

for Principal and Income Payments Guidelines" established by the U.S. Working Committee of the Group of Thirty. These principles will become a part of DTC's income and reorganization/redemption payments standards.

First, DTC proposes that all new issues be required to meet depository-eligibility requirements and must be structured so that all payments to depositories of principal and income are made in same-day funds on payment date by 2:30 p.m. Eastern Standard time.

Second, for all depository-eligible issues already outstanding, paying agents must remit to DTC all principal and income payments in same-day funds on payment date by 2:30 p.m. Eastern Standard time according to existing arrangements between the paying agent and DTC. Recognizing that paying agents for certain issues may need to modify their current business arrangements to account for this change, DTC will continue to pay through July 31, 1996, the same rebates as paid now to paying agents that result from paying agents municipal interest and municipal and corporate redemptions to DTC in same-day funds on payment date.

However, once DTC converts to same-day funds settlement for all security transactions, DTC will not have investment funds available to rebate to paying agents because DTC intends to make all payments to its participants on payment date in same-day funds. Recognizing that participants will benefit by receiving all their expected payments in same-day funds on payment date, from the date of the conversion to same-day funds settlement for all security transactions until July 31, 1996, DTC will charge participants in proportion to their holdings in each issue for which a rebate applies the funds needed to pay the rebate. With respect to payments made on or after August 1, 1996, these charges to participants will no longer be required. The rebate will not be applied to payments of corporate interest, dividends, and reorganizations in which the paying agent already pays DTC in same-day funds on payment date. These payments currently are not subject to interest earnings rebates. However, DTC will require that 100% of corporate interest, dividend, and reorganization payments be paid to DTC in same-day funds on payment date by 2:30 p.m. Eastern Standard time.

Third, DTC will require paying agents to provide DTC with the CUSIP numbers for each issue for which payment is being sent as well as the dollar amount of the payment for each issue no later than noon Eastern

Standard time on the payment date. Notification of payment details should be made using automated communications.

Finally, if an issuer or agent continually fails to make payment as called for in the guidelines, DTC may decide to systematically prevent the allocation of such payments to participants on the payable date. Eventually, DTC may also elect to deny depository eligibility to issues brought to market by non-complying issuers or agents.

The proposal also seeks to amend the operational arrangements memorandum to introduce the use of a "Blanket Letter of Representations." This document will be submitted by an issuer to DTC only once for all issues thus eliminating the need for individual letters of representations for book-entry-only issues under certain circumstances.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder applicable to DTC because the proposal will facilitate the prompt and accurate clearance and settlement of securities transactions by promoting the immobilization of securities.

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

DTC indicated that it did not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in the 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

DTC's operational arrangements were developed in close consultation with many bond trustees, issuers' agents, participants, and industry groups throughout the country in order to assure that these processing standards can be met. DTC has disseminated these memoranda widely to corporate and public finance professionals, underwriters, bond counsel, and issuers so that they may consider whether documentation relating to issues sought to be made depository-eligible adequately accommodates these requirements.

In addition, both industry organizations and self-regulatory organizations have endorsed the four principles discussed above. These organizations include the American Bankers Association, the Bank Depository User Group, the Government Finance Officers Association, the Municipal Securities Rulemaking Board

("MSRB"),⁶ the Public Securities Association, and the Reorganization Division, Dividend Division, Securities Operations Division, and the Operations Committee of the Securities Industry Association.

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 the self-regulatory organization 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. 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 Section, 450 Fifth Street, NW., Washington, DC. 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 No. SR-DTC-94-19 and should be submitted by March 7, 1995.

For the Commission, by the Division of Market Regulation, pursuant to the delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-3566 Filed 2-13-95; 8:45 am]

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⁶The MSRB has, however, raised questions about how these guidelines would be enforced.

⁷17 CFR 200.30-3(a)(12) (1994).