

October 16, 1995. All comments received or mailed by that date were considered.

No comments were received suggesting changes in the program. All comments received were favorable. This positive response may be attributed to the fact that, from the inception of the proposed program, the Postal Service worked closely with vendors and mailers to ensure that the program met their needs as well as current mailing standards of the Postal Service. Because of this initial work, issues and concerns were resolved prior to the public presentation of the program.

On the basis of the comments received, the Postal Service has decided to adopt the MAC program as proposed. The Postal Service has determined that for 1995, the initial MAC cycle will begin immediately and close on January 31, 1996, with all testing and retesting to be concluded by that closing date.

The MAC program will be implemented as described in the Federal Register notice published on September 14, 1995 (60 FR 47765-47768). To obtain detailed information about participation in MAC, manifesting software developers may request the MAC Technical Guide from the Postal Service National Customer Support Center by calling 1-800-331-5746, extension 4651. Participants may use the MAC order form included in that guide to order the appropriate MAC tests.

Stanley F. Mires,

Chief Counsel, Legislative.

[FR Doc. 95-29019 Filed 11-27-95; 8:45 am]

BILLING CODE 7710-12-P

Privacy Act of 1974; System of Records; Correction

AGENCY: Postal Service.

ACTION: Correction.

SUMMARY: This document corrects the notice of the addition of a new routine use to Privacy Act system of records USPS 080.010, Inspection Requirements—Investigative File System, that was published in the Federal Register on Tuesday, November 14, 1995 (60 FR 57254-57255). The published notice did not contain the requirement that the Chief Postal Inspector, or delegate, must approve disclosures of information on electronic bulletin boards to ensure compliance with the Privacy Act.

On page 57255 in the second column, new routine use number 12 should be changed to read as follows:

"12. A record from this system may be disclosed on an electronic bulletin

board to organizations or individuals in the public or private sectors that share in the bulletin board, provided that the disclosure is approved by the Chief Postal Inspector, or delegate, because it is deemed necessary: (1) To elicit information or cooperation from these organizations or individuals for use by the Postal Inspection Service in the performance of an authorized activity; or (2) to alert these organizations or individuals of possible criminal activity for which the Postal Inspection Service has authority to investigate and about which it has obtained credible information."

Dated: November 21, 1995.

Stanley F. Mires,

Chief Counsel, Legislative.

[FR Doc. 95-29018 Filed 11-27-95; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-36497; File No. SR-DTC-95-22]

Self-Regulatory Organizations; the Depository Trust Company; Notice of Filing of Proposed Rule Change Regarding Arrangement Between the Depository Trust Company and the Chicago Stock Exchange, Incorporated Relating to a Decision by the Chicago Stock Exchange, Incorporated to Withdraw from the Clearance and Settlement, Securities Depository, and Branch Receive Businesses

November 20, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 13, 1995, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No SR-DTC-95-22) 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 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 proposed rule change involves proposed arrangements relating to a decision by the Chicago Stock Exchange, Incorporated ("CHX") to withdraw from the clearance and settlement, securities depository, and branch receive businesses. Parties to the

proposed arrangements are DTC, CHX, Midwest Securities Trust Company ("MSTC"), the National Securities Clearing Corporation ("NSCC"), the Midwest Clearing Corporation ("MCC") and Securities Trust Company of New Jersey ("STC/NJ").²

The proposed arrangements as they relate to DTC would provide for the following:

(1) DTC would offer sole MSTC participants an opportunity to become DTC participants if they meet DTC's qualifications.

(2) DTC and MSTC would cooperate to assure the orderly transfer of securities from the custody of MSTC to the custody of DTC for (i) sole MSTC participants and (ii) dual DTC/MSTC participants which authorize such transfer.

(3) DTC would acquire certain assets and assume certain lease and other contractual obligations of STC/NJ.

(4) DTC would assume certain lease obligations of CHX.

(5) DTC would make certain payments to CHX, MSTC, and STC/NJ.

(6) In general, for a period of ten years CHX, MSTC, and STC/NJ would not engage in the businesses from which they have decided to withdraw (*i.e.*, the securities depository and branch receive businesses). However, CHX and its subsidiaries would be free to provide specified securities depository-related services and products to CHX members and certain third-parties.

The proposed rule change seeks to make conforming changes in DTC procedures to, among other things, (i) eliminate the service of providing fourth-party deliveries between participants of the Philadelphia Depository Trust Company ("Philadep") and participants of MSTC through the facilities of DTC and (ii) allocate the DTC general refund to sole DTC participants to the extent necessary to equalize the benefit of the arrangements between sole DTC participants and dual DTC/MSTC participants which will realize significant cost savings as a result of the proposed arrangements.

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 that it received on the

² STC/NJ is a wholly-owned subsidiary of CHX that currently provides certain services, including a securities custody service. STC/NJ is not a clearing agency as defined in the Act and therefore is not required to register with the Commission.

¹ 15 U.S.C. 78s(b)(1) (1988).

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.³

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

CHX has announced that it plans to close its clearance and settlement and securities depository businesses in order to focus its resources on the operations of the exchange. CHX has determined to take that action now to support the securities industry's efforts to eliminate redundant infrastructure. The proposed arrangements have been designed to permit CHX to achieve this objective while affording qualified sole MSTC participants an opportunity to become DTC participants and transfer their securities to DTC. DTC's primary purpose for entering into the proposed arrangements at this time is to facilitate the industry's planned conversion to same-day funds settlement.⁴

Additionally, DTC has stated that the proposal will result in substantial savings for DTC participants and the securities industry as a whole.

Currently, transactions in equities, corporate debt, and municipal debt are settled in next-day funds.⁵ Transactions in commercial paper and other money market instruments are settled in same-day funds. As the Commission is aware, DTC and NSCC have been working with the industry over the last few years to develop a system that will provide for the settlement of virtually all securities transactions in same-day funds. DTC's and NSCC's efforts have been encouraged by the Commission, the Board of Governors of the Federal Reserve System, and the Federal Reserve Bank of New York, and their plans have been monitored by the staffs of these regulatory bodies.⁶ Under the

conversion plan, all issues currently settling in DTC's next-day funds settlement system will be transferred to DTC's same-day funds settlement system on a single day. Several months ago, a consensus was reached that the conversion date will be February 22, 1996.

Where there are interface between securities depositories, same-day funds settlement exposes each depository to certain risks, such as the failure of another depository to settle its net payment obligation because of a failure by one of the participants of such other depository to settle with it or because such other depository is experiencing a major systems problem. These risks cannot be entirely avoided with existing and available risk management controls. CHX's withdrawal from the securities depository business will eliminate the exposure of DTC and its participants to the payment system risks associated with the DTC-MSTC interface. Also, the interests of MSTC participants can be provided for in an orderly manner that will help assure successful integration in the process of converting to same-day funds settlement.

The proposed arrangements should result in substantial savings for DTC participants and the securities industry. In connection with this proposal, former sole MSTC participants may become DTC participants if they qualify under DTC's participant standards. An increase in the number of DTC participants will result in higher DTC transaction volumes thereby reducing the per-unit service costs that must be recovered through DTC participant service fees.

Moreover, interdepository interfaces involve the maintenance of substantial facilities, communications networks, and account and inventory reconciliation mechanisms. As a result of the proposal, the substantial costs incurred by both DTC and MSTC in operating an interface would be eliminated.

In addition to the DTC costs savings that would be passed through to all DTC participants, dual DTC/MSTC participants would achieve special savings by discontinuing their payment of MSTC fees for largely redundant custody-related processing. DTC has a policy of refunding to its participants each year all revenues in excess of current and anticipated needs. In order to equalize the payback on DTC's investment in the arrangements as

between dual DTC/MSTC participants and sole DTC participants, which would not obtain the special savings, DTC proposes to "ear-mark" a portion of its general refund for 1995 and to the extent necessary for 1996 and subsequent years for allocation to sole DTC participants only.

DTC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will facilitate the industry's conversion of same-day funds settlement for virtually all securities transactions and thereby facilitate the prompt and accurate clearance and settlement of such transactions. The proposal also will provide qualified sole MSTC participants with access to DTC's facilities and will be implemented consistently with the safeguarding of securities and funds in DTC's custody and control.

In addition, the proposed allocation of DTC's general refund will, consistent with the requirements of the Act, assure that DTC's costs associated with the proposed arrangements are equitably allocated among sole DTC participants and dual DTC/MSTC participants based upon DTC's estimate of the savings that each of these groups will obtain as a result of the proposed arrangements.

Because CHX no longer will be operating a securities depository, certain changes will be required in DTC procedures, principally the elimination of fourth-party deliveries between MSTC participants and Philadep participants through the interfaces that DTC has maintained with MSTC and Philadep.⁷

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

DTC does not believe that the proposed arrangements will have an impact on or impose a burden on competition. Securities depositories registered under section 17A of the Exchange Act are utilities created to serve members of the securities industry for the purpose of providing certain services that are ancillary to the businesses in which industry members compete with one another. Operating a securities depository requires a substantial and continuing investment in infrastructure, including securities vaults, telecommunications links with users, data centers, and disaster recovery facilities, in order to meet the increasing needs of participants and to respond to regulatory requirements.

⁷ MSTC and Philadep never established their own interface.

³ The Commission has modified the text of the summaries prepared by DTC.

⁴ The term "same-day funds" refers to payment in funds that are immediately available and generally are transferred by electronic means.

⁵ The term "next-day funds" refers to payment by means of certified checks that are for value on the following day.

⁶ In approving certain modifications of DTC's existing system in order to accommodate the overall conversion to same-day funds settlement, the Commission stated that it believes that the overall conversion to a same-day settlement system will help reduce systemic risk by eliminating overnight credit risk. The same-day funds settlement system also will reduce risk by achieving closer conformity with the payment methods used in the derivatives markets, government securities markets, and other markets. Securities Exchange Act Release No. 35720

(May 16, 1995), 60 FR 27360 [File No. SR-DTC-95-06] (order granting accelerated approval to proposed rule change modifying the same-day funds settlement system).

After consummation of the proposed arrangements, securities industry members will continue to have access to high-quality, low-cost depository services provided under the mandate of the Act. The overall cost to the industry of having such services available will be reduced thereby permitting a more efficient and productive allocation of industry resources. Furthermore, because most of a depository's interface costs must be mutualized, thereby requiring some participants to subsidize costs incurred by others, CHX's withdrawal from maintaining depository facilities will reduce costs to DTC participants and thereby remove impediments to competition. Finally, CHX's ability to focus its resources on the operations of its exchange should help enhance competition among securities markets.

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

Written comments on the proposal from DTC Participants or others have not been solicited or received. The proposed arrangements are, however, consistent with recommendations made to the Boards of DTC and NSCC by the Vision 2000 Committee ("Committee"), a committee of industry representatives of the two Boards. The Committee's Report dated September 1994 states:

The industry owns a number of utilities that provide services related to the comparison, clearing, settlement and safekeeping of U.S. (and to a lesser degree, international) securities. These utilities overlap in two ways. * * * We believe that the industry's and, as important, the investors', overall costs can be reduced and safety and soundness can be enhanced by eliminating these overlaps where there is no clear advantage to having specialization or competing development.

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, N.W., Washington, D.C. 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 Room, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to the file number SR-DTC-95-22 and should be submitted by December 19, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-28935 Filed 11-27-95; 8:45 am]
BILLING CODE 8010-01-M

[Release No. 34-36496; File No. SR-NASD-95-50]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Amending the Buy-in Procedures in Section 59 of the Uniform Practice Code to Clarify the Appropriate Delivery Deadlines for Buy-in Notices

November 20, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on November 15, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD.¹ The

⁸ 17 CFR 200.30-3(a)(12) (1994).

¹ The proposal was originally filed with the Commission on October 26, 1995. The NASD subsequently submitted Amendment No. 1 to the filing. This document provides notice of the filing as amended. Letter from Elliot Curzon, Assistant

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

Pursuant to the provisions of Section 19(b)(1) of the Act, the NASD is herewith filing a proposed rule change to amend Section 59 of the Uniform Practice Code ("UPC" or "Code") to revise the buy-in procedures to clarify the appropriate delivery deadlines for buy-in notices. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

Uniform Practice Code

Close-Out Procedure

"Buying-in"

Sec. 59.

A contract which has not been completed by the seller according to its terms may be closed by the buyer not sooner than the third business day following the date delivery was due, in accordance with the following procedure:

Notice of "buy-in"

(a)(1) Written notice of "buy-in" shall be delivered to the seller at his office not later than 12 noon, his time, two business days preceding the executing of the proposed "buy-in."

(2) For purposes of this rule written notice shall include an electronic notice through a medium that provides for an immediate return receipt capability. Such electronic media shall include but not be limited to facsimile transmission, a computerized network facility, etc.

Information contained in "buy-in" notice

(b)(1) Every notice of "buy-in" shall state the date of the contract to be closed, the quantity and contract price of the securities covered by said contract, the settlement date of said contract and any other information deemed necessary to properly identify the contract to be closed. Such notice shall state further that unless delivery is effected at or before a certain specified time, which may not be prior to 11:30 a.m. local time in the community where the buyer maintains his office, the security may be "bought-in" on the date specified for the account of the seller. If the originator of a "buy-in" in a depository eligible security is a participant in a registered securities