

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 Room, located at the above address. Copies of such filing will also be available for inspection and copying at the principal office of the self-regulatory organization. All submissions should refer to File No. SR-Amex-99-08 and should be submitted by July 14, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41535; SR-DTC-99-16]

Self-Regulatory Organizations; The Depository Trust Corporation; Notice of Filing of Proposed Rule Change Relating to Profile Modification Feature of the Direct Registration System

June 17, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 17, 1999, The Depository Trust Corporation ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change 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 on the proposed rule change.

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

The purpose of DTC's filing is to resolve an impasse among members of the securities industry relating to the implementation of the Profile Modification System feature of the Direct Registration System.

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

The purpose of this filing is to resolve an impasse among members of the Securities Transfer Association ("STA") and the Securities Industry Association ("SIA")³ relating to the delay in implementing the Profile Modification System feature ("Profile")⁴ of the Direct Registration System ("DRS").⁵ Profile will allow a participant upon instructions from the participant's customer to electronically request a "DRS limited participant"⁶ to move the customer's DRS share positions to the participant's account at DTC.⁷ Profile will be available over both DTC's Participant Terminal System ("PTS")

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

³ The STA and the SIA are two member groups on the DRS Committee, which is an industry responsible for designing DRS. The other members include Corporate Transfer Association and DTC.

⁴ Profile is an electronic communication system through DTC which allows participants and DRS Limited Participants to send instructions to each other regarding the movement of DRS shares.

⁵ See Securities Exchange Act Release No. 35038 (December 1, 1994), 59 FR 63652 (concept release relating to the direct registration system); Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600 [File No. SR-DTC-96-15] (order relating to the establishment of DRS).

⁶ For a description of "DRS limited participants," refer to Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600 [File No. SR-DTC-96-15].

⁷ Profile will also allow a "DRS limited participant" upon instructions from a customer to electronically request a participant to move the customer's share positions to a "DRS limited participant's" account.

and DTC's Computer-to-Computer Facility ("CCF").

Representative member of the STA have reported that some of their members may not be able to implement Profile until some time in calendar year 2000. Members of the SIA had envisioned that Profile would be implemented during the third quarter of 1999. Because of differing views on the implementation schedule for Profile, there is no industry consensus on whether DRS should continue to operate as it does today⁸ or whether use of DRS should be restricted in some manner until Profile is fully implemented.

If DRS is to continue to operate as it does today, there are several ways to handle making additional securities issued eligible for inclusion in DRS. The options include:

(1) If all "DRS limited participants" are not able to implement Profile by August 31, 1999, no additional securities issues would be made eligible after August 31, 1999, for inclusion in DRS until sometime in the first quarter of 2000 when all "DRS" limited participants" are able to implement Profile using either PTS or CCF;

(2) securities issues would continue to be made eligible for inclusion in DRS in the manner in manner in which they are currently made eligible for inclusion; or

(3) securities would continue to be made eligible for inclusion in DRS provided that each "DRS limited participant" could be the "DRS limited participant" for no more than two new issues per month. If all "DRS limited participants" are not able to implement Profile by using PTS and CCF by March 31, 2000, no additional securities issues would be made eligible for inclusion in DRS until such time as all "DRS limited participants" are ready to use Profile.

DTC requests that the Commission staff provide guidance on the above options or any other option not described in this filing.

DTC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC because the proposed rule change is designed to further the perfection of the mechanism for the national system for the prompt and accurate clearance and settlement of securities transactions.

⁸ Because "DRS limited participants" are currently not using Profile to receive instructions, brokers or their customers must submit requests to move DRS shares by sending a medallion guaranteed transaction advice to the "DRS limited participants."

³⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

(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

No comments on the proposed rule change were solicited or received. DTC will notify the Commission of any written comments it receives.

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 organizations consents, the Commission will:

- (a) by order approved the proposed rule change or
- (b) institute proceedings to determine whether the proposed rule change should be disapproved.

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For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41534; File No. SR-EMCC-99-4]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing of a Proposed Rule Change Regarding Expansion of Eligible Instruments

June 16, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 26, 1999, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") the proposal rule change (File No. SR-EMCC-99-04) 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 expand the types of instruments eligible for clearance and settlement at EMCC.

II. Self-Regulatory Organization's Statement of the Purpose of, 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 aspect of such statement.²

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

The purpose of the proposed rule change is to expand the types of instruments eligible for processing by

EMCC. To accomplish this, the proposed rule change will amend the definition of "eligible sovereign debt," which is set forth in Rule 1, to mean any instruments which either:

(1) Are issued by or on behalf of an emerging markets sovereign issuer or an agency or instrumentality thereof (including, without limitation, any central bank thereof); provided that, in the case of any instrument issued by an agency or instrumentality, the credit quality of those instruments is judged by one or more NRSROs or by market participants generally on the basis of the credit quality of the related sovereign issuer; or

(2) Have the timely payment of principal and interest guaranteed by an issuer who meets the criteria set forth in (1).

As with all instruments that are EMCC eligible, these instruments must also meet the existing criteria set forth in Rule 3, Section 1 that they must be eligible for settlement at a qualified securities depository and that they must be U.S. dollar denominated.

The dollar denominated non-Brady sovereign debt of Brazil, Argentina, and Mexico has been eligible at EMCC since August 1998. Since that time, there have been two extreme market events affecting emerging market debt generally, one in August/September 1998 and another in January 1999. According to EMCC, it is the consensus of current members that having non-Brady sovereign debt of Brazil, Argentina, and Mexico eligible at EMCC during these events significantly reduced settlement risk and increased safety and soundness. EMCC also believes that these events demonstrated that EMCC's risk management systems and procedures, as well as their clearance and settlement systems and procedures, are well suited to non-Brady sovereign debt, even during times of market stress and extreme volatility. EMCC staff and members attribute this primarily to the facts that (1) the distinction between Brady and non-Brady sovereign debt (*i.e.*, whether or not it originated as part of a loan restructuring) is not relevant to the market behavior of the instruments and (2) the trading and settlement practices for both types of sovereign instruments are virtually identical.

EMCC believes that the proposed rule change is consistent with the requirements of section 17A of the Act³ and the rules and regulations thereunder because the inclusion of dollar denominated sovereign debt will help to reduce risk and respect to the

⁹ 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 EMCC.

³ 15 U.S.C. 78g-1.