

reasons to treat these classes of issuers differently.

Finally, the Exchange recognizes that it is impossible to establish a final fee structure without actual market experience. Thus, the Exchange is proposing the new fee structure for a three-year pilot term. An industry Committee consisting of representatives of the Exchange and all the major constituency groups affected by the new fee structure will monitor the effect of the new fees throughout the pilot. The Committee will be able to propose changes as needed and will make final recommendations to the Exchange at the conclusion of the pilot period.

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. Commenters are invited specifically to provide information that will assist the Commission in assessing whether each of the various elements of the proposed fee structure—the mailing reimbursement fees for non-contested and contested solicitations, respectively, the nominee fee, and the “householding” incentive fee—considered separately and/or as a whole, are consistent with: (1) issuers’ obligation under Rule 14a-13(a)(5) of the Act to reimburse broker-dealers, banks, and other nominees for the “reasonable expenses” they incur in mailing proxy soliciting materials and annual reports to beneficial holders of such issuers’ voting securities and/or (2) broker-dealers’ ability under Rule 14b-1(c)(2) of the Act not to deliver proxy soliciting materials and annual reports pursuant to Rule 14b-1(b)(2) of the Act, or provide NOBO information under Rule 14b-1(b)(3) of the Act absent a particular issuer’s “assurance of reimbursement of * * * reasonable expenses, both direct and indirect.” Should such “reasonable expenses” within the meaning of any or all of these

Commission rules be construed to encompass an intermediary’s costs of: (1) coordinating an issuer’s proxy mailings to multiple nominees and/or (2) operating an electronic proxy voting system whereby street-name customers of broker-dealer clients may instruct the intermediary on how to vote the securities in which they hold a beneficial ownership interest? Should the determination of “reasonableness” with respect to any of the foregoing fees vary with the size of the issuer, whether measured in terms of its total market capitalization or public float, or any other criterion?

Should this reasonableness determination take into account any fee-sharing arrangements between a intermediary and its broker dealer clients? In this connection, to what extent should such arrangements reflect actual allocation of costs between an intermediary and such clients? In addressing this question, commenters should attempt to quantify to the extent possible the costs that continue to be borne by those broker-dealers that outsource proxy processing and/or voting obligations to an intermediary, and the relationship of such costs to fulfillment of obligations under Rule 14b-1 of the Act and/or Exchange Rules.

Moreover, the Commission solicits comment on whether an independent audit during the three-year pilot period would be helpful in assessing the reasonableness of the costs passed through to issuers. Finally, the Commission also solicits comment on whether the proposed NYSE nominee fee and incentive fee should be deemed to apply to reimbursement by non-NYSE issuers to NYSE member firms.

In view of the extensive comments requested, the Commission is providing a 45-day comment period. 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-NYSE-96-36 and should be submitted by [insert date 45 days from date of publication].

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-32717 Filed 12-24-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38059; File No. SR-PTC-96-07]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing of Proposed Rule Change Relating to the Right of Set-off Upon the Default of a Participant

December 19, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on December 2, 1996, the Participants Trust Company (“PTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change (File No. SR-PTC-96-07) as described in Items I, II, and III below, which items have been prepared primarily by PTC. 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 relates to PTC’s right to set-off credit balances in an account of a defaulting participant against an unpaid debit balance of the defaulting participant.

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

In its filing with the Commission, PTC 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. PTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

¹ 15 U.S.C. 78s(b)(1).

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

(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 (1) make explicit PTC's right to set-off credit balances in any proprietary account, agency account, or pledge account of a defaulting participant, against an unpaid debit balance in any other account of the defaulting participant and to establish a priority for application thereof; (2) grant PTC a right of set-off against the agency seg credit balances of a defaulting participant and to include the agency seg credit balance in a participant's Net Debit Monitoring Level ("NDML") calculation; (3) clarify that in addition to the present representation that securities are deposited in conformity with the terms of any applicable customer agreement, each participant represents and warrants to PTC that securities and other property (including credit balances) held by PTC in an account maintained by such participant are, by reason of these applicable customer agreements, subject to clearing agency rules; and (4) make miscellaneous conforming and technical changes to certain provisions of PTC's rules.

Background

Account Structure

Participants maintain their securities positions at PTC in one or more master account, each of which is comprised of one or more accounts of the following types: proprietary accounts for securities that are held by the participant as principal; agency accounts for securities that are held by the participant as agent; pledgee accounts for securities that are held by the participant as pledgee or pursuant to financing arrangements; and various seg and hold-in-custody accounts associated with the proprietary and agency accounts for purposes of segregation.

Cash Balance Structure

Each Proprietary account, agency account, and pledgee account has a cash balance associated with it against which credits and debits are posted, including amounts owing with respect to securities delivered versus payment intraday to the transfer account associated with the account. Each cash balance is either a credit balance or debit balance depending on whether the participant is in a net funds credit position or debit position with respect to the applicable account to which the cash balance relates at the time the determination is made.

NDML

PTC restricts the net debit amount each participant may owe PTC by imposing a net debit cap by means of the NDML.³ A participant's NDML is compared to the total of the net cash balances in its proprietary account, agency account, and pledgee account. PTC will not process a transaction that will result in a net debit balance that exceeds a participant's NDML. If a participant is at its NDML limit, it must take steps to reduce the net debit balance. Such a participant may prefund the payment of its debit balance by means of making optional deposits of cash to the participants fund by wiring funds to PTC intraday. A participant may also deliver securities versus payment through PTC's system which will generate a credit to the cash balance of the account from which the securities are transferred and will result in a reduction of the debit balance of that account.

Set-off in the NDML Structure

The ability to apply a defaulting participant's proprietary, agency, and pledgee credit balances against its unpaid settlement obligations is implicit in the NDML structure to assure that the failure of a single participant is covered by PTC's committed line of credit for settlement. It is also implicit in other provisions of PTC's.⁴ Participant responsibility for the total amount of its PTC obligations, as monitored by its NDML, also is consistent with PTC's applicant review process in which PTC verifies that a participant has sufficient financial resources to satisfy its total obligations to PTC by assessing the capital and financial resources of the prospective participant without regard to the resources or capital of the customers of the participant.

However, PTC's rules are silent on the application of pledgee and agency credit balances in the event a participant does not make complete payment of all account obligations at settlement. In addition, PTC's "default rule" states that PTC will set-off any credit balance

in a proprietary account of a defaulting participant against an unpaid debit balance in another account. This rule does not make reference to PTC's right to set-off against agency and pledgee credit balance of a defaulting participant.

Proposed amendments

Set-off upon Participant Default

The proposed rule change will clarify that upon a participant's default in payment of a debit balance PTC will apply any credit balances in the participant's proprietary accounts, pledgee accounts, and agency accounts to reduce the unpaid obligation of the participant consistent with the other provisions of PTC's rules mentioned above. The proposed rule change also will extend PTC's right of set-off in the event of a participant's default to include any agency seg credit balances of the defaulting participant.

Set-off Priority

The set-off priority will be applied in the same order as governs in the event of a participant default. Specifically, the proposed set-off priority will enable PTC to apply credit balances of a defaulting participant to reduce the participant's unpaid debit balances in the following priority: first, by application of any credit balance in its proprietary account(s); second, in its pledge account(s); third, in its agency account(s); and lastly, in its agency seg account. These credit balance(s) are applied toward payment of unpaid debit balances in the following priority: first, to any agency debit balance(s);⁵ second, toward payment of any pledgee debit balance(s); and lastly, toward payment of any proprietary debit balance(s).

Inclusion of Agency Seg Credit Balance

The proposed rule change will modify the NDML calculation to include agency seg credit balances and will give PTC a lien in the agency seg credit balance and a right to set-off against agency seg credit balances in the event a participant defaults in the payment of its other debit balances. The inclusion of agency seg credit balances in the NDML calculation will allow a participant to have the benefit of these credits in calculating its net obligation to PTC.

Agency seg accounts are not permitted to incur a debit balance and may not receive securities subject to a transfer versus payment. Therefore, PTC does not have a lien on securities in an agency seg account. The securities in

³ The maximum NDML for any participant is the amount of PTC's committed line of credit for settlement, which is currently \$2 billion. This maximum is imposed in compliance with the Federal Reserve Policy Statement on Payments System Risk, as amended effective April 13, 1995, which requires private delivery-versus-payment securities systems to "have sufficient safeguards so that it will be able to settle on time if any one of its major participants defaults."

⁴ For example, provisions of PTC's rules that require payment of all debit balances by a participant and prohibit a participant from asserting set-offs or defenses against payment of its debit balances and that grant PTC a lien in cash and property of a participant.

⁵ Under PTC's rules, the agency seg account may not have a debit balance.

the agency seg account will remain free of PTC's lien consistence with current rules and the regulatory obligations of the participants with respect to such customer securities that are held in agency seg accounts.

Clarification of Participant Representations and Warranties

The proposed rule change also will clarify that all securities, funds, and other property maintained or transferred to an account at PTC are issued, deposited, transferred, or otherwise applied in conformity with the terms of any applicable customer, pledge, or financing agreement and are by reason of the applicable customer agreements subject to clearing agency rules.

Technical Amendments to PTC's Rules

PTC also is proposing to make certain technical changes to several sections of its rules to conform them to the present rule change. In particular, the definition of NDML will be amended to delete the provision that PTC will require a participant to confirm its ability to pay its debit balance when the NDML is reached. As changed, the definition will conform to the actual NDML procedure applied by PTC and to the substantive provisions of PTC's rules which govern and describe PTC's Net Debit Monitoring procedure.

PTC's rules also will be amended to state that PTC will not process a transaction that causes a debit balance in any single account of a participant to exceed that participant's NDML. This conforms to PTC's current actual procedural control which imposes this additional credit check (in addition to capping a participant's net obligation at the master account level at its NDML) that is not reflected in the current NDML rule.

PTC believes the proposed rule change is consistent with the requirements of Section 17(b)(3)(F) of the Act⁶ and the rules and regulations promulgated thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds in PTC's custody and control or for which it is responsible.

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

PTC does not believe that the proposed rule change imposes any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

PTC has neither solicited nor received comments on this 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 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 PTC 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, 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 PTC. All submissions should refer to the file number SR-PTC-96-07 and should be submitted by January 16, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-32771 Filed 12-24-96; 8:45 am]

BILLING CODE 8010-01-M

STATE DEPARTMENT

[Public Notice No. 2495]

Advisory Committee on International Economic Policy of Working Group on Economic Sanctions; Closed Meeting

The Department of State announces a meeting of the U.S. State Department Advisory Committee on International Economic Policy Working Group on Economic Sanctions on Wednesday, January 8, 1997 at the U.S. Department of State, Washington, D.C. Pursuant to Section 10(d) of the Federal Advisory Committee Act (FACA) and 5 U.S.C. 5526(c)(1), 5 U.S.C. 552b(c)(4), and 5 U.S.C. 552b(c)(9)(B), the Department has determined that the meeting will be closed to the public. Matters relative to classified national security information as well as privileged commercial information will be discussed.

For more information contact Joanne Balzano, Working Group on Economic Sanctions, Department of State, Washington, DC 20522-1003, phone: 202-647-1498.

Dated: December 19, 1996.

Vonya B. McCann,

Acting Assistant Secretary for Economic and Business Affairs.

[FR Doc. 96-32825 Filed 12-20-96; 2:47 pm]

BILLING CODE 4710-07-M

DEPARTMENT OF STATE

[Docket Notice 2493]

Advisory Committee on International Economic Policy Notice of Closed Meeting

The Advisory Committee on International Economic Policy will meet at 8:30-12:00 am on Wednesday, January 15, 1997 in Room 1107, U.S. Department of State, 2201 C Street, NW., Washington, DC 20520. The meeting will be hosted by Assistant Secretary of State for Economic and Business Affairs, Alan Larson.

Pursuant to Section 10(d) of the Federal Advisory Committee Act (FACA) and 5 U.S.C. 552b(c)(1), 5 U.S.C. 552b(c)(4), and 5 U.S.C. 552b(c)(9)(B), it has been determined the meeting will be closed to the public. Matters relative to classified national security information as well as privileged commercial information will be discussed. The agenda calls for the discussion of classified and corporate proprietary/security information.

As access to the Department of State is controlled, persons wishing to attend the meeting must notify the ACIEP Executive Secretariat by Friday, January

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 200.30-3(a)(12).