

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 these statements.²

(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 revise current fees for DTAX³ in connection with providing Internet access to the DTAX information database.

DTAX is a data service containing tax information on distributions received with respect to domestic securities. It is available through DTC's PTS and CCF facilities and effective on or about December 1, 2000, will also be accessible over the Internet through DTC's website.

Annual subscription fees for DTAX accessed over the Internet will be as follows:

\$4,999 Unlimited interactive inquiries and master file download of all available CUSIPs.

\$999 Unlimited interactive inquiries.

Initially, DTAX will be available only to participants although usage may be expanded to include non-participant customers at a later date.⁴

The proposed rule change is consistent with the requirements Section 17A of the Act and the rules and regulations thereunder applicable to DTC because fees will be equitably allocated among users of DTC services.

(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

Written comments from DTC participants or others have not been solicited or received on the proposed rule change.

² The Commission has modified the text of the summaries prepared by DTC.

³ For a description of DTAX, refer to Securities Exchange Act Release No. 41105 (February 25, 1999), 64 FR 10523 (March 4, 1999) [File No. DTC-99-02].

⁴ Before expanding access to non-participants, DTC will file a proposed rule change under Section 19(b) of the Act.

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) of the Act and Rule 19b-4(f)(2) thereunder, because the proposed rule change is changing a due, fee or other charge. At any time within 60 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 purposes of the Act.

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-00-15 and should be submitted by December 26, 2000.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43631; File No. SR-DTC-00-14]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Creating a United States Withholding Tax Service Available Through The Depository Trust Company's Elective Dividend Service

November 28, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 31, 2000, 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 parties.

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

The proposed rule change would allow DTC to institute a U.S. withholding tax service available to foreign participants beginning January 1, 2001, in which DTC will act as withholding agent to deduct and withhold U.S. tax on U.S.-source income paid to foreign participants.

II. Self-Regulatory Organization's Statement of 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 these statements.²

(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 institute a U.S. withholding tax service available to foreign participants beginning January 1, 2001, in which DTC will act as withholding

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by DTC.

agent to deduct and withhold U.S. tax on U.S.-source income paid to foreign participants.

The U.S. Internal Revenue Code ("Code") generally requires U.S. payors such as DTC to deduct and withhold thirty percent from most payments of U.S.-source income paid to a foreign payee unless lower U.S. withholding tax rates or exemptions apply under provisions of the Code, the regulations, or applicable tax treaties.³ In the past, DTC has complied with its withholding obligations with respect to securities dividends and other payments made by a U.S. entity to foreign participants by generally requiring each foreign participant to appoint a U.S. bank or broker/dealer to act as its withholding agent or to otherwise obtain an exemption from the IRS thereby relieving DTC of the withholding responsibility. DTC currently has seven foreign participants.⁴

Foreign central securities in obtaining U.S. tax withholding services from U.S. financial institutions and have requested that DTC undertake the U.S. tax withholding responsibility.

In its role as U.S. tax withholding agent under the proposed rule change, DTC will accept relevant instructions from the foreign participant to determine the withholding tax rates; pay dividends, interest, and other securities distributions to the participant net of appropriate taxes, if any, based on the applicable withholding rates; remit the taxes to the IRS; and report the payments on Form 1042-S. Initially, DTC will use its Elective Dividend Service to solicit and receive the instructions from foreign participants, similar to the procedures currently in place with respect to instructions received from U.S. participants that use DTC's TaxRelief service to obtain relief from foreign taxes imposed on U.S. holders of foreign securities.⁵

DTC proposes to charge the following fees for the U.S. tax withholding service:

Monthly Fee	\$150	Monthly service charge assessed on each account using the service.
Transaction Fee	\$1.50	The fee for each tax adjustment instruction to withhold taxes at a specific rate pool.

Foreign participants that elect not to use DTC's U.S. tax withholding service may continue the current practice of appointing a third party U.S. bank or broker-dealer to receive gross payments on their behalf and act as U.S. tax withholding agent for such payments, or otherwise obtain an exemption from the IRS that relieves DTC of the withholding obligation.

The proposed rule change is consistent with the requirements of section 17A of the Act⁶ and the rules and regulations thereunder applicable to DTC because it promotes the prompt and accurate clearance and settlement of securities transactions by facilitating international investment in U.S. securities. 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.

(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 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

DTC has not 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)⁷ of the Act and Rule 19b-4(f)(4) promulgated thereunder because the proposal effects a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible, and does not significantly

affect the respective rights or obligations of the clearing agency or persons using the service. 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 purposes of the Act.

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-00-14 and should be submitted by December 26, 2000.

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

Margaret H. McFarland,
Deputy Secretary.

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³ See Sections 1441, 1442 and 1443 of the Internal Revenue Code and the regulations promulgated thereunder.

⁴ The seven foreign participants referenced herein are The Canadian Depository for Securities; Cavali ICLC S.A.; Clearstream Banking AG; Crest International Nominees Limited; Donaldson Lufkin & Jenrette International; Hong Kong Securities Clearing Limited; and Transatlantic Securities Company.

⁵ Securities Exchange Act Release Nos. 34-42192 (December 1, 1999), 64 FR 69054 [File No. SR-DTC-99-23] (describing DTC's TaxRelief service) and 32171 (April 19, 1993), 58 FR 22003 [File No. SR-DTC-92-17] (approving the extension of DTC's EDS service to include all foreign securities).

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78s(b)(3)(A)(i).