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 proposed rule change establishes relationships between The Depository Trust Company ("DTC") and trade confirmation systems operated by other organizations that would provide for, among other things, the automated settlement in DTC of transactions introduced to DTC by such other systems (e.g., confirmed and affirmed in such other systems). Under this proposal, DŤC would link its Institutional Delivery ("ID") system with another compatible electronic trade confirmation system (the "Other System").<sup>2</sup> DTC is prepared at this time to link the ID system with any Other System in the manner described below and estimates that a link in that manner could be implemented within three months from the time when the vendor of the Other System indicates a desire to establish the link. DTC will consider and may implement additional methods of linking the ID system which are different from the link described below.

Where a broker and its institutional customer in a trade use the Other System, and the agent (i.e., the institution's custodian) and/or any interested parties use the ID system, notice of order execution (sometimes called advice of execution), institution instructions (sometimes called trade allocation), confirmation and affirmation for the trade will occur in the Other System, in which case the Other System will transmit a confirmation, in DTC format, to the ID system. DTC will then process the trade in the ID system, which includes transmitting an ID system message to the Other System containing the ID system control number for the trade and transmitting confirmations to any agent and interested parties who use the ID system. DTC will not transmit confirmations to the broker and the institution. The Other System will transmit to the ID system the affirmation from the Other System, in DTC format, containing the ID system control number. If the trade involves a DTCeligible issue, the trade will be settled by book-entry at DTC in the normal way for an affirmed trade in the ID system.

DTC will be responsible for all quality control reporting with respect to all trades processed through the link, and the vendor of the Other System will furnish DTC with whatever data from the Other System is needed for that purpose.

Except as stated in this paragraph, DTC will charge its usual ID system fees for a transaction processed through the link. In the above example, DTC will not charge confirmation fees to the broker or institution because it will not send confirmations to either of them. Fees for any services provided by the ID system directly to the broker or institution will continue to be billed to and paid by the appropriate party. In order to encourage the development of links between the ID system and Other Systems where both the broker and the institution use the Other System, the ID system fees charged in that case to the vendor of the Other System with respect to confirmation activity will be limited to \$0.10 per trade during the period ending on December 31, 1995. DTC continually examines its fees, and the fees associated with the link between the ID system and Other Systems may be changed after December 31, 1995.<sup>3</sup>

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

In its filing with the Commission, DTC 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 examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (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

Currently, a large number of DTC users interact operationally with DTC through intermediaries selected by them, including "service bureaus." Pursuant to standing instructions from these users, DTC currently links with these intermediaries in providing a wide range of DTC services to users, including the automated delivery and receipt of ID system confirmations and affirmations and related reports. In addition, DTC currently links the ID system with systems operated by the other two registered securities depositories in the United States on a

'private label'' basis. In those links, confirmation and affirmation for a trade occur in the ID system, but any parties involved in the trade who use the other depository's system submit all data and communications regarding the trade to the other depository and receive all such data and communications from the other depository. On behalf of those parties, the other depository submits to and receives from DTC on an omnibus basis all data and communications regarding the trade in the course of ID system processing. DTC is likely to enter into similar arrangements with other organizations in the United States and abroad.

The purpose of the proposed rule change is to establish a new method of linking the ID system in addition to the current arrangements.

DTC believes the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder applicable to DTC since the proposed rule change will facilitate the processing of transactions in securities where different trade confirmation systems are involved. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible since the proposed rule change relates to DTC's existing ID system.

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

DTC perceives no adverse impact on competition by reason of the proposed rule change.

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

Written comments from DTC Participants or others have not been solicited or received 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 the self-regulatory organization consents, the Commission will:

<sup>&</sup>lt;sup>2</sup> The establishment of the link between the ID system and the Other System would be subject to the Other Systems obtaining any necessary or appropriate approvals by regulatory agencies, such as approval in regard to compliance with Rule 10b-10 under the Securities Exchange Act of 1934 if the Other System will confirm transactions.

<sup>&</sup>lt;sup>3</sup> Any such fee changes would be filed with the Commission in accordance with the requirements of the Securities Exchange Act of 1934.