

for each reclaim transaction on a printed reclaim form will be \$10. A reclaim transaction will consist of the reclaim calculation applicable to one security, one beneficial owner, and one income payment date. For reclaim transactions that are not completed because the reclaimable amount falls below a threshold value established by the participant, the fee will be \$2 per reclaim transaction. DTC will post a disclaimer of liability in connection with use of the TaxReclaim service.

DTC believes that the proposed rule change is consistent with section 17A of the Act<sup>3</sup> and the rules and regulations thereunder because it facilitates return of payments withheld by foreign jurisdiction with respect to distributions made on foreign securities and thereby protects investor entitlements to such payments.

*(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.

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

DTC has not solicited nor received written comments on the proposed rule change. However, the introduction of a foreign tax reclaim service was discussed with DTC's Participant Advisory Group on Foreign Tax Services at meetings of the group held on September 28, 1998, February 15, 1999, and April 23, 1999. The Participant Advisory Group on Foreign Tax Services consists of representatives of 19 participants. A prototype of the TaxReclaim Service was demonstrated at the meeting of the Participant Advisory Group on Foreign Tax Services held on April 23, 1999, and was favorably received.

**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 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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. 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, NW, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR-DTC-99-14 and should be submitted by July 12, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

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

[FR Doc. 99-15600 Filed 6-18-99; 8:45 am]

BILLING CODE 8010-01-M

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-41516; File No. SR-MBSCC-99-02]

**Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to MBSCC's Risk Management Rules and Procedures**

June 10, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> notice is hereby given that on April 15, 1999, MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MBSCC-99-02) as described in Items I, II, and III below, which Items have been prepared

primarily by MBSCC. 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 make several modifications to MBSCC's risk management rules. Specifically, the proposed rule change: (i) implements the net-out report, (ii) modifies financial reporting by participants, (iii) modifies certain special provisions applicable to nondomestic participants, (iv) requires additional assurances from MBSCC participants, and (v) clarifies MBSCC's role as agent in a liquidation.

**II. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

In its filing with the Commission, MBSCC 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. MBSCC has prepared summaries, set forth in sections (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*

The purpose of the proposed rule change is to make several modifications to MBSCC's risk management rules. Specifically, the proposed rule change: (i) implements the net-out report, (ii) modifies financial reporting by participants, (iii) modifies certain special provisions applicable to nondomestic participants, (iv) adds a provision for additional assurances, and (v) clarifies MBSCC's role as agent in a liquidation.

The specific objectives of the proposed rule change and the corresponding modifications to MBSCC's rules are described below.

**1. Net-Out Report**

Article III, Rule 3, Section 5 of MBSCC's rules governs when MBSCC ceases to act for a participant. This rule generally provides that if a defaulting participant's participants fund contribution is insufficient to cover losses of the defaulting participant's nonoriginal contra sides, the deficiency

<sup>4</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> 15 U.S.C. 78q-1.

is assessed against the defaulting participant's original contra sides. Original contra sides remain liable for potential assessments even if as a result of MBSCC's netting process they net-out of transactions. MBSCC, however, does not currently provide participants with information regarding their open net-out obligations.

The proposed rule change modifies Article II, Rule 4 of MBSCC's rules to add a provision for a daily net-out report that will list all of a participant's open net-out obligations. Article I, Rule 1 of MBSCC's rules is also being modified to add a definition of the term "net-out report." The net-out report is intended to provide participants with timely information regarding their open net-out obligations to enable them to better monitor potential risk exposure with original contra sides.

## 2. Financial Reporting

Article III, Rule 1, Section 10 of MBSCC's rules sets forth the financial reporting requirements for participants. This rule generally requires participants to provide MBSCC with annual audited and quarterly unaudited financial statements.

MBSCC's rules also contain special provisions applicable to certain participants. Article III, Rule 1, Section 11 provides that MBSCC may permit: (i) Any registered broker-dealer to satisfy its obligation to furnish financial statements by providing MBSCC with Form X-17A-5 FOCUS Reports or Form G-405 Report on Finances and Operations, (ii) any bank to satisfy its obligation to furnish financial statements by providing MBSCC with Consolidated Reports of Condition and Income (Call Reports), and (iii) any participant that is subject to the periodic reporting requirements of Section 13 of the Act to satisfy its obligation to furnish financial statements to MBSCC by providing MBSCC with Form 10-K and Form 10-Q Reports.

The proposed rule change modifies Article III, Rule 1, Section 10 of MBSCC's rules to replace the general requirement for quarterly unaudited financial statements with unaudited financial statements as frequently as required by the participant's appropriate regulator, and if not regulated or a nondomestic participant, monthly unaudited financial statements.

This modification is intended to provide MBSCC with more frequent information on the financial condition of certain participants. MBSCC believes that this information should be especially useful in periods of market volatility.

## 3. Non Domestic Participants

Article III, Rule 1, Section 13 of MBSCC's rules contains special provisions applicable to non domestic participants. This rule generally provides that any participant that is not organized under the laws of the United States must comply with certain additional financial and operational requirements.

The proposed rule change modifies Article III, Rule 1, Section 13 of MBSCC's rules to codify the existing practice of requiring non domestic participants to: (i) execute and deliver to MBSCC a master agreement, (ii) provide MBSCC with an opinion of counsel, and (iii) confirm the master agreement and option of counsel as MBSCC may require. The master agreement and the opinion of counsel generally address the enforceability of MBSCC's rules. Article I, Rule 1 of MBSCC's rules is also being modified to add definitions of the terms "master agreement" and "opinion of counsel."

The master agreement, opinion of counsel, and periodic confirmation thereof are designed to provide MBSCC with additional comfort from non domestic participants regarding the enforceability of MBSCC's rules and procedures.

## 4. Additional Assurances

Article III, Rule 3, Section 1 of MBSCC's rules requires a participant that is unable to meet its obligations or perform its contracts or is insolvent to immediately notify MBSCC. However, MBSCC's rules do not currently require a participant to notify MBSCC in situations where the participant contemplates that it will be unable to meet its obligations or perform its contracts or will no longer be in compliance with MBSCC's rules and procedures.

The proposed rule change modifies Article III, Rule 1 of MBSCC's rules by adding a new Section 16 regarding additional assurances. The new section provides that any participant that contemplates it no longer will be in compliance with MBSCC's rules and procedures or will no longer be able to perform its contracts or satisfy its obligations to MBSCC or participants must immediately notify MBSCC. If MBSCC has reasonable ground to believe that a participant no longer will be in compliance with MBSCC's rules and procedures or no longer will be able to perform its contracts or satisfy its obligations to MBSCC or participants, MBSCC may require additional information from such participant relating to its ability to comply with the

rules and procedures, perform its contracts, and satisfy its obligations to MBSCC or participants. MBSCC may also increase a participant's minimum required deposits to the participants fund if MBSCC has reasonable grounds to believe such conditions may exist. The new section also states that it does not restrict MBSCC from exercising its right at any time to cease to act for the participant pursuant to MBSCC's rules.

The new section providing for additional assurances is designed to enable MBSCC to better determine a participant's potential inability to meet its obligations and to increase the likelihood that a participant's collateral will be sufficient to satisfy its obligations.

## 5. MBSCC as Agent

Article III, Rule 3, Section 5(f) of MBSCC's rules governs the distribution of funds when MBSCC ceases to act for a participant. MBSCC's role as agent in the distribution of funds is currently implied within the rules because MBSCC does not guaranty its participants' transactions. The proposed rule change modifies Article III, Rule 3, Section 5(f) to make explicit that any distribution of funds relating to a participant for which MBSCC has ceased to act is made by MBSCC as agent.

MBSCC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder because it is designed to assure the safeguarding of securities and funds which are in the custody or control of MBSCC or for which it is responsible.

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

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

### *(B) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others*

No written comments relating to the proposed rule change have been solicited or received. MBSCC will notify the Commission of any written comments received by MBSCC.

## **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
- (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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549-0609. 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, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of MBSCC. All submissions should refer to File No. SR-MBSCC-99-02 and should be submitted by July 12, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-15599 Filed 6-18-99; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41524; File No. SR-Phlx-99-11]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Enhance the Exchange's Automated Options Market System and To Employ Trade Reporting Terminals in Certain Options

June 14, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 7, 1999, the Philadelphia Stock Exchange Inc. ("Phlx" or "Exchange") 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. On June 10, 1999, the Phlx filed with the Commission Amendment No. 1<sup>3</sup> to the proposed rule change. The Commission is publishing this notice, as amended, 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 Phlx proposes two enhancements to the Phlx Automated Options Market ("AUTOM")<sup>4</sup> System. The first proposed system enhancement, called the Floor Broker Order Entry System ("FBOE"), allows certain orders to be placed directly onto the X.Station,<sup>5</sup> in lieu of a "paper" book. The second proposed enhancement involves employing trade reporting terminals in certain options for non-AUTOM delivered orders.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Letter from Nandita Yagnick, Counsel, Phlx, to Michael Walinskas, Associate Director, Division of Market Regulation, Commission, dated June 10, 1999 ("Amendment No. 1"). Amendment No. 1 makes a technical modification to the proposed rule change.

<sup>4</sup> See Phlx Rule 1080. AUTOM is the Exchange's electronic order delivery and reporting system that provides for the automatic entry and routing of Exchange listed equity option and index option orders.

<sup>5</sup> For a more detailed description of the X.Station, see Securities Exchange Act Release Nos. 40625 (Nov. 2, 1998), 63 FR 60435 (Nov. 9, 1998) and 39972 (May 7, 1998), 63FR 26666 (May 13, 1998).

#### 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 Exchange 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 Proposed Rule Change

###### 1. Purpose

The X.Station is the Exchange's full service options electronic book and trading system. The X.Station provides order execution and order canceling by specialists. Orders delivered through AUTOM, if not automatically executed, are placed on the X. Station on the electronic book for execution by the specialist. Orders not delivered through AUTOM are placed on the "paper" book. Currently, orders, that are on the paper book, when due an execution, are manually executed by the specialist. The specialist then writes out tickets for both sides of the trade and submits them to Exchange staff for reporting to the Options Price Reporting Authority ("OPRA") and for the entry of clearing information.

The Exchange is now proposing a system—The FBOE—that would allow hand-delivered orders<sup>6</sup> to be entered directly onto the X.Station rather than on a paper book. The FBOE will place all orders, except all-or-none, stop, and stop limit orders.<sup>7</sup>

The FBOE will operate as follows: The floor broker will give orders to the specialist; the specialist or his clerk will enter the orders into the FBOE terminal located at the specialist post. The floor broker also may enter the order through terminals located at his floor broker booth. The orders will be displayed on the X.Station and reflected in the Auto-

<sup>6</sup> The FBOE will not accept orders of Registered Options Traders (ROT's) nor will it accept "firm" (member) orders entered by a floor broker.

<sup>7</sup> see Phlx Rule 1066. An all-or-none order is a market or limit order that is to be executed in its entirety or not at all. A stop order is a contingency order to buy or sell at a specified price. A stop limit order is a contingency order to buy or sell at limited price when the market for the particular option reaches a specified price.

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