrangement would be available to a GSCC member that is or that has an affiliate[3] that is a member of a participating futures clearing organization (''FCO'').[4] Any such common member (or pair of affiliated members) may elect to have its margin requirements at both clearing organizations calculated based upon the net risk of its cash and forward positions at GSCC and offsetting positions in related futures contracts carried at the FCO. As a result, the common member's or pair of affiliated members' margin requirement at each clearing organization could potentially be lowered. GSCC believes that this will provide the member firm with significant benefits such as greater liquidity, more efficient use of collateral, and reduced operational costs.

Margining based on the net risk of correlated positions will be made possible by an arrangement under which GSCC and the FCO agree, in effect, to share the proceeds from correlated positions and supporting collateral. Under the GSCC cross-margining proposal, each clearing organization will hold and manage its own collateral. The amount of collateral collected by each clearing organization may be reduced to reflect offsets between the cross-margining participant's (or its affiliate's) futures positions at the FCO and the cross-margining participant's positions at GSCC.

Each clearing organization will guaranty the cross-margining participant's (or its affiliate's) performance to the other clearing organization up to a specified maximum amount. In effect, therefore, each clearing organization will reduce its margin requirement in exchange for a guaranty from the other clearing organization. The amount of the margin reduction will ordinarily be equal to the amount of the guaranty. Each clearing organization's guaranty, in turn, will be backed by the positions and margin deposits of its cross-margining participant. Loss sharing between clearing organizations will be subject to a cap.

The GSCC proposal would involve a hub and spoke concept when more than one futures clearing organization is involved. A member's long or short position in government securities at GSCC would be apportioned pro rata among the member's offsetting short or long positions (if any) at each FCO. All possible offsets among positions carried by a cross-margining participant within a single clearing organization will be effected before any offsets between clearing organizations.

At least initially, the GSCC cross-margining arrangement will be applicable on the future side only to positions in a proprietary account of a cross-margining participant (or its affiliate) at an FCO. The arrangement will not apply to positions in a customer account at an FCO that would be subject to segregation requirements under the Commodity Exchange Act.

GSCC believes that the implementation of a cross-margining arrangement will enhance the overall safety and soundness of the settlement process for the government securities marketplace by: (1) Providing clearing organizations with more accurate data concerning the true risk of members' intermarket positions (which is especially valuable during stressed market conditions); (2) allowing for enhanced sharing of collateral resources; and (3) establishing coordinated liquidation processes for a joint participant, or a participant and its affiliate, in the event of an insolvency. GSCC further believes that cross-margining programs will benefit the clearing members that participate in them by providing members with more efficient use of their collateral. More important from a regulatory perspective, however, is that cross-margining programs have long been recognized as enhancing the safety and soundness of the clearing system itself. Studies of the October 1987 market crash gave support to the concept of cross-margining. For example, *The Report of the President's Task Force on Market Mechanisms* (January 1988) (known as the ''Brady Report'') noted that the absence of a cross-margining system for futures and securities options markets contributed to payment strains in October 1987. The *Interim Report of the President's Working Group on Financial Markets* (May 1988) also recommended that the Commission and the Commodity Futures Trading Commission facilitate cross-margining programs among clearing organizations. This support resulted in more urgent attention from the regulatory agencies, and the first

[1] 15 U.S.C. 78s(b)(1).

[2] The Commission has modified the text of the summaries prepared by GSCC.

[3] Under the proposed agreement between GSCC and CCC, ''affiliate'' means a clearing member of one clearing organization that: (1) Directly or indirectly controls, (2) is directly or indirectly controlled by, or (3) is under common control with a clearing member of another clearing organization. Ownership of 10% or more of the common stock of an entity is deemed control of the entity under the definition.

[4] The term ''FCO'' would be defined in GSCC's Rules as a clearing organization for a board of trade designated as a contract member under Section 5 of the Commodity Exchange Act that has entered into a cross-margining agreement with GSCC. This would include CCC and any other futures clearing organization with which GSCC establishes a cross-margining arrangement.

cross-margining arrangement was approved in 1988.[5]

GSCC believes that a properly designed cross-margining program can reduce margin requirements for market participants and can enhance the safety and stability of clearing and settlement systems. When margin is held in the form of cash or cash equivalents to cover the risk of a market position whose liquidation cost may be highly volatile, there is always risk that the amount of margin held will be insufficient if the market moves beyond reasonably anticipated limits. In contrast, where an obligation is hedged by a position on the other side of the market based on the same or a similar underlying asset an increase in the cost of liquidating the obligation should be offset in whole or in part by a corresponding increase in the value of the hedge.

GSCC believes that cross-margining arrangements between or among clearing organizations enhance the effectiveness of intermarket hedge positions and therefore can reduce clearing system exposure in the event of market stress. By reducing the need for clearing organizations to call for large amounts of additional original margin in volatile markets, cross-margining reduces the risk of a liquidity crisis of the kind that threatened the clearing system in October 1987.

GSCC's proposed cross-margining program would be the first program for cross-margining positions in futures contracts with positions in the underlying securities (as opposed to cross-margining between futures and securities options). GSCC believes that the most efficient and appropriate approach for establishing these cross-margining links in the case of government securities related products is to do so on a multilateral basis with GSCC acting as the ''hub.''

GSCC's ''Hub'' Approach to Cross-Margining

Uniform treatment: Each FCO will be a party to a separate cross-margining agreement between the FCO and GSCC. It is anticipated, however, that each of these agreements will have essentially similar terms, and no preference will be given by GSCC to one FCO or its members over another.

Residual Margin Amounts Allocated Pro-Rata: In the case of each cross-margining participant, GSCC will offset the participant's residual margin amount at GSCC against the offsetting residual margin amounts of the participant (or its affiliate) at each FCO pro rata based upon the residual margin amount available at each.[6]

Pro Rata Guaranties and Loss Allocation: GSCC will issue a guaranty to each FCO with respect to a cross-margining participant (or its affiliate) in an amount determined on the basis of the pro rata allocation among the FCOs of the participant's residual margin amounts. Accordingly, in the event of a default and liquidation of a cross-margining participant, the loss sharing arrangements as between GSCC and each FCO will be based on the same pro rata shares.

Procedures for Members To Become Cross-Margining Participants

GSCC and each FCO will determine which of their members are eligible to participate in the cross-margining program. In order to be a cross-margining participant, a GSCC member must either: (a) Itself also be a member of an FCO or (b) have an affiliate that is a member of an FCO. The GSCC member must sign (together with its affiliate, if any) an appropriate agreement under which the member (and its affiliate, if there is one) agrees to be bound by the cross-margining agreement and which allows GSCC to apply the member's margin collateral to satisfy any obligation of GSCC to an FCO that results from the default of the member (or its affiliate) and vice versa in the case of an FCO.

Subject to the foregoing, GSCC and each FCO will determine which of their members are eligible to participate in the cross-margining program.

Summary of the Operation of the Cross-Margining Program

Data exchange: Within an agreed upon time frame, GSCC and each FCO will exchange daily position and margin data for each cross-margining participant with respect to each product eligible for cross-margining.

Collateral management: Margin collateral will be collected, maintained, valued, and returned separately by each clearing organization pursuant to its own rules and procedures. The proposed arrangement does not involve the pooling of collateral between clearing organizations. GSCC will not maintain cross-margining accounts for a cross-margining participant separate from its regular account at GSCC, and there will be no separate collateral pool at GSCC for cross-margining activity.

Unified margin calculation: GSCC will agree with each of the FCOs on the particular products cleared by each that are sufficiently price correlated to be eligible for cross-margining treatment (*e.g.,* cash positions in two-year Treasury notes and futures on two-year Treasury notes). Such products will be referred to as ''eligible products,'' and a cross-margining participant's long or short positions in eligible products will be called ''eligible positions.'' GSCC and each FCO will agree upon a common margin formula including the percentage of principal amount to be used as the base margin calculation each long or short position in each eligible product, the disallowance factors, if any, to be applied when offsetting long and short margin amounts in different eligible products, and the minimum charges for offsetting positions.[7]

Coordinated mark to market process: GSCC and each FCO will coordinate their daily mark to market and variation margin processes so that if a cross-margining participant does not pay its debit mark or make a required clearing fund or margin deposit to one clearing organization on a particular business day, the other will be so informed and will not pay out any credit mark or clearing fund or margin withdrawal relating to cross-margined activity to that participant.

Daily calculation of cross-margining reduction and cross-guaranties: On each business day, GSCC will complete its own internal margining process for buy-sell, repo, and Treasury auction transactions for each cross-margining participant (including the setting off or netting, to the extent permitted in GSCC's rules, of GCF repo transactions with other activity).[8] Each FCO will perform an equivalent internal process for each member, offsetting long margin amounts against short margin amounts for futures and options on futures

[5] Securities Exchange Act Release No. 26153 (October 3, 1988), 53 FR 39567 [File No. SR–OCC–86–17] (order approving cross-margining program between The Options Clearing Corporation and the Intermarket Clearing Corporation).

[6] For example, if a cross-margining participant has a $9 million residual short margin amount at GSCC and residual long margin amounts in the same product of $8 million at FCO 1 and $4 million at FCO 2, GSCC will use two-thirds of the $9 million margin amount, or $6 million, for offset against the participant's FCO 1 activity and one-third of the $9 million margin amount, or $3 million, for offset against FCO 2 activity.

[7] According to GSCC, an appropriate conversion method will be agreed upon to equate size of futures and cash positions for offset purposes.

[8] The term ''GCF repo transaction'' is defined in GSCC's rules as ''a Repo Transaction involving Generic CUSIP Numbers the data on which are submitted to the Corporation on a Locked-In-Trade basis pursuant to the provisions of Rule 7, for netting and settlement by the Corporation pursuant to the provisions of Rule 20.'' *See also* Securities Exchange Act Release No. 40623 (October 30, 1998), 63 FR 59831 [File No. SR–GSCC–98–02] (order approving implementation of GSCC's GCF Repo service).

contracts that are eligible products to the extent specified in its rules.[9]

As a result of the internal margining process, each clearing organization may have ''residual'' long or short margin amounts for a member in various eligible products. The residual long or short margin amount is the amount of long or short margin (*i.e.*, margin with respect to a long position or a short position) that has not been ''used up'' in the internal offsetting process.[10]

Each FCO will provide information to GSCC for each cross-margining participant as to the residual long or short margin amount in each eligible product that the FCO intends to make available for cross-margining offsets on that day. GSCC then will determine for each cross-margining participant the amount, if any, of the long or short residual margin offered by each FCO that GSCC intends to use as an offset against the participant's short or long residual margin amounts at GSCC for purposes of determining the cross-margining reduction.[11] GSCC will inform each FCO of the cross-margining reduction as between GSCC and that FCO for each cross-margining participant. The cross-margin reduction is the amount by which GSCC and FCO may each appropriately reduce its cross-margining participant's margin requirement to reflect the cross-margining offset.[12]

Accordingly, the maximum cross-margining reduction that may be achieved by a cross-margining participant will be determined by the amount of residual taken by GSCC. For example, if an FCO offers $1 million in residual short margin for a particular member in 2-year note futures, and GSCC sets all of that amount off against a $2 million cash position in the 2-year note, then the cross-margin reduction amount is $1,000,000 for GSCC and $1,000,000 for the FCO, or $2 million in total. That is the anticipated amount of margin reduction that the cross-margining participant will enjoy.

Under the terms of the cross-margining agreement, GSCC will be deemed to have extended its ''guaranty'' of a cross-margining participant's (or its affiliate's) obligation to each FCO in a base amount equal to the cross-margining reduction as between GSCC and that FCO. Similarly, that FCO will be deemed to have extended its ''guaranty'' of the cross-margining participant's obligation to GSCC in the same base amount. The base amount of these ''cross-guaranties'' represents a cap on the amount of loss that either GSCC or the FCO could incur as the result of a default by a participating member (or its affiliate) to the other.[13] Thus, for example, if GSCC had a residual short margin amount in a product of $10 million and it was offset against an FCO's residual long margin amount of $4 million, then GSCC would collect only $6 million in margin, and the FCO would have guaranteed a maximum of $4 million or the amount of any net surplus held by the FCO after liquidating the participant. GSCC and each FCO will retain the right to reduce a cross-margining participant's clearing fund or margin requirement by less than the amount of the cross-margining reduction or not to reduce it at all.[14]

Each clearing organization will represent to the other that it will margin a cross-margining participant's positions such that the amount of margin is adequate to cover the cross-margining participant's obligations to that clearing organization, including the obligation to reimburse any payment under the guaranty. In addition, on any day that is a business day for an FCO and not for GSCC or vice versa, the cross-guaranties as they existed on the immediately preceding business day will remain in effect, and it shall be the responsibility of the clearing organization that is open for business on such day to adjust its margin requirements with respect to cross-margining participants to cover such cross-margining participants' obligations.[15]

Default of a cross-margining participant: liquidation and loss-sharing: If a cross-margining participant becomes insolvent and its eligible positions are liquidated by GSCC and the FCOs, each clearing organization will calculate its ''net loss'' or ''net surplus'' from the liquidation.[16] GSCC

[9] On each business day, GSCC and CCC each will calculate for each cross-margining participant an initial margin requirement with respect to eligible positions. This calculation will be done independently, based upon an agreed upon method, without the other clearing corporation's review. However, GSCC and CCC will review generally each other's margining process on a periodic basis, and each will have the obligation to inform the other of any material changes to its margining process.

[10] A margin amount may be ''used up'' whether or not there has been a full offset against it. For example, assume that a GSCC member has a $1 million gross margin requirement on a short position in the 10-year note (offset class F) that is offset against a $1 million gross margin requirement on a long position in the long bond (offset class G). Because there is a 20% disallowance on offsets between classes F and G, the member has a $200,000 margin requirement after the offset. However, both $1 million amounts have now been entirely used up, and nothing is available for further offset either within GSCC or for cross-margining with an FCO.

[11] The total amount used will be in GSCC's sole discretion. However, except in unusual circumstances the total amount used will be allocated pro rata among the participating FCOs as described above.

[12] If a cross-margining participant has eligible positions at more than one participating FCO, the participant's total margin reduction at GSCC will be the sum of the cross-margining reductions between GSCC and each FCO.

[13] For instance, if a cross-margining participant had a residual short margin amount of $10 million at GSCC and it was offset against a residual long margin amount of $4 million at an FCO, then the base amount of the cross-guaranties would be $4 million. As noted below, the ''maximum guaranty amount'' of GSCC or the FCO would exceed $4 million only to the extent that the paying clearing organization had funds of the participant remaining (*i.e.*, a ''net surplus'') after satisfying all other obligations of the participant to the paying clearing organization.

[14] The ''cross-margining reduction'' is determined by the residual margin amounts made available by an FCO and ''used'' by GSCC in determining the amount of the cross-guaranties. It does not depend upon the amount, if any, by which either GSCC or an FCO actually reduces a cross-margining participant's margin requirement. In other words, after an offer by an FCO of $1 million in residual margin and acceptance by GSCC of that amount for offset, the cross-margining reduction would be $1 million and the base amount of the cross-guaranties would be fixed at that amount. However, either clearing organization might nevertheless determine to reduce the cross-margining participant's clearing fund or margin requirement by less than $1 million or not at all, and the cross-margining reduction for all purposes under the cross-margining agreement would still be $1 million. The clearing organization would simply have made a determination to hold more collateral without affecting the amount of the guaranty it receives from the other clearing organization.

[15] This is necessary because the cross-margining participant's margin or clearing fund deposit will remain fixed at the clearing organization that is closed, and the closed clearing organization must therefore continue to rely on the guaranty based on the previous day's cross-margining reduction. On the other hand, the clearing organization that is open ordinarily will be able to assess and collect additional margin or clearing fund deposits if needed to reflect updated positions in the participant's account on its own books as well as the fixed guaranty obligation that is still outstanding to the other clearing organization.

[16] Under the proposed cross-margining agreement between GSCC and CCC, net surplus and net loss will be calculated as follows: In the event that (i) the sum of available margin and any proceeds of eligible positions realized by such clearing organization (including securities deliverable to and amounts receivable with respect to securities deliverable by such cross-margining participant in settlement of eligible positions) and any mark to market payments or other settlement amounts due from such clearing organization with respect to eligible positions exceeds (ii) the sum of the mark to market payments or other settlement amounts owed to such clearing organization with respect to or as a result of the closeout of eligible positions (including securities deliverable by or amounts payable with respect to securities deliverable to such cross-margining participant with respect to eligible positions) plus any interest expense, fees, commissions or other costs reasonably incurred in such closeout or otherwise arising from such eligible positions, then the amount of such excess shall be deemed to be the net surplus. In the event that the sum referred to in clause (i) of the preceding sentences is less than the amount referred to in clause (ii), the difference shall be the net loss.

''Available margin'' is defined as the amount of clearing fund deposits, margin, or other collateral remaining after satisfaction of all obligations of the

Continued

and each FCO will use their best efforts to coordinate the liquidation of eligible positions so that offsetting or hedged positions can be closed out simultaneously. GSCC and each FCO may unilaterally elect not to terminate or suspend and liquidate the eligible positions of its cross-margining participant. Any clearing organization that does so will remain liable to the other with respect to its guaranty. A clearing organization that has elected not to liquidate the eligible positions of a defaulting participant will be deemed to have no net loss and no net surplus.

If either GSCC or the FCO, after liquidation of a cross-margining participant, has a net loss and the other has a smaller net loss, no net loss, or a net surplus, then the one with the larger net loss (the ''worse-off party'') is entitled to receive a payment from the other (the ''better-off party'') that equalizes their losses. The amount of this equalizing payment will be capped at the least of: (1) The ''maximum guaranty amount'' of the better-off party; (2) if the better-off party has a net loss, an amount that together with its net loss equals its total cross-margining reduction (loss cap); or (3) the worse-off party's net loss. The ''maximum guaranty amount'' is the greater of the cross-margining reduction or the net surplus of the guarantor clearing organization.[17]

Thus, for example, if:

- GSCC had a net surplus of $5 million and the FCO had a net loss of $3 million, and if GSCC's applicable cap were $3 million or more, then it would give the FCO $3 million, and if its cap were under $3 million, it would give the FCO its cap amount.
- GSCC had a net surplus of $5 million and the FCO had a net loss of $10 million, GSCC would give the FCO $7.5 million, except that if its cap were under $7.5 million, then it would give the FCO the cap amount.
- GSCC had a net loss of $5 million and the FCO had a net loss of $10 million, if: (a) The applicable cap amount were $5 million or less, than GSCC would give the FCO nothing, (b) if the cap amount were $6 million, then GSCC would give the FCO $1 million, and (c) if the cap amount were $7.5 million or more, GSCC would give the FCO $2.5 million.
- GSCC had a net surplus of $5 million and the FCO had a net loss of $1 million and the loss cap is $5 million, GSCC would give the FCO $1 million.

Information Specific to the GSCC–CCC Cross-Margining Agreement

Participation in the program. Any netting member of GSCC other than an interdealer broker will be eligible to participate. Any clearing member of CCC will be eligible to participate.

Positions subject to cross-margining: The products that will initially be eligible for cross-margining are: for GSCC, its offset classes for the 2-year note, 5-year note, 10-year note, and 30-year bond; and for CCC, its 2-year note, 5-year note, 10-year note, and 30-year bond futures products. Initially, as a conservative measure, residual margin amounts will be applied only within the same ''offset class'' (*e.g.,* the 2-year note against the 2-year note future). All eligible positions maintained by a cross-margining participant in its account at GSCC and in its (or its affiliate's) proprietary account at CCC will be eligible for cross-margining.

Unified margin factors: The margin factors that GSCC and CCC will apply to eligible positions are GSCC's margin factors.

Daily procedures: On each business day by midnight, CCC will inform GSCC of the residual margin amounts it is making available. Thereafter, by 2:00 a.m., GSCC will inform CCC of how much, if any, of these residual margin amounts it will use.

GSCC Rule Changes

Required changes in the text of GSCC's rules are limited because cross-margining participants will be bound by the cross-margining agreement with CCC (and with each other FCO in the future), and these agreements will contain much of the substance of the cross-margining arrangements. Definitions relating to cross-margining will be added to GSCC Rule 1.[18] These definitions correspond generally to certain terms that are defined in the cross-margining agreement(s).

Section 2 of GSCC Rule 4 will be amended to provide that the required fund deposit otherwise calculated for a cross-margining participant will be further reduced in an amount not to exceed the sum of the cross-margin reductions calculated under the various cross-margining agreements. As provided in the cross-margining agreements, GSCC will receive a guaranty of the participant's obligations from each FCO, the sum of which will not be less than the total cross-margining reduction.

Sections 5 and 6 of Rule 4 will be amended to clarify the application of those provisions in the context of the cross-margining arrangements. Specifically, the amendments will provide that GSCC may set off a cross-margining participant's obligation to reimburse GSCC for the payment of a guaranty against any asset of the participant that GSCC holds as collateral and against any amounts due to the participant. Section 6 of Rule 4 will make clear that GSCC can apply a member's clearing fund deposits to satisfy a loss without necessarily treating the member as insolvent.

A provision will be added to Section 2 of Rule 22 to specify that GSCC may but is not required to consider a cross-margining participant to be insolvent if the member is declared to be insolvent by an FCO. GSCC believes that this is an appropriate provision because under the terms of the cross-margining agreement GSCC has credit exposure to a cross-margining participant as a result of its obligations to the FCO, and GSCC must be able to limit its exposure by closing out the positions of a cross-margining participant if the FCO does so.

New Rule 43 will set forth some basic provisions as to how a GSCC netting member may become a cross-margining participant. Section 3 of Rule 43 will provide explicitly that a cross-margining participant has the obligation to reimburse GSCC for any amount paid out by GSCC to an FCO on the participant's behalf under a cross-margining guaranty and will cross-reference the corresponding provisions of the cross-margining agreement. The effect will be that the participant's defaulted obligations to the FCO, if any, would be netted against any amounts held by or due to the participant as a

cross-margining participant to the clearing organization other than obligations arising from eligible positions.

[17] Where a cross-margining participant had eligible positions at more than one FCO, GSCC's net loss or net surplus for purposes of the cross-margining agreement between GSCC and any one FCO will be a portion of GSCC's aggregate net loss or net surplus from all eligible positions and available margin at GSCC that is equal to the portion of the residual margin at GSCC that was offset against the residual margin at that FCO. For example, assume that FCO 1 and FCO 2 each offer GSCC $2 million in residual short margin based on a $200 million short position in futures on the 10-year note that is haircut at 1%. If GSCC has only $2 million in residual long margin, it would ''take'' $1 million residual from each FCO for offset purposes. If GSCC incurs a $10 million loss in liquidating the $200 million futures position, GSCC's ''net loss'' for purposes of its agreement with FCO 1 would ordinarily be half of that or $5 million. However, the cross-margining agreements will also contain provisions permitting further contribution by FCO 1 if FCO 1's net surplus exceeds $5 million and FCO 2 contributes less than $5 million.

[18] The text of the proposed amendments to GSCC's rules is attached as an exhibit to GSCC's filing, which is available for inspection and copying at the Commission's Public Reference Room and through GSCC.

result of its positions at GSCC. As a result, the participant would be entitled to receive from the close out of its positions and margin at GSCC only the residual after netting out the sum of its obligations to GSCC and the FCOs. Section 4 of Rule 43 will provide that if a cross-margining participant or its affiliate defaults to an FCO (thus causing GSCC to make payment under its guaranty), the cross-margining participant must either immediately deposit the amount of the guaranty with GSCC or be declared insolvent itself.

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

GSCC does not believe that the proposed rule change would impose any burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments with respect to the proposed rule change have not been solicited or received. Members will be notified of the rule change filing, and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments it receives.

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 reasons for so finding or (ii) as to which GSCC 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, 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 also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to File No. SR–GSCC–98–04 and should be submitted by March 3, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[19]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–3219 Filed 2–9–99; 8:45 am]

BILLING CODE 8010–01–M

[19] 17 CFR 200.30–3(a)(12).

DEPARTMENT OF STATE

[Public Notice 2979]

Fine Arts Committee; Notice of Meeting

The Fine Arts Committee of the Department of State will meet on Saturday, March 27, 1999 at 10:00 a.m. in the John Quincy Adams State Drawing Room. The meeting will last until approximately 11:30 a.m. and is open to the public.

The agenda for the committee meeting will include a summary of the work of the Fine Arts Office since its last meeting in November 1998 and the announcement of gifts and loans of furnishings as well as financial contributions for calendar year 1998. Public access to the Department of State is strictly controlled. Members of the public wishing to take part in the meeting should telephone the Fine Arts Office by Monday, March 22, 1999, telephone (202) 647–1990 to make arrangements to enter the building. The public may take part in the discussion as long as time permits and at the discretion of the chairman.

Dated: February 6, 1999.

Gail F. Serfaty,

Vice Chairman, Fine Arts Committee.

[FR Doc. 99–3264 Filed 2–9–99; 8:45 am]

BILLING CODE 4710–38–P

DEPARTMENT OF TRANSPORTATION

Office of the Secretary

Partnership Council Meeting

AGENCY: Office of the Secretary, DOT.

ACTION: Notice of meeting.

SUMMARY: The Department of Transportation (DOT) announces a meeting of the DOT Partnership Council (the Council). Notice of this meeting is required under the Federal Advisory Committee Act.

TIME AND PLACE: The Council will meet on Wednesday, February 24, 1999, at 2:30 p.m., at the Air Traffic Control Tower, Ronald Reagan National Airport, Washington, DC 20001. The conference room is located in the North terminal.

TYPE OF MEETING: These meetings will be open to the public. Advance arrangements for attending must be made with the point of contact indicated below. Handicapped individuals wishing to attend should contact DOT to obtain appropriate accommodations.

POINT OF CONTACT: John E. Budnik or Jean B. Lenderking, Corporate Human Resource Leadership Division, M–13, Department of Transportation, Nassif Building, 400 Seventh Street, SW., room 7411, Washington, DC 20590, (202) 366–9439 or (202) 366–8085, respectively.

SUPPLEMENTARY INFORMATION: The purpose of this meeting is for addressing the role of the Council in providing assistance and support to labor-management groups throughout DOT; proposing methodology for a DOT labor-management assessment, Part II; addressing options and recommendations for the Council regarding 5 USC 7106(b)(1); and reporting on status on Life with Cancer Signature Project in memory of the late American Federation of Government Employees (AFGE) President John Sturdivant.

PUBLIC PARTICIPATION: We invite interested persons and organizations to submit comments. Mail or deliver your comments or recommendations to Ms. Jean Lenderking at the address shown above. Comments should be received by February 22, 1999 in order to be considered at the February 24 meeting.

Issued in Washington, D.C., on February 4, 1999.

For the Department of Transportation.

John E. Budnik,

Associate Director, Corporate Human Resource Leadership Division.

[FR Doc. 99–3207 Filed 2–9–99; 8:45 am]

BILLING CODE 4910–62–P