

of such notice to the person who has been terminated.

Requiring each Floor employee to submit the Form U-4 will enable the Exchange to fulfill its regulatory responsibilities better by identifying those individuals who are subject to a statutory disqualification under Section 3(a)(39) of the Act.³ The Exchange is required to make a determination in each case where an individual who is subject to a statutory disqualification (e.g., is suspended or barred by an SRO, or has been convicted of any felony or certain enumerated misdemeanors) seeks admission to or continuance in membership, participation in, or association with a member or member organization. In addition, Rule 19h-1⁴ under the Act requires that the Exchange provide detailed information to the Commission whenever it determines to admit or continue in membership or participation or association with a member or member organization, any person who is subject to a statutory disqualification.

Additional provisions of the proposal will require all Floor Employees of members and member organizations and all Exchange members to be fingerprinted and to submit such fingerprints to the Exchange for identification, background checking, and appropriate processing. The proposed amendments to require fingerprinting of all Exchange members and floor clerks also will help in identifying persons who are subject to a statutory disqualification as well as enhance overall security on the Exchange Floor.

Fingerprinting currently is required for each partner, director, officer or employee of broker-dealers pursuant to Rule 17f-2⁵ under the Act, with certain exceptions. Floor clerks are not required by Rule 17f-2 to submit fingerprints because they do not physically handle monies or securities.⁶ The Exchange, however, now has determined that all floor members and floor employees should be fingerprinted to help to ensure the security of the CHX staff, members, and the Exchange facility. The requirement to fingerprint members and floor employees is consistent with the requirements of other exchanges.⁷

respective rules, whenever a registered employee is terminated.

³ 15 U.S.C. 78c(a)(39) (1988).

⁴ 17 CFR 240.19h-1 (1994).

⁵ 17 CFR 240.17f-2 (1994).

⁶ See 17 CFR 240.17f-2(a)(1)(i).

⁷ See, e.g., NYSE Rule 35.60 (requiring fingerprinting of all floor employees of members and member organizations and all employees of members and member organizations who have submitted registration applications for admission to the floor).

The requirements of the amended rules to submit Form U-4 and fingerprints will apply to all current and prospective Floor employees and members.

Finally, the proposed rule change imposes an initial registration fee on clerks of \$50.

2. Statutory Basis

The CHX believes that the proposed rule change is consistent with Section 17(f)(2) of the Act, which requires (with certain exceptions) fingerprinting of each partner, director, officer or employee of broker-dealers.

The rule change also is consistent with Section 6(c)(2) of the Act because having more comprehensive background information submitted on Form U-4 will enable the Exchange to identify individuals who are subject to statutory disqualification under Section 3(a)(39) of the Act.

The rule change advances the objectives of Rule 19h-1 under the Act, which requires detailed reporting to the Commission of the Exchange's determination to admit to, or continue in, membership or participation or association with a member, persons subject to statutory disqualification.

Finally, the proposed rule change is consistent with Section 6(b)(5) of the Act, which provides, in pertinent part, that the rules of the Exchange be designed to prevent fraudulent and manipulative acts, to promote just and equitable principles of trade and to protect the investing public.

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

The Exchange does not believe that the proposed rule change will impose a burden on competition.

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

No comments were solicited or received.

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

Within 35 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 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 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 at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-95-06 and should be submitted by May 31, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-11516 Filed 5-9-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35674; File No. SR-MSRB-95-05]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Modifying The Applicable Time Frames for Customer Account Transfers

May 4, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 31, 1995, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MSRB-95-5) as described in Items I, II, and III below, which items have been prepared primarily by the MSRB. The Commission is publishing this notice to

¹ 15 U.S.C. 78s(b)(1) (1988).

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 purpose of the proposed rule is to modify MSRB Rule G-26 regarding customer account transfers to require that a dealer carrying a customer account in municipal securities validate and return customer account transfer instructions to the dealer designated to receive the account within three business days and that the dealer carrying the account complete the transfer of the account within four business days after validation of the transfer instructions.

The proposed rule change supports the movement of the securities industry to three-day settlement in June 1995 and parallels recent amendments to the customer account transfer rules of the New York Stock Exchange ("NYSE")² and the National Association of Securities Dealers ("NASD").³ Recent enhancements also were made to the Automated Customer Account Transfer System operated by National Securities Clearing Corporation ("NSCC") accelerating the time in which an account can be transferred.⁴ The proposed rule change is consistent with those enhancements. The MSRB requests that the Commission set the effective date for thirty days after filing.

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 MSRB 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. The MSRB has prepared summaries, set forth in sections (A), (B), and (C) below,

of the most significant aspects of such statements.⁵

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

In October 1993, the Commission adopted Rule 15c6-1⁶ under the Act 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.⁷ The rule will become effective June 7, 1995.⁸ Although municipal securities were not included within the scope of Rule 15c6-1, the Commission asked the Board to undertake a commitment to T+3 settlement for the municipal securities industry.⁹

On February 28, 1995, the Commission approved amendments to MSRB rules G-12 on uniform practice and rule G-15 on confirmation, clearance, and settlement of transactions with customers redefining regular-way settlement as three business days.¹⁰ In addition, the MSRB has been reviewing its rules to determine if there are other appropriate changes to its rules that need to be made to facilitate the movement to T+3 settlement. The current proposed amendment to rule G-26 has been identified as such a necessary change.

The proposed rule change would require that a dealer carrying a customer account in municipal securities validate and return customer account transfer instructions to the dealer designated to receive the account within three business days following receipt of the transfer instructions. The rule currently allows five business days for this to occur. In addition, the dealer carrying the account would be required to complete the transfer of the account within four business days following validation of the transfer instructions in lieu of five business days as is currently stated in the rule.

As set forth in Section 15B(b)(2)(C)¹¹ of the Act, the MSRB has the authority

to adopt rules to foster cooperation with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities. The MSRB believes the proposed rule change is consistent with Section 15B(b)(2)(C) because the proposal promotes uniformity with the customer account transfer procedures of the other self-regulatory organizations thereby providing greater efficiency in the transfer of customer accounts.

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

The MSRB does not believe that the proposed rule change will impose any burden on competition 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

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

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

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) was provided to the Commission for its review at least five days prior to the filing date; and (4) does not become operative for thirty days from the date of its filing on March 31, 1995, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder. In particular, the Commission believes the proposal would qualify as a "non-controversial filing" in that the proposed standards do not significantly affect the protection of investors or the public interest and do not impose any significant burden on competition. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

² For a description of the NYSE's amendments to its customer account transfer rules, refer to Securities Exchange Act Release No. 34633 (September 2, 1994), 59 FR 46872 [File No. SR-NYSE-94-21] (approving proposed rule change).

³ For a description of the NASD's amendments to its customer account transfer rules, refer to Securities Exchange Act Release No. 35031 (November 30, 1994), 59 FR 62761 [File No. SR-NASD-94-56] (granting partial accelerated approval of proposed rule change).

⁴ For a description of the NSCC's enhancements to its customer account transfer system, refer to Securities Exchange Act Release No. 34879 (October 21, 1994), 59 FR 54229 [File No. SR-NSCC-94-13] (approving proposed rule change).

⁵ The Commission has modified the text of the summaries prepared by MSRB.

⁶ 17 CFR 240.15c6-1.

⁷ Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (adoption of Rule 15c6-1).

⁸ Securities Exchange Act Release No. 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995 to June 7, 1995).

⁹ Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (adoption of Rule 15c6-1).

¹⁰ Securities Exchange Act Release No. 35427 (February 28, 1995), 60 FR 12798 [File No. SR-MSRB-94-10] (approving proposed rule change).

¹¹ 15 U.S.C. 78o-4(b)(2)(C).

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 the MSRB. All submissions should refer to the file number SR-MSRB-95-05 and should be submitted by May 31, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-11517 Filed 5-9-95; 8:45 am]
BILLING CODE 8010-01-M

[Release No. 34-35675; File No. SR-MSRB-95-3]

**Self-Regulatory Organizations;
Municipal Securities Rulemaking
Board; Notice of Filing of Proposed
Rule Change Relating to the
Submission of Transaction Information
for Confirmation, Clearance, and
Settlement of Transactions With
Customers**

May 4, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 23, 1995, the Municipal Securities Rulemaking Board ("MSRB") file 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 primarily by the MSRB. 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 proposed amendments to MSRB rule G-15

regarding the confirmation, clearance, and settlement of transactions with customers. The amendments would require dealers to submit delivery versus payment and receipt versus payment ("DVP/RVP") customer transactions to an automated confirmation/acknowledgement system no later than the end of trade date ("T"). The MSRB requests that the amendments be made effective thirty days after approval by the Commission.

**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 MSRB 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 texts of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in section (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**

On October 5, 1993, the Commission adopted Rule 15c6-1 under the Act, which establishes three business days after the trade date ("T+3") instead of five business days ("T+5") as the standard settlement time frame for most broker-dealer transactions.³ Recognizing the differences between the corporate and municipal securities markets and the unique role the MSRB has in overseeing the municipal securities market, the Commission did not include municipal securities within the scope of Rule 15c6-1.⁴ The Commission, however, did formally request that the MSRB undertake a commitment to T+3 settlement for municipal securities to ensure consistency in settlement cycles in the corporate and municipal markets.

On February 29, 1995, the Commission approved amendments to MSRB rules G-12 on uniform practice and rule G-15 on confirmation, clearance, and settlement of transactions with customers. These amendments

established three business days as the standard settlement time frame for regular-way transactions in municipal securities.⁵ The MSRB has been reviewing its rules to determine whether or not additional rule changes are necessary to facilitate the movement to T+3 settlement. The MSRB has determined that amendment rule G-15 is necessary to facilitate T+3 settlement for municipal securities transactions.

Currently, rule G-15(d) states that a dealer shall give or send to a DVP/RVP customer a confirmation with respect to an execution of an order no later than the close of business on the next business day after execution ("T+1").⁶ The rule currently does not specify the timing for the submission of transaction data to an automated confirmation/acknowledgement system although the rule does require nearly all municipal securities transactions with institutional customers to be processed in such a system.⁷ Under the proposed rule change, giving or sending of the confirmation and the submission of transaction data to an automated confirmation/acknowledgement system would occur on the trade date rather than T+1.⁸ In a T+3 environment, less time will exist for the necessary communications between dealers and institutional customers to clear and settle transactions. The proposed rule change accordingly would require the

⁵ Securities Exchange Act Release No. 35427 (February 28, 1995), 60 FR 12798 [File No. SR-MSRB-94-10].

⁶ The terms "DVP/RVP customer" and "institutional customer" both refer to transactions between dealers and customers that are settled on a delivery versus payment or receipt versus payment basis.

⁷ The automated clearance and settlement process includes several steps. Initially, dealers submit transaction information to an automated confirmation/acknowledgement system followed by the institutional customer receiving notification requesting acknowledgement of the transaction through the automated system. Once the institutional customer acknowledges the transaction, the transaction is then ready for automated settlement to occur at the depository on settlement date.

⁸ Rule G-15(a) states that a confirmation containing certain information must be given or sent to each customer. Some dealers use the automated confirmation/acknowledgement system as the exclusive mechanism for confirming transactions to DVP/RVP customers (i.e., no paper confirmation is sent). The MSRB has stated that use of the automated confirmation/acknowledgement system to deliver a confirmation meeting the information requirements of rule G-15(a) is permissible as long as all information required by rule G-15(a) is included on the electronic confirmation generated by that system. The MSRB, however, has not specified that the automated confirmation/acknowledgement system is the exclusive mechanism for sending confirmation information required by rule G-15(a) to DVP/RVP customers. Some dealers continue to use both the automated confirmation/acknowledgement system and also send paper confirmations.

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

³ Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (release adopting Rule 15c6-1). On November 16, 1994, the Commission changed the effective date of Rule 15c6-1 from June 1, 1995 to June 7, 1995. Securities Exchange Act Release No. 34952 (November 9, 1994), 59 FR 59137.

⁴ Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891.

¹² 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).