

releases on the practice followed by DTC and other depositories of paying each other only such fees as are negotiated rather than all fees charged to participants generally. DTC states that the Commission in its releases has never expressed the view that one depository by virtue of executing a participant agreement with another depository in order to establish the legal framework for an interface relationship thereby becomes subject to all of that other depository's published participant fees. DTC states that the Commission has expressed the belief that:

[R]egistered securities depositories are not similar to ordinary participants. Registered securities depositories are subject to special regulation that no other participants face, including a specific statutory charge to cooperate with other registered securities depositories. Thus, the Commission believes that a "no-charge" policy with respect to interface account activity does not result in an inequitable allocation of fees.⁷

DTC believes the proposed rule change is consistent with Section 17A(b)(3)⁸ of the Act. DTC believes that implementation of the subject policy will help assure that depository interface services are available to participants of any depository thereby promoting the goal of one-account settlement. DTC also states that the policy will enable DTC to avoid paying another depository inappropriately high fees that might effect its inefficient operation and to avoid paying another depository higher per-unit fees than such depository charges its participants generally.⁹ DTC believes that managing the fees paid to other depositories, which currently account for approximately 60% of DTC's total cost of providing interface services to its participants, will help reduce the fees that DTC must charge its participants to recover those costs.

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

DTC believes that by promoting the goal of one-account settlement and by enabling DTC to control the interface costs that are paid by its participants, the proposed rule change would help promote competition among depository users.

⁷ Securities Exchange Act Release No. 20461 (December 7, 1983) at footnote 34.

⁸ 15 U.S.C. 78q-1(b)(3) (1988).

⁹ DTC states that the Commission has indicated that where one depository is entitled to charge another (e.g., for linked services), it expects that any offer of volume discounts to participants generally would also be made available to the other depository. Securities Exchange Act Release No. 23803 (March 31, 1986) at page 21.

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

DTC has not sought or received comments on the proposed rule change.

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 DTC 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 Section, 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 DTC. All submissions should refer to the file number SR-DTC-94-16 and should be submitted by November 22, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-27131 Filed 10-31-95; 8:45 am]

BILLING CODE 8010-01-M

¹⁰ 17 CFR 200.30-3(a)(12) (1994).

[Release No. 34-36413; File No. SR-DTC-95-09]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change Seeking To Establish a Legal Guidance System

October 25, 1995.

On April 27, 1995, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-95-09) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") to establish a Legal Guidance System.¹ On July 25, 1995, DTC filed an amendment to the proposed rule change.² On August 22, 1995, DTC filed a second amendment to the proposed rule change.³ Notice of the proposal was published in the Federal Register on September 18, 1995.⁴ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description of the Proposal

DTC will establish an inquiry-only Legal Guidance System ("LGS"), which is a menu-driven, user-friendly system designed to provide DTC participants and nonparticipants (e.g. transfer agents) with information regarding the documents necessary to effect a legal deposit.⁵ LGS will be accessible by DTC participants and nonparticipants through DTC's Participant Terminal System ("PTS"). LGS contains industry requirements, individual state and province requirements, and transfer agent requirements for processing legal deposits. DTC will post a disclaimer in the LGS user guide notifying users that DTC shall not be liable to the user for

¹ 15 U.S.C. 78s(b)(1) (1988).

² DTC amended its proposal to permit organizations that are not DTC participants, such as transfer agents, to subscribe to the Legal Guidance System. Letter from Piku K. Thakkar, Assistant Counsel, DTC, to Mark Steffensen, Esq., Division of Market Regulation ("Division"), Commission (July 21, 1995).

³ As proposed in the original filing, once a user logged onto the Legal Guidance System a disclaimer of liability message was to appear on the terminal screen. DTC amended its proposal to eliminate this message, and instead the disclaimer will appear in a user guide for the Legal Guidance System to be provided to all users. Letter from Piku K. Thakkar, Assistant Counsel, DTC, to Peter Geraghty, Division, Commission (August 17, 1995).

⁴ Securities Exchange Act Release No. 36219 (September 12, 1995), 60 FR 48181.

⁵ A "legal deposit" consists of a registered security and any legal documentation required to effect the legal transfer and registration of the security from the registered holder's name into DTC's nominee name.