

regulatory bodies.⁸ 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, an industry consensus was reached that the conversion date will be February 22, 1996. As a result of this scheduled conversion date, CHX and MSTC have determined to cease providing securities depository services by January 15, 1996.

The proposed arrangements should result in substantial savings for the securities industry. In connection with this proposal, former sole MSTC participants may become DTC participants if they qualify or utilize any other depository service provider. 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.

Another purpose of the proposed rule change is to reduce the size of MSTC's board of directors. This reduction conforms with the simultaneous reductions in the size of the boards of directors of MCC and CHX. Because of their withdrawal from the businesses described above, CHX and MSTC no longer believe it is necessary to maintain such a large board of directors. As a result, MSTC is eliminating four board positions in conjunction with the CHX's elimination of the Participant Governor positions. Those current board members whose slots have been eliminated, however, may serve out the remainder of their terms.

MSTC 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 to same-day funds settlement for virtually all securities transactions and thereby facilitate the prompt and accurate clearance and settlement of

such transactions. The proposal 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 MSTC's custody and control. In addition, it will foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

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

MSTC believes the proposed arrangements will not impose any burden or competition not necessary or appropriate in furtherance of the purposes of the Act. Securities depositories registered under Section 17A of the Act are not conventional businesses but 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. Both the Boston Stock Exchange in 1982 and the Pacific Stock Exchange in 1987 terminated the operation of their securities depositories.

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 and MSTC's withdrawal from maintaining depository facilities will reduce costs to participants and thereby remove impediments to competition. Finally, CHX's ability to focus its resources on the operations of the 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 have not been solicited or received.

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 submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington DC 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, NW., Washington, DC. Copies of such filing also will be available for inspection and copying at the principal office of MSTC. All submissions should refer to the file number SR-MSTC-95-10 and should be submitted by December 22, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

Data Collection Available for Public Comments and Recommendations

ACTION: Notice and request for comments.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, this

⁸In 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 an SDFS system will help reduce systemic risk by eliminating overnight credit risk. The SDFS 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).

⁹ 17 CFR 200.30-3(a)(12) (1994).