

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.<sup>12</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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[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"),<sup>1</sup> 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.<sup>2</sup>

**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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup> 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").<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup> 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

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

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>2</sup> The Commission has modified the text of the summaries prepared by MSRB.

<sup>3</sup> 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.

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

<sup>12</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

communication between dealers and institutional customers begin on trade date. In addition, the success of the proposed Phase II of the MSRB's Transaction Reporting Program will depend on timely and accurate submission of institutional customer transaction data on trade date to the automated confirmation/acknowledgement system.<sup>9</sup>

Section 15B(b)(2)(C) of the Act provides that the MSRB has the authority to adopt rules:

To foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest \* \* \*<sup>10</sup>

The MSRB believes the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act because the proposal will facilitate clearance and settlement of municipal securities in a T+3 environment by helping to ensure a more timely confirmation and acknowledgement of DVP/RVP customer transactions.

#### *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**

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 the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change or

<sup>9</sup> For a complete description of Phase II of the MSRB's Transaction Reporting Program, refer to "Transaction Reporting Program for Municipal Securities: Phase II," MSRB Reports, Vol. 15, No. 1 (April 1995).

<sup>10</sup> 15 U.S.C. 78o-3(b)(2)(C) (1988).

(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. People 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 submissions, 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. Copies of the filing will also be available for inspection and copying at the MSRB's principal offices. All submissions should refer to File No. SR-MSRB-95-3 and should be submitted by May 31, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35676; File No. SR-PHILADEP-94-06]

### **Self-Regulatory Organizations; The Philadelphia Depository Trust Company; Order Granting Temporary Approval of a Proposed Rule Change Extending the Pilot Program for the Fully Automated Securities Transfer Reconciliation Accounting Control System**

May 4, 1995.

On December 14, 1994, the Philadelphia Depository Trust Company ("PHILADEP") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-PHILADEP-94-06) under Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> to extend the pilot program governing the Fully Automated Securities Transfer Reconciliation Accounting Control System ("FASTRACS") through

<sup>11</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78(b)(1) (1988).

December 29, 1995. Notice of the proposal was published in the **Federal Register** on March 17, 1995.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change and extending the FASTRACS pilot program on a temporary basis through December 29, 1995. The program will be limited to three transfer agents for the duration of the temporary approval period.

### **I. Description**

On July 19, 1994, the Commission approved a proposed rule change establishing a pilot program for FASTRACS for the transfer of certain securities between PHILADEP and certain transfer agents.<sup>3</sup> FASTRACS is an automated program by which PHILADEP and the participating transfer agents use a master balance certificate to evidence the number of securities of a particular issue that are registered in PHILADEP's nominee name. The transfer agents have custody of the securities in the form of balance certificates. The transfer agents adjust daily the balance certificates to reflect PHILADEP's withdrawal and deposit activity.

According to PHILADEP, the pilot program has operated successfully in accordance with the operational and technical specifications; however, testing of the program is not complete.<sup>4</sup> Therefore, PHILADEP has requested an extension of the FASTRACS pilot program on a temporary basis through December 29, 1995.

### **II. Discussion**

As discussed in detail in the order initially approving PHILADEP's FASTRACS pilot program,<sup>5</sup> one of the primary reasons for approval of the FASTRACS program is to enable PHILADEP to provide for the safe and efficient clearance and settlement of securities transactions and to assure the

<sup>2</sup> Securities Exchange Act Release No. 35470 (March 10, 1995), 60 FR 14477.

<sup>3</sup> For a complete description of PHILADEP's FASTRACS, refer to Securities Exchange Act Release No. 34404 (July 19, 1994) 59 FR 38010 [File No. SR-PHILADEP-90-03] (order approving FASTRACS program on a temporary basis).

<sup>4</sup> Currently, PHILADEP has completed testing with two transfer agents who are now fully operational with FASTRACS. PHILADEP continues to conduct testing with a third transfer agent. Upon successful completion of testing with the third transfer agent, PHILADEP will file a proposed rule change under Section 19(b) of the Act to seek permanent approval of the FASTRACS program. Telephone conversation between Keith Kessel, Compliance Officer, PHILADEP, and Margaret J. Robb, Attorney, Division of Market Regulation, Commission (December 22, 1994).

<sup>5</sup> *Supra* note 3.