

automated operating procedures for MMIs are virtually the same as those followed by SDFS participants and by Institutional Delivery system users for basic depository services in other eligible SDFS securities. The MMI issues being made SDFS-eligible will be distributed in book-entry-only form by the issuer's issuing agent that, as in the commercial paper and medium-term note MMI programs, will send MMI issuance instructions to DTC electronically. Settlement of an issue will be on the same day as the issuance or on a specified future day. The issuer's paying agent, that will also serve as DTC's custodian, will hold a master or balance MMI certificate for DTC unless the issuer and its issuing and paying agent bank choose to distribute uncertificated MMIs through DTC.⁵ Because SDFS-eligible MMIs will be book-entry only, participant operating procedures for deposits and withdrawals will not apply to MMIs.

DTC believes the proposed rule change is consistent with the requirements of the Act, specifically Section 17A(b)(3)(A)⁶ of the Act, and the rules and regulations thereunder because the rule proposal will facilitate the prompt and accurate clearance and settlement of securities transactions in MMIs.

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

DTC does not believe that the proposed rule change will impact or impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

DTC has not solicited comments on the proposed rule change. Discussions with DTC participants, including those on the Task Force established by the Public Securities Association's Money Market Committee to advise DTC on the operation of its MMI programs, indicate wide support for the proposed permanent expansion of the MMI program.

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**

⁵ Uncertificated MMIs are not evidenced by any certificate whatsoever. Bills, notes, bonds, and other securities have been issued in uncertificated form by U.S. government and federal agencies for many years.

⁶ 15 U.S.C. 78q-1(b)(3)(A) (1988).

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, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street NW., Washington, D.C. 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-95-05 and should be submitted by April 14, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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Self-Regulatory Organizations; Midwest Clearing Corporation; Order Approving Proposed Rule Change Relating to Implementation of a Three-Day Settlement Standard

[Release No. 34-35514; File No. SR-MCC-94-16]

March 17, 1995.

On December 28, 1994, the Midwest Clearing Corporation ("MCC") filed a proposed rule change (File No. SR-MCC-94-16) with the Securities and Exchange Commission ("Commission") pursuant to section 19(b) of the

Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on January 27, 1995, to solicit comments from interested persons.² As discussed below, this order approves the proposed rule change.

I. Description

In October 1993, the Commission adopted Rule 15c6-1 under the Act³ which establishes three business days after the trade date ("T+3"), instead of five business days ("T+5"), as the standard settlement cycle for most securities transactions. The rule will become effective June 7, 1995.⁴ Several of MCC's rules are interrelated with settlement time frames. The purpose of the proposed rule change is to amend MCC's rules to be consistent with a T+3 settlement standard for securities transactions.

The proposed rule change amends Interpretations and Policies .01 of Article II, Rule 2 of MCC's rules to shorten the time frame in which contract data or comparison data must be submitted to MCC to ensure that MCC has sufficient time to review such contracts and receive the necessary protection to guarantee the performance of such contract to the contra-broker in a T+3 environment. Under such interpretations, MCC reserves the right to cause such contract to be settled under the trade-by-trade system or to reverse the trade in the continuous net settlement system (1) if a regular way contract is not recorded by MCC in a participant's account until T+2, (2) if a regular way contract is not submitted by another clearing corporation for recordation in a participant's account until T+2, or (3) if the contract is to be settled through the participant's account at another clearing corporation and the contract is not recorded until T+1.

The proposed rule change also is amending Article III, Rule 2, Section 9 to state that a participant will be deemed to have requested delivery of a security if the participant has entered into contracts to be settled by MCC which will result in net settling sales of such security by the participant during the next two business days. The proposed rule change also amends the definition of "as-of contract" in Article I, Rule 1 to include contracts for which

¹ 15 U.S.C. 78s(b) (1988).

² Securities Exchange Act Release No. 35256 (January 20, 1995), 60 FR 5444.

³ 17 CFR 240.15c6-1.

⁴ Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (adoption of Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).

⁷ 17 CFR 200.30-3(a)(12) (1994).

the intended date of settlement is one to two days after the recording of the transaction by MCC.

MCC has requested that the proposed rule change become effective on the same date as Rule 15c6-1. Rule 15c6-1 becomes effective on June 7, 1995.⁵

II. Discussion

The Commission believes the proposal is consistent with the requirements of Section 17A of the Act.⁶ Specifically, Section 17A(b)(3)(F)⁷ states that the rules of a clearing agency must be designed to assure the safeguarding of securities and funds which are in the MCC's custody or control or for which MCC is responsible and must be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. Several of MCC rules are based on a five day time frame for settlement of securities transactions. On June 7, 1995, the new settlement cycle of T+3 will be established as mandated by the Commission's Rule 15c6-1. As a result, the MCC's current rules will be inconsistent with the Commission's rule. This proposal will amend the MCC's rules to harmonize them with Commission's Rule 15c6-1 and a T+3 settlement cycle.

III. Conclusion

For the reasons stated above, the Commission finds that MCC's proposal is consistent with Section 17A of the Act.⁸

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-MCC-94-16) be and hereby is approved and will become effective June 7, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

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⁵ The transition from five day settlement to three day settlement will occur over a four day period. Friday, June 2, will be the last trading day with five business day settlement. Monday, June 5, and Tuesday, June 6, will be trading days with four business day settlement. Wednesday, June 7, will be the first trading day with three business day settlement. As a result, trades from June 2 and June 5 will settle on Friday, June 9. Trades from June 6 and June 7 will settle on Monday, June 12.

⁶ 15 U.S.C. 78q-1 (1988).

⁷ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁸ 15 U.S.C. 78q-1 (1988).

⁹ 15 U.S.C. 78s(b)(2) (1988).

¹⁰ 17 CFR 200.30(a)(12) (1994).

[Release No. 34-35507; File No. SR-NASD-94-56]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Partial Approval of Proposed Rule Change Relating to the Three Business Day Settlement of Securities Transactions

March 17, 1995.

On October 12, 1994, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ On November 9, 1994, the NASD filed with the Commission Amendment No. 1.² The purpose of the proposed rule change is to amend the NASD's rules to provide for three business day settlement of securities transactions. The Commission published notice of the proposed rule change in the **Federal Register** on November 18, 1994.³ The commission granted partial, accelerated approval of the proposed rule change on November 30, 1994.⁴ On December 8, 1994, the NASD filed with the Commission Amendment No. 2.⁵ The amendments were technical amendments that did not require republication of notice. One comment was received on the notice.⁶ As discussed below, the Commission is approving that portion of the proposed rule change relating to the three day settlement of securities transactions.⁷

¹ 15 U.S.C. 78s(b)(1) (1988).

² Letter from Suzanne E. Rothwell, Associate General Counsel, NASD, to Mark Barracca, Branch Chief, Over-the-Counter Regulation, Division of Market Regulation, Commission (November 8, 1994).

³ Securities Exchange Act Release No. 34966 (November 10, 1994), 59 FR 59802.

⁴ Securities Exchange Act Release No. 35031 (November 30, 1994), 59 FR 62761. The order approved that portion of the proposed rule change relating to the transfer of customer accounts between broker-dealers.

⁵ Letter from Suzanne E. Rothwell, Associate General Counsel, NASD, to Mark Barracca, Branch Chief, Over-the-Counter Regulation, Division of Market Regulation, Commission (December 7, 1994). Amendment No. 2 eliminated the proposed amendment to Section 64(a)(3) which would have shortened the time for confirmation of a customer order from the day after trade date to the trade date. Amendment No. 2 also lengthened by one day, from the first day after trade date to the second day after trade date, the time for a buying customer to provide agent instructions under Section 64(a)(4).

⁶ Letter from P. Howard Edelstein, President, Electronic Settlements Group, Thomson Trading Services, Inc. (A Thomson Financial Services Company), to Jonathan G. Katz, Secretary, Securities and Exchange Commission (December 2, 1994).

⁷ With this order, the Commission has now approved all of File No. SR-NASD-94-56.

I. Description

On June 7, 1995, the standard settlement time frame for most securities transactions will be shortened from five business days after the trade date ("T+5") to three business days after the trade date ("T+3").⁸ The proposal amends certain provisions of the NASD's Uniform Practice Code ("UPC") and the rules of Fair Practice ("RFP") consistent with a T+3 settlement cycle. These amendments will become effective on the same date as Commission Rule 15c6-1, which establishes T+3 as the standard settlement time frame.⁹

The proposed rule change will shorten the time periods established under the NASD's rules for taking certain actions related to settlement. Currently, Section 12(b) of the UPC states that for a regular way transaction delivery must be made on, but not before, the fifth business day following the trade date. The proposal shortens the delivery requirement to on, but not before, the third business day following the trade date. In addition, seller's option transaction deliveries may be made by the seller on any business day after the third business day, rather than after the fifth business day, following the trade date.

Similarly, Article III, Section 26(m)(1) of the RFP is amended to require that members transmit payments received from customers for the purchase of investment company shares within three business days, rather than within five business days, after receipt of such customers' purchase orders or one business day following receipt of customer payments, whichever is later.

Section 64(a)(4) of the UPC currently requires that customers that use an agent to pay for or to deliver securities must agree to furnish instructions to the agent no later than T+4 if buying on a receipt versus payment ("RVP") basis or no later than T+3 if the customer is selling on a delivery versus payment ("DVP") basis. The proposed rule

⁸ On October 6, 1993, the Commission adopted Rule 15c6-1 under the Act (17 CFR 240.15c6-1), which establishes T+3 instead of T+5 as the standard settlement time frame for most broker-dealer transactions. Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891. The rule becomes effective June 7, 1995. Securities Exchange Act Release No. 34952 (November 9, 1994), 59 FR 59137.

⁹ The transition from five day settlement to three day settlement will occur over a four day period. Friday, June 2, will be the last trading day with five business day settlement. Monday, June 5, and Tuesday, June 6, will be trading days with four business day settlement. Wednesday, June 7, will be the first trading day with three business day settlement. As a result, trades from June 2 and June 5 will settle on Friday, June 9. Trades from June 6 and June 7 will settle on Monday, June 12.