delivery on short sales, and the issuer credit risk associated with long warrants—may cause these margin requirements to be insufficient to fully cover the risk of such positions in certain circumstances, and broker-dealers must therefore be prepared to call for additional margin when appropriate. CBOE further believes that each exchange listing stock index, currency index or currency warrants should draw the attention of its member firms to this issue in connection with the adoption of these margin rules.

In accordance with the Lawson letter, the proposed rules would be applicable only to warrants issued after the effective date of this filing. Warrants issued prior to that date would remain subject to rules then in effect.

Applicability of Other Exchange Rules. Appendix A to Chapter XXX, which is a cross-reference table to other rules of the Exchange that are applicable to securities otherwise covered in Chapter XXX, is being updated to reflect the applicability of certain options rules (*i.e.*, customer protection rules including, but not limited to, options account approval, suitability, etc.,) to stock index warrants, currency index warrants and currency warrants.

Listing Criteria. The listing criteria for stock index warrants and currency warrants are being amended to reflect the comments contained in the Lawson letter and to make clear that they apply to currency index warrants. In particular, issuers would be required to have a minimum tangible net worth in excess of $150 million. In addition, the aggregate original issue price of all of a particular issuer's warrant offerings (combined with offerings by its affiliates) that are listed on a national securities exchange or that are National Market securities traded through NASDAQ would not be permitted to exceed 25 percent of the issuer's net worth. Finally, opening prices for all U.S. traded securities will be used to determine an index's settlement value where 25 percent or more of the value of the index is represented by securities whose primary trading market is in the U.S.

Trading Halts or Suspensions. Proposed new Rule 30.36 makes the provisions in Rule 24.7 concerning trading halts or suspensions in stock index options applicable to stock index warrants.

Specific Warrant Issues. It is the Exchange's understanding that, upon approval of the foregoing amendments, no rule filing pursuant to Section 19(b) of the Act will be required in order for the Exchange to list specific issues of warrants on a board-based index that is the underlying index for warrants or standardized options that have previously been listed or approved for listing by the Commission on a national securities exchange or national securities association.

Initial and maintenance listing standards for stock index warrants will require that no more than 20% of the securities in the underlying index, by weight, may be comprised of foreign securities that are not subject to comprehensive surveillance sharing agreements between the CBOE and the primary exchange on which the foreign security (including a foreign security underlying an ADR) is traded.[6] Prior to trading stock index or currency warrants, the Exchange will distribute a circular to its membership providing guidance regarding member firm compliance responsibilities (including suitability recommendations) when handling transactions in index or currency warrants.[7]

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposed rule change will impose no burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the publication of this notice in the **Federal Register** or within such other period (i) as the Commission may designate up to 90 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 the self-regulatory organization consents, the Commission will:

(A) By order approve the 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. 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR–CBOE–94–34 and should be submitted by January 30, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–427 Filed 1–6–95; 8:45 am]

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[6] Telephone conversation between James R. McDaniel, Schiff Hardin & Waite, and Stephen M. Youhn, SEC, on December 21, 1994 (''Amendment No. 1''). The Exchange proposes that the ''20% test'' be applied in the same manner as that contained in Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994) (Commission approval order allowing the expedited trading approval of certain narrow-based index options).

[7] Telephone conversation between James R. McDaniel, Schiff Hardin & Waite, and Stephen M. Youhn, SEC, on December 22, 1994.

[8] 17 CFR 200.30–3(a)(12) (1993).

[Release No. 34–35186; File No. SR–DTC–94–16]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Clarifying the Depository Trust Company's Policy on Depository-to-Depository Services and Fees

December 30, 1994.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on

[1] 15 U.S.C. 78s(b)(1) (1988).

November 29, 1994, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–DTC–94–16) as described in Items I, II, and III below, which Items have been prepared primarily by DTC. 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

DTC proposes to clarify its policy regarding depository-to-depository services and fees by filing the following statement:

DTC shall make available to any other securities depository that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 (a ''depository'') any service that DTC makes available to its Participants generally, provided that such depository makes its services available to DTC on the same basis.

DTC shall charge such depository for the services rendered by DTC and shall pay such depository for services rendered to DTC only such fees as DTC and the depository negotiate, but if DTC and such depository do not have an agreement on fees, DTC shall (i) render book-entry delivery services to such depository without charge if and so long as such depository shall render book-entry delivery services to DTC on the same basis and (ii) charge its published fees for services relating to the physical handling of certificates rendered by DTC to such depository and pay such depository its published fees for custody-related services rendered by such depository to DTC.[2]

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

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

The purpose of the proposed rule change is to state DTC's policy respecting depository-to-depository services and fees. DTC states that this policy statement reflects the practices that have been followed by DTC and the other depositories since the beginning of interdepository processing and is consistent with the Commission's expressed views concerning these matters.

From the very beginning of interdepository processing, in the mid-1970s and through the present, DTC and the other depositories have charged and paid each other for services rendered only such fees that have been negotiated. For example, in 1975, Pacific Securities Depository Trust Company (''PSDTC'') declared that it would not pay or levy charges on the other depositories. In September 1976, DTC was informed of the unilateral determination by the Midwest Securities Trust Company (''MSTC'') Board that as a matter of principle MSTC would discontinue paying DTC for services other than for physical withdrawals of certificates. In 1977, DTC, PSDTC, and MSTC formally agreed to provide most services to each other without charge (''no charge agreement'').

At the present time, DTC has an informal agreement with the Philadelphia Depository Trust Company covering custody-related services. Each depository charges the other its published fees for these services. In June 1992, DTC and MSTC entered into an agreement that provided for depository-to-depository charges for certain services. This agreement was terminated by DTC on June 1, 1994, effective August 1, 1994, in accordance with the procedure set forth in the agreement for termination by either party upon sixty days notice.[3] DTC has advised MSTC that if a new agreement is not reached between DTC and MSTC, after November 30, 1994, DTC will continue to provide services to MSTC but in the manner and on the terms described in the policy statement,[4] which is the subject of the proposed rule change.

DTC states that the Commission has been aware of and has commented in its releases on the practice followed by FTC and other depositories of paying each other only such fees as are negotiated rather than all fees charged to participants generally. DTC states that the Commission in its releases has never expressed the view that one depository, by virtue of executing a participant agreement with another depository in order to establish the legal framework for an interface relationship, thereby becomes subject to all of that other depository's published participant fees. DTC states that the Commission has expressed that belief that:

[R]egistered securities depositories are not similar to ordinary participants. Registered securities depositories are subject to special regulation that no other participants face including a specific statutory charge to cooperate with other registered securities depositories. Thus, the Commission believes that a ''no-charge'' policy with respect to interface account activity does not result in an inequitable allocation of fees.[5]

DTC believes that the proposed rule change is consistent with Section 17A(b)(3)[6] of the Act. DTC believes that implementation of the subject policy will help assure that depository interface services are available to participants of any depository thereby promoting the goal of one-account settlement. DTC also states that the policy will enable DTC to avoid paying another depository inappropriately high fees that might effect its inefficient operation and to avoid paying another depository higher per-unit fees than such depository charges its participants generally.[7] DTC believes that managing the fees paid to other depositories, which currently account for approximately 60% of DTC's total cost of providing interface services to its participants, will help reduce the fees that DTC must charge its participants to recover those costs.

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

DTC believes that by promoting the goal of one-account settlement and by enabling DTC to control the interface costs that are paid by its participants, the proposed rule change would help

[2] This policy statement does not apply to ''linked services,'' which the Commission has described as arrangements where one depository (the ''servicing depository'') performs for another depository (the ''using depository''(the core tasks necessary to deliver the services to the using depository's participants. The Commission has cited as examples of linked services DTC's processing of ID confirmations and affirmations and DTC's fourth-party delivery service. The Commission has expressed the view that a servicing depository should be permitted to charge a using depository the same fee it charges its participants for the same or a similar service. *See* Securities Exchange Act Release No. 23083 (March 31, 1986) at 15–23.

[3] *See* letter from Richard B. Nesson, Executive Vice President and General Counsel, DTC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (November 11, 1994).

[4] Letter from William F. Jaenike, Chairman of the Board and Chief Executive Officer, DTC, to Robert J. McGrail, Executive Vice President and Chief Operating Officer, MSTC (November 17, 1994).

[5] Securities Exchange Act Release No. 20461 (December 7, 1983) at footnote 34.

[6] 15 U.S.C. 78q–1(b)(3) (1988).

[7] DTC states that the Commission has indicated that where one depository is entitled to charge another (*e.g.*, for linked services), it expects that any offer of volume discounts to participants generally would also be made available to the other depository. Securities Exchange Act Release No. 23803 (March 31, 1986) at page 21.

promote competition among depository users.

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

DTC has not sought or received comments on the proposed rule change.

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 DTC 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 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, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the file number SR–DTC–94–16 and should be submitted by January 30, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

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[8] 17 CFR 200.30–3(a)(12) (1994).

[Release No. 34–35181; File No. SR–MSRB–94–18]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Fees for Subscription to the Transaction Reporting Pilot Program

December 30, 1994.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 16, 1994, the Municipal Securities Rulemaking Board, Inc. (''MSRB'' or ''Board'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. 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

The MSRB is filing herewith a proposed rule change to establish a fee for an annual subscription to a Service (the ''Service'') which will provide daily reports of transaction data from the Board's Transaction Reporting Pilot Program (''the Pilot Program''). The Board will charge a fee for the Service equal to a yearly rate of $15,000. The proposed fee is structured to defray the Board's cost of disseminating the transaction data and to defray, in part, the cost of collecting and compiling inter-dealer transaction data that will be used in the Pilot Program both for the Service and for a comprehensive surveillance database. The Board does not expect or intend to make a profit from the Service, and will review the fee annually to determine whether adjustments are necessary.

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

In its filing with the Commission, the self-regulatory organization 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. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Background and Description of the Pilot Program. On November 9, 1994, the Commission approved the Board's plan for the Pilot Program for collecting inter-dealer transaction data and the production and sale of daily transaction reports containing certain summarized data about the inter-dealer transactions.[1] Operation of the Pilot Program is planned to commence with reporting of inter-dealer trades on or after January 2, 1995.[2] As part of the Pilot Program, the Board also will make information on all inter-dealer trades in municipal securities available to the Commission and other regulatory agencies in a ''surveillance database'' to assist in inspection and enforcement of Board rules. This data on specific transactions, which will include the identity of dealers, will not be publicly available and will not be included in the Service.

The Pilot Program will collect inter-dealer transaction data by using data submitted to the automated comparison system for inter-dealer municipal securities transactions. The transaction reports will provide aggregate data about market volume on the previous business day and will provide summary price and volume data about those issues that were traded at or above a threshold number of times on that day. For each of these issues, the report will provide high, low and average prices of the transactions in the issue, along with the total par value traded and the number of trades in the issue. The average prices (but not the high and low prices) will be calculated based upon those trades in a ''band'' of $100,000 to $1 million par value. The prices and par values of individual transactions will not be included in the transaction reports, but will be available to the enforcement agencies in the surveillance database.

As part of the Service, the Board will provide the transaction reports to the

[1] *See* Securities Exchange Act Release No. 34955 (November 9, 1994), 59 FR 59810.

[2] The Pilot Program is the first phase of a system in which the Board ultimately intends to make available transaction information which is both comprehensive and contemporaneous. In other phases, information for institutional and retail customer transactions will be added to the system. In a recent letter to the Commission, the Board outlined the four-phase plan, of which the present fee filing applies to phase one. *See* letter from Robert Drysdale, Chairman, MSRB, to Arthur Levitt, Chairman, SEC, dated November 3, 1994. The Board will submit to the Commission a proposed rule change prior to the implementation of each planned phase.