

received no comment letters. For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description of the Proposal

In a memorandum dated July 29, 1994, which was issued jointly with the National Securities Clearing Corporation ("NSCC") and which described the planned conversion of DTC's money settlement system to an entirely same-day funds settlement ("SDFS") system, DTC announced plans to offer a service for intraday withdrawal of P&I payments. The service was developed in response to participants' requests to have the funds resulting from P&I payments available for participants' use prior to the time of DTC's money settlement at the end of the day. DTC plans to begin the new service in the first quarter of 1996.

In the current next-day funds settlement ("NDFS") environment, P&I payment allocations are credited to participants' accounts on a regular basis at a specific time during the day. Under the proposed rule change, P&I payment allocations for SDFS issues will be credited to participants' money settlement accounts throughout each processing day as funds are received by DTC from issuers and their paying agents. Only P&I payments that have been received by DTC and credited to a participant's account will be available for withdrawal. Withdrawal requests for P&I payments will be subject to the risk management controls of the SDFS system (*i.e.*, collateral monitor and net debit caps). Any withdrawal request that is blocked due to insufficient collateral or a net debit cap will recycle until enough collateral or settlement credits have been generated to satisfy the collateral or net debit cap deficiency or until the end of the recycle period on that day. Any early withdrawal requests still recycling at the end of the recycle period will be dropped from the system, and the P&I payment allocation will be included in the end-of-day settlement.

#### II. Discussion

Section 17A(b)(3)(F) of the Act<sup>3</sup> requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes that DTC's proposal is consistent with DTC's obligations under Section 17A(b)(3)(F)

because the procedures should facilitate the prompt and accurate settlement of P&I payments by allowing participants to withdraw P&I credits prior to end-of-day settlement. Intraday withdrawal of P&I credits also should help provide liquidity in the clearance and settlement system by providing participants with a source of intraday liquidity. The Commission also believes the procedures are consistent with DTC's obligations to assure the safeguarding of securities and funds in its custody or control because DTC only will permit participants to withdraw early those P&I credits that DTC has actually received from an issuer's paying agent or that DTC has an expectation based on a paying agent's historical compliance with DTC's P&I payment policy that such payments will be received.<sup>4</sup> Furthermore, DTC will subject intraday P&I payment withdrawal requests to its risk management controls (*i.e.*, collateral monitor and net debit caps). This should ensure that withdrawal requests that will cause a participant to have insufficient collateral or exceed their net debit cap will recycle until enough collateral or settlement credits are generated in the participant's account.

#### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act, and in particular with Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-95-25) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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<sup>4</sup> As part of its preparation for the SDFS conversion, DTC has secured intraday and overnight lines of credit that will be available to fund early P&I credit withdrawals for which DTC has not actually received payments from the issuer's paying agent but for which DTC expects such payments based on the paying agent's historical compliance with DTC's P&I payment policy. For a further description of DTC's policy regarding P&I payments to participants, refer to Securities Exchange Act Release No. 36837 (February 13, 1996), [File No. SR-DTC-96-02] (notice of filing and immediate effectiveness of a proposed rule change regarding P&I payments to participants).

<sup>5</sup> 17 CFR 200.30-3(a)(12) (1995).

[Release No. 34-36844; File No. SR-DTC-96-04]

### **Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Revision of Certain Fees**

February 14, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 25, 1996, the Depository Trust Company ("DTC") 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 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

The purpose of the proposed rule change is to revise the fees charged for deliveries, money market instruments ("MMI") transactions, and long positions because of the conversion to same-day funds settlement.<sup>2</sup>

#### 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 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.<sup>3</sup>

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

DTC plans to convert its existing next-day funds settlement and same-day funds settlement ("SDFS") systems into an entirely SDFS system on February 22, 1996. Most of the fees currently charged for services in each of the two settlement systems are identical and will not at this time be affected by the conversion. The purpose of the proposed rule change is to revise the

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

<sup>2</sup> A copy of the revised fee schedule is attached to this notice of DTC's proposed rule change as Appendix A.

<sup>3</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

fees charged for deliveries, MMI transactions, and long positions which will be affected by the conversion. These fees need to be changed in order to establish a single fee for each of these services and to take into account the substantially greater volumes of book-entry transactions, numbers of issues to be included in the SDFS system, and DTC's increased costs to process a book-entry delivery in the SDFS systems.

The subject fee schedule revisions are revenue neutral to DTC (*i.e.*, the new fee should yield the same amount of revenue to DTC as the old fees would have yielded when applied to anticipated 1996 volumes). The new fees represent a "blending" of the existing fees in each settlement system reflecting last year's total costs for these services. These historical costs may or may not represent the actual processing costs in the new settlement system. DTC will need at least several months after the conversion to evaluate the related unit service costs for these three services.

DTC believes the proposed rule change is consistent with Section 17A of the Act<sup>4</sup> and the rules and regulations thereunder because it will provide for the equitable allocation of dues, fees, and other charges among participants.

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

DTC does not believe that the proposed rule change will impose any

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*

The conversion was described in three memoranda issued jointly by the National Securities Clearing Corporation and DTC<sup>5</sup> and was discussed in a DTC proposed rule change approved by the Commission on May 16, 1995.<sup>6</sup> DTC informed participants and other users of its services of the proposed fee revisions by an Important Notice.<sup>7</sup> No written comments have been received. DTC will notify the Commission of any written comments received by DTC.

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

The foregoing rule change has become effective pursuant to Sections 19(b)(3)(A)(ii)<sup>8</sup> of the Act and pursuant to Rules 19b-4(e)(2)<sup>9</sup> promulgated thereunder because the proposal establishes a due, fee, or other charge. At any time within sixty days of the filing of such 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 in the Commission's Public Reference Room, 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 DTC. All submissions should refer to File No. SR-DTC-96-04 and should be submitted by March 13, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>  
Margaret H. McFarland,  
*Deputy Secretary.*

**APPENDIX A—FEE CHANGES ARISING FROM THE CONVERSION TO AN ALL-SDFS SYSTEM**

Service	Present fee	Revised fee
<b>A. Registered Securities</b>		
<b>I. NDFS Deliveries:</b>		
Deliver orders via CNS .....	\$.07 for each item delivered or received .....	\$.08 for each item delivered or received.
Deliver orders via ID System .....	.17 for each item delivered or received .....	.20 for each item delivered or received.
Deliver orders via PTS, MDH or CCF		
For each deliver item presented .....	.15 to the deliverer .....	.18 to the deliverer.
Prior PM .....	.40 to the deliverer .....	.47 to the deliverer.
AM opening to cut-off .....	.25 for each item received (regardless of time)	.29 for each item received (regardless of time).
<b>II. SDFS Deliveries/Money Market Instruments Activity:</b>		
<b>SDFS Deliveries:</b>		
Deliver orders via PTS, MDH or CCF		
For each deliver item presented .....	.93 to the deliverer .....	.18 to the deliverer.
Prior PM .....	1.18 to the deliverer .....	.47 to the deliverer.
AM opening to cut-off .....	1.03 for each item received (regardless of time).	.29 for each item received (regardless of time).
Deliver orders via ID system .....	.93 for each item delivered or received .....	.20 for each item delivered or received.
<b>Money Market Instruments Activity</b>		
Deliver orders .....	1.07 to the deliverer .....	.59 to the deliverer.
	.92 to the deliverer .....	.41 to the receiver.
Maturity or reorganization presentments ...	.87 for each item delivered or received .....	.59 for each item delivered or received.

<sup>4</sup> 15 U.S.C. 78q-1 (1988).

<sup>5</sup> The Depository Trust Company and National Securities Clearing Corporation, Memorandum (July 1, 1992; July 26, 1993; and July 29, 1994).

<sup>6</sup> For additional information regarding DTC's SDFS system, refer to Securities Exchange Act Release No. 35720 (May 16, 1995), 60 FR 27360 [File No. SR-DTC-95-06] (order granting accelerated approval of a proposed rule change modifying the SDFS system).

<sup>7</sup> DTC Important Notice (January 17, 1996).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii) (1988).

<sup>9</sup> 17 CFR 240.19b-4(e)(2) (1995).

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1995).

APPENDIX A—FEE CHANGES ARISING FROM THE CONVERSION TO AN ALL-SDFS SYSTEM—Continued

Service	Present fee	Revised fee
Issuance instruction (both dealer-placed and directly-placed).	1.66 to the issuer's agent .....	.59 to the issuer's agent.
<b>B. Bearer Securities</b>		
I. Deliver Orders:		
ID .....	.17 for each item delivered or received .....	.20 for each item delivered or received.
PTS, MDH or CCF .....	.33 for each item delivered .....	.39 for each item delivered.
	.25 for each item received .....	.29 for each item received.
II. Long Position:		
For each active issue per month (held by more than 2 Participants).	.58 per issue .....	.59 per issue.
For each less-active issue per month (held by 1 or 2 Participants).	1.33 per issue .....	1.34 per issue.
Monthly charge on face value		
\$0–\$.5 billion .....	.000006790 .....	No Change.
Excess over .5 billion up to \$1 billion	.0000016988 .....	No Change.
Excess over \$1 billion up to \$8 billion	.00000084025 .....	No Change.
Excess over \$8 billion .....	.00000042012 .....	No Change.
A monthly surcharge on all positions in Book Bond issues.	1.05 per issue .....	No Change.
A monthly surcharge on all positions requiring coupon collection from paying agents located outside Metropolitan New York area.	.25 per issue .....	No Change.
A monthly surcharge on all positions in multiple purpose issues.	.50 per issue .....	No Change.
A monthly surcharge on all positions in issues denominated in units of \$1,000.	.50 per issue .....	No Change.
III. Long Position:		
For each active issue monthly (for registered corporate issues when a daily average of more than 15 Participants have positions; and for registered municipal issues when a daily average of more than 2 Participants have positions).	.47 per issue .....	.50 per issue.
For each less-active registered corporate issue monthly (when a daily average of 15 or fewer Participants have position).	.72 per issue .....	.75 per issue.
For each less-active registered municipal issue monthly (when a daily average of 1 or 2 Participants have position).	1.22 per issue .....	1.25 per issue.
For each 100 shares or \$4,000 bonds (monthly) based on the average daily number of shares or bonds:		
0–25 million shares .....	.0052 .....	No Change.
Excess over 25 million up to 200 million shares.	.0013 .....	No Change.
Excess over 200 million up to 300 million shares.	.000652 .....	No Change.
Excess over 300 million shares .....	.00005 .....	No Change.
For each book-entry-only issue (monthly) .	.31 per issue, no per bond/per share charge ...	No Change.
For each Medium-Term Note (MTN) and Money Market Instrument (MMI) issue (monthly).	.56 per issue, no per bond/per share charge ...	No Change.

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[Release No. 34–36843; File No. SR–DTC–96–03]

**Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Modifications to the Same-Day Funds Settlement System**

February 14, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

(“Act”),<sup>1</sup> notice is hereby given that on January 23, 1996, The Depository Trust Company (“DTC”) 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 DTC. The Commission is publishing this notice to

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