

the total cost of compliance for transfer agents is \$4,500.

Rule 17Ad-13 requires approximately 200 registered transfer agents to obtain an annual report on the adequacy of internal accounting controls. In addition, transfer agents must maintain copies of any reports prepared pursuant to Rule 17Ad-13 plus any documents prepared to notify the Commission and appropriate regulatory agencies in the event that the transfer agent is required to take any corrective action. These recordkeeping requirements assist the Commission and other regulatory agencies with monitoring transfer agents and ensuring compliance with the rule. Small transfer agents are exempt from Rule 17Ad-13.

The staff estimates 200 registered transfer agents take approximately 175 hours annually to comply with Rule 17Ad-13. Therefore, the total annual burden is 35,000 hours for transfer agents, based upon past submissions. The average cost per hour is approximately \$60. Therefore, the total cost of compliance for transfer agents is \$1,300,000.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments regarding the above information should be directed to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, DC 20503; and (ii) Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Comments must be submitted to OMB on or before November 17, 1997.

Dated: October 8, 1997.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-27435 Filed 10-15-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39222; File No. SR-DTC-97-16]

Self-Regulatory Organization; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Relating to a Decision by the Philadelphia Stock Exchange, Incorporated To Withdraw From the Clearance and Settlement and Securities Depository Businesses

October 8, 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 Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-97-16) 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 persons.

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

The proposed rule change involves proposed arrangements relating to a decision by the Philadelphia Stock Exchange, Incorporated ("PHLX") to withdraw from the clearance and settlement and securities depository businesses. Parties to the proposed arrangements are DTC, PHLX, Philadelphia Depository Trust Company ("PHILADEP"), Stock Clearing Corporation of Philadelphia ("SCCP"), and the National Securities Clearing Corporation ("NSCC").² The proposed arrangements as they relate to DTC will provide for the following:

(1) DTC will offer sole PHILADEP participants an opportunity to become DTC participants if they meet DTC's qualifications;

(2) DTC will make certain payments to PHLX, PHILADEP, and SCCP; and

(3) In general, for a period of five years PHLX, PHILADEP, and SCCP will not engage in the clearance and settlement and securities depository businesses. However, this prohibition will not apply to PHLX's equity ownership interest in The Options Clearing Corporation. In addition, SCCP may provide limited clearing and margin services to PHLX equity specialists for their specialist and

alternate specialist transactions and for their propriety transactions in securities for which they are not appointed as specialists or alternate specialists and to certain PHLX members that are not PHLX equity specialists for their propriety transactions in securities.³

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 that 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.⁴

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

PHLX has announced that it is withdrawing from the clearance and settlement and securities depository businesses in order to focus its resources on the operations of the exchange. The proposed arrangements have been designed to permit PHLX to achieve this objective while affording qualified sole PHILADEP participants an opportunity to become DTC participants and to transfer their securities to DTC. DTC believes that the proposed arrangements will result in substantial risk reduction and in increased savings for DTC participants and the securities industry as a whole.

Where there are interfaces among the securities depositories, same-day funds settlements⁵ exposes each depository to certain risks, such as the failure of another depository to settle its net payment obligation because of a failure by one of the participants of such other depository to settle with it or because such other depository is experiencing a major systems problem. These risks cannot be entirely avoided with existing and available risk management controls. PHLX's withdrawal from the securities depository business will eliminate the exposure of DTC and its participants to

³ A more detailed description of these proposed arrangements is contained in Exhibit 2 to the filing. A copy of the filing and all exhibits are available for copying and inspection in the Commission's Public Reference Room.

⁴ The Commission has modified the text of the summaries prepared by DTC.

⁵ The term "same-day funds" refers to payment in funds that are immediately available and generally are transferred by electronic means.

¹ 15 U.S.C. 78s(b)(1).

² These parties have entered into an agreement dated as of June 18, 1997.

the payment system risks associated with the DTC-PHILADEP interface.

In addition, the proposed arrangements should result in substantial savings for DTC participants and the securities industry. In connection with this proposal, former sole PHILADEP participants may become DTC participants if they qualify under DTC's participant standards. An increase in the number of DTC participants will result in higher DTC transaction volumes there by reducing the per unit service costs that must be recovered through DTC participant service fees.

Moreover, interdepository interfaces involve the maintenance of substantial facilities, communications networks and account and inventory reconciliation mechanisms. As a result of the proposal, the substantial costs incurred by both DTC and PHILADEP in operating an interface will be eliminated.

DTC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations promulgated thereunder because the rule proposal will help reduce the risk associated with having interfaces, provide for more efficient and less expensive clearing and depository services, and thereby facilitate the prompt and accurate clearance and settlement of such transactions. In addition, the proposal will provide qualified sole PHILADEP participants with access to DTC's facilities and will be implemented consistently with the safeguarding of securities and funds in DTC's custody and control.

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

DTC does not believe that the proposed arrangements will have an impact on or impose a burden on competition. Securities depositories registered under Section 17A of the Act are utilities created to serve members of the securities industry for the purpose of providing certain services that are ancillary to the businesses in which industry members compete with one another. Operating a securities depository requires a substantial and continuing investment in infrastructure, including securities vaults, telecommunications links with users, data centers, and disaster recovery facilities, in order to meet the increasing needs of participants and respond to regulatory requirements.

After consummation of the proposed arrangements, securities industry members will continue to have access to high quality, low cost depository services provided under the mandate of

the Act. The overall cost to the industry of having such services available should be reduced thereby permitting a more efficient and productive allocation of industry resources. Furthermore, because most of a depository's interface costs must be mutualized, thereby requiring some participants to subsidize costs incurred by others, PHLX's withdrawal from maintaining depository facilities should reduce costs to DTC participants and thereby remove impediments to competition. Finally, PHLX's ability to focus its resources on the operations of its exchange should help enhance competition among securities markets.

Despite the dominant market position that DTC will acquire, DTC believes that the current regulatory scheme and the very nature of the clearing and depository industries provide appropriate checks on the operations of DTC. DTC is owned by its members that utilize its services and its board of directors is comprised of its members. DTC must assure a fair representation of its members in the selection of its directors and administrators. DTC's service fees are reviewed by its board and subject to public notice and comment. Lastly, the existence of independent depositories for special securities and the potential for new clearing agency registrants offer significant checks on DTC's power.

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

Written comments on the proposal from DTC participants or others have not been solicited or received. However, the proposed arrangements are consistent with recommendations made to the boards of DTC and NSCC by the Vision 2000 Committee ("Committee"), a committee on industry representatives of the two boards. The Committee's Report dated September 1994 states:

The industry currently owns a number of utilities that provide services related to the comparison, clearing, settlement and safekeeping of U.S. (and to a lesser degree, international) securities. These utilities overlap in two ways. * * * We believe that the industry's and, as important, the investors', overall costs can be reduced and safety and soundness can be enhanced by eliminating these overlaps where there is no clear advantage to having specialization or competing development.

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:

(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, 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 Room, 450 Fifth Street, NW., Washington, DC. 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 No. SR-DTC-97-16 and should be submitted by November 6, 1997.

For the Commission, by the Division of Market Regulation pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-27321 Filed 10-15-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39220; File No. SR-NSCC-97-08]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to a Decision by the Philadelphia Stock Exchange, Incorporated To Withdraw From the Clearance and Settlement and Securities Depository Businesses

October 8, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the

⁶ 17 CFR 200.30-3(a)(12).