

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 adjust the fees charged for various services in order to align them with DTC's projected service costs for 1998.³ The adjusted fees are based upon a review of service costs conducted by DTC's Board of Directors. This fee change will be effective for services provided on and after April 1, 1998.⁴

DTC believes the 1998 fee schedule will yield \$5.0 million more in operating revenue annually than the present fee schedule would have yielded. DTC believes that the new fees will result in an average fee increase of 1.0% for participants based on their monthly bills from DTC for October, November, and December of 1997.

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 and other parties that use DTC's services.

(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 purpose of the Act.

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

Written comments from DTC participants or others have not been received on the proposed rule change. Participants and other users of DTC's services were informed that DTC's annual fees would likely increase by \$5.0 million or approximately 1.5% in a July 2, 1997, memorandum entitled "Preliminary Projections for 1997 Year-end General Refund and Anticipated 1998 Service Fees." DTC informed participants and other users of its services of the proposed fee revisions by

a memorandum dated February 5, 1998, entitled "1998 Revisions of DTC Service Fees." Because participants have supported cost based fees in the past and because the subject fee changes overall are modest, DTC did not consider necessary a formal period for participant comment this year.

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)⁶ of the Act and pursuant to Rule 19b-4(e)(2)⁷ 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 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, including whether the proposed rule change is consistent with the Act. 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-98-03 and should be submitted by June 2, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39960; File No. SR-DTC-97-17]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving a Proposed Rule Change Relating to a Modification of the Coupon Collection Service

May 5, 1998.

On August 7, 1997, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") and on December 22, 1997, amended a proposed rule change (File No. SR-DTC-97-17) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on January 27, 1998.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

DTC currently operates a coupon collection service ("CCS"), which provides DTC participants with a method for collecting interest payable on coupons from municipal bearer bonds. The rule change modifies CCS to include the collection of interest payable on coupons from corporate bearer bonds.³

Currently, participants using CCS are required to deposit coupons in a standard sealed envelope or "shell," each of which may contain no more than 200 coupons for the same CUSIP number, series, and payable date. DTC submits the contents of the shells to the appropriate issuer or paying agent and credits the interest to the participant's account.⁴ With certain exceptions, DTC will process corporate bearer bond coupons through CCS the same way that it currently processes municipal bearer bond coupons.

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 39561 (January 20, 1998), 63 FR 3941.

³ Due to the additional processing and tracking of corporate bearer coupon deposits, DTC intends to file a proposed rule change with the Commission in the future to institute a surcharge for the handling of these deposits.

⁴ For a complete description of CCS, refer to Securities Exchange Act Release No. 35750 (January 22, 1996), 61 FR 2852 [File No. SR-DTC-95-18] (order approving proposed rule change).

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

³ The revised fee schedule is attached to DTC's rule filing and is available for copying at the Commission's public reference room.

⁴ The last full scale revision of DTC's fees occurred in 1995 although several revenue adjustments were made by DTC in early 1996.

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 17 CFR 200.30-3(a)(12).

First, DTC will contact the corporate paying agent before submitting the coupons for payment to determine whether the coupon proceeds are payable in U.S. dollars. Only corporate bearer bonds payable in either U.S. dollars or Canadian funds are eligible for CCS. Where the corporate bearer bonds are payable in Canadian funds, DTC will request the paying agent to convert the funds to U.S. dollars in accordance with the prevailing exchange rate. DTC will not process corporate bearer bonds through CCS unless the paying agent is able to and will convert Canadian funds to U.S. dollars.

Second, DTC will suppress for corporate bearer coupons the automatic payment function that it applies to municipal bearer coupons.⁵ By delaying crediting participants' accounts until it has received the interest payments from paying agents, DTC will avoid having to adjust such accounts due to fluctuations in exchange rates.

DTC requires that each shell containing corporate bearer bond coupons state the following information on its face: the CUSIP number; a description of issue including purpose, series, date of issue, and maturity date; the payable date; the quantity of coupons enclosed; the dollar value of individual coupons; the total shell value unless payable in Canadian dollars; the participant number; and the contact number and telephone number of the depositing participant. In addition, each shell must be accompanied by a completed deposit ticket, each of which can cover up to twenty-five shells, which provides the participant number, the shell quantity, the total dollar value, the CUSIP number per shell, the coupon quantity per shell, the dollar value per shell unless payable in Canadian dollars, and whether the coupons are future-due or past-due.

DTC will verify the number of shells listed on the deposit ticket and give the 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, the entire deposit will be rejected and sent back to the participant.

II. Discussion

Section 17A(b)(3)(F) of the Act⁶ requires that the rules of a clearing agency be designed to remove impediments to and to perfect the

mechanism of a national system for prompt and accurate clearance and settlement of securities transactions. The Commission believes that the proposed rule change is consistent with DTC's obligations under Section 17A(b)(3)(F) because it should provide a more efficient method of settling the payment of corporate bearer bond coupons and should allow DTC participants to centralize the processing of the collection of coupons and the receipt of interest payments.

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-97-17) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39955; File No. SR-DTC-98-2]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Adding the HUB Mailbox Service to the Institution Delivery System

May 4, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 10, 1998, the Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-98-2) 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 will add the HUB Mailbox Service ("HUB Mailbox") to DTC's Institutional Delivery ("ID") system.

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 add the HUB Mailbox to the services provided by the ID system.³ The HUB Mailbox will allow investment managers and custodian banks⁴ to exchange messages regarding: (1) securities purchases; (2) securities sales; (3) reconciliation data relating to securities positions and cash movements; and (4) other security-related transactions as agreed to by two or more HUB users.⁵ Occasionally, HUB

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

³ Currently, the ID system enables broker-dealers to exchange confirmation and affirmation messages with investment managers and custodian banks. For a complete description of the services provided by the ID system refer to Securities Exchange Act Release Nos. 33466 (January 12, 1994), 59 FR 3139 [File No. SR-DTC-93-07] (order approving proposed rule change relating to the enhanced ID system); 34166 (June 6, 1994), 59 FR 31660 [File No. SR-DTC-94-01] (order approving proposed rule change to add a standing instruction database to the ID system); 34199 (June 10, 1994), 59 FR 31660 [File No. SR-DTC-94-04] (order granting accelerated approval of a proposed rule change to implement the interactive capabilities and the electric mail features of the enhanced institutional delivery system); 36050 (August 2, 1995), 60 FR 41139 [File No. SR-DTC-95-10] (order approving proposed rule change to implementing advice of confirm correction/cancellation feature and modifying the authorization/exception processing feature of the institutional delivery system); and 39832 (April 6, 1998), 63 FR 18062 [File No. SR-DTC-95-23] (order approving proposed rule change implementing the ID system).

⁴ Initially, broker-dealers will not have access to the HUB Mailbox.

⁵ DTC anticipates that the HUB Mailbox will be used primarily for exchanging messages regarding securities that are not eligible for settlement at DTC. Telephone conversation among Jack Wiener, Vice

Continued

⁵ When processing municipal bearer coupons through CCS, DTC credits participants' accounts on the payable date of the coupons regardless of whether it actually has received the interest payment.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).