

[Release No. 34-37684; File No. SR-PTC-96-05]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing of Proposed Rule Change Relating to Establishing a New Category of PTC Participant

September 16, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 21, 1996, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-96-05) as described in Items I, II, and III below, which Items have been prepared primarily by PTC. 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 Substance of the Proposed Rule Change

The proposed rule change establishes a new category of PTC participant, a "Federal Reserve participant," for Federal Reserve Banks.

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

In its filing with the Commission, PTC 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. PTC 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 allow PTC to establish a new category of PTC participant, a Federal Reserve participant, in order to enable Federal Reserve Banks to maintain accounts at PTC for the purpose of accepting securities as collateral for discount window advances from the Federal Reserve Banks and for other obligations to Federal Reserve Banks. At a later date, the Federal Reserve Banks may elect to accept securities pledged as collateral to secure

Treasury tax and loan accounts³ or collateral pledged for other purposes which may be requested by a Federal Reserve Bank.

Following approval of this proposed rule change, PTC and the Federal Reserve Bank of New York ("FRBNY") will commence a pilot program which will be open to a limited number of PTC participants. During the pilot program, FRBNY will permit collateral that it accepts as meeting its requirements to be pledged by pilot participants to secure discount window advances and other direct obligations of such participants to the FRBNY.

During the pilot, PTC also will undertake software changes that may later permit pledges of Treasury tax and loan collateral and pledges of collateral by institutions that are not direct participants themselves but use PTC participants as custodians.⁴ The FRBNY will review the performance of the pilot program, and PTC will make appropriate adjustments to assure that the program functions in accordance with the FRBNY's requirements. Other Federal Reserve Banks will participate in the collateral arrangements as agreed between the individual Federal Reserve Bank and PTC.

Background

PTC was established as a depository for mortgage-backed securities to facilitate the prompt and accurate clearance and settlement of transactions in mortgage-backed securities, initially, GNMA securities. Currently, PTC's rules permit participation as either a participant or a limited purpose participant. Participants are entitled to all of PTC's services and system capabilities in accordance with PTC's rules. Limited purpose participants are subject to limitations on the scope of their activity with the principal limitation being the inability to deliver securities versus payment and to incur a transactional debit balance.

Proposed Category of Eligibility

Establishing the Federal Reserve participant as a category of participation will enable Federal Reserve Banks to

³ A financial institution can be designated as a Treasury tax and loan depository to process deposits of Federal taxes and to maintain and administer separate accounts known as Treasury tax and loan accounts. In order to accept these deposits, the financial institution must pledge collateral security to secure Treasury tax and loan balances with the Federal Reserve Bank of the district in which it is located. 31 CFR 202, 203.

⁴ Many smaller institutions which cannot meet the high capital requirements established by PTC to be admitted as participants establish clearing arrangements with PTC participants in order to utilize PTC's services.

participate in PTC in a capacity different from that of participants or limited purpose participants.⁵ The new category of participant will allow Federal Reserve Banks to hold securities pledged as collateral for discount window advances and for other purposes specified by a Federal Reserve Bank.

Like limited purpose participants, Federal Reserve participants will be restricted from receiving securities versus payment and incurring a debit balance. In addition, Federal Reserve participants will not receive principal and interest ("P&I") advances on securities held at PTC and therefore are not required to repay third-party loans obtained for this purpose.⁶

The proposed rule change also provides that Federal Reserve participants will be exempt from some of the obligations applicable to participants and limited purpose participants consistent with the restricted nature of the Federal Reserve Bank participation.⁷ The most significant exemptions applicable to Federal Reserve participants are that they are not required to: (1) indemnify PTC or any licensor or provider of data processing services to PTC; (2) furnish periodic financial reports and open books and records for inspection by PTC; (3) pay fees, fines or assessments; (4) contribute to the participants fund; or (5) submit disputes to arbitration.

The proposed rule change further provides that securities and property of a Federal Reserve participant are not subject to any lien, security interest, or ownership interest by PTC.⁸ In addition, PTC is liable to a Federal Reserve participant for losses attributable in the case of a failure to exercise ordinary care or in the case of willful misconduct or fraudulent or criminal acts, and will not waive any of its rules or procedures without a Federal Reserve participant's consent if the effect of such

⁵ The new category of Federal Reserve participant will be governed by a new Section 2A to Rule 1, Article IV of PTC's rules ("Qualifications and Duties of Participants and Limited Purpose Participants") and by a new form of participation agreement for Federal Reserve participants.

⁶ Federal Reserve participants will not receive P&I through PTC because P&I on securities in a pledgee account is paid to the pledgor pursuant to PTC's rules.

⁷ These exemptions are set forth in the new Section 2A to Rule 1, Article IV of PTC's rules.

⁸ Because securities held by PTC for the account of a Federal Reserve participant are held in pledgee accounts and transferred free into such accounts, this change is merely a restatement of PTC's existing rules, which provide that PTC does not have a lien, security, or ownership interest in securities held and transferred in this manner.

¹ U.S.C. 78s(b)(1) (1988).

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

waiver would be to prejudice a Federal Reserve participant's rights.

The special provisions applicable to Federal Reserve participants are consistent with the restricted nature of Federal Reserve Bank participation at PTC which is to hold pledged securities that are transferred free of payment through PTC's system.

Additional Rule Changes

PTC also is making certain technical changes to several sections of its rules to conform them to the present rule change. In particular, PTC is amending its rules to clarify the characterization in its rules that certain transfers of securities into a pledgee account constitute the transfer of a security interest in the subject securities subject to the satisfaction of all requirements of applicable law including, but not limited to, those requirements which are satisfied through PTC. Furthermore, PTC is not responsible for the failure of parties to take the requisite action to comply with the requirements of applicable law for which PTC cannot determine compliance.⁹ In addition, PTC is amending its rules to clarify that the approval of the receiving participant is a condition precedent to effecting an account transfer of securities into a pledgee account.¹⁰

PTC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act¹¹ and the rules and regulations thereunder because it will facilitate the prompt and accurate clearance and settlement of securities transactions.

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

PTC does not perceive 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

PTC has engaged in discussions and correspondence with the FRBNY in the course of formulating the proposed rule change. The proposed rule change also has been discussed informally with participants at meetings of PTC's Operations Committee, which is comprised of representatives of PTC's participants. Participants have responded favorably to the proposed rule change at such meetings although no written comments from participants have been solicited or received.

Except as described in the preceding paragraph, PTC has not solicited and does not intend to solicit comments on this proposed rule change and has not received any unsolicited written comments from participants or other interested parties.

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 PTC 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 submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, 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, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of PTC. All submissions should refer to the file number SR-PTC-96-05 and should be submitted by October 15, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Jonathan G. Katz,

Secretary.

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DEPARTMENT OF STATE

[Public Notice No. 2445]

Advisory Committee on International Economic Policy; Notice of Meeting

A meeting of the Advisory Committee on International Economic Policy will be held on September 24 at 9 a.m. in Room 1107 at the Department of State, 2201 C Street, NW. Delay in publication of this notice is due to unforeseen scheduling difficulties and is regretted. The meeting will be hosted by Assistant Secretary of State for Economic Affairs Alan Larson. Joan Spero, Under Secretary of State for Economic and Business Affairs will open the meeting and deliver brief remarks. The proposed agenda is:

- I. Welcome by Under Secretary Spero
- II. Remarks by Assistant Secretary Larson
- III. Discussion of corruption in international business transactions
- IV. OECD negotiations on the Multilateral Agreement on Investment
- V. Discussion of economic sanctions
- VI. Regional trade issues

Members of the public may attend these meetings up to the seating capacity of the room. Please contact Ann Alexandrowicz at (202) 647-7727 if you wish to attend.

Dated: September 18, 1996.

Timothy P. Hauser,

Executive Secretary, Advisory Committee on International Economic Policy.

[FR Doc. 96-24389 Filed 9-18-96; 4:50 pm]

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DEPARTMENT OF TRANSPORTATION

National Highway Traffic Safety Administration

[Docket No. 96-096; Notice 01]

Proposed Collection of Information

AGENCY: National Highway Traffic Safety Administration (NHTSA), DOT

ACTION: Request for comment on proposed collection of information.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995 and implementing rule 5 CFR Part 1320 by the Office of Management and Budget, the NHTSA invites public comment on proposed collection of information in support of its Evaluation Study of Odometer Tampering in Passenger Cars. NHTSA is initiating a comprehensive study of odometer fraud in accordance with Congressional directive (House Report 103-190 of July 27, 1993). The study will consist of three primary components. The first component will

⁹ PTC rules, Article II, Rule 3, Section 3 and Article II, Rule 16.

¹⁰ PTC rules, Article II, Rule 13, Section 1(b)(iii).

¹¹ 15 U.S.C. 78q-1(b)(3)(F) (1988).

¹² 17 CFR 200.30-3(a)(12) (1995).