

designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes the proposal is consistent with MCC's obligations under Section 17A of the Act because it should help ensure that MCC participants will have access to safe and efficient securities clearing services and should protect against disruption in their businesses upon MCC's withdrawal from the securities clearing business. Furthermore, MCC's coordination with NSCC in establishing clearing services for TSPs and SPs through sponsored accounts and temporary sponsored accounts and the requirement of a sponsored account fund to cover possible losses by MCC incident to the operation of the sponsored and temporary sponsored accounts should help MCC safeguard the securities and funds which are in its custody or control or for which it is responsible.

MCC 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 proposal is critical to MCC's orderly withdrawal from the securities clearing business by its announced deadline of January 19, 1996. Furthermore, the Commission received only one comment letter¹⁴ during the comment period of MCC's proposal to withdraw from the clearing business.¹⁵ Thus the Commission does not believe it will receive negative comment letters on this proposal.

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 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 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 MCC. All submissions should refer to the file number SR-MCC-95-05 and should be submitted by February 16, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-MCC-95-05) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36739; File No. SR-MSTC-95-11]

Self-Regulatory Organizations; Midwest Securities Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to a Contingency Plan for Participants in Connection With Midwest Securities Trust Company's Decision to Withdraw From the Securities Depository Business

January 19, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 26, 1995, the Midwest Securities Trust Company ("MSTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MSTC-95-11) as described in Items I and II below, which items have been prepared primarily by MSTC. 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

MSTC proposes to add Article VIII to its rules to provide for a contingency

plan, to be implemented in MSTC's sole discretion, in the event that certain MSTC participants have not made arrangements for alternate service providers by January 19, 1996.²

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.³

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

On January 5, 1996, the Commission approved a proposed rule change filed by MSTC relating to its withdrawal from the securities depository business in conjunction with an agreement with The Depository Trust Company ("DTC").⁴ This filing provides for a contingency plan for current participants of MSTC that are unable to find alternative securities depository services by January 19, 1996.

Pursuant to MSTC's proposed contingency plan, MSTC in its sole discretion may become a member of DTC for the limited purpose of temporarily enabling Temporary Sponsored Participants ("TSPs") to utilize the depository services of DTC. If implemented, only entities that are depository participants of MSTC as of January 19, 1996 will be eligible to be TSPs. The purpose of the TSP membership category is to provide existing MSTC depository participants that are unable to find appropriate alternative arrangements by the January 19, 1996 deadline, temporary securities depository arrangements.⁵ This TSP

² MSTC's filing refers to January 15, 1996, as the date by which MSTC participants must have made arrangements with alternate service providers. This date was postponed to January 19, 1996. Telephone conversation between J. Craig Long, Foley & Lardner, [counsel to MSTC], and Jerry Carpenter, Assistant Director, Peter Geraghty, Senior Counsel, and Cheryl Tumlin, Staff Attorney, Division of Market Regulation, Commission (January 18, 1996).

³ The Commission has modified the text of the summaries prepared by MSTC.

⁴ For a description of the agreement, refer to Securities Exchange Act Release No. 36684 (January 5, 1996), [File No. SR-MSTC-95-10] (order approving proposed rule change).

⁵ By an Important Notice dated November 17, 1996, MSTC informed its participants that it

¹⁴ Letter from Leland W. Hutchinson, Jr., Freeborn & Peters, [counsel for Scattered Corporation and Laura Bryant, members of CHX] to Richard R. Lindsey, Director, Division of Market Regulation, Commission (December 15, 1995).

¹⁵ See, Securities Exchange Act Release No. 36684 (January 5, 1996), [File No. SR-MCC-95-04] (order approving MCC's proposal to withdraw from the securities clearing business).

¹⁶ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

membership category will terminate on or before March 31, 1996, at which time MSTC will definitively cease to act for all TSPs. The only services that MSTC will provide to TSPs is to provide access to the facilities of DTC.

Under the proposed arrangement, MSTC will maintain subaccounts at DTC for each TSP. DTC will transmit the settlement obligations of TSPs to MSTC. Based on DTC's final settlement figures, MSTC will use funds received by MSTC from a TSP or will initiate payments against a TSP's bank account to satisfy a TSP's payment obligation. In this regard, each TSP will be required to maintain funds that are sufficient for purposes of settlement and that are accessible to MSTC. If a TSP has a credit balance, DTC will forward the credit to MSTC, and MSTC will make available to the TSP the amount of the credit balance. Alternatively, upon notice to and authorization by MSTC, TSPs can settle directly with DTC.

TSPs will be required to contribute to a temporary sponsored account fund. The required contribution will consist of the greater of \$15,000 or 110% of the required contribution to the participants fund of DTC. MSTC also may require a TSP to deposit a supplemental contribution not based on a TSP's usage of MSTC's services. All contributions to the temporary sponsored account fund must be in cash. All temporary sponsored account fund contributions not forwarded by MSTC to DTC may be invested by MSTC. The sponsored account fund may be used to cover losses in a manner similar to that provided for in the current MSTC participants fund rules.

While TSPs will not be obligated to comply with all of MSTC's current rules, TSPs will be obligated to comply with the MSTC rules designated in Article VIII as being applicable to TSPs. Among other things, Article VIII provides that TSPs must comply with MSTC's rules relating to losses, indemnification, and MSTC's ceasing to act. TSPs also must comply with the rules of DTC.

MSTC believes the proposed rule change is consistent with Section 17A of the Act in that it is designed to promote the accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in MSTC's custody or control or for which MSTC is responsible.

intended to cease providing depository services on January 15, 1996, and that participants should make arrangements for alternate depository services by that date. The date was postponed to January 19, 1996. Note 2, *supra*.

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

MSTC does not believe the proposed rule change will impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(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

Section 17A(b)(3)(F) ⁶ of the Act requires 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 which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes the proposal is consistent with MSTC's obligations under Section 17A of the Act because it should help ensure that MSTC participants unable to find alternative securities depository services by January 19, 1996, will have access to safe and efficient securities depository services for a period of time that should be sufficient to enable such participants to obtain permanent alternate services. This should help protect against disruption in these participants' businesses upon MSTC's withdrawal from the securities depository business. Furthermore, MSTC's coordination with DTC in establishing securities depository services for TSPs through temporary sponsored accounts and the requirement of a temporary sponsored account fund to cover losses that could be suffered by MSTC incident to the operation of the temporary sponsored accounts should help MSTC safeguard the securities and funds which are in its custody or control or for which it is responsible.

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 proposal is critical to MSTC's orderly withdrawal from the securities depository business with minimal business disruption by its announced deadline of January 19, 1996. Furthermore, because the Commission received only one

comment letter ⁷ during the comment period of MSTC's proposal to withdraw from the securities depository business, ⁸ the Commission does not believe it will receive negative comment letters on this proposal.

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, N.W., 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-95-11 and should be submitted by February 16, 1996.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-MSTC-95-11) be, and hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-1271 Filed 1-25-96; 8:45 am]

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⁷ Letter from Leland W. Hutchinson, Jr., Freeborn & Peters, [counsel for Scattered Corporation and Laura Bryant, members of CHX] to Richard R. Lindsey, Director, Division of Market Regulation, Commission (December 15, 1995).

⁸ See, Securities Exchange Act Release No. 36684 (January 5, 1996), [File No. SR-MSTC-95-10] (order approving MSTC's proposal to withdraw from the securities depository business).

⁹ 17 CFR 200.30-3(a)(12) (1994).

⁶ 15 U.S.C. 78q-1(b)(3)(F) (1988).