

("Act"),¹ notice is hereby given that on June 11, 1999. The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-99-15) 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 Organizations' Statement of the Terms of Substance of the Proposed Rule Change

Under the proposed rule change, DTC will restate and expand its procedures for a settling bank's failure to settle.

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

Each DTC participant pays or receives the net debit or net credit balance in its DTC money settlement account at the end of each day. A settling bank employed by the participant sends or receives the net payment over Fedwire to or from DTC's account at the Federal Reserve Bank of New York. On a small number of occasions, a settling bank that settles only for itself (and not for any other participants) has been unable to settle with DTC due to an operational problem. On each of those occasions when the settling bank has a net debit balance, DTC completed money settlement by using deposits from its participants fund, and the settling bank was able to settle with DTC on the next day. On a few occasions, money settlement at DTC has been delayed with respect to DTC's settlement schedule due to an operational problem at a settling bank.

Although such incidents or failure to settle are infrequent, DTC has reviewed its procedures for when a settling bank

fails to settle with DTC due to a financial or operational problem. Those procedures are currently stated in memorandum dated July 29, 1994, which was issued jointly with the National Securities Clearing Corporation and which described the planned conversion of DTC's money settlement system to an entirely same day funds settlement system. The purpose of the proposed rule change is to restate in greater detail the procedures that DTC will follow if a settling bank fails to settle with DTC.³

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(A) of the Act⁴ and the rules and regulations thereunder applicable to DTC because the proposed rule change will facilitate completion of daily money settlement at DTC in the event of a settling bank's failure to settle with DTC. DTC has informed the Commission that the proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible because the settling bank failure to settle procedures supplement DTC's existing risk management controls.

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

DTC perceives no impact on competition by reason of the proposed rule change.

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

DTC discussed the proposed rule change with several of its largest settling banks. Written comments from DTC participants or others have not been solicited or received on the proposed rule change.

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

³ For example, the proposed procedures will (1) state the specific time by which settling banks must acknowledge settlement balances each day, (2) provide for notice of a settling bank's failure to settle to the participants that settle through the bank, and (3) set forth the extent to which DTC will require a participant to make settlement payment itself in the event of a settlement bank's continued failure to settle. A copy of the proposed procedures was attached as Exhibit 2 to DTC's filing, which is available for inspection and copying in the Commission's Public Reference Room and through DTC.

⁴ 15 U.S.C. 78q-1(b)(3)(A).

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 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 20549-0609. Copies of such filing also will be available for inspection and copying at the principal office of DTC submissions should refer to File No. SR-DTC-99-15 and should be submitted by August 27, 1999.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 99-20303 Filed 8-5-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41677; File No. SR-DTC-99-14]

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

July 30, 1999.

On May 27, 1999, The Depository Trust Company; ("DTC") filed with the Securities and Exchange Commission

¹ 15 U.S.C. 78s(b)(1).

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

⁵ 17 CFR 200.30-3(a)(12)

("Commission") a proposed rule change (File No. SR-DTC-99-14) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on June 21, 1999.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

Under the proposed rule change, DTC will establish a service called "TaxReclaim." Tax Reclaim is intended to assist DTC's 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 and will input data particular to the beneficial owner, foreign security, and payment details as required by the country of issuance. DTC will then process the information through a software application that includes the reclaim form and tax information template and will transmit back to the participant a file containing the completed tax reclaim form, reclaim calculation, and information on additional filing requirements and filing instructions. DTC will post a disclaimer of liability in connection with use of the TaxReclaim service.

DTC will charge a fee of \$10 for each reclaim transaction on a printed reclaim form processed through TaxReclaim. 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 fall below a threshold value established by the participant, the fee will be \$2 per reclaim transaction.

II. Discussion

Section 17A(b)(3)(F) of the Act³ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that the proposed rule change is consistent with DTC's obligations under section 17A(b)(3)(F) because it should improve the ability of DTC's participants to obtain tax reclaim payments with respect to positions in non-U.S. securities. As a result, the proposed rule change should increase the efficiency

with which beneficial owners of positions in non-U.S. securities that are held at DTC are able to obtain tax reclaim payments to which they are entitled.

III. Conclusion

On the basis of the foregoing, the Commission finds that DTC's 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 (Filed No. SR-DTC-99-14) be and hereby is approved.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 99-20304 Filed 8-5-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41673; File No. SR-EMCC-99-7]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing of a Proposed Rule Change Regarding Clearing Agency Cross-Guaranty Agreements

July 30, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 4, 1999, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-EMCC-99-07) as described in Items I, II, and III below, which items have been prepared primarily by EMCC. 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 implement clearing agency cross-guaranty agreements between EMCC and other clearing agencies.

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 proposed 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.²

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

EMCC's Rule 21 authorizes EMCC to enter into "clearing agency cross guaranty agreements."³ On June 2, 1999, EMCC entered into clearing agency cross-guaranty agreements with the National Securities Clearing Corporation ("NSCC"), the Government Securities Clearing Corporation ("GSCC"), and the International Securities Clearing Corporation ("ISCC"). According to EMCC, the form of agreement with each of these entities is substantially similar to the form of agreement approved by the Commission in rule changes previously submitted by NSCC, MBSCC, GSCC, and ISCC.⁴

Generally, the limited guaranty provided for by the clearing agency cross-guaranty agreements is invoked when a clearing entity ceases to act for a common member. This limited guaranty enables clearing agencies that have entered into limited cross guaranty agreements to benefit from a defaulting member's excess collateral at other clearing agencies in which the defaulting member was a participant. The guaranty provides that resources of the defaulting common member remaining after the defaulting common member's obligations to the guaranteeing clearing agency have been satisfied may be used to satisfy and unsatisfied obligations to the other clearing agencies. The guaranty is limited to the extent of the resources relative to the defaulting common

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

³ Under EMCC's Rule 1, "clearing agency cross-guaranty agreement" means an agreement between EMCC and another clearing entity relating to the guaranty by EMCC of certain obligations of a member to such clearing agency.

⁴ Securities Exchange Act Release Nos. 37616 (August 28, 1996), 61 FR 46887 (September 5, 1996), and 39020 (September 4, 1997), 62 FR 47862 (September 11, 1997).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 41525 (June 14, 1999), 64 FR 33124.

³ 15 U.S.C. 78q-1(b)(3)(F).

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).