

change pursuant to Section 19(b)(2) of the Act. The proposed rule change may request either an increase in the volume limitation or removal of all volume limitations.

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-DCC-97-06) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,
Deputy Secretary.

Exhibit A—Schedule A to Delta Clearing Corp; Procedures for the Clearing of Securities and Financial Instrument Transactions

Excluded Classes of Mortgage Securities

Notional—A class having no principal balance and bearing interest on the related notional principal balance.

Interest Only—A class that receives some or all of the interest payments made on the underlying mortgage or other assets of a series trust and little or no principal. Interest only classes have either a nominal or a notional principal balance.

Principal Only—A class that does not bear interest and is entitled to receive only payments of principal.

Accrual—A class that accretes the amount of accrued interest otherwise distributable on such class, which amount will be added as principal to the principal balance of such class on each applicable distribution date. Such accretion may continue until some specified event has occurred or until such accrual class is retired.

Partial Accrual—A class that accretes a portion of the amount of accrued interest thereon, which amount will be added to the principal balance of such class on each applicable distribution date, with the remainder of such accrued interest to be distributed currently as interest on such class. Such accretion may continue until a specified event has occurred or until such partial accrual class is retired.

Floater—A class other than an adjustable rate mortgage security with an interest rate that resets periodically

based upon a designated index and that varies directly with changes in such index.

Inverse Floater—A class other than an adjustable rate mortgage security with an interest rate that resets periodically based upon a designated index and that varies inversely with changes in such index.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-3932; File No. SR-DTC-97-18]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding the Participant Exchange Service

October 10, 1997.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on August 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 will expand DTC's participant exchange service system ("PEX") to add an additional notice, letters of free funds ("LOFFs"), to the menu of notices currently available.

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

¹ 15 U.S.C. 78s(b)(1).

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

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

PEX is an on-line system that enables DTC participants to use DTC's automated network to send and to respond to various notices required by other self-regulatory organizations.³ The purpose of the proposed rule change is to automate the exchange of LOFFs by adding LOFFs to the menu of notices that can be transmitted through PEX.⁴

LOFFs are notices exchanged between the receiving and delivering brokers of two party customer trades. Currently, LOFFs are sent in hardcopy (*i.e.*, on paper), usually through the mail or by facsimile. The delivering broker sends a LOFF to the receiving broker requesting the receiving broker to verify that the customer has sufficient funds to settle the trade pursuant to Regulation T under the Act.⁵ The receiving broker confirms the existence of the funds and returns the LOFF to the delivering broker.

Under the proposed rule change, a delivering broker will be able to send LOFF notices by entering the notice information into DTC's participant terminal system ("PTS").⁶ LOFF notices that do not contain any errors will be stored in a DTC database in open status pending a response from the receiving broker. Each LOFF sent using PEX will be assigned a unique control number. Open notices will be available for browsing and reply through PTS.

Receiving brokers will be able to use PEX to respond to each LOFF notice by its control number.⁷ Upon receiving a response, DTC will match its control number to that of an open LOFF notice and mark that notice as either (i) having sufficient funds, (ii) not having sufficient funds, (iii) being rejected, or (iv) having a prime broker relationship with the delivery broker.

All open LOFF notices will be kept on a DTC database for ninety days from the

³ For a complete description of PEX, refer to Securities Exchange Act Release No. 28123 (June 13, 1990), 55 FR 25188 [File No. SR-DTC-89-21] (order approving proposed rule change establishing PEX).

⁴ DTC attached a detailed description of the method by which LOFFs will be added to PEX as Exhibit B to its filing, which is available for review and copying at the Commission's Public Reference Room and through DTC.

⁵ 12 CFR 220.

⁶ DTC has informed the Commission that participants initially will be able to exchange LOFFs through PEX only by way of PTS. At some later point, participants will be able to exchange LOFFs by way of mainframe dual host or computer-to-computer facility.

⁷ Although LOFF notices will not generate tickets, receiving brokers will be able to view LOFF notices through PTS.

¹⁶ 17 CFR 200.30-3(a)(12).

notice's initial send date. LOFF notices that have been accepted (*i.e.*, for which funds are available) will remain on the database for two days. LOFF notices that have been declined (*i.e.*, for which funds are available) will remain on the database for five days. All other LOFF notices that receive replies (*i.e.*, prime broker or rejected) will be removed from the database thirty days after the initial send date of the notice.

The proposed rule change is designed to eliminate the physical delivery and confirmation of LOFFs thereby providing DTC participants with a more timely and accurate messaging vehicle for these documents. In addition, by incorporating LOFFs into the PEX System, DTC will offer its participants an efficient means of tracking notices of LOFFs.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(A) of the Act⁸ and the rules and regulations thereunder because it promotes efficiencies in the clearance and settlement of securities transactions.

(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, in the public interest, and for the protection of investors.

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

DTC has not solicited participant comments on the proposed rule change. A working group of participants has requested that DTC incorporate LOFFs into the PEX system and has committed to using such a service.

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

The foregoing rule change has been effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁹ and Rule 19b-4(e)(4) thereunder¹⁰ because it effects a change in an existing service of DTC that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of DTC or persons using the service. 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, 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, 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-97-18 and should be submitted by November 12, 1997.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39234; File No. SR-MBSCC-97-7]

Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Use of CUSIP Numbers in Processing Eligible Securities

October 10, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on September 25, 1997, the MBS Clearing Corporation ("MBSCC") 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 MBSCC. 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 amends MBSCC's rules to allow MBSCC to use CUSIP numbers to process eligible securities in addition to the current practice of using class codes.

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

In its filing with the Commission, MBSCC 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. MBSCC 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

Currently, MBSCC processes transactions relating to eligible securities based on a ten character class code identifying the class of such securities.³ To accommodate the March 1998 industry-wide conversion to a system based on a nine character CUSIP number, MBSCC will permit participants to submit transactions with either the appropriate class code or CUSIP number. MBSCC anticipates that as of January 1, 1999, it will accept only CUSIP numbers.⁴ Other than this technical change from a class system to a CUSIP system, the processing of eligible securities will not change.

With respect to MBSCC's electronic pool notification ("EPN") system, there is no similar period of time during which EPN users can submit either the class code or CUSIP number. Beginning March 31, 1998, EPN will operate on a CUSIP number basis.

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

³ "Class" is defined in MBSCC's rules as a particular type of eligible securities issues or guaranteed by the same agency and having the same coupon rate and date of maturity.

⁴ At such time, MBSCC will submit a rule filing with the Commission under Section 19(b)(3)(A) of the Act to eliminate all references to class codes.

⁸ 15 U.S.C. 78q-1(b)(3)(A).

⁹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁰ 17 CFR 240.19b-4(e)(4).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).