

issuer as appropriate to facilitate the maintenance of a fair and orderly market in that security. The Commission believes that such market activities should enhance liquidity in such security and facilitate a specialist's market making responsibilities. In addition, because the specialist only will be able to purchase and redeem WEBS on the same terms and conditions as any other investor (and only at the NAV), and Creation transactions must occur through the distributor and not directly with the issuer, the Commission believes that concerns regarding potential abuse are minimized. As noted above, the Exchange's surveillance procedures also should ensure that such purchases are only for the purpose of maintaining fair and orderly markets, and not for any other improper or speculative purposes. Finally, the Commission notes that its approval of this aspect of the Exchange's rule proposal does not address any other requirements or obligations under the federal securities laws that may be applicable.²⁷

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁸ that the proposed rule change (SR-CHX-96-14) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39114; File No. SR-DTC-97-15]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to the Coupon Collection Service

September 22, 1997.

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

²⁷ The Commission notes that with respect to WEBS, broker-dealers and other persons are cautioned in the prospectus and/or the Fund's SAI that some activities on their part may, depending on the circumstances, result in their being deemed statutory underwriters and subject them to the prospectus delivery and liability provisions of the Securities Act of 1933.

²⁸ 15 U.S.C. 78s(b)(2).

²⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

July 15, 1997, 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 revises DTC's fee schedule for its coupon collection service ("CCS"). DTC will give participants that use CCS a discount of \$0.25 per shell for any month in which the participant's shell deposit volume is 6,250 or greater. If a participant's year-end shell deposit volume is 75,000 or greater, DTC will rebate to the participant the \$0.25 per shell for any month(s) in that year for which the participant did not receive a discount because its shell deposit volume was less than 6,250.

In addition, DTC will charge participants \$0.60 per shell received without a valid CUSIP number. This additional fee is designed to serve as an incentive to Participants to identify their shells properly. As all of DTC's fees are reviewed on an annual basis, this surcharge will be reevaluated each year, based on the proportion of shells that DTC receives without a valid CUSIP number.

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

CCS provides participants with a method for the collection of interest relating to coupons from municipal bearer bonds.³ Participants using CCS

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

³ For a more detailed description of CCS, refer to Securities Exchange Act Release No. 35750 (January

are required to deposit coupons in a standard sealed envelope or "shell" each of which may contain no more than 200 coupons. Participants also must identify each shell properly, which includes labeling each shell with a valid CUSIP number.⁴ After verifying the contents of the shells, DTC credits the participants with the interest due on the coupons contained in the shells.

The purpose of the proposed rule change is to revise the fees associated with CCS. DTC continually strives to align service fees with estimated service costs and the subject revisions are part of that effort.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder because it provides for the equitable allocation of 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

Not applicable.

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 Act⁶ and Rule 19b-4(e)(2) thereunder⁷ because the proposal establishes or changes a due, fee, or other charge imposed by DTC.⁸ 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,

22, 1996), 61 FR 2852 [File No. SR-DTC-95-18] (order approving proposed rule change).

⁴ The coupons contained in a shell must all be for the same CUSIP number, series, and payable date.

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

⁷ 17 CFR 240.19b-4(e)(2).

⁸ DTC's rule filing originally was submitted for consideration pursuant to Section 19(b)(2) of the Act. 15 U.S.C. 78s(b)(2). However, DTC subsequently requested that the Commission consider the rule filing pursuant to Rule 19(b)(3)(A) of the Act. Letter from Larry Thompson, Senior Vice President and Deputy General Counsel, DTC (September 22, 1997).

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, NW., Washington, DC 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, 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-97-15 and should be submitted by October 20, 1997.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-25692 Filed 9-26-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39110; File No. SR-NSCC-97-07]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of a Proposed Rule Change Relating to Changes in Membership Standards

September 22, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 5, 1997, the National Securities Clearing Corporation ("NSCC") 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 NSCC. 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 amend NSCC's membership standards to increase the minimum excess net capital requirements imposed on members and applicants for membership.

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

In its filing with the Commission, NSCC 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. NSCC 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 amend NSCC's membership standards to increase the amount of net capital required over the Commission's minimum net capital requirements ("excess net capital").³ Currently, the excess net capital requirement for all members is \$50,000. The proposed amendments: (i) Will increase the excess net capital requirement for full service members to \$500,000 except for municipal securities brokers' brokers⁴ for which the excess net capital requirement will be \$100,000⁵ and (ii) will increase the excess net capital requirement for members that clear for other broker-dealers to \$1,000,000.

NSCC's current excess net capital requirements were implemented in 1976 when NSCC was formed. The environment in which NSCC members operate has changed significantly since that time. In terms of the change in the value of money alone, \$50,000 in 1976 dollars is worth nearly \$150,000 today. Trading volumes and the average value

of securities traded have increased even more significantly. The Commission also has changed its minimum net capital requirements for most NSCC members during this time period from \$25,000 (*i.e.*, one-half of NSCC's current excess net capital requirement) to \$250,000 (*i.e.*, one-half of NSCC's proposed excess net capital requirement).⁶

As a result of the changing environment, it has been NSCC's recent experience that when a member with less than \$500,000 in excess net capital has problems with even one transaction that would not be considered large by today's standards, concerns arise with respect to that member's ability to settle on a timely basis and to post additional required collateral with NSCC. Additionally, even though the size of the exposure due to the failure of any one of these small firms is relatively small, NSCC believes that the time and resources that it must spend addressing problems related to small firms is disproportionate to the magnitude of the potential loss and is unjustifiably disruptive of NSCC's daily surveillance process.

NSCC also believes that the owners or principals of an NSCC member should have a meaningful amount of their own assets at stake to absorb losses before a member's excess net capital falls below regulatory minimums and the member is required to cease doing business. NSCC believes that this provides a strong motivation for firms to implement appropriate risk management controls on their own. In today's environment, NSCC does not believe that \$50,000 is a meaningful amount and believes that \$500,000 is a more appropriate amount.⁷

In addition, NSCC has recognized that members that clear for other broker-dealers present special risks to the clearance and settlement process. These firms become legally responsible for the settlement of transactions of other firms and generally do not have complete control over those transactions. Many of these firms have surveillance procedures and other risk controls in place and can cease clearing for a correspondent broker-dealer if they perceive that a risk has developed. But the clearing arrangements of these firms and marketplace rules generally require that the clearing firm (*i.e.*, the NSCC member) take on settlement responsibility for most of the

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

³ The minimum net capital requirements are set forth in Rule 15c3-1(a) under the Act. 17 CFR 240.15c3-1(a).

⁴ "Municipal securities brokers' broker" is defined in Rule 15c3-1(a)(8) under the Act. 17 CFR 240.15c3-1(a)(8).

⁵ NSCC believes that this is consistent with the Commission's approach of maintaining separate capital rules for municipal securities brokers' brokers.

⁶ See 17 CFR 240.15c3-1(a)(2)(i).

⁷ Under the proposed rule change, NSCC will maintain its current right to impose higher capital requirements on members depending on the circumstances and type of business that the member is in.

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).