

to reconsider the participant's continuing status as a participant as if such entity was initially applying for membership when conditions originally in existence at the time a participant was accepted for membership have materially changed; and (iii) to require the participant to satisfy any concerns NSCC may have as to the participant's ongoing membership in NSCC as part of such reevaluation. In addition, new Addendum T explicitly states that participants have the affirmative obligation to advise NSCC if such material change occurs.

When a material change occurs with respect to an existing participant's ownership, control or management, mix of business, use of third party service providers, or regulatory history, among other areas, NSCC is faced with a different risk perspective than it faced at the time it approved such participant's application for membership. The NSCC board has concluded that it is in the best interests of NSCC and its membership as a whole that NSCC address these types of changes, including the ability to require the participant to reapply for membership, as if the participant was not already a participant. If NSCC did not have the ability to continually reexamine participants' status, the purpose behind scrutinizing applications and the comfort level provided by such process, would be undermined.

II. Discussion

Section 17A(b)(3)(F) of the Act⁴ requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes that new Addendum T to NSCC Rules will clarify NSCC's right to continuously review its participants to make sure that they have not experienced a material change in circumstances which may result in a material change in a participant's risk profile. Therefore, the Commission believes that the proposed rule change is consistent with NSCC's obligation under Section 17A(b)(3)(F) to safeguard securities and funds.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in

particular with 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-NSCC-98-4) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40571; File No. SR-NYSE-98-30]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Customer Account Transfer Contracts

October 19, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 28, 1998, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 proposed rule change consists of amendments to existing Exchange Rule 412 ("Customer Account Transfer Contracts") and its stated interpretation. The text of the proposed rule change is as follows (additions are italicized; deletions are bracketed):

* * * * *

Customer Account Transfer Contracts

Rule 412. (a) no change.

(b)(1) and (b)(2) no change.

(b)(3) Within [four (4)] *three (3)*

business days following the validation of a transfer instruction, the carrying organization must complete the transfer of the customer's securities account to the receiving organization. The carrying

organization and the receiving organization must establish fail to receive and fail to deliver contracts at then current market values upon their respective books of account against the long/short positions (including options) in the customer's securities account that have not been physically delivered/received and the receiving/carrying organization must debit/credit the related money account. The customer's securities account shall thereupon be deemed transferred.

NYSE Interpretation of Rule 412(b)(1)

102 Exceptions to Transfer Instruction

A carrying organization may not take exception to a transfer instruction, and therefore deny validation of the transfer instruction, because if a dispute over securities positions or the money balance in the account to be transferred. Such alleged discrepancies notwithstanding, the carrying organization must transfer the securities positions and/or money balance reflected on its books for the account.

An organization may take exception to a transfer only if:

1-9 no change.

[10. account type mismatch (receiving organization's account type does not correspond to carrying organization's);]

[11.]10. missing authorization signature (TIF requires an additional client signature or successor custodian's acceptance signature or custodial approval); or

[12.]11. client takes possession (entire account is in transfer to deliver direct to customer).

* * * * *

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

In its filing with the Commission, the Exchange 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. The Exchange 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

Rule 412 regulates the transfer of customer accounts from one member organization to another. Such transfers

negative impact on the participant's business. Addendum T states that these categories are listed as examples and should not be viewed as exclusive in the process.

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

are generally effected through the Automated Account Transfer Service ("ACATS") which is a system administered by the National Securities Clearing Corporation ("NSCC"). Since ACATS's inception in 1985, numerous enhancements to the system and to Rule 412 have allowed for faster and more efficient transfers of customer accounts. As a result of the work of an industry committee, the ACATS system is in the process of being redesigned to enhance and further expedite the transfer process. The purpose of the proposed rule change is to update Rule 412 to reflect these upgrades.

Currently, the ACATS system and Rule 412 provide for a seven day cycle to transfer a customer account. The proposed enhancements would reduce this cycle to six days. To illustrate, the current "Normal Transfer Stage" function cycle breaks down as follows:

	Current (days)	Proposed (days)
INPUT TIF ³ (Receiving Organization) AND VALIDATE (Delivering Organization)	3	3
ASSET REVIEW (Receiving Organization)	2	1
SETTLEMENT PREP (ACATS)	1	1
SETTLEMENT (ACATS)	1	1

The proposed rule changes would reduce the total post-validation transfer period from four to three days by streamlining the ASSET REVIEW portion of the transfer period from two days to one day.

In addition, the Exchange proposes to amend an interpretation to Rule 412 with respect to "reject codes." The interpretation currently enumerates the reasons for which a member organization may reject or take exception to an account transfer request. The proposed amendment deletes one current "reason" regarding "Account Type Mismatch" due to its limited usefulness arising from inconsistencies among member organizations in defining account types.

It is anticipated that ACATS system changes will become operational on January 25, 1999. Therefore, the Exchange proposes that the proposed rule changes become effective in accordance with the effective date of the ACATS system changes.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)⁴ that an exchange have rules that are designed to promote just and equitable principles of trade, to remove impediments to and to perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed rule change is designed to accomplish these ends by reducing the time frame allowed for the transfer of customer accounts from one member organization to another.

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

The Exchange 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.

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

Within 35 days of the 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 the Exchange consents, the Commission will:

(A) By order approve the 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 proposal 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-98-30 and should be submitted by November 17, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-28645 Filed 10-26-98; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

Rocky Mountain States Regional Fairness Board Strategy Meeting

The U.S. Small Business Administration Rocky Mountain States Regional Fairness Board Strategy Meeting, to be held on October 21, 1998, starting at 10:30 am at 721 19th Street (Room To Be Determined and Posted at Building Entrance), Denver, CO 80202, to collect Fairness Board members' comments on the 4/20/98 proceedings, as well as to obtain recommendations and other input for the annual Report to Congress.

For further information contact Gary P. Peele, telephone (312) 353-0880.

Shirl Thomas,

Director, Office of External Affairs.

[FR Doc. 98-28680 Filed 10-26-98; 8:45 am]

BILLING CODE 8025-01-P

SMALL BUSINESS ADMINISTRATION

Region IV, North Florida District, Jacksonville, FL, Advisory Council Meeting; Public Meeting

The U.S. Small Business Administration, North Florida District Office, Jacksonville, Florida, Advisory Council will hold a public meeting from 12:00 p.m. to 2:00 p.m., November 12, 1998, at the North Florida SBA District Office, 7825 Baymeadows Way, Suite 100-B, Jacksonville, Florida, to discuss such matters as may be presented by members, staff of the U.S. Small Business Administration, or others present.

For further information, write or call Claudia D. Taylor, U.S. Small Business

³ Transfer Initiation Form. A basically standardized industry form submitted by the receiving organization to the delivering organization to request customer account transfers.

⁴ 15 U.S.C. 78f(b)(5).

⁵ 17 CFR 200.30-3(a)(12).