

persons and to grant accelerated approval of the proposed rule change.

I. Self-Regulatory Organizations Statement of the Terms and Substance of the Proposed Rule Change

In light of the recent implementation of the Reorganization Processing System ("RPS"),⁵ MSTC proposes to introduce new procedures regarding distribution of the hardcopy (*i.e.*, paper) reorganization offer notices to MSTC participants.

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

In its filing with the Commission, MSTC 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. MSTC has prepared summaries, set forth in section (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The primary purpose of MSTC's proposed rule change is to implement new procedures regarding the distribution of hardcopy reorganization notices to MSTC members. Rule 4 under Article IV of MSTC's rules describes MSTC's activities with respect to reorganization information disseminated by MSTC. Pursuant to these rules, MSTC provides daily to all MSTC participants detailed written notices, termed "Goldenrod Notices," of each newly announced or updated corporate reorganization offer. MSTC recently implemented RPS, an on-line computer system available to participants for accessing reorganization information; therefore, MSTC proposes to discontinue providing detailed written notices to all participants. Under the proposal, MSTC will provide hardcopy notices only to those participants with a Midwest Clearing Corporation ("MCC") or MSTC position⁶ in the security to which the notice relates on the date the RPS notice is produced by MSTC. Every participant

will continue to have available information regarding every reorganization offer, but unless the participant has a position in the subject security, the information will be provided over RPS rather than in hardcopy reorganization notices. Consequently, MSTC participants that do not have a position in the affected security on the date MSTC produces the reorganization notices will have to use RPS to access the information.⁷

Following this rule change, two hardcopy reports that summarize offer information will be provided daily to all participants: the "Offer Information Report" and the "Active Offers with Position Report." The Offer Information Report will identify new, updated, and closed RPS offers, and indicate whether the participant has a position with MSTC in the relevant CUSIPs. The Active Offers with Position Report will list all active RPS offers in which the participant has a MCC/MSTC position.

Sections 3 and 4 of rule 2 of Article IV set forth MSTC's responsibility with respect to reorganization information disseminated by MSTC. Consistent with MSTC's current policy, MSTC continues to disclaim any obligation, responsibility, or liability with respect to these written notices provided to participants.

MSTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder applicable to MSTC because the proposal will further automate the processing of reorganization offers through the facilities of MSTC.

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

MSTC believes that no burden will be placed on competition as a result of the proposed rule change.

⁷ Currently, RPS inquiries can be designed by participants to provide offer information regarding any combination of the following: (1) Position only, (2) selected date or date ranges, (3) offer status, (4) specific offer groups or types, (5) CUSIP or CUSIP ranges, and (6) critical date types. Participants subsequently can create customized reports containing this information. RPS represents offers classified as either nonmandatory, mandatory, or redemption. These offer classifications will be expanded to include nonexpiring offers. Nonmandatory offers include tenders, exchanges, puts, rights, and warrants. Mandatory offers include mergers, reverse splits, liquidations, bankruptcies, and name and CUSIP changes. Currently redemptions include partial prefundings, and convertible partial calls. Full calls, partial calls, and maturities are not yet included in RPS. Notably, MSTC anticipates that in the future participants will be able to use RPS for processing reorganization offer instructions in a real-time environment.

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

MSTC has not solicited or received any comments. MSTC will notify the Commission of any written comments it receives.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁸ The Commission believes that the proposed rule change is consistent with MSTC's obligations under Section 17A(b)(3)(F) because the rule change should help to reduce the labor and expense associated with distributing reorganization notices to all MSTC participants and thereby increases the efficiency of reorganization processing and advances the prompt and accurate clearance and settlement of securities transactions.

MSTC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for so approving the proposed rule change because the RPS system has been operational for more than six months and accelerated approval will allow MSTC to begin as soon as possible to reduce the amount of paper notices that it must produce.

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, NW., Washington DC 20549. Copies of the submissions, 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 at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such

⁵ For a complete description of RPS, refer to Securities Exchange Act Release No. 34200 (June 10, 1994), 59 FR 31283 [File No. SR-MSTC-94-8] (notice of filing and immediate effectiveness of a proposed rule change relating to reorganization processing).

⁶ A MCC/MSTC position represents securities of a particular CUSIP of an individual participant at either the MCC or MSTC.

⁸ 15 U.S.C. 78q-1(b)(3)(F) (1988).