

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41590; File No. SR-EMCC-99-6]

Self-Regulatory Organizations; The Emerging Markets Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Establishing a New Fee Related to Bond Trade Data Submitted to EMCC

July 1, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 28, 1999, Emerging Markets Clearing Corporation ("EMCC") 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 EMCC. 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 proposed rule change establishes a new fee related to bond trade data submitted directly to EMCC by a member.

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

Under the proposed rule change EMCC will charge a fee of \$1.75 per side for bond trade data submitted directly to EMCC by members.³ This fee will be

used to meet the minimum monthly fee imposed by GE for the Match-EM service until the Emerging Markets Traders Association's contract with GE terminates on October 31, 1999. This new fee is effective on June 1, 1999, and will expire on October 31, 1999.

The proposed rule change is consistent with the requirements of Section 17A of the Act⁴ and the rules and regulations thereunder applicable to EMCC, since it provides for the equitable allocation of dues, fees and other charges among EMCC's participants.

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

EMCC does not believe that the proposed rule change will have an impact or 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 written comments relating to the proposed rule change have been solicited or received. EMCC will notify the Commission of any written comments received by EMCC.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii)⁵ of the Act and pursuant to Rule 19b-4(f)(2)⁶ promulgated thereunder because the proposal establishes or changes a due, fee, or other charge imposed by EMCC. At any time within sixty days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 EMCC. All submissions should refer to File No. SR-EMCC-99-6 and should be submitted by July 30, 1999.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41589; File No. SR-GSCC-98-05]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Expanding the Automated Customer Account Transfer Service To Include Government Securities

July 1, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 11, 1998, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") and on February 3, 1999, amended the proposed rule change as described in Items I and II below, which items have been prepared primarily by GSCC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposed rule change.

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

Under the proposed rule change, GSCC will establish an interface with the National Securities Clearing

¹ 15 U.S.C. 78s(b)(1).

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

³ The Commission recently approved an EMCC proposed rule whereby EMCC may accept trade data directly from either members or service bureaus. Securities Exchange Act Release No. 41247 (April 2, 1999) 64 FR 17705.

⁴ 15 U.S.C. 78q-1.

⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

⁶ 17 CFR 240.19b-4(f)(2).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

Corporation ("NSCC") to make government securities eligible for fully automated processing through the Automated Customer Account Transfer Service ("ACATS").

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statement.²

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

On November 10, 1998, the Commission approved a proposed rule change by NSCC to expand the types of eligible ACATS participants and kinds of assets (i.e., government and mortgage-backed securities) that can be transferred through ACATS.³ However, the ACATS service does not currently provide operationally for the transfer of any government securities included in a customer's account.

In order to broaden the types of assets which can be transferred through ACATS, NSCC has requested that GSCC establish with it an interface that will enable account transfers involving netting-eligible government securities to be processed using GSCC's existing netting and settlement processes.

Key operational aspects of the proposed interface are:

(1) The ACATS participant that will be transferring the securities and the ACATS participant that will be receiving the securities each must either be a GSCC netting member or clear through a GSCC netting member.

(2) The instructions for the securities transfers will be provided by the ACATS participants to NSCC and then from NSCC to GSCC.⁴ GSCC will receive

these instructions after the close of business on the business day prior to the account transfer date on a locked-in basis from NSCC.⁵

(3) Two trades would be submitted for each account transfer in each eligible government security: a trade that moves securities from the GSCC member delivering the securities ("delivering member") to an omnibus NSCC/ACATS account established on GSCC's system, and a trade that moves securities from the omnibus NSCC/ACATS account to the GSCC member receiving the securities ("receiving member"). These trades will be included in the net settlement position established by GSCC for each of the two members in the particular security.

(4) Account transfers essentially are free transactions; however, because GSCC's IONS⁶ system was not designed to process free trades, all ACATS deliver and receive transactions will be processed at settlement at a nominal value of one penny.

(5) The delivering member will be debited in the form of a mark-to-market payment ("ACATS mark payment") the full current market value of the securities being transferred separate from the account transfer. The receiving member will be credited that amount. The delivering member will effectively receive its money back once the securities are delivered to GSCC and GSCC pays for them through its normal settlement mechanism.

With regard to this last operational aspect, if GSCC pays a receiving member an ACATS credit mark payment before realizing that the delivering member is insolvent and will not pay the ACATS debit mark payment to GSCC, the receiving member would be obligated under GSCC's rules to return the ACATS credit mark payment to GSCC. In the alternative, GSCC would have the authority under its rules to recompense itself by retaining an equivalent amount of the receiving member's clearing fund margin. GSCC

processing. NSCC would assign a control number and send ACATS control reports to both the delivering and receiving ACATS participants, as it does today. The delivering ACATS participant would submit customer account asset details to NSCC, and these would be reported to the receiving ACATS participant for validation. NSCC then would submit trade input to GSCC using GSCC's existing input format prior to its 10:00 p.m. submission deadline.

⁵ ACATS transactions will be incorporated into all existing GSCC output, including print image reports and machine readable output. GSCC members will have the ability to monitor account transfer transaction details and net transfer positions moving through the NSCC/ACATS account.

⁶ IONS refers to GSCC's Industry Owned Netting System.

will not guarantee settlement of the ACATS transaction until the delivering member has satisfied its ACATS debit mark in connection with the transaction.

If the receiving member becomes insolvent after receiving an ACATS credit mark payment and before taking in the securities and paying for them in completion of the ACATS transfer, GSCC makes clear under its rules that it has no responsibility to return the ACATS mark payment to the delivering member. If the delivering member delivers the securities to GSCC, GSCC will pay the delivering member for them and then sell the securities in the secondary market to recoup its money. GSCC would not take a position as to whether there had been a bona fide movement of customer securities.

GSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to GSCC because the proposed rule change will increase efficiency in processing government securities.

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

GSCC does not believe that the proposed rule change will have an impact or impose a burden on competition.

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

Written comments relating to the proposed rule change have not been solicited or received. GSCC will notify the Commission of any written comments received by GSCC.

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

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Section 17A(b)(3)(F).⁷ Section 17A(b)(3)(A)(F) 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 GSCC's obligations under section 17A(b)(3)(F) of the Act. ACATS will provide a more efficient method for the transfer of government

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

³ Securities Exchange Act Release No. 40657 (November 10, 1998), 63 FR 63952 [File No. SR-NSCC-98-06]. ACATS complements New York Stock Exchange ("NYSE") and National Association of Securities Dealers ("NASD") rules which require NYSE and NASD members to use automated, clearing agency customer account transfer services and to effect customer account transfers within specified time frames.

⁴ The receiving ACATS participant would submit a transfer request in automated fashion to NSCC for

⁷ 15 U.S.C. 78q-1(b)(3)(F)(1988).

securities included in a customer's account.

GSCC has requested that the Commission approve the proposed rule change subsequent to the thirtieth day after publication of the notice of the filing because it is currently operational capable of taking trade information from NSCC. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the publication of notice because such approval will allow GSCC's interface with ACATS to immediately become operative with NSCC's expanded ACATS system. The Commission points out that this proposed rule change was discussed in NSCC's rule filing regarding the new ACATS system to which no written comments were received.⁸

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. 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 GSCC. All submissions should refer to File No. SR-GSCC-98-05 and should be submitted by July 30, 1999 in the **Federal Register**.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-GSCC-98-05) be and hereby is approved on an accelerated basis.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-17416 Filed 7-8-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41592; File No. SR-MBSCC-99-03]

Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Eligibility of Applicants

July 1, 1999.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on April 19, 1999, the MBS Clearing Corporation ("MBSCC") 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 MBSCC. 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 proposed rule change adds Addendum B to MBSCC's rules regarding the eligibility of applicants.

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

Article III, Rule 1, Section 1 of MBSCC's rules sets forth the categories of applicants that are eligible to become

participants of MBSCC. The specific categories of entities that may become participants include mortgage bankers, broker-dealers registered with the Commission, commercial banks, thrift institutions, insurance companies, clearing agencies registered with the Commission, and investment companies registered with the Commission. The rule also contains a provision for "firms in such other categories as the [MBSCC] from time to time may determine."

The addendum clarifies the provision of MBSCC's eligibility rule regarding "firms in such other categories as the [MBSCC] from time to time may determine." The categories of firms that are participants pursuant to this provision currently include government sponsored enterprises, international organizations, and private investment companies. The addendum also states that pension funds have expressed an interest in becoming participants of MBSCC and in the future may constitute an additional category within this provision. The addendum specifically provides that these firms are subject to MBSCC's rules and procedures, including standards for qualifications to the same extent as other firms.

MBSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act³ and the rules and regulations thereunder because it constitutes an interpretation of an existing rule regarding the admission of participants.

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

MBSCC does not believe that the proposed rule change will impact or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. MBSCC will notify the Commission of any written comments received by MBSCC.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act⁴ and pursuant to Rule 19b-4(e)(1)⁵ promulgated thereunder because the proposal constitutes a stated policy, practice, or interpretation with respect to the

⁸ Securities Exchange Act Release Nos. 40487 (September 28, 1998), 63 FR 53479 and 40657 (November 10, 1998), 63 FR 63952.

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 MBSCC.

³ 15 U.S.C. 78q-1.

⁴ 15 U.S.C. 78s(b)(3)(A)(i).

⁵ 17 CFR 240.19b-4(e)(1).