

proposal will enhance the liquidity and stability of the market, facilitate greater market maker competition, and promote the capital formation process by enabling managers and co-managers of secondary offerings to better manage their risks associated with the offering. At the same time, given the inherent commitment of managers and co-managers to the stocks they underwrite, the Commission finds that permitting managers and co-managers of secondary offerings to register in such issues on a same-day basis on the day of the offering will not compromise the regulatory purposes underlying the "One-Day Delay Rule."

III. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-NASD-97-31) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38759; File No. SR-PTC-97-03]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing of a Proposed Rule Change Relating to a Change in the Cut-off Time for Intraday Return of Prefunding Payments

June 23, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 1, 1997, the Participants Trusts Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-PTC-97-03) 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 Terms of Substance of the Proposed Rule Change

The proposed rule change extends from 11:00 a.m. to 1:00 p.m. the cut-off time for a participant to request that

PTC return to them intraday their prefunding payments made to PTC earlier in the day.

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 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 extend from 11:00 a.m. to 1:00 p.m. the cut-off time for a participant to request that PTC return to them intraday a portion of their prefunding payments made to PTC earlier in the day. Only prefunding payments which are no longer needed to support transaction processing are eligible for intraday return.

In August 1996, PTC amended Article V, Rule 2, Section 5 of its rules to permit the intraday return of prefunding payments.³ Before the rule change, PTC's rule required that prefunding payments be applied to end-of-day settlement or be made available for withdrawal on the next business day or thereafter.

On September 9, 1996, PTC implemented the intraday return of prefunding as a pilot program ("Program"). The procedures established for the Program included, among other things,⁴ that only prefunding payments received by PTC between 8:30 a.m. and 11:00 a.m. were eligible for early return and that PTC expected to make all returns between 11:00 a.m. and 12:00 p.m. These initial

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

³ Securities Exchange Act Release No. 37515 (August 2, 1996), 61 FR 41677.

⁴ The Program's procedures also included the following: (1) all prefunding return transactions are subject to PTC's standard credit checks (*i.e.*, prefunding may be returned only if the participant will be within its Net Free Equity and Net Debit Monitoring Level requirements after the prefunding is returned); (2) during the initial stage of the pilot program, only 80% of qualifying prefunding payments will be eligible for return; (3) participants are allowed only one request per day; and (4) the minimum amount eligible for return is \$10 million.

procedures were incorporated in PTC's Participant Operating Guide.

When the Commission approved the Program, the Commission's order noted, "Upon implementation of the [P]rogram, PTC plans to evaluate the initial procedures on a quarterly basis and will make changes based on such procedures as necessary based upon PTC's experience with the [P]rogram. PTC will be required to file with the Commission a proposed rule change prior to any change or modification of the initial procedures."⁵

In developing the Program, PTC expected that participants would be able to determine their excess prefunding amounts by 11:00 a.m. in order to request a return by that time. PTC has monitored prefunding payments during the period in which the Program has been in place and has observed that participants with excess cash which could be withdrawn by 11:00 a.m. have elected not to do so. In discussions with PTC, participants have stated that they are reluctant to withdraw excess cash at 11:00 a.m. due to the risk of potential credit fails at PTC thereafter in the event that their day's processing is not substantially complete by this time. Participants have advised PTC that they are better able to assess their cash positions at PTC by approximately 1:00 p.m. when processing activity is generally substantially completed.

PTC believes that the return of prefunding payments that are no longer needed to support transaction processing at PTC may enhance participants' liquidity during the day, which enhancement can be extremely beneficial in a same-day funds environment. By extending the request deadline from 11:00 a.m. to 1:00 p.m., participants should be able to determine better whether prefunding payments on deposit with PTC are still required to support transactions processing at PTC or whether they are of greater economic benefit being withdrawn. As a result of the 1:00 p.m. cutoff time, PTC anticipates that the returns of such funds would occur between 1:00 p.m. and 1:45 p.m.⁶

PTC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act⁷ and the rules and regulations thereunder in that it will facilitate the prompt and accurate clearance and settlement of securities transactions.

⁵ *Supra* note 3, at n. 4.

⁶ The proposed rule change will not amend the Program's other procedures. *See supra* note 4.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 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

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 not solicited and does not intend to solicit comments on this proposed rule change. PTC 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 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. 20549. Copies of such filing will also be available for inspection and copying at the principal office of PTC. All submissions should refer to the file number SR-PTC-97-03 and should be submitted by July 18, 1997.

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. 34-38753; File No. SR-PTC-97-02]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing of a Proposed Rule Change Relating to the Clearance and Settlement of Mortgage-Backed Securities Issued By the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association

June 20, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 2, 1997, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") and on May 6, 1997,² and June 12, 1997,³ amended the proposed rule change (File No. SR-PTC-97-02) 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 Terms of Substance of the Proposed Rule Change

The proposed rule change amends PTC's rules to permit PTC to process mortgage-backed securities guaranteed by the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA"). The proposed rule change will revise PTC's rules to include the processing of "Fed Securities," which is proposed to be defined as securities that are held on the books of a Federal Reserve Bank and which are designated as "eligible securities" pursuant to PTC's rules. FHLMC and FNMA guaranteed mortgage-backed securities will fall within the definition of Fed Securities.

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Letter from Leopold Rassnick, Senior Vice President, General Counsel, and Secretary, PTC, (May 6, 1997).

³ Letter from Carol A. Jameson, Assistant Vice President and Assistant Counsel, PTC, (June 11, 1997).

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.⁴

(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 amend PTC's rules to permit PTC to process Fed Securities in its book-entry system. PTC currently acts as a depository and book-entry system for securities guaranteed by the Government National Mortgage Association ("GNMA"), the Department of Veterans Affairs ("VA"), and for certain multiclass securities collateralized by GNMA securities and guaranteed by FHLMC or FNMA, all of which are issued through PTC or are deposited with PTC in certificated form and thereafter are processed through PTC's book-entry system.⁵

Fed Securities will remain in the Federal Reserve's book-entry system. PTC participants that are Federal Reserve member banks will have a choice of whether to clear and settle Fed Securities through PTC or directly through the Federal Reserve's book-entry system. Dealers and non-Federal Reserve member banks that are PTC participants will have a choice of whether to clear and settle Fed Securities through PTC or through a clearing bank.

Benefits to Participants

According to PTC, the proposed rule change was undertaken in response to participants' requests. Participants wanted to reduce overdraft and processing costs and to centralize processing of mortgage-backed securities at a single location. PTC views the expansion of its product line to include Fed Securities as an efficient

⁴ The Commission has modified the text of the summaries prepared by PTC.

⁵ Under the proposed rule change, securities which are issued through PTC or deposited at PTC in physical form and thereafter immobilized at PTC are defined under a new term, "Depository Securities." However, for convenience of reference, all such securities are referred to herein as "GNMA securities."