

transaction fees. All other orders (except orders of specialists, orders in NASDAQ/NMS Securities, and orders of a floor broker acting in the capacity as a principal) will be charged a transaction fee on a sliding scale. There will be no charge for the first 500 shares; a \$.0075 per share charge for the next 2000 shares; a \$.005 per share charge for the next 7500 shares; and a \$.004 per share charge for the remaining shares of an order. This transaction fee will be capped at a maximum of \$100.00 per side. This cap is similar to the cap on round lot trades today⁵ except that it will not include applicable trade recording fees.⁶ The Exchange will impose a maximum cap of \$7,000 per month for transaction fees on orders sent via MAX that are executed. Also, for these fees, the Exchange will impose maximum monthly transaction fees of \$45,000 for firms with a floor broker or market maker presence on the floor of the Exchange and \$65,000 for orders of all-floor members. The Exchange will continue to waive transaction fees for orders in Tape B eligible issues that are executed through MAX.⁷ In addition, all transaction fees for orders in NASDAQ/NMS Securities will be waived.

Fees for specialists will remain unchanged.

Floor brokers acting in the capacity as a principal will be charged a transaction fee for each such order on a sliding scale. There will be no charge for the first 500 shares; a \$.0015 per share charge for the next 2000 shares; a \$.001 per share charge for the next 7500 shares; and a \$.0008 per share charge for the remaining shares of an order. The transaction fee will be capped at a maximum of \$20.00 per side. However, there will be no monthly cap on these transaction fees.

⁵ The language contained in the Exchange's current fee schedule refers to a "per trade" cap, but the Exchange's practice has been to interpret this as a "per side" cap. Therefore, the practical effect of this filing would be to align the language contained in the CHX's fee schedule with its current interpretation. Telephone conversation between David T. Rusoff, Attorney, Foley & Lardner, and Glen Barrentine, Senior Counsel/Team Leader, SEC (Jan. 18, 1996).

⁶ See *supra* note 2.

⁷ The Consolidated Tape, operated by the Consolidated Tape Association ("CTA"), compiles current last sale reports in certain listed securities and disseminates these reports to vendors on a consolidated basis. The CTA is comprised of the New York, American, Boston, Cincinnati, Chicago, Pacific, and Philadelphia Stock Exchanges, as well as the Chicago Board Options Exchange and the National Association of Securities Dealers, Inc. Transactions in American Stock Exchange listed stocks and qualifying regional listed stocks are reported on CTA Tape B. See Securities Exchange Act Release No. 35239, (Jan. 19, 1995), 60 FR 4935 (extending the waiver transaction fees for Tape B eligible issues that are executed through MAX).

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act⁸ in general and furthers the objectives of Section 6(b)(4)⁹ in particular in that it provides for the equitable allocation of reasonable dues, fees, and other charges among the Exchange's members and other persons using its facilities.

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

The Exchange believes the proposed rule change does not impose any burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change constitutes or changes a due, fee, or other charge imposed by the Exchange and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and subparagraph (e) of Rule 19b-4 thereunder.¹¹

At any time within sixty days of the filing of such proposed 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, 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

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(4).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4.

available for inspection and copying at 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 the CHX. All submissions should refer to File No. SR-CHX-95-30 and should be submitted by February 20, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-35750; File No. SR-DTC-95-18]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving a Proposed Rule Change Seeking to Establish a Coupon Collection Service for Municipal Bearer Bonds

January 22, 1996.

On September 18, 1995, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-95-18) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ On October 30, 1995, DTC filed an amendment to the proposed rule change.² Notice of the proposal was published in the Federal Register on December 11, 1995.³ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change establishes a service for the collection of interest relating to the coupons from municipal bearer bonds. This service includes collection of coupons which are due in the future as well as past-due coupons for DTC eligible and ineligible municipal issues payable in the United States. Past-due coupons will be accepted for up to three years after the payable date.

DTC participants using this service must deposit coupons in a standard

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Letter from Piku K. Thakkar, Assistant Counsel, DTC, to Mark Steffensen, Esq., Division of Market Regulation ("Division"), Commission (October 26, 1995).

³ Securities Exchange Act Release No. 36545 (December 1, 1995), 60 FR 63554.

sealed envelope or "shell" with no more than 200 coupons contained in any one shell.⁴ Mutilated coupons must be guaranteed by the depositing participant and placed into separate shells.⁵ DTC requires that each shell contain the following information on its face: (i) CUSIP number; (ii) a description of the issue including municipality, state, purpose, series, date of issue, and maturity date; (iii) payable date; (iv) quantity of coupons enclosed; (v) dollar value of individual coupons; (vi) total shell value; (vii) participant number; and (viii) contact name and telephone number of the depositing participant. All shells must be accompanied by a completed deposit ticket that includes: (i) DTC participant number; (ii) shell quantity; (iii) total dollar value; (iv) CUSIP number per shell; (v) coupon quantity per shell; (vi) dollar value per shell; and (vii) whether the coupons are payable on a future date or are pastdue.⁶

DTC will verify the number of shells listed on the deposit ticket and will give the depositing participant a time-stamped copy of the ticket. If the number of shells listed on the deposit ticket does not agree with the physical number of shells, DTC will immediately reject the entire deposit and will return it to the participant. DTC will neither inspect nor verify shells' contents prior to presentation to paying agents. The depositing participant is responsible for the integrity of the shells' contents. In the event of a coupon shell loss, the participant must provide DTC with a full description (including certificate numbers) of the coupons contained in the shell.

The paying agent may reject and return coupons to DTC for a variety of reasons. The most common reasons for rejection are likely to include: (i) mixed shell contents including mixed payable

dates, mixed series or purposes, or mixed maturity years; (ii) incorrect count of shell contents; (iii) called certificate; (iv) mutilated coupon; (v) stopped certificate;⁷ or (vi) issue in default.

DTC will pass rejected shells to its participants in the form received from the paying agent together with any paying agent documentation. DTC will not inspect or verify the contents of rejected shells. For shells rejected after the payable date, DTC will debit appropriate funds from the depositing participant's account on the day the rejected coupons are returned to the participant.

DTC will credit interest to its participants on the payable date for coupons that are deposited (i) at least eight business days prior to payable date if the paying agent for the coupons is located outside of New York City or (ii) at least five business days prior to the payable date if the paying agent is located in New York City. Coupons not deposited within the time frames described above and past-due coupons will be credited to participants (i) ten business days following the date of deposit if the paying agent is located outside New York City or (ii) seven business days following the date of deposit if the paying agent is located in New York City.⁸

DTC will credit the accounts of its depositing participants on the foregoing payable dates without regard to whether DTC actually has received payment from the issuer or paying agent as of such date.⁹ All coupons deposited after 11 a.m. will be considered to be received the following business day. In addition, during the first quarter of 1996, DTC will make available a new Participant Terminal System ("PTS") function which will enable DTC participants to view the status of their coupon deposits.

DTC will charge its participants the following fees for this service:

Shells deposited a minimum of 15 days before payable date	\$4.50
Shells deposited less than 15 days before payable date (including past-due coupons)	5.25
Rejected shells	15.00

II. Discussion

Section 17A(b)(3)(F)¹⁰ of the Act requires that the rules of a clearing agency be designed to remove impediments to and to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions and to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that DTC's proposed rule change is consistent with DTC's obligations under the Act because the new service presents a more efficient method of settling the payment of bearer bond coupons and should allow DTC participants to reduce the labor needed to deal with may different issuers or paying agents in connection with the collection of coupons and the receipt of interest payments. Furthermore, DTC participants should be better able to track the status of the coupon receipt and interest payment process because these activities will be reported directly to them through the new PTS function.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-95-18) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

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⁴ Only coupons for the same CUSIP number, series, and payable date can be enclosed in any one shell.

⁵ The depositing participant will guarantee the validity of the coupon number, bond number, payable date, and payable amount of the mutilated coupon by a stamp affixed to the coupon executed by an authorized officer of such participant. In cases of a badly mutilated coupon, DTC may require a letter of indemnity. In the event a paying agent rejects a mutilated coupon, DTC will reverse any credit made to the depositing participant's account with respect to such coupon. Telephone conversation between Piku K. Thakkar, Assistant Counsel, DTC; Ann Reich, DTC; and Mark Steffensen, Attorney, Division, Commission (October 17, 1995).

⁶ When payments on the coupons are due in the future, each deposit ticket can have up to 50 shells attached to it, but all of the coupons in each of the attached shells must have the same payable date. For past-due coupons, shells with different payable dates may be listed on the same deposit ticket. Letter from Piku K. Thakkar, Assistant Counsel, DTC, to Mark Steffensen, Esq., Division, Commission (October 26, 1995).

⁷ A stopped certificate is a certificate for which a stop transfer instruction has been requested. A stop transfer instruction typically is initiated as the result of a lost or stolen stock certificate. Telephone conversation between Piku K. Thakkar, Assistant Counsel, DTC, and Mark Steffensen, Attorney, Division, Commission (September 26, 1995).

⁸ DTC will accept past-due coupons into the coupon selection service program for up to three years after the original coupon payment date.

⁹ According to DTC, payments due DTC from issuers and paying agents are received on or before the payable date between 97 and 98 percent of the time. Typically, late payments are the result of transmission problems or equipment failure which is unrelated to the ability of the issuer or paying agent to actually make such payments. Telephone conversation between Piku K. Thakkar, Assistant Counsel, DTC; Ann Reich, DTC; and Mark Steffensen, Attorney, Division, Commission (October 17, 1995).

¹⁰ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

¹¹ 17 CFR 200.30-3(a)(12) (1994).