

apply only to recommendations for corporate equity securities.

All of the changes noted above will promote fairness and protect investors and the public. The changes will provide members with a greater understanding of their responsibilities when communicating with the public. This, in turn, should result in an improved level of compliance by members. Additionally, the NASD will be in a better position to monitor such compliance.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, the proposed rule change SR-NASD-95-12 be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36075; File No. SR-PTC-95-05]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Establishing a New Category for Participant Eligibility

August 9, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 1, 1995, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-95-05) as described in Items I and II below, which Items have been prepared primarily by PTC. 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

The proposed rule change establishes a new category for participant eligibility for federally chartered corporations engaged in the purchase and/or securitization of mortgage-related assets.

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. Summaries of the most significant aspects of such statements are set forth in sections A, B, and C below.²

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

Background

PTC was established as a depository to facilitate the prompt and accurate clearance and settlement of transactions in mortgage-backed securities. Participation criteria was established in accordance with the requirements of the Act and to allow appropriate eligible institutions to become participants. Article IV, Rule 1, Section 1 of PTC's rules lists the entities that are eligible to become participants and includes "firms in such other categories as the Corporation [PTC] from time to time may determine." These entities must satisfy the financial criteria set forth in Article IV, Rule 1, Section 3 which states that entities in categories established by PTC "shall maintain equity capital or regulatory capital in at least equivalent amounts * * *" as other established categories of participants.

Proposed Category of Eligibility

The Federal National Mortgage Association ("FNMA") is currently a limited purpose participant and holds a face amount of \$100 billion of securities in its limited purpose account at PTC. A limited purpose participant, however, cannot receive deliveries against payment through PTC. FNMA therefore has sought to become a full purpose participant in PTC.

To facilitate the addition of FNMA and similar entities, such as the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Agricultural Mortgage Corporation ("Farmer Mac"), as full purpose participants, PTC is seeking to establish a new category of participants.³ The new category designation would be

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

³ FHLMC and Farmer Mac are not currently seeking to become full purpose participants in PTC.

"federally chartered corporations engaged in the purchase and/or securitization of mortgage-related assets."

PTC proposes that applicants in the new category be required to have equity capital of at least \$100 million. This amount is equivalent to the most stringent equity and regulatory capital standards required by PTC in other established participant categories.⁴

PTC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act⁵ and the rules and regulations thereunder in that it facilitates the prompt and accurate clearance and settlement of securities transactions and provides for the safeguarding of securities and funds in PTC's custody or control or for which PTC is responsible.

B. Self-Regulatory Organization's Statement on Burden on Competition

PTC does not believe that the proposed rule change imposes 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 neither solicited nor received comments on this proposed rule change.

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

Section 17A(b)(3)(F) of the Act⁶ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible. The Commission believes that the addition of FNMA and similar entities as full purpose participants is consistent with these obligations. As full purpose participants these entities will be able to receive deliveries against payment through PTC, which as limited purpose participants they cannot do. This should allow entities such as FNMA and other federally chartered corporations whose transactions represent a substantial portion of the mortgage-backed securities market to conduct their purchase and

⁴ Article IV, Rule 1, Section 3 of PTC's rules requires that bank applicants for full purpose participation shall maintain equity capital, determined in accordance with generally acceptable accounting principles, of at least \$100 million.

⁵ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

⁶ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. § 78s(b)(1) (1988).

securitization processes more efficiently.

In addition, applicants in the new category must satisfy financial criteria equivalent to the most stringent equity and regulatory capital standards required by PTC in other established participant categories. By requiring substantial capitalization, PTC protects itself and other participants from additional risk.

PTC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds such good cause because FNMA and other similar entities are substantially similar to other PTC full purpose participants. They are financial institutions engaged in activities which are similar or comparable to the activities of other participants. Because FNMA and similar entities are institutions whose transactions represent a substantial portion of the mortgage-backed securities market, it is in the public interest to provide the most efficient method of processing for these products as expediently as possible. The staff of the Board of Governors of the Federal Reserve System has concurred with the Commission's granting of accelerated approval.⁷

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 20549. Copies of such filing will also be available for inspection and copying at the principal office of PTC. All submissions should refer to file number SR-PTC-95-05 and

should be submitted by September 5, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-PTC-95-05) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36066; File Nos. SR-MCC-94-01 and SR-MSTC-95-04]

Self-Regulatory Organizations; Midwest Clearing Corporation and Midwest Securities Trust Company; Order Approving Proposed Rule Changes Relating to Indemnification of Committee Members

August 7, 1995.

On February 8, 1995, and on February 14, 1995, the Midwest Clearing Corporation ("MCC") and the Midwest Securities Trust Company ("MSTC"), respectively, filed proposed rule changes (File Nos. SR-MCC-95-01 and SR-MSTC-95-04) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposed rule changes appeared in the **Federal Register** on April 13, 1995.² No comments on the proposals have been received by the Commission.

I. Description of the Proposals

The rule changes amended MCC's and MSTC's mandatory indemnifications requirements, which are forth in Article 6, Section 6.1 of MCC's By-Laws and in Article VI, Section 1 of MSTC's By-Laws. Pursuant to the amendments, MCC and MSTC shall indemnify to the fullest extent permitted by the General Corporation Law of Delaware³ and the Business Corporation Act of the State of Illinois,⁴ respectively, any person who was or who is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative by reason of the fact that the person is or was a member of a

committee of MCC or MSTC or is or was serving at MCC's or MSTC's request as a member of a committee of another corporation, partnership, joint venture, trust, or other enterprise. The rule changes provide members of MCC's and MSTC's committees, including members of their Risk Assessment Committees,⁵ with the same indemnification that previously has been provided only to MCC's and MSTC's officers and directors.

II. Discussion

The Commission believes that the proposals are consistent with the Act and particularly with Section 17A of the Act.⁶ Section 17A(b)(3)(H) of the Act⁷ requires that the rules of a clearing agency provide fair disciplinary procedures with respect to the disciplining of participants, the denial of participation, and the prohibition or limitation by the clearing agency of any person regarding access to its services. Under the rules of MCC and MSTC, much of the determinations involved in such decisions has been delegated to committees, especially to the two Risk Management Committees.

The Commission believes that by affording appropriate protections to committee members, MCC and MSTC will remove impediments to attracting competent persons to serve on their committees, including the two Risk Assessment Committees. Accordingly, the Commission believes that these rule changes will, among other things, help MCC and MSTC to provide fair procedures, as required under the Act, with respect to the disciplining of their participants, the denial of participation to persons seeking participation in MCC or MSTC, and the prohibition or limitation of services to persons seeking access to MCC or MSTC.

III. Conclusion

For the reasons discussed above, the Commission believes that the proposals are consistent with the requirements of the Act, and particularly with Section 17A of the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the

⁵ Under MCC's and MSTC's rules, their Risk Assessment Committees have substantial authority. This includes, among other things, the authority to determine: (1) whether a participant that has failed to make timely payment to MCC or MSTC should continue as a participant, (2) whether a participant has been responsible for fraudulent or dishonest conduct, and (3) whether a participant poses a financial risk to MCC or MSTC.

⁶ 15 U.S.C. § 78q-1 (1988).

⁷ 15 U.S.C. § 78q-1(b)(3)(H) (1988).

⁸ 15 U.S.C. § 78s(b)(2) (1988).

¹ 17 CFR 200.30-3(a)(12) (1994).

² 15 U.S.C. § 78s(b)(1) (1988).

³ Securities Exchange Act Release No. 35569 (April 5, 1995), 60 FR 18864.

⁴ MCC is incorporated under the laws of the State of Delaware.

⁵ MSTC is incorporated under the laws of the State of Illinois.

⁷ Telephone conversation between William R. Stanley, Board of Governors of the Federal Reserve System, and Ari Burstein, Division of market Regulation, Commission (August 7, 1995).