

terminal inquiry fee, leased line fee, and communications fee) will be identical to the fees charged participants.

MSTC believes that the proposed rule change is consistent with Section 17A of the Act because it will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

MSTC believes that no burden will be placed on competition as a result of the proposed rule change.

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

MSTC 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)⁴ of the Act and Rule 19b-4(e)(4)⁵ thereunder because it effects a change in an existing service that does not adversely affect the safeguarding of securities or funds in the custody or control of MSTC or for which MSTC is responsible and does not significantly affect the respective rights or obligations of MSTC or persons using the service. At any time within sixty days of the filing of this rule change, the Commission may summarily abrogate this 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 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, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of MSTC. All submissions should refer to File No. SR-MSTC-95-07 and should be submitted by August 15, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35988; File No. SR-MSRB-95-12]

Self-Regulatory Organization; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Report of Sales and Purchases and Associated Transaction Reporting Procedures

July 18, 1995.

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 June 22, 1995, 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 a proposed rule change to rule G-14, on reports of sales and purchases and associated transaction reporting procedures, to enhance the Board's transaction reporting pilot program to provide improved support of market surveillance and enforcement of Board rules. The proposed rule change would require brokers, dealers, and municipal securities dealers ("dealers") that clear transactions for other dealers to identify the dealers that executed the transaction, when submitting transaction information to the Board under rule G-14. This would make available reliable information

concerning each broker or dealer that is party to a transaction, including introducing brokers who are currently not identified on some transactions submitted to the Board. Such information would be made available through the Board's pilot automated transaction reporting system to the Commission and to organizations charged with inspection for compliance with, and enforcement of, Board rules ("enforcement agencies"). The Board requests that the proposed rule change be effective July 24, 1995.

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 Purpose Rule Change

1. Purpose

On November 9, 1994, the Commission approved an amendment to Board rule G-14, on reports of sales or purchase of municipal securities, and associated transaction reporting procedures.¹ Approval of the amendment represented a first step in achieving transparency in the municipal securities market, as it requires dealers to report to the Board or its designee² information on each inter-dealer transaction in municipal securities, for public dissemination and for surveillance and enforcement uses. The amendment enabled implementation of the Board's transaction reporting pilot program and operation of an automated information system for transaction reporting ("system").³

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

² The Board has designated National Securities Clearing Corporation ("NSCC") as its agent for receiving interdealer transaction information. Before this designation, NSCC already was receiving transaction information in its role as the central facilities provider of the automated comparison system.

³ Other required information was also submitted by the Board to the Commission before the pilot system became operational. See Securities Exchange Act Release No. 35181 (December 30,

⁴ 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

⁵ 17 CFR 240.19b-4(e)(4) (1994).

⁶ 17 CFR 200.30-3(a)(12) (1994).

The system produces daily, public reports of frequently traded issues⁴ and summary volume and price information about the inter-dealer market on the previous business day ("daily report"), and is building a surveillance database of detailed records about every inter-dealer transaction that has been successfully compared⁵ by the automated comparison system. Dealers report transaction information to the Board, pursuant to rule G-14, through the automated comparison system. The transaction reporting system has been operational and has been collecting and publicly reporting inter-dealer transaction information since January 23, 1995. The Board had begun working with the National Association of Securities Dealers ("NASD") and the bank regulatory agencies to establish detailed operational arrangements by which comprehensive information will be made available.⁶ This information includes, among other things identification of parties to each compared trade and the prices of all securities traded, and is not limited to transactions in issues that are traded four or more times a day.

The Commission has often noted the need to make an "integrated audit trail" of transaction information available to the agencies charged with enforcement of Board rules. The Commission believes that an audit trail will "provide valuable information for market surveillance and inspection purposes to the MSRB, the Commission, the NASD, and the relevant banking agencies."⁷

The surveillance databases of transactions being built as part of the transaction reporting system will provide an effective audit trail for the enforcement agencies. The proposed rule change will help to ensure that the audit trail contains the identify of all dealers involved in each compared

1994), 60 FR 2412, and see letters from Larry M. Lawrence, MSRB, to Keith Riley, SEC, dated December 31, 1994, and January 23, 1995.

⁴ Currently, only issues that are traded four or more times during a day are included in the next day's daily report.

⁵ In general, a "compared" transaction is one for which salient information items, provided by both parties to a trade, are matched and found to agree by the automated comparison system.

⁶ Cooperation between the Board and the enforcement agencies was noted by the Commission as important in the enforcement of the customer protection rules, and the Commission's order approving the system described the NASD as the primary entity responsible for conducting market surveillance. The NASD already has requested and received transaction information from the surveillance database, as part of its enforcement activities. The Board is making arrangements to further automate the process of making surveillance information available to the NASD and to expand such support to all enforcement agencies.

⁷ See note 1, *supra*.

inter-dealer municipal securities transaction.

Currently, transaction information reported to the Board under rule G-14 through the automated comparison system always includes a numerical identifier for the dealer that "clears" the transaction through NSCC. In many cases, this dealer, called the "clearing broker," is also the dealer that executed the transaction. In other cases, the "clearing broker" submits the trade on behalf of another dealer that executed the transaction. In a clearing-introducing broker arrangement, the clearing broker may submit transaction information on behalf of the introducing broker. In this case, the introducing broker generally is identified as the "executing broker" in the comparison system.

During the first months of transaction reporting operations, the Board has noted that a substantial number of transactions submitted under G-14 do not include any indication whether the trade is actually done by the "clearing broker" or on behalf of another "executing broker."⁸ Under these circumstances, the surveillance database does not reflect the identity of all dealers involved in the transaction. The identity of the actual executing brokers on each transaction is critical to the surveillance database and to monitoring individual dealers' compliance with the requirement for trade comparison on the night of trade date.⁹

The proposed rule change would require dealers who clear transactions for other dealers to identify the executing dealers involved in the trade. This would involve relatively minor changes in current practice. Clearing brokers would have to ensure the presence of the executing broker identification for both the "buy side" and the "sell side" for every transaction submitted to the automated comparison

⁸ Clearing brokers have the option of including the identity of the introducing brokers when reporting a transaction, in which case the introducing broker identifiers are entered into the Board's surveillance database. The database lacks the introducing broker identifier of transactions for which the clearing broker chooses not to identify the introducing broker.

⁹ Clearing and introducing brokers are jointly responsible for submitting transaction information for automated comparison under rule G-12(f). See "Enforcement Initiative," *MSRB Reports*, Vol. 14, No. 3 (June 1994), at 35. Therefore, the clearing broker bears responsibility for obtaining accurate and timely information from its executing brokers and submitting it for comparison in time to achieve comparison on the night of trade date. However, charting the performance of individual executing brokers would be helpful both to the clearing brokers and to the enforcement agencies, since it would indicate which executing brokers are presenting problems.

system.¹⁰ In addition, each executing broker of municipal securities transactions that has not yet been assigned an executing broker symbol would have to request an assignment.¹¹

2. Statutory Basis

The Board believes the proposed rule change is consistent with Section 15B(b)(2)(C), which requires, in pertinent part, that the Board's rules:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, * * * 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. * * *

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

The Board does not believe that the proposed rule change will impose any burden on competition in that it applies equally to all dealers in municipal securities.

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

The Board 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 June 22, 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 proposed rule change 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

¹⁰ A clearing broker that uses an "omnibus" account to handle introducing brokers' trades might have to change its practices to identify the introducing broker in each case, rather than using its own clearing broker symbol.

¹¹ The NASD assigns executing broker symbols to brokers, dealers, and municipal securities dealers. A self-clearing broker may use an NASD-assigned symbol to identify itself in its role as executing broker, or it may use its NSCC-assigned broker number for this purpose.

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 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the MSRB. All submissions should refer to File No. SR-MSRB-95-12 and should be submitted by August 15, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-35983; File No. SR-NSCC-95-07]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Reducing Networking Account Fees

July 18, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 21, 1995, the National Securities Clearing Corporation ("NSCC") 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 primarily by NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested person.

I. Self-Regulatory Organizations Statement of the Terms of Substance of the Proposed Rule Change

NSCC is filing the proposed rule change to reduce certain of the Networking service² account fees charged to NSCC participants.

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

(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 reduce the Networking service monthly account base fees charged to NSCC participants in order that such fees will reflect more accurately the current costs of providing the service. For accounts with funds paying dividends monthly, the monthly account base fee will be reduced from \$.045 per side to \$.035 per networking subaccount. Similarly, for accounts with funds paying dividends less frequently than monthly, the monthly account base fee will be reduced from \$.03 per side to \$.023 per networking subaccount. This reduced fee structure will take effect on June 1, 1995.

Section 17A(b)(3)(D) of the Act⁴ requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. NSCC believes that the proposed rule

change is consistent with the requirements of Section 17A(b)(3)(D) of the Act because the new fee schedule allocates fees more equitably among NSCC participants.

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

NSCC does not believe that the proposed rule change will impact or impose a burden on competition.

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

NSCC neither solicited nor received written comments on the proposed rule change. NSCC will notify the Commission of any written comments it receives.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii)⁵ of the Act and Rule 19b-4(e)(2)⁶ thereunder because the rule change establishes or changes a due, fee, or other charge. At any time within sixty days of the filing of such 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 purpose 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 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 in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal

² Networking is NSCC's centralized and standardized data communications system that enables members to transmit mutual fund customer account data and to settle mutual fund payments between themselves. For a complete description of the Networking service, refer to Securities Exchange Act Release No. 26376 (December 28, 1988), 53 FR 52544 [File No. SR-NSCC-88-08] (order granting approval to NSCC's Networking service).

³ The Commission has modified the text of the summaries prepared by NSCC.

⁴ 15 U.S.C. 78q-1(b)(3)(D) (1988).

⁵ 15 U.S.C. 78s(b)(3)(A)(ii) (1988).

⁶ 17 CFR 240.19b-4(e)(2) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).