

accelerated approval will permit DTC to immediately make shared control accounts available to its participants and to make its procedures reflect revised Article 8 as recently enacted by the State of New York.⁷

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, 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-98-5 and should be submitted by August 6, 1998.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-98-5) be and hereby is approved on an accelerated basis.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-18963 Filed 7-15-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40190; International Series Release No. 1145; File No. SR-EMCC-98-5]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Changing Relating to Warrant Processing

July 10, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 28, 1998, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by EMCC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

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

The purpose of the proposed rule change is to provide a mechanism whereby EMCC may process cash payments made with respect to warrants for which there are outstanding fail receive and deliver obligations and to permit EMCC to pair-off outstanding warrant fail receive obligations with fail deliver obligations.

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

In its filing with the Commission, EMCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposal rule change. The text of these statements may be examined at the places specified in Item IV below. EMCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

From time to time, issuers of warrants may declare a money distribution on their warrants ("warrant payment"). If EMCC is notified that a warrant

payment has been declared by a warrant issuer, those members with a fail deliver or fail receive obligation relating to such warrant will receive a report from EMCC. The report will specify the amount each member is obligated to pay/receive. EMCC will also instruct the qualified securities depository² of each such member to appropriately debit and/or credit each member's account on payable date with the amount(s) specified on the report. (Fail deliver obligations will result in debits, and fail receive obligations will result in credits.)

EMCC will not guarantee warrant payments. EMCC's willingness to pay members with fail receive obligations is contingent on its ability to collect these amounts from members with fail deliver obligations. If a member with a fail deliver obligation does not pay EMCC the cash owed with respect to a warrant payment, the proposed rule change (i) permits EMCC to reverse the payment made to the member with the fail receive obligations that was the original counterparty to the transaction underlying such fail deliver obligation and (ii) obligates the member with the fail deliver obligation that did not pay EMCC such monies owed, to compensate EMCC for such non-payment.

The proposed rule change also provides that the member with the fail receive obligation will be entitled to compensation for its late receipt of the warrant payment if EMCC collects from the member with the fail deliver obligation that failed to make timely payment. The proposed rule change provides that if a member with a fail receive obligation does not receive a warrant payment or if such a warrant payment is reverse and, EMCC has ceased to act for the member with the fail deliver obligation, the member with the fail receive obligation may request that EMCC file a claim for the payment with the estate of the member with the fail deliver obligation. Any such action shall be taken at the sole cost and expense of the member with the fail receive obligation.³

EMCC states that, historically, fail rates with respect to warrant transactions are high. Firms would periodically employ a process by which they bilaterally paired-off outstanding warrant receive and deliver obligations

⁷ The staff of the Board of Governors of the Federal Reserve System has concurred with the Commission's granting of accelerated approval. Telephone conversation between Kristen Wells, Senior Analyst, Division of Reserve Bank Operations, Board of Governors of the Federal Reserve System, and Jeffrey Mooney, Special Counsel, Division of Market Regulation, Commission (July 9, 1998).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Currently, the Cedel Bank, Societe anonyme and the Euroclear system, which is operated by the Brussels Office of Morgan Guaranty Trust Company of New York, are the only qualified securities depositories.

³ This approach is similar to that taken with respect to fail obligations relating to warrants, as set forth in Rule 8, Sections 7(f) and 8(f).

in order to eliminate warrant fail obligations. Since warrants have been eligible at EMCC, EMCC's records also indicate that there is high fail rate with respect to warrant obligations. In order to eliminate there fails, members have requested that EMCC implement a similar process. The proposed rule change would allow EMCC to perform a bilateral pair-off process for warrant obligations.

In order to be eligible to be paired-off, the obligations must be within the same ISIN, and the fail deliver obligations and fail receive obligations must have a contract value of \$0. In addition, fail deliver and fail receive obligations will be paired-off only if the quantity of warrants with respect to one or more fail receive obligations (either singly or in the aggregate) is equal to the quantity of warrants with respect to one or more fail deliver obligations (either singly or in the aggregate).

Using the process described above, EMCC will determine which fail deliver and fail receive obligations are to be paired-off and will issue a report to each member identifying such paired-off obligations. EMCC will also instruct the member's qualified securities depository to cancel the previously issued debit and credit instructions relating to such paired-off obligations. At the time the report is distributed to members, their rights or obligations with respect to the paired-off fail deliver and fail receive obligations, under the Rules are extinguished.

Although EMCC becomes the counterparty to all transactions submitted to it, upon receipt of securities by EMCC they are redelivered from EMCC to the original counterparty to the underlying transaction. It is possible that the pair-off process will result in the canceling of the fail obligation of only one of the original counterparties, leaving the corresponding fail obligation open at EMCC. Under these circumstances, EMCC will allocate any warrants received by giving priority first to the oldest fail receive obligation and next to the fail receive obligation relating to the largest number of warrants. EMCC will not allocate any warrants which would not fully satisfy a fail receive obligation. For example, if EMCC receives 10 warrants from a member with a fail deliver obligation (where the corresponding fail receive obligation had been canceled) and there are 3 fail receive obligations of the same age, one of which is for 7 warrants, one of which is for 6 warrants, and one of which is for 5 warrants, EMCC will deliver 7 of the 10 warrants received to satisfy the fail receive obligation for 7 warrants and

will not deliver the remaining 3 warrants until it has received a sufficient quantity of warrants which will allow it to fully satisfy at least one fail receive obligation.

EMCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

EMCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. EMCC will notify the Commission of any written comments received by EMCC.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to facilitate the prompt and accurate clearance and settlement of securities transactions for which it is responsible. The Commission believes that the rule change should provide EMCC with a process that should reduce the number of outstanding fail receive obligations and fail deliver obligations relating to warrants. The failure of one party to satisfy their settlement obligations threatens the entire clearance and settlement system because that party's failure may in turn cause other parties to fail to meet their obligations. Therefore, by reducing the number of outstanding fails at EMCC, the proposed rule change should facilitate the prompt and accurate clearance and settlement of securities transactions.

EMCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of notice because accelerated approval will enable EMCC to begin reducing the number of fail obligations relating to warrants immediately.

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, 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 EMCC. All submissions should refer to File No. SR-EMCC-98-5 and should be submitted by August 6, 1998.

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁴ that the proposed rule change (File No. SR-EMCC-98-5) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-18964 Filed 7-15-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40185; File No. SR-NSCC-97-13]

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

July 9, 1998.

On October 30, 1997, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") and on December 31, 1998, amended a proposed rule change (File No. SR-NSCC-97-13) pursuant to Section 19(b)(1) of the Securities Exchange Act

⁴ 15 U.S.C. 78s(b)(2).

⁵ 17 CFR 200.30-3(a)(12).