

IPAs written notice would then be provided to all participants.

DTC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will eliminate risks to IPAs present in the existing system and will therefore promote a more efficient marketplace. DTC believes that this new service will not affect 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 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

The substance of the proposed rule change has been presented to the Public Securities Association MMI Task Force, which has given its support to providing a new service to IPAs. No written comments have been solicited or received from DTC participants. 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

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:

adjudicated a bankrupt or insolvent or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequester (or other similar official) of the issuer or of any substantial part of its property, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the issuer in furtherance of any such action and, notwithstanding the foregoing, upon the filing by the issuer of a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the issuer under the Federal Bankruptcy Code or any other applicable Federal or State law, or the filing against it or any such petition, at any time [DTC] receives notice thereof, either written or oral and from whatsoever source and, without awaiting any further adjudication, consent thereto, acceptance or approval of such filing, determines to its reasonable satisfaction that such has occurred."

(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, 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 the file number SR-DTC-96-21 and should be submitted by December 27, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-38006; File No. SR-DTC-96-19]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Establishment of a Surcharge

December 2, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 21, 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

⁷ 17 CFR 200.30-3(a)(12) (1996).

¹ 15 U.S.C. 78s(b)(1) (1988).

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 establishes a surcharge of \$1.00 on all deposits submitted to DTC outside its Deposit Automated Management System ("DAM System"). The surcharge will go into effect on December 1, 1996.

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.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 establish a surcharge of \$1.00 on all deposits submitted to DTC outside its DAM System.³ The surcharge will go into effect on December 1, 1996. DTC participants benefit in many ways by depositing securities into DTC using the DAM System. For example, the automation features of the DAM System reduce DTC's costs in handling these deposits. Therefore, the fee that DTC charges its participants for a deposit submitted through the DAM System is less than the fee charged for a deposit submitted outside the DAM System. The DAM System also automatically verifies certain deposit-related information thereby eliminating the need for participants to perform similar verifications.⁴ Finally, the DAM System

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

³ The DAM System is an enhanced automated deposit service that enables DTC participants to send details of deposits to DTC in advance of forwarding physical certificates. For a more detailed description of the DAM System, see Securities Exchange Act Release No. 33412 (January 4, 1994), 59 FR 1769 [File No. SR-DTC-93-09] (order approving DAM Service).

⁴ For example, in order to reduce the number of deposits rejected by DTC, participants will often refer to other functions available on DTC's Participant Terminal System ("PTS") such as the Security Inquiry (CONI) function to verify whether a security is eligible for deposit at DTC or the Dividend Announcement Inquiry (DIVA) feature to

allows participants to consolidate deposits in the same issue (whether or not the advanced deposit data is transmitted to DTC at the same time) thereby saving deposit fees or the time necessary to manually compile deposits in the same issue.

The DAM System also improves DTC's efficiency in handling deposits. Because each deposit submitted through the DAM System is assigned a unique identifying number, use of the system reduces the amount of time DTC spends researching a deposit and enables DTC to more efficiently track the deposit's location (e.g., whether it is at DTC, en route to a transfer agent, or delivered to a transfer agent). Moreover, when a participant submits a deposit outside of the DAM System, DTC must enter the deposit information into its systems by keystroke. However, when a deposit is submitted through the DAM System, deposit information transmitted by the participant is automatically written into DTC's systems.

Although virtually all of DTC's participants are presently using the DAM System, some participants continue to submit deposits outside the DAM System.⁵ As explained above, such deposits create inefficiencies in the clearance and settlement of securities transactions. Therefore, DTC proposes to establish a surcharge to reduce the number of deposits submitted to DTC outside the DAM System.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(D) of the Act⁶ and the rules and regulations thereunder because it provides for the equitable allocation of reasonable dues, fees, and other charges among DTC's 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

No comments on the proposed rule have been solicited or received.

verify whether a corporate action effects the deposit.

⁵ During a recent five day period from October 8, 1996, through October 14, 1996, DTC participants submitted 93,140 deposits. Of those deposits, only 1,566 (1.68%) were submitted outside the DAM System.

⁶ 15 U.S.C. 78q-1(b)(3)(D) (1988).

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)⁷ of the Act and pursuant to Rule 19b-4(e)(2)⁸ promulgated thereunder because the proposal establishes or changes a due, fee, or other charge imposed by DTC. 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 section, 450 Fifth Street, N.W., Washington, D.C. 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-96-19 and should be submitted by December 27, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

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[Release No. 34-38000; File No. SR-DTC-96-20]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Drop Window Service

December 2, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 5, 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 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 expands the services provided by DTC's Transfer Agent Drop Window Service ("Drop Service").

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.²

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

DTC's Drop Service provides transfer agents located outside of New York City with a central location within the Borough of Manhattan to receive and deliver securities.³ DTC proposes to

¹ 15 U.S.C. 78s(b)(1).

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

³ DTC originally established the Drop Service to enable transfer agents to comply with New York Stock Exchange Rule 496 and American Stock Exchange Rule 891. These rules require transfer agents to maintain a facility to receive and deliver securities that is located south of Chambers Street in the Borough of Manhattan, City of New York. For a complete description of the Drop Service, refer to Securities Exchange Act Release No. 37562 (August 13, 1996), 61 FR 43283 [File No. SR-DTC-96-09] (order approving proposed rule change).

⁷ 15 U.S.C. 78s(b)(3)(A)(ii) (1988).

⁸ 17 CFR 240.19b-4(e)(2) (1996).

⁹ 17 CFR 200.30-3(a)(12) (1996).