

be maintained and preserved in the same manner as records required under rule 31a-1(b)(1) under the Act.

10. The Funds will not purchase Secondary Market Insurance from FGIC unless the Funds or their investment advisers determine that: (a) the rates and terms of such insurance are at least as favorable to the Funds as the rates and terms FGIC offers non-affiliated investment companies; and (b) the rates and terms of such insurance are at least as favorable to the Funds as those obtainable from non-affiliated insurers of similar stature and creditworthiness.

11. The Funds will not purchase: (a) in any initial public offering of municipal securities insured wholly through FGIC Primary Market Insurance, more than 10% of the offering; and (b) in any initial public offering of municipal securities insured partly through FGIC Primary Market Insurance, more than 10% of that portion of the offering insured by FGIC.

12. A Fund that purchases insurance with an option to continue in effect after the resale of a municipal obligation will only exercise such option when the insured value of the security, less the cost of the premium for the insurance, exceeds the value of the security without the insurance.

13. In the event there is a payment default on a municipal obligation held by a Fund that is insured by FGIC, the Fund will not accept from FGIC in settlement of any claim less than an amount sufficient to pay any principal or interest then due on such municipal obligation in accordance with the insurance policy to which such obligation is subject without obtaining a further exemptive order or other relief from the SEC except as follows: If holders of such obligation, otherwise unaffiliated with FGIC or any GE entity and holding in the aggregate a larger principal amount than the Fund, accept a settlement by a majority (in principal amount) of such unaffiliated holders, then the Fund may accept a settlement on terms as least as favorable as those accepted by such majority without obtaining an order from the Commission, provided the Fund's board of directors/trustees ("Board"), including a majority of the non-interested directors/trustees ("Disinterested Directors"), approve the settlement as in the best interests of the Fund.

14. The Board of each Fund, including a majority of the Disinterested Directors, will adopt guidelines for the Funds and their investment advisers to ensure compliance with the conditions set forth in the application. Each Fund shall maintain and preserve

permanently in an easily accessible place a copy of the guidelines. The Board shall review, no less frequently than annually, compliance with such guidelines in order to determine that: (a) transactions conducted pursuant to the Order comply with the conditions set forth herein; (b) the above procedures are followed in all respects; and (c) participation by the Fund in such transactions is, and continues to be, in the best interests of the Fund and its shareholders. The minutes of the meeting of the Board of each Fund at which this determination is made will reflect in detail the reasons for the Board's determination.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41525; File No. SR-DTC-99-14]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Relating to the Establishment of an Automated Foreign Tax Reclaim Service

June 14, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 27, 1999, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-99-14) 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.

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

Under the proposed rule change, DTC will establish an automated foreign tax reclaim service called "TaxReclaim."

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

DTC currently offers two foreign tax withholding services. Under DTC's Elective Dividend Service, participants can certify securities positions that are entitled to reduced withholdings under international tax treaties or source country law in order to obtain tax relief at source or by accelerated tax refunds. DTC also provides a foreign tax information database called "TAXI" which provides withholding tax information on foreign securities.

Under the proposed rule change, DTC will expand its international tax services with the addition of TaxReclaim. TaxReclaim will be an interactive tax reclaim preparation facility that will assist participants in preparing foreign jurisdictions' tax reclaim forms that are required to reclaim tax withheld on income payments on foreign securities. Participants will access TaxReclaim through DTC's participant terminal system. Participants will input data particular to the beneficial owner, foreign security, and payment details as required by the country of issuance. DTC will process the information in a software application that includes the reclaim form and tax information template and will transmit back to the participant using file transfer protocol a print file containing the completed tax reclaim form, reclaim calculation, and information on additional filing requirements and filing instructions. In a subsequent phase, TaxReclaim may be further automated and made accessible to participants over DTC's computer to computer facility.

DTC will initiate the TaxReclaim service as a pilot program with a small group of participant users. It is anticipated that the initial pilot program will begin in July 1999 with approximately 6 to 15 participants. No fees will be charged during the pilot phase. DTC anticipates concluding the pilot program phase and introducing TaxReclaim as a regular DTC service in August 1999. When TaxReclaim becomes a regular DTC service, the fee

¹ 15 U.S.C. 78s(b)(1).

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

for each reclaim transaction on a printed reclaim form will be \$10. A reclaim transaction will consist of the reclaim calculation applicable to one security, one beneficial owner, and one income payment date. For reclaim transactions that are not completed because the reclaimable amount falls below a threshold value established by the participant, the fee will be \$2 per reclaim transaction. DTC will post a disclaimer of liability in connection with use of the TaxReclaim service.

DTC believes that the proposed rule change is consistent with section 17A of the Act³ and the rules and regulations thereunder because it facilitates return of payments withheld by foreign jurisdiction with respect to distributions made on foreign securities and thereby protects investor entitlements to such payments.

(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.

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

DTC has not solicited nor received written comments on the proposed rule change. However, the introduction of a foreign tax reclaim service was discussed with DTC's Participant Advisory Group on Foreign Tax Services at meetings of the group held on September 28, 1998, February 15, 1999, and April 23, 1999. The Participant Advisory Group on Foreign Tax Services consists of representatives of 19 participants. A prototype of the TaxReclaim Service was demonstrated at the meeting of the Participant Advisory Group on Foreign Tax Services held on April 23, 1999, and was favorably received.

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

Within thirty-five 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 ninety 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 20549-0609. 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-99-14 and should be submitted by July 12, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41516; File No. SR-MBSCC-99-02]

Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to MBSCC's Risk Management Rules and Procedures

June 10, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ notice is hereby given that on April 15, 1999, MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MBSCC-99-02) 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 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 purpose of the proposed rule change is to make several modifications to MBSCC's risk management rules. Specifically, the proposed rule change: (i) implements the net-out report, (ii) modifies financial reporting by participants, (iii) modifies certain special provisions applicable to nondomestic participants, (iv) requires additional assurances from MBSCC participants, and (v) clarifies MBSCC's role as agent in a liquidation.

II. Self-Regulatory Organization's Statement of the Terms of Substance of 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

The purpose of the proposed rule change is to make several modifications to MBSCC's risk management rules. Specifically, the proposed rule change: (i) implements the net-out report, (ii) modifies financial reporting by participants, (iii) modifies certain special provisions applicable to nondomestic participants, (iv) adds a provision for additional assurances, and (v) clarifies MBSCC's role as agent in a liquidation.

The specific objectives of the proposed rule change and the corresponding modifications to MBSCC's rules are described below.

1. Net-Out Report

Article III, Rule 3, Section 5 of MBSCC's rules governs when MBSCC ceases to act for a participant. This rule generally provides that if a defaulting participant's participants fund contribution is insufficient to cover losses of the defaulting participant's nonoriginal contra sides, the deficiency

³ 15 U.S.C. 78q-1.

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

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