Agreement to be entered into between SERI and the banks to repay the amount drawn under the Letter of Credit.

With respect to the portion of the cost to be borrowed, interim financing will be provided by one or more domestic or foreign financial institutions ("Interim Lenders"), who will make non-recourse loans to the Lessor secured by the Lessor's interest in Grand Gulf 1 and certain of the Lessor's rights under the Lease. Interim financing will be provided in return for non-recourse notes ("Interim Notes") of the Lessor. In order to refund the Interim Notes the Lessor will issue refunding notes ("Refunding Notes", and , collectively with the Interim Notes, "Notes") to a Funding Corporation ("Funding Corporation"), unaffiliated with SERI or any of its affiliates. Any funds required by the Funding Corporation to make its loan will be provided, pursuant to a collateral trust indenture through the issuance of debt securities publicly or privately placed.

Upon the occurrence of certain loss events (as defined in the Lease), SERI will be obligated to pay to the Lessor a Casualty Value or Special Casualty Value (as defined in the Lease) reduced by the unpaid principal amount of the Notes, and thereupon either assume full payment responsibility for the Notes, or, if such assumption is precluded, accept transfer of the Owner Participant's interest in the Owner Trust. Upon the occurrence of default events (as defined in the Lease) SERI may also assume the Notes or the Owner Participant's interest after the Owner Participant draws on the Letter of Credit.

SERI has requested an exception from the competitive bidding requirements of Rule 50 of the Act pursuant to Rule 50(a)(5) in order to negotiate and privately place the Notes. It may do so.

**Georgia Power Company et al. (70–7562)**

Georgia Power Company ("Georgia Power"), an electric utility subsidiary of The Southern Company ("Southern"), a registered holding company, and Georgia Power's subsidiary, Piedmont-Forrest Corporation ("Piedmont-Forrest"), both at 333 Piedmont Avenue, N.E. Atlanta, Georgia 30308, have filed an application-declaration pursuant to sections 6(a), 7, 9(a), 10, and 12(d) of the Act, and Rule 44 thereunder.

Georgia Power proposes to sell, on an ongoing basis, a major portion of its unfinished Rocky Mountain Pumped Storage Hydroelectric Project (the "Project") to Oglethorpe Power Corporation ("Oglethorpe"), a Georgia electric membership corporation comprising thirty-nine electric membership cooperatives. Oglethorpe would complete construction of the Project, which would be jointly owned by Georgia Power and Oglethorpe. The percentage ownership interests of Georgia Power and Oglethorpe in the Project during its construction and after its completion would be proportionate to their investments in it (excluding each party's cost of funds, *ad valorem* taxes, and other minor adjustments). Georgia Power's share in the project will be based on the approximately $128.9 million it has invested in the Project, not on the $224.5 million book value, which includes the cost of those funds.

Under the proposal, Georgia Power would convey the Project (and the primary transmission line and switching station associated with it) to Piedmont-Forrest, and will obtain from its First Mortgage Bond Indenture Trustee a release from the lien on those assets. The purchase price would be approximately $224.5 million, assuming a closing date of November 1, 1988. To provide Piedmont-Forrest with funds sufficient to pay the purchase price, Georgia Power would loan Piedmont-Forrest the purchase price in exchange for a non-interest-bearing note (the "Note") from Piedmont-Forrest in the same amount.

After the Project, the primary transmission line, and the switching station have been released from the lien of Georgia Power's First Mortgage Bond Indenture, Piedmont-Forrest would then convey to Georgia Power an interest in the Project, and to Oglethorpe an interest in the Project, the primary transmission line and the switching station, and the right to complete the Project. Piedmont-Forrest would initially convey to Oglethorpe approximately 3% of the Project, with additional percentages of ownership interests vesting automatically in Oglethorpe on an ongoing basis as Oglethorpe expends funds for the Project's completion. Piedmont-Forrest would reconvey the other 97% of the Project to Georgia Power in consideration for Georgia Power's concellation of the Note. Although it is not expected that Georgia Power's ownership interest will fall below 24.6%, Georgia Power will have an option to fix its ownership interest in the Project at up to 24%.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Shirley E. Hollis,**

*Assistant Secretary.*

[FR Doc. 88–24134 Filed 10–18–88; 8:45 am]

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[Release No. 34-26177; File No. SR-NASD-88-31]

## Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change Relating to Supervisory Procedures and Redefinition of Office of Supervisory Jurisdiction and Branch Office

The National Association of Securities Dealers, Inc. ("NASD") submitted a proposed rule change on July 22, 1988 (and an amendment thereto on August 26, 1988), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b–4 thereunder to amend Article III, Section 27 of the NASD Rules of Fair Practice to delete certain existing text, modify other text and to add new provisions regarding the supervisory procedures of NASD members and the definitions of Office of Supervisory Jurisdiction and Branch Office. In addition, the amendments deleted the current definition of Branch Office in the NASD By-Laws and portions of the Explanation of the Board of Governors relating to the above-mentioned definitions set out in Schedule C to the By-Laws.

Notice of the proposed rule change together with the substance of the terms of the proposed rule change was given by the issuance of a Commission release (Securities Exchange Act Release No. 26052, September 1, 1988) and by publication in the **Federal Register** (53 FR 34858, September 8, 1988). No comments were received with respect to the proposed rule change.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD and, in particular, with the requirements of section 15A and the rules and regulations thereunder.

*It is therefore Ordered,* pursuant to section 19(b)(2) of the Act, that the proposed rule change, SR–NASD–88–31, be, and hereby is, approved. The NASD has requested that the proposed rule change not be effective until six months after the date of approval by the Commission. Therefore, this proposed rule change will be effective April 13, 1989.

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

Dated: October 13, 1988.

Shirley E. Hollis,

*Assistant Secretary.*

[FR Doc. 88-24130 Filed 10-18-88; 8:45 am]

BILLING CODE 8010-01-M

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[Release No. 34-26178; File No. SR-NASD-88-34]

## Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change Relating to Outside Business Activities of Associated Persons of Member Firms

The National Association of Securities Dealers, Inc. ("NASD") submitted on July 27, 1988, and amended on August 15, 1988, a proposed rule change pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder. The proposal adds Section 43 to Article III of the NASD Rules of Fair Practice to require registered persons associated with member firms to notify the firms, promptly and in writing, of outside business activities.

Notice of the proposed rule change together with the terms of substance of the proposed rule change was given by the issuance of a Commission release (Securities Exchange Act Release No. 26063, September 6, 1988) and by publication in the **Federal Register** (53 FR 35395, September 13, 1988). One comment letter was received, strongly supporting the proposed rule change.[1]

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD and, in particular, the requirements of section 15A and the rules and regulations thereunder.

*It is therefore ordered,* pursuant to section 19(b)(2) of the Act, that the above-mentioned proposed rule change be, and hereby is, approved.

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

Dated: October 19, 1988.

Shirley E. Hollis,

*Assistant Secretary.*

[FR Doc. 88-24131 Filed 10-18-88; 8:45 am]

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[1] Letter from J. Stephen Putnam, President, Robert Thomas Securities, Inc., to the Commission, September 27, 1988.

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[Release No. 34-26176; File No. SR-NYSE-87-27]

## Self-Regulatory Organizations; New York Exchange, Inc.; Order Approving Proposed Rule Change Relating to Amendments to Rule 325(e) Financial Responsibility Requirement and Rule 134 Error Trade Procedures

### I. Introduction.

On August 14, 1987, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Commission, pursuant to section 19(b) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder,[1] a proposed rule change that would, among other changes, increase the minimum level of financial responsibility required for members who execute orders on the floor, codify the Exchange's procedures for resolving error trades, and impose certain record keeping requirements in regard to error trades.[2]

### II. Description of Proposed Rule

The proposed rule change would amend NYSE Rule 325(e) to increase the minimum level of financial responsibility required for members who execute transactions on the floor from $50,000 to $100,000.[3] The proposal would also amend Rule 325(e) by adding additional means by which members or lessees can satisfy the financial responsibility requirement. A proposed new section 325(e)(4) would permit a member to elect to comply with the increased financial responsibility requirement by depositing marketable securities, having a value of at least $100,000 (after appropriate haircuts) and which are readily available, with an organization acceptable to the Exchange.

The proposed rule change also would amend the present section 325(e)(4) that permits members to use the value of their membership to meet the financial responsibility standard. Currently, in order to satisfy the financial responsibility standard by using the value of a membership, the value must equal or exceed $75,000. Under the proposed amendment, the value of a member's seat would have to equal or exceed $150,000. In addition, this provision would renumber section 325(e)(4) as section 325(e)(5).

Similarly, a proposed new section 325(e)(6) would permit a lessor to pledge his seat to satisfy his lessee's financial responsibility requirement under Rule 325(e). Under this provision, such a pledge would only be accepted by the Exchange as satisfying the financial responsibility standard where the lease agreement expressly sets forth the pledge of the lessor's seat on the lessee's behalf, free of any lien or encumbrance, and the value of the lessor's membership equal or exceeds $150,000.

The final portion of the proposed rule change amends NYSE Rule 134 dealing with differences or omissions in clearing transactions. The NYSE's proposed rule change would add a new paragraph (g) to Rule 134. Under this provision, a member or member organization may have a trade as to which he made an error (an "error trade") cleared in an account in his own name or the account of his member organization, or in the name of another member or member organization, with the agreement of such other member or member organization (a "take in").[4]

In addition, this provision would require every member to make available to the Exchange, upon request, accurate and complete records of all error trades cleared in his own account, or in the error account of his associated member organization. Where error trades of $3,000 or more are cleared in the error account of another member or member organization on the member's behalf, the member who executed the trade will be required to maintain accurate and complete records of the error trade, which shall be available to the Exchange upon request. Under the proposed rule these records shall include: (1) Audit trail data elements prescribed under NYSE Rule 132; (2) the nature and amount to the error; (3) the member of member organization that cleared the error trade; (4) the means whereby the member resolved the amount of the error trade with the member or member organization who cleared the trade on his behalf; (5) the aggregate amount of liability incurred and outstanding, as of the time each error trade entry is recorded, as to error trades that have been cleard by other members or member organizations; and (6) such other information as the Exchange may require from time to time.

[1] 15 U.S.C 78s(b) and 17 CFR 240.19b-4.

[2] The proposed rule change was noticed in Securities Exchange Act Release No. 25015, October 9, 1987, 53 FR 39321. No comments were received from the Commission's notice of this proposal.

[3] As stated in NYSE Rule 325(e), this requirement is in addition to the net capital requirement for brokers or dealers established by the Commission in Rule 15c3-1. *See* 17 CFR 240.15c3-1 (1987).

[4] Thus, by agreement, an executing broker may place a uncompared trade that remains unresolved by the end of the clearing process in the amount of another member or member organization.

## III. Discussion

The amendments to NYSE Rule 325(e) are intended to assure that financial responsibility requirements and standards for NYSE members are commensurate with today's levels of market activity, volatility, and order size. The Exchange notes that average trade size and market volatility have both increased since the last increase in the financial responsibility standard in 1980.[5] In view of this, the Exchange believes that the proposed increase in the financial responsibility standard is appropriate in light of the changes in the market since the 1980 amendment. The other proposed amendments to Rule 325(e) increase the minimum seat value as collateral provision to conform it with the increased financial responsibility standard and provide members with alternative means to comply with the Exchange's financial responsibility standard for themselves or for their leassee.

The proposed amendment to NYSE Rule 134 is intended to codify current procedures used by members and member organizations for the resolution of error trades and to impose certain record keeping requirements on members. The Exchange states that over a period of years an informal practice has developed among members which supplements current NYSE procedures for the resolution of error trades. Under this practice, an executing broker may place an error trade in the account of another member or member organization. Where an executing broker does not have an error account in his own name in which he can place an error trade, the member must rely on the services that another member or member organization may agree to provide in "taking in" an error trade. Under circumstances where a member has an error account but the cost of recording and correcting the error may be greater than the actual amount of the error, the specialist in the security may agree to "take in" the error trade as a service to his customers. As the Exchange notes, a specialist is not required to "take in" error trades of his customers. The proposed new paragraph (g) of Rule 134 is intended to make clear that a member or member organization can agree to "take in" an error trade of another member or member organization.

The proposed error trade record keeping requirements in Rule 134(g) are intended facilitate NYSE monitoring of error trades. As discussed previously, every member or member organization would keep records of all error trades cleared in their account. This provision would also require every executing broker to maintain audit trail records of every error trade of $3,000 or more cleared in the account of another member or member organization on the member's behalf. The Exchange believes that these requirements will help it maintain proper regulatory safeguards by enabling the Exchange to review error trade activity where appropriate.

As noted previously, the Commission did not receive any written comments to the **Federal Register** notice of the proposed rule change.[6] The NYSE, however, did receive six written comments in response to a January 21, 1987, Information Memorandum to its members ("January 21 Memorandum") which solicited comments on possible enhancements to financial responsibility standards and procedures for handling error trades which formed the basis for the proposed rule change.[7] These comments and the Exchange's response were discussed in detail in the Commission's notice of the proposed rule change published in the **Federal Register**.[8] In brief, the majority of ocmment letters that addressed the proposal to increase the financial responsibility requirement supported the concept.[9] Concerning error account procedures, the Exchange's January 21 Memorandum contained a proposal to require members to have their own error accounts. In response to critical comments the Exchange received, and its own reassessment of the proposal, the NYSE decided not to require mandatory error accounts.[10] The Commission has closely reviewed the provisions of the proposed rule change and believes that they are consistent with the requirements of the Act and, accordingly, should be approved. In particular, the Commisson believes that the proposed amendments to Rule 325(e) are consistent with section 6(b)(5) of the Act in that they promote the protection of investors and the public interest by increasing the minimum level of financial responsibility that must be demonstrated by all members who execute orders on the floor of the Exhange. The Commission believes that the proposed increase in the NYSE's minimum financial responsibility standard is reasonable in view of the substantial changes that have occurred in the market in the eight years since the last change in the financial responsibility in requirement.[11] The Commission notes that the size of an average trade executed on the NYSE floor, the value of securities represented in those trades, and the amount of trading, have increased substantially since the financial responsibility standard was last amended by the Exchange in October 1980.[12]

Similarly, the proposed new paragraph (g) to Rule 134 is consistent with section 6(b)(5) in that the codification of practices by which members may place error trades in the account of another member or member orgainzation, together with the proposed error trade record keeping requirements, foster cooperation and coordination with persons engaged in regulating, clearing, settling and facilitating transactions in securities.

In addition, the Commission believes that the proposed amendments to Rule 325(e) and Rule 134(g) are consistent with section 6(c)(3) of the Act which provides that on exchange may deny or condition membership of a registered broker or dealer where a member does not meet such standards of financial responsibility or operational capability as are prescribed by the rules of the exchange.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act, that the proposed rule change be approved.

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

Dated: October 13, 1988.

**Shirley E. Hollis,**

*Assistant Secretary.*

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[5] In the NYSE's 1980 amendment to Rule 325(e), the financial responsibility standard was increased from $25,000 to the current level of $50,000 and the standard was made applicable to all members. That increase was made in response to increased trading levels on the Exchange. *See* Securities Exchange Act Release No. 17206, October 9, 1980, 45 FR 69082.

[6] *See* note 2, *supra*.

[7] *See* letters from Harry Buonocore, an independent broker-dealer; Alan Goldberg, on behalf of Einhorn and Co. ("Einhorn"); A.L. Meentemeier, on behalf of Securities Settlement Corporation ("SSC"); Lawrence O'Donnell and Co., an NYSE specialist firm; and two letters from the Organization of Two Dollar Brokers ("OTB").

[8] *See* note 2, *supra*.

[9] Buonocore, Lawrence O'Donnell and Co., and the OTB all supported some form of increase in financial responsibility requirements. Only Einhorn opposed an increase.

[10] The letters from SSC and Lawrence O'Donnell and Co. were generally critical of requiring members to have their own error account. Einhorn supported a mandatory error account.

[11] *See* note 5, *supra*.

[12] For example, for the year 1980, a total of 11.4 billion shares were traded on the NYSE with an average trade size of 872 shares and an average price per share of $33.00. *See.* NYSE *Fact Book 1981* p. 3-5. For the year 1987, a total of 47.8 billion shares were traded on the NYSE with an average trade size of 2112 shares and an average price per share of $39.20. *See* NYSE *Fact Book 1988*, p. 7-10.