

need for Designated Dealers to maintain continuous, two-sided quotations throughout the trading day.

The Circular will specify the notification procedures to be followed in the event of a computer system problem that prevents a member firm from providing a continuous two-sided quotation. Frequent systems problems may result in deregistration in certain issues, or otherwise impact a dealer's status. In addition, the existence of unusual market conditions will not exempt a dealer from its continuous quotation obligations. Finally, the Circular will place members on notice that they will be informed of their compliance status at least quarterly, and will set forth possible sanctions resulting from non-compliance.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act<sup>2</sup> in general and Section 6(b)(5) of the Act in particular in that it is designed to promote just and equitable principals of trade and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The CSE does not believe that the proposed rule change will impose any burden on competition that is unnecessary or inappropriate 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*

Written comments were neither solicited nor received with respect to the proposed rule change.

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

Within 35 days of the publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 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. 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, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CSE-96-08 and should be submitted by November 8, 1996.

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

Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-37800; File No. SR-DTC-96-15]

### **Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of an Amendment to a Proposed Rule Change Relating to the Procedures To Establish a Direct Registration System**

October 9, 1996.

On September 17, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-15) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> relating to the procedures to establish a direct registration system. On October 7, 1996, DTC filed an amendment to the proposed rule change.<sup>2</sup> Notice of the proposed rule change was published in

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

<sup>2</sup> Letter from Larry Thompson, Senior Vice President and Deputy General Counsel, DTC, to Jerry Carpenter, Assistant Director, Division of Market Regulation, Commission (October 7, 1996).

the Federal Register on October 9, 1996.<sup>3</sup> The amendment is 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 amendment to the proposed rule change is to delete the requirement that limited participants accept dividend reinvestment instructions from DTC on DRS eligible securities that offer dividend reinvestment plans.

### **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>4</sup>

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

The purpose of the amendment of the proposed rule change is to delete a requirement that in order to participate in the DRS program that any DRS issue with a dividend reinvestment plan must be open to street-name holders. The amendment also modifies the Limited Participant Account Agreement to reflect the change in requirements.<sup>5</sup>

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

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

<sup>3</sup> Securities Exchange Act Release No. 37778 (October 3, 1996), 61 FR 52985.

<sup>4</sup> The Commission has modified parts of these statements.

<sup>5</sup> A complete description of the amended DRS service may be found in the Important Notices issued by DTC on the implementation of a DRS, which are attached as Exhibit A and Exhibit B. Important Notice B# 1811-96 (October 7, 1996) and Important Notice B# 1841-96 (October 7, 1996).

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

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

Although DTC did not solicit comments on DRS, over the last two years, a joint committee of representatives of the Securities Transfer Association, the Securities Industry Association, the Corporate Transfer Agents Association, and the depositories had met and agreed on the features of DRS.

**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. 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 in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the file number SR-DTC-96-15 and should be submitted by November 8, 1996.

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

Margaret H. McFarland,  
*Deputy Secretary.*

**Exhibit A—The Depository Trust Company Important Notice, DRS Alert**

October 7, 1996.

B#: 1811-96

To: All Participants

Attention: Managing Partner/Officer, Cashier,  
Transfer Manager

Subject: Implementation of a Direct  
Registration System

In July DTC advised Participants (reference Important Notice #1368-96 dated July 15, 1996) to plan for the implementation of a Direct Registration System (DRS) scheduled to pilot in November. Under DRS, Investors electing to have their ownership of securities registered on the issuer's records would be offered a choice between a registered certificate and a book-entry or "direct registration" position recorded on the books of the issuer's transfer agent.

The DRS pilot is scheduled to begin on November 11. DTC expects to be able to announce the issue selected for the initial pilot next week.

*Eligibility*

The DRS issues will be identified with special indicators on the Eligible Corporate Securities File (ELISC and ELISCD) and the Eligible Securities (CONI) Inquiry on PTS effective November 8, 1996. Specifications for the new indicators were released on August 20.

*Transfers*

Beginning November 11, all Withdrawal-by-Transfer (WT) requests on the DRS Issues made via PTS using function NWT1 or via computer-to-computer (CCF/CCFII) must include the following:

fl a DRS indicator (permissible values are "C" if the investor wants a certificate issued, "S" if the investor is choosing to have a DRS position established, "Y" if the instruction represents a third-party transfer for a DRS position, or "X" if the Participant is reversing a previously established DRS position),

fl the Participant's account number for this customer (required if the value of the DRS indicator is "S" or "Y"), and

fl the Participant's or correspondent's name (required if the value of the DRS indicator is "S" or "Y").

Specifications for the new WT input record were released on August 20. The new PTS input screen on the NWT1 function will be available in early November before the start of the DRS pilot. Participants submitting WT requests prior to cut-off time on Friday, November 8, for normal processing on Monday, November 11, for the pilot issues should not submit these WTs until Monday, November 11, to avoid drops due to a missing DRS indicator.

It should be noted that if a Participant has not made the new CCF changes to accommodate DRS, DTC will continue to accept the current format and process non-DRS WTs. However, DRS WTs will not be

processed and will drop since no DRS indicator has been provided. DRS WTs would then have to be processed over PTS until the Participant's new CCF formats are in place. All DRS WT's that drop will be carefully monitored, and the Participant will be contacted by a Participant Services representative regarding follow-up on these items.

When a Participant's customer requests a DRS position, a DRS "transaction advice" will be mailed directly by the agent to the customer. The transfer agent's fee of 55¢ for mailing and handling the DRS transaction advice will be charged back to the Participant directly by DTC, similar to the Direct Mail process. DTC will then receive an automated confirmation from the agent that the DRS transaction advice has been process and mailed. Participants can access this information through their normal DMA return files (CCF, PTS, or hard copy). Participants not currently using the Direct Mail service will need to consider modifications to their procedures to monitor these advices as they are printed over the PTS network.

*Investor-Directed Sale*

An investor who opted for a DRS position must contact the transfer agent to direct the movement of the DRS position to its bank or broker/dealer. Specifications for the changes to the delivery order record to reflect movement of a DRS position were released on August 20 with modifications made on September 17.

*Preparing for Implementation*

Participants are urged to complete their final systems modifications to accommodate the DRS pilot scheduled to begin on November 11. As mentioned previously, the pilot issues will be announced next week.

DTC will be issuing weekly "updates" on the status of preparation for the DRS pilot from today through initial implementation. In addition, Participant Services representatives will be contacting those Participants submitting significant numbers of WT instructions to ensure their preparedness.

Please direct your questions to Al DeMalo, Director of Operations, at (212) 898-3171, the undersigned at (516) 227-4004, or your Participant Services representative.

Ronald J. Burns,

*Vice President, Operations.*

**Exhibit B—The Depository Trust Company, Important**

October 7, 1996.

B#: 1841-96

To: All Participants

Attention: Managing Partner/Officer, Cashier,  
Transfer Manager

Subject: *Direct Registration System  
Amendment*

The Direct Registration System (DRS) will permit issuers of securities to elect to create a DRS Program under which investors seeking to be registered on the books of an issuer or transfer agent would be offered the option of having their ownership reflected in a DRS position (essentially a "book share" position), rather than through the issuance of

a physical securities certificate. Under the structure for DRS developed by a joint committee of representatives of the Securities Industry Association, the Securities Transfer Association, and the Corporate Transfer Agents Association, issuers or transfer agents desiring to establish a DRS Program and meeting certain criteria would become DRS "Limited Participants" at DTC (see Important Notice B#1368-96).

In connection with certain recent actions by the New York Stock Exchange to amend the Exchange's listing standards as they apply to DRS issues, DTC is amending the criteria which must be met by entities wishing to become DRS Limited Participants at DTC. Under the original criteria as recently filed for approval with the SEC, transfer agents or issuers seeking admission to DTC as Limited Participants for the purpose of participating in DRS are required to, among other things, accept dividend reinvestment instructions from DTC on DRS issues which offer Dividend Reinvestment Plans. DTC will no longer require those seeking DRS Limited Participant status to meet this requirement as a condition precedent to membership.

Nevertheless, DTC continues to believe that the issue of "open access" to issuers' Dividend Reinvestment Plans for investors holding their positions through the depository is a significant one. The current exclusion of these investors by some issuers' plans is inappropriate and conflicts directly with the industry's efforts to promote efficient clearance and settlement practices. DTC will continue to press the SEC and issuers to make Dividend Reinvestment Plans available to all investors without regard to the form in which securities are held, working with others in the industry to achieve this important objective.

Please direct your questions to the undersigned at (516) 227-4004.

Ronald J. Burns,

*Vice President, Operations.*

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[Release No. 34-37806; File No. SR-GSCC-96-10]

**Self-Regulatory Organizations;  
Government Securities Clearing  
Corporation; Notice of Filing and  
Immediate Effectiveness of a Proposed  
Rule Change Relating to Substitution  
of Officer Titles**

October 10, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on September 19, 1996, the Government Securities Clearing Corporation ("GSCC") 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 GSCC. On September 30, 1996, GSCC filed an

amendment to the proposed rule change.<sup>2</sup> 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 proposed rule change will revise GSCC's by-laws and rules to replace the titles of "First Vice President," "Senior Vice President," and "Executive Vice President" with the new title of "Managing Director."

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

In its filing with the Commission, GSCC 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. GSCC 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**

In order to conform GSCC's management structure with that of its members, GSCC has created a new title, "Managing Director," in lieu of the titles "First Vice President," "Senior Vice President," and "Executive Vice President." The purpose of this rule change is to modify GSCC's rules and by-laws to accommodate this change. Article III, Section 3.1 of GSCC's by-laws is being amended to establish the position of Managing Director as an officer of GSCC. Similarly, the definition of "Officer of the Corporation" contained in Rule 1 is being amended to replace First Vice President, Executive Vice President, and Senior Vice President with Managing Director. Article III, Section 3.5, which describes the powers and duties of Vice Presidents, is being revised to establish the powers and duties in Managing Directors that currently exists in Vice Presidents.<sup>4</sup> Article I, Sections 1.2 and 1.8 and Article V, Section 5.1 of the by-

<sup>2</sup> Letter from Karen Walraven, Vice President and Associate Counsel, GSCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (September 27, 1996).

<sup>3</sup> The Commission has modified such summaries.

<sup>4</sup> In the absence or inability of the President to act, Section 3.5 is amended to replace Vice President with Managing Director as that officer who is to act in place of the President.

laws are being revised to permit Managing Directors, rather than Vice Presidents, to call special meetings, to serve as presiding officers of meetings, and to sign GSCC's share certificates.

GSCC's rules are being amended to authorize Managing Directors to act in those instances where First Vice Presidents, Senior Vice Presidents, or Executive Vice Presidents were formerly authorized to take certain actions. Specifically, Rule 22, Suspension of Rules, is being amended to allow any officer having a rank of Managing Director or higher, instead of any officer to extend, waive, or suspend time requirements fixed by GSCC's rules.<sup>5</sup> Rule 23, Action by the Corporation, is being revised to allow only officers having a rank of Managing Directors or higher to act for GSCC.

The proposed rule change is consistent with the requirements of Section 17A of the Act<sup>6</sup> in that it makes technical modifications to GSCC's by-laws and rules so that they coincide with GSCC's new internal management structure.

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

GSCC 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**

Written comments relating to the proposed rule change have not yet been solicited or received. Members will be notified of the rule change filing and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments received by it.

**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) of the Act<sup>7</sup> and Rule 19b-4(e)(3)<sup>8</sup> thereunder in that the proposed rule change is concerned solely with the administration of GSCC. At any time within sixty days after the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is

<sup>5</sup> Pursuant to the definition of officer of GSCC, the positions of Chairman of the Board, Vice Chairman of the Board, and President have a higher rank than Managing Director.

<sup>6</sup> 15 U.S.C. 78q-1 (1988).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

<sup>8</sup> 17 CFR 240.19b-4(e)(3) (1996).

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