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

"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 Act ⁵ 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 Act 6 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

^{11 17} CFR 200.30-3(a)(12).

^{1 15} U.S.C. § 78s(b)(1) (1988).

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.

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).