

that the \$2,000 fee it charges for such transfers will prevent disruptive serial transfers and deregistrations that have not been carefully contemplated by the specialist.<sup>10</sup>

The proposed amendments relating to Nasdaq/NM securities will only be effective for as long as the number of Nasdaq/NM issues that can be traded UTP on the Exchange is limited. If the Commission eliminates this limitation, Nasdaq/NM issues and the co-specialist maintaining Nasdaq/NM issues will be subject to the regular retention periods applicable to all other issues traded on the Exchange.

### III. Discussion

The Commission finds that the proposed rule change is consistent with Section 6 of the Act<sup>11</sup> and the rules and regulations thereunder<sup>12</sup> applicable to a national securities exchange. Section 6(b) of the Act<sup>13</sup> states that the rules of an exchange must be designed to facilitate securities transactions and to remove impediments to and perfect the mechanism of a free and open market. The Commission believes that eliminating retention periods for co-specialists in Nasdaq/NM securities will enable the Exchange and specialist firms to more quickly respond to market developments. The Commission believes the proposed rule change will serve the public interest by allowing the transfer of a security to a co-specialist that is more experienced or is assigned to a fewer number of issues if trading in one or more of the securities handled by another co-specialist becomes unusually high or volatile. Finally, in approving the proposed rule change, the Commission notes that the Exchange, through its Committee on Specialist Assignments and Evaluation, will monitor the turnover of co-specialist assignments to avoid possible abuses.

### IV. Conclusion

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the portion of the proposed rule change relating to specialist retention periods for Nasdaq/NM securities (File No. SR-CHX-99-11) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 00-6367 Filed 3-14-00; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42504; SR-DTC-00-04]

### Self-Regulatory Organizations; The Depository Trust Corporation; Notice of Filing of Proposed Rule Change Relating to Profile Modification Feature of the Direct Registration System

March 8, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 28, 2000, The Depository Trust Corporation ("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 from interested persons on the proposed rule change.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will establish the Profile Modification System ("Profile") feature of the Direct Registration System ("DRS") facility administered by DTC.<sup>2</sup> As described more fully below, Profile will allow a DTC participant to electronically submit to a transfer agent who is a DRS limited participant an investor's instruction that its share positions be moved from the investor's DRS account with the DRS limited participant to the investor's broker-dealer's participant account a DTC. Using Profile, a DRS limited participant may also submit an investor's instruction for the movement of its share position from the investor's broker-dealer's participant account at DTC to an account maintained by the DRS limited participant. Profile may also be used to append information to DRS limited participant's records. Profile will be governed by DTC procedures<sup>3</sup> substantially in the form

attached as Exhibits 3 and 4 to DTC's filing. The fees connected with Profile are specified below.<sup>4</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 if 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>5</sup>

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

In 1996, the New York Stock Exchange, Inc. ("NYSE") and the National Association of Securities Dealers, Inc. modified their listing criteria to permit listed companies to issue securities in book-entry using DRS in lieu of certificates (*i.e.*, securities are registered in the name of the investor on the books of the issuer but no certificate is issued). Since then there has been a steady growth of securities issued in DRS, primarily through corporate actions and initial public offerings. By completing the appropriate information on the transaction advice and submitting the hard copy paper instructions to a DRS limited participant, and investor may update broker-dealer information with a DRS limited participant and may instruct the DRS limited participant to move the investor's share positions to the investor's broker-dealer's participant account at DTC. In 1999, the volume of DRS free delivery order activity moving positions from DRS limited participants to DTC participants exceeded 183,000 transactions. DTC believes that these free deliver order transactions are the

relating to their use of DRS. Once such guidelines have been approved by the Guidelines Subcommittee of the DRS Committee and the DRS Committee, DTC will work with the Guidelines Subcommittee to ensure that the guidelines are distributed to the appropriate parties. The DRS Committee is an industry committee responsible to designing DRS. Its members include the Securities Transfer Association, the Securities Industry Association, the Corporate Transfer Association, the American Society of Corporate Secretaries, and DTC. The staff of the SEC attends meetings of the DRS Committee.

<sup>4</sup> A copy of DTC's proposed rule change and the attached exhibits is available at the Commission's Public Reference Section or through DTC.

<sup>5</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>10</sup> See Securities Exchange Act Release No. 41569 (June 28, 1999), 64 FR 36726 (July 7, 1999).

<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> In approving this rule change, the Commission has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. 15 U.S.C. 78c(f).

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> For a description of DRS, see Securities Exchange Act Release No. 41862 (September 10, 1999), 64 FR 51162 (September 21, 1999) [File No. SR-DTC-99-16].

<sup>3</sup> In addition, DTC understands that certain DRS limited participants are developing guidelines

direct result of DRS limited participants processing thousands of hard copy transaction advises based on investors' instructions.

DTC believes that there is substantial evidence to currently indicate that the transfer of DRS positions, which is presently a multistep, paper-based process, is labor intensive and slow. For an investor to move a DRS position from a DRS limited participant to a participant, the investors must have its transaction advice (i) medallion signature guaranteed and (ii) physically delivered to the DRS limited participant. When the transaction advice is received, the DRS limited participant enters the information into its system to process the instructions. Only after the DRS limited participant completes its processing is the investor's DRS position moved to the participant's account at DTC. In addition, because the information required to be supplied on the transaction advises is not standardized throughout the industry, investors (or participants sending the transaction advises on behalf of their customers) do not always provide the correct or complete information necessary to process the instructions.

The DRS Committee, the industry committee responsible for designing DRS,<sup>6</sup> has been working through the various legal and processing issues to reduce if not eliminate the handling of hard copy transaction advises. In January, 1999, the DRS Committee approved Profile's system specifications and authorized DTC to proceed with the development of Profile. DTC completed production of Profile on June 15, 1999, and it has been available for use since then.

Under the proposed rule change, participants using Profile will send standardized information, which, DTC believes, will reduce the possibility that the instruction will be rejected due to errors or incomplete information. Because Profile is an electronic system that eliminates the need for the information to be physically delivered, it should make the processing of DRS instructions more efficient and should give investors the ability to execute transactions using their DRS positions in a time frame that is at least as fast as when using certificates. In short, Profile should reduce the time it takes for the DRS limited participant to receive and process DRS instructions.

As proposed, Profile will satisfy all of the hard copy requirements listed on the transaction advice and will allow a participant to submit the investor's

instructions electronically to the DRS limited participant via DTC's Participant Terminal System ("PTS") or via the Computer-to-Computer Facility ("CCF"). The required information will include the investor's account registration, tax identification number, the DRS account number assigned by the DRS limited participant, a CUSIP number, and the number of shares to be transferred. The account registration and the account number must be entered exactly as they appear on the investor's transaction advice or statement. DRS limited participants and participants will use the information provided in Profile to help ensure that beneficial ownership does not change when there is a share movement.

Profile will accommodate an electronic medallion indemnification if such a program is ever established. The electronic medallion numbers will be assigned by the administrators of the electronic medallion programs. DTC will perform an automated review to ensure that the participant is entering its correct electronic medallion number. The DRS limited participant, however, will remain responsible for the verification of the medallion and its surety limits for each transaction.

The electronic medallion program described in the preceding paragraph will not be in effect as part of DRS until such time as the NYSE, the Securities Transfer Association Medallion Program ("STAMP"), or the Securities Exchange Medallion Program ("SEMP") adopts such a program and the DRS Committee approves the program, and the program is in effect. Until that time, a participant submitting a Profile instruction to a DRS limited participant must agree to a PTS screen indemnity substantially in the following form:

(1) Participant represents that it has the authority and consent for the request appearing on the following screen from either (a) the registered owner on the participant's records or (b) a third party who has actual authority to act on behalf of the registered owner on the participant's records, and that all information shown is accurate and complete, except that, with respect to the taxpayer identification number included in such information, to the best knowledge of participant, such information is accurate and complete; and

(2) Participant indemnifies the issuer, its transfer agent and their respective officers, directors, shareholders, employees, agents, representatives, subsidiaries, parents, affiliates, successors and assigns against any breach of such representations in

connection with the transaction that is the subject of such request.

If an electronic medallion program administered by NYSE, STAMP, or SEMP is not in effect or it has not been approved by the DRS Committee, references in DTC's procedures will be modified to reflect the existence of the screen indemnity rather than an electronic medallion.

Participants will be able to access Profile via PTS by CUSIP number to view the status of all Profile instructions submitted to DRS limited participants for processing. DRS limited participants will indicate whether a transaction is approved or rejected. Profile will provide an aging status of up to thirty business days for all unapproved instructions in an effort to avoid duplicate submissions.

If a participant submits an instruction for the movement of an investor's share position and the DRS limited participant approves the move, the DRS limited participant will process the instruction through the DRS limited participant's Limited Participant Account utilizing the DRS deliver order with a designated reason code. Similarly, all rejected instructions will have reject reason codes that will indicate the reason for the project.

Under the proposed rule change, a DRS limited participant may also submit a Profile instruction requesting the movement of an investor's DRS position from the investor's broker-dealer's participant account at DTC to a DRS limited participant's Limited Account. If the participant approves the move, then a withdrawal by transfer ("WT") must be submitted using the "S" indicator for a DRS withdrawal.<sup>7</sup> This withdrawal will move the share position from the participant's account at DTC to the DRS limited participant's Limited Participant Account at DTC. DTC contemplates that these Profile instructions will be covered by an electronic medallion indemnification analogous to the electronic medallion program described above.

The electronic medallion program described in the preceding paragraph will not be in effect as part of DRS until such time as the NYSE, STAMP, or SEMP adopts such a program, the DRS Committee approves the program, and the program is in effect. Until that time, a DRS limited participant submitting a Profile instruction to a participant will agree to a PTS screen indemnity substantially in the following form:

<sup>7</sup> An "S" indicator is a code that instructs the DRS limited participant to establish a DRS account for the investor.

<sup>6</sup> *Supra* note 3.

(1) Transfer agent represents that it has the authority and consent for the request appearing on the following screen from either (a) the registered owner on the transfer agent's records or (b) a third party who has actual authority to act on behalf of the registered owner on the transfer agent's records, and that all information shown is accurate and complete, except that, with respect to the taxpayer identification number included in such information, to the best knowledge of transfer agent, such information is accurate and complete; and

(2) Transfer agent indemnifies the participant and its respective officers, directors, shareholders, employees, agents, representatives, subsidiaries, parents, affiliates, successors and assigns against any breach of such representations in connection with the transaction that is the subject of such request.

If the electronic medallion program administered by NYSE, STAMP, or SEMP is not in effect or it has not been approved by the DRS Committee, references in DTC's procedures will be modified to reflect the existence of the screen indemnity rather than an electronic medallion.

DTC proposes to charge participants a fee of 31 cents for each instruction submitted through Profile initiating a DRS share movement or appending information to an investor's DRS account, and charge the DRS limited participant receiving the instruction a fee of 9 cents for that transactions.<sup>8</sup> DTC also proposes to charge DRS limited participants a fee of 40 cents for each instruction submitted through Profile initiating a DRS share movement.<sup>9</sup>

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder applicable to DTC since the proposed rule change will provide participants more efficient use of DRS. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible since the operation of DRS, as modified by the proposed rule change, will be similar to the current operation of the function.

<sup>8</sup> The STA representatives on the DRS Committee requested that DTC develop CCF capability in DRS for transfer agents. The DRS Committee approved the 9 cent fee to reimburse DTC for the cost of systems development to accommodate the STA request.

<sup>9</sup> In this type of transaction, there is no CCF development fee, as no CCF development was requested. Participants bear a fee for WT instructions when a share position is moved to a DRS limited participant's Limited Participant Account.

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

DTC perceives no impact on competition by reason of the proposed rule change.

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

The proposed rule change has been developed through discussions with several participants and DRS limited participants. Written comments from participants or others have not been solicited or received 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 the 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. section 553, 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 offices of DTC. All submissions should refer to File No. SR-DTC-99-04 and should be submitted by April 5, 2000.

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

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

[FR Doc. 00-6314 Filed 3-14-00; 8:45 am]

BILLING CODE 8010-01-M

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-42497; File No. SR-Phlx-00-09]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Registration and Annual Fees for Off-Floor Traders**

March 6, 2000.

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 February 7, 2000, 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 Exchange. The Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Phlx under Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. 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 Exchange proposes to amend its schedule of dues, fees and charges to require all current and future off-floor traders to pay an initial registration fee and an annual fee thereafter of \$1,000.00 for all off-floor traders registered as of April 1 of each year.<sup>4</sup>

Specifically, the Exchange seeks to require associated persons of member organizations for which the Exchange is the Designated Examining Authority

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

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

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

<sup>4</sup> The Phlx states that their Examinations Department checks the member firms on a monthly basis to determine the number of traders to whom these fees apply. The Phlx, in turn, bills the member firm an amount based on the number of traders who are new registrants. See telephone conversation of March 6, 2000, between Richard S. Rudolph, Counsel, Phlx, and Joseph P. Morra, Attorney, SEC.