

Code of the State of New York. The proposed rule change also will amend DTC's rules to specifically state that DTC's board of directors may by resolution delegate to the chairman of the board the authority to establish fees and charges.

## **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.<sup>2</sup>

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

Recently, New York State revised its version of Article 8 (with related changes in other Articles) of the Uniform Commercial Code. As a result, DTC is amending its rules to make them consistent with revised Article 8. The proposed rule change will add new terminology to DTC's rules,<sup>3</sup> will revise certain definitions,<sup>4</sup> and will delete section references based on the prior version of Article 8. The amendments will not change the substance or meaning of DTC's current rules. The proposed rule change also will amend DTC Rule 20 to specifically state that DTC's board of directors may by resolution delegate to the chairman of the board the power to approve fees and charges.

DTC believes the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>5</sup>

and the rules and regulations thereunder because it promotes the safeguarding of securities and funds in DTC's custody or under its control.

### *(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 not necessary or appropriate in furtherance of the purposes 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 solicited or received on the proposed rule change. All participants will be informed of the proposed rule change.

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

Within 35 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 90 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, 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 Room, 450 Fifth Street, NW., Washington, DC 20549. 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 number SR-DTC-98-01 and should be submitted by May 5, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39838; File No. SR-DTC-98-04]

### **Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fees and Charges**

April 8, 1998.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on February 20, 1998, 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. DTC amended the proposed rule change on February 25, 1998. 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 revises DTC's fee schedule for its transfer agent drop ("TAD") service, which is attached as Exhibit 1.

### **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.<sup>2</sup>

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>2</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>3</sup> The proposed rule change will add the following terms to DTC's rules: (1) Certificated security; (2) control; (3) deposit; (4) entitlement holder; (5) entitlement order; (6) free pledge; (7) free release; (8) NYUCC; (9) person; (10) pledge; (11) pledge versus payment; (12) release; (13) release versus payment; (14) security entitlement; (15) security certificate; (16) uncertificated security; and (17) withdrawal.

<sup>4</sup> The proposed rule change will make technical revisions to the following terms: (1) clearing agency agreement; (2) deliverer; (3) delivery; (4) deposited security; (5) incomplete transaction; (6) instructor; (7) minimum amount securities; (8) net addition securities; (9) participant; (10) payee; (11) payor; (12) pledged security; (13) pledgee; (14) pledgor; (15) receiver; (16) securities account; (17) security; (18) segregated account; and (19) settlement amount.

<sup>5</sup> 15 U.S.C. 78q-1.

*(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 revise the fees associated with DTC's TAD service. The TAD service provides transfer agents located outside of New York City with a central location within Manhattan for the receipt of securities from banks, broker-dealers, depositories, and shareholders.<sup>3</sup> Until 1996, a similar service was offered by the New York office of the Midwest Clearing Corporation ("MCC").<sup>4</sup>

DTC continually strives to align service fees with estimated service costs, and the subject revisions are part of that effort. DTC believes that the proposed rule change is consistent with the requirements of section 17A of the Act<sup>5</sup> 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 who use DTC's TAD service.

*(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*

Comments on the proposed rule change were solicited and two comment letters from transfer agents were received.<sup>6</sup> Both comment letters express concern with certain fee increases and questioned the rationale of certain fees.

**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)<sup>7</sup> of the Act and pursuant to Rule 19b-4(e)(2)<sup>8</sup> promulgated thereunder because the proposal establishes or changes a due, fee, or other change imposed by DTC. 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, 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-98-04 and should be submitted by May 5, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

**TRANSFER AGENT DROP SERVICE (TAD) FEE SCHEDULE**

Description	1997 Fee	1998 Fee
Monthly Service Fee .....	\$500 .....	No change.
Window Tickets .....	1 .....	No change.
Microfilm Labor .....	15 .....	No change.
Microfilm Roll .....	16 .....	No change.
Daily Valuation:		
Up to 25 window tickets .....	\$25 per day .....	\$25 per day.
More than 25 tickets .....	175 per day .....	
26 to 75 tickets .....	.....	75 per day.
76 to 100 tickets .....	.....	150 per day.
More than 100 tickets .....	.....	250 per day.
Late Closings:		
• Midnight .....	\$1,000 per occurrence .....	2,000 per occurrence.
• Same Day Notification .....	No Charge .....	5,000 per occurrence.
• Cancellation—same day .....	No Charge .....	1,000 per occurrence.
• DTC holiday—closing .....	\$2,000 per occurrence .....	5,000 per occurrence.
Items Returned to DTC in Error .....	No Charge .....	\$50 per item.
Aging Untransferred Items (Older Than 15 Business Days) .....	No Charge .....	50 per item.

<sup>3</sup> For a complete description of the TAD services, refer to Securities Exchange Act Release No. 37562 (August 13, 1996), 61 FR 43283 [File No. SR-DTC-96-09] (order approving proposed rule change).

<sup>4</sup> MCC withdrew from the clearing business in 1996. Securities Exchange Act Release No. 36684 (January 5, 1996), 61 FR 1195 [File Nos. SR-CHX-95-27, SR-DTC-95-22, SR-MCC-95-04, SR-

MSTC-95-10, SR-NSCC-95-15] (order approving MCC's withdrawal from the clearance and settlement business).

<sup>5</sup> 15 U.S.C. 78q-1.

<sup>6</sup> Letters from Achille Retolatto, Vice President, First Chicago Trust Company of New York, to Al DeMaio, The Depository Trust Company (January

23, 1998) and from William P. Tatler, Vice President, Registrar and Transfer Company, to Mario Delli Pizzi, Securities Processing Director, The Depository Trust Company (January 28, 1998).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>8</sup> 17 CFR 240.19b-4(e)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39835; File No. SR-MSRB-98-5]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to the Board's Transaction Reporting Program

April 7, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on April 1, 1998, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-98-5). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. 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 MSRB is filing herewith a proposed rule change concerning the Board's Transaction Reporting Program ("Reporting Program"). The proposed rule change states the Board's intention to publish for comment five sample Daily Reports containing summary price and volume information on inter-dealer and customer municipal securities transactions reported by dealers under rule G-14. The proposed rule change also states that the Board intends to make the Daily Report available on an operational basis in the third quarter of 1998. The proposed rule change is as follows.

#### Notice—Sample Transaction Reporting Data Available for Review

Since 1995, rule G-14 has required dealers to report to the MSRB their inter-dealer transactions in municipal securities via the automated comparison system for municipal securities operated by National Securities Clearing Corporation ("NSCC"). The Board has used this information to create a database of transaction information used by regulators for market surveillance purposes. The Board also uses the reported transaction information to create a daily public report summarizing price and volume information for

municipal securities that were reported as trading in the inter-dealer market four or more times on the previous business day. The Daily Report, which is made available on T+1 prior to the beginning of the trading day, is used by market participants to help gauge the value of municipal securities. The Board currently has eight subscribers to the Daily Report. Most of the subscribers are information vendors that redistribute the information to their own subscribers and/or use the information in various securities valuation products that they market.

In 1996, the Board filed plans with the Commission to add transactions between dealers and customers to the Reporting Program. Customer transaction data will be included in the surveillance database that the Board makes available to market regulators, and in the Daily Reports of price and volume activity. Since March 1, 1998, dealers have been required to submit customer transaction data on a daily basis.<sup>1</sup> Beginning April 9, 1998, the MSRB will publish samples of a proposed Daily Report that includes both customer and inter-dealer transaction data and will invite public comment on the sample reports.

The criteria for inclusion of municipal securities on the sample Daily Reports are the same as for the current inter-dealer Daily Report. If a municipal security (identified by a CUSIP number) is reported as having been traded four or more times on a given day, the high, low and average price and par value total of all of the trades reported in that security will be on the Daily Report on the next morning. Calculation of average price also is the same as in the current inter-dealer Daily Report. It is an arithmetic mean and is based exclusively on reported transactions (if any) between \$100,000 and \$1,000,000 in par value.

In applying the criteria for producing the sample Daily Reports, inter-dealer and customer transactions are considered together. This means that any combination of inter-dealer and customer transactions totaling four or more qualifies that CUSIP for inclusion of price information for that CUSIP on the Daily Report. In determining whether a reported transaction will be included for purposes of the Daily Report eligibility, certain transaction records are eliminated from consideration if they contain what appear to be obvious errors (e.g., invalid

or unknown CUSIP number, missing dollar price). An attempt is made to calculate a dollar price on when-issued transactions submitted with a yield, but no dollar price. However, such transactions are not considered for Daily Report purposes if there is insufficient securities data (e.g., coupon and dated date) to calculate dollar price from yield or if there is an indication that the securities are not calculated using a standard semiannual compounding formula and a 30/360 day-count.

The sample Daily Reports will be available beginning Thursday, April 9, 1998. The five sample Daily Reports will include information on transactions reported to the Board, by midnight on trade date, between March 30, 1998 and April 3, 1998. Market participants may wish to comment on the Daily Reports, particularly with respect to the format of the reports, so that the Board can make the Daily Reports as useful as possible. The sample Daily Reports will be available on the Board's Web site at WWW.MSRB.ORG and will be available in printed form from the Board's offices. Subscribers to the current inter-dealer Daily Report will be able to access the sample Daily Reports through the computer bulletin board that they normally use to access Daily Reports.

The Board requests that comment on the sample Daily Report be made in writing prior to May 8, 1998. The Board plans to make the Daily Report available on a daily basis during the third quarter of 1998. Prior to that time, the Board must file a plan with the Commission that specifies the final format of the report and that announces the yearly subscription price.

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

In its filing with the Commission, the Board included statements concerning the purpose of and basis for the proposed rule change and discussed any comment it received on the proposed rule change. The texts of these statements may be examined at the places specified in Item IV below. The Board 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

###### 1. Purpose

Since 1995, rule G-14 has required dealers to report to the MSRB their inter-dealer transactions in municipal

<sup>1</sup> See Exchange Act Release No. 37998 (Nov. 29, 1996), 61 FR 64782 (December 6, 1996) (approval of amendment to rule G-14); Exchange Act Release No. 39495 (December 29, 1997), 63 FR 585 (January 6, 1998) (delay of effectiveness to March 1, 1998).