securities to cover short positions which have not been covered by participants within ninety days. Under the buy-in procedures, once a short position has aged beyond ninety calendar days DTC will broadcast to participants that have long positions in the security an Invitation to Cover Short Request ("ICSR") message using the Participant Terminal System ("PTS") operated by DTC.5 DTC will issue the invitations at premiums above market value on a sliding scale set according to the following table:

SHORT POSITION VALUE [Market Value]

Minimum	Maximum	Premium Percent	Maximum Possible Premium
\$1 50,001 100,001 300,001 500,001	\$50,000 100,000 300,000 500,000	12 8 5 3 2	\$6,000 8,000 15,000 15,000 (2)

If DTC is unsuccessful in finding a seller through the ICSR function, DTC will contact by telephone participants with long positions in the security. DTC may elect to use the services of a broker to obtain the securities at a price not to exceed the current market value plus the premium based upon the value of the short position.

If DTC is able to buy-in some or all of the securities needed to cover a participant's short position, DTC will: (1) Credit the securities to the participant's account, (2) reduce the short position charge by the amount of the purpose price of the securities together with the expense of the cover transaction including any brokerage fee or other administrative expense, and (3) if the short position has been eliminated entirely, credit the account of the participant with the balance, if any, of the short position charge.

II. Discussion

Section 17A(b)(3)(F) ⁶ requires that the rules of a clearing agency be designed 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 DTC's rule change meets these requirements because it establishes additional procedures to eliminate aged short positions and therefore helps to protect DTC against risk.

DTC's procedures are modelled on existing DTC procedures used to eliminate short positions of participants whose DTC accounts have been closed.7 DTC's rule change also is in response to concerns raised by the Federal Reserved Bank of New York urging DTC to take additional steps to eliminate aged short positions. The Federal Reserve Bank of New York has expressed concern about DTC continuing to give long position credits to its participants where such credits are not supported by securities in inventory.

The proposal will permit DTC to take affirmative steps to reduce the outstanding short positions and the risks associated with such short positions. Under DTC's procedures, participants are obligated to cover their short positions immediately. DTC participants are assessed a daily charge of 130% of the market value of the security as an incentive for the participant to cover the short position as soon as possible and as a cushion to protect DTC in the event of a sharp rise in the market price of the security.8 By assessing a 130% daily charge to short positions in a participant's account, DTC will limit its risk of loss to instances when there is a rise in the market price of the security above 130%. The buy-in procedures will limit further DTC's risk of loss by permitting DTC to use the short position charge to take affirmative action to buy-in securities to cover short positions older than ninety days.

III. Conclusion

The Commission finds that the proposal is consistent with the requirements of the Act, particularly with Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-95-01) be, and hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary. [FR Doc. 95-14977 Filed 6-19-95; 8:45 am] BILLING CODE 8010-01-M

[Release No. 34-35846; File No. SR-MSRB-95-9]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the **Municipal Securities Rulemaking Board Relating to Suitability,** Transactions and Discretionary **Accounts**

June 14, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), and Rule 19b-4 thereunder, notice is hereby given that on June 1, 1995, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change (File No. SR-MSRB-95-9). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. 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 MSRB is filing amendments to rule G-19 on suitability of recommendations and transactions and discretionary accounts. In April 1994, the Commission approved an amendment designed to strengthen rule G–19. The proposed rule change makes technical and clarifying changes to rule G-19 concerning discretionary accounts. The Board requests that the Commission set the effective date for 30 days after filing.

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

In its filing with the Commission, the Board 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. The Board has prepared summaries, set forth in Sections (A), (B), and (C) below, of the

¹ Up. ² Unlimited.

⁵ ICSR is the DTC service that enables DTC participants having short positions to invite DTC participants with long positions in the same or similar securities to tender securities to the participants with the short positions. Under DTC's buy-in procedures, DTC will initiate the ICSR procedures. For further discussion of ICSR, refer to Securities Exchange Act Release Nos. 26896 (June 5, 1989), 54 FR 25185 [File No. SR–DTC–89–07] (order approving rule change establishing ICSR procedures) and 27586 (January 4, 1990), 55 FR 1132 [File No. SR-DTC-89-18] (order approving rule change amending certain ICSR procedures).

⁶¹⁵ U.S.C. 78q-1(b)(3)(F) (1988).

 $^{^7\,\}mathrm{Securities}$ Exchange Act Release No. 33261 (November 30, 1993), 58 FR 64626 [File No. SR-DTC-92-11] (order approving a proposed rule change relating to the elimination of short positions in a retired participant's account).

⁸ Securities Exchange Act Release No. 26896 (June 5, 1989), 54 FR 25185 [File No. SR-DTC-89-07] (order approving a proposed rule change concerning invitations to tender to cover short

^{9 17} CFR 200.30-3(a)(12) (1994).