considered participants in a joint enterprise or other joint arrangement within the meaning of section 17(d)(1) and rule 17d–1.

5. Under rule 17d–1, the SEC may permit a proposed joint transaction if participation by a registered investment company is consistent with the provisions, policies, and purposes of the Act, and not on a basis different from or less advantageous than that of the other participants. Applicants believe that their proposal satisfies these standards.

6. Section 12(d)(1)(A)(ii) prohibits a registered investment company from acquiring the securities of another investment company if, immediately thereafter, the acquiring company would have more than 5% of its total assets invested in the securities of the selling company. Applicants request an exemption from section 12(d)(1)(A)(ii) to permit each Non-Money Market Fund to invest in a Money Market Fund the greater of 5% of such Non-Money Market Fund's total net assets or $2.5 million. Applicants submit that the perceived abuses section 12(d)(1) sought to address include undue influence by an acquiring fund over the management of an acquired fund, layering of fees, and complex structures. Applicants believe that none of these concerns are presented by the proposed transactions and that the proposed transactions meet the section 6(c) standards for relief.

Applicants' Conditions

Applicants agree that the order granting the requested relief will be subject to the following conditions:

1. The shares of the Money Market Funds sold to and redeemed from the Non-Money Market Funds will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule 12b–1, or service fee (as defined in section 26(b)(9) of the NASD Rules of Fair Practice).

2. Before the next meeting of the board of directors/trustees of a Non-Money Market Fund is held for the purpose of voting on an advisory contract under section 15, the Adviser to the Non-Money Market Fund will provide the board of directors/trustees with specific information regarding the approximate cost to the Adviser for, or portion of the advisory fee under the existing advisory fee attributable to, managing the assets of the Non-Money Market Fund that can be expected to be invested in the Money Market Funds. Before approving any advisory contract under section 15, the board of directors/trustees of the Non-Money Market Fund, including a majority of the directors who are not ''interested persons,'' as defined in section 2(a)(19), shall consider to what extent, if any, the advisory fees charged to the Non-Money Market Fund by the Adviser should be reduced to account for the reduction of these services to the Non-Money Market Fund by the Adviser under the advisory contract as a result of a portion of the assets of the Non-Money Market Fund being invested in the Money Market Funds. The minute books of the Non-Money Market Fund will record fully the board's consideration in approving the advisory contract, including the considerations relating to fees referred to above.

3. Each Non-Money Market Fund will be permitted to invest Uninvested Cash in, and hold shares of, a single Money Market Fund, so long as such Non-Money Market Fund's aggregate investment in such Money Market Fund does not exceed the greater of 5% of such Non-Money Market Fund's total net assets or $2.5 million.

For the SEC, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–18454 Filed 7–19–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37440; File No. SR–DTC–96–07]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Modify Certain Provisions of the Fund/SERV Interface Agreement to Accommodate Same-Day Funds Settlement

July 15, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 6, 1996, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–DTC–96–07) as described in Items I and II below, which items have been prepared primarily by DTC. 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

The purpose of the proposed rule change is to modify certain provisions of DTC's Fund/SERV Interface Agreement (''Fund/SERV Agreement'') with the National Securities Clearing Corporation (''NSCC'') because of the conversion of DTC's money settlement system entirely to a same-day funds settlement (''SDFS'') system.

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 that it received on the proposed rule change. The text of these statements may be 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.[2]

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

In 1989, DTC established an interface with NSCC to allow DTC participants that were not Fund/SERV members to access NSCC's Fund/SERV system.[3] Several provisions of the Fund/SERV Agreement between DTC and NSCC relating to settlement must be modified because of the conversion to SDFS.[4]

The Fund/SERV Agreement currently provides that DTC participants that participate in the Fund/SERV interface are required to make an additional deposit to DTC's next-day funds settlement (''NDFS'') participants fund. Under DTC's SDFS system, there no longer is a separate NDFS participants fund. Furthermore, each participant's Fund/SERV activity now will be included in the formula used to determine the amount of that participant's required deposit to DTC's

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] The Commission has modified the text of the summaries submitted by DTC.

[3] Fund/SERV is a centralized, automated processing system for mutual fund purchases and redemptions. For a further description of Fund/SERV and DTC's interface with NSCC, refer to Securities Exchange Act Release Nos. 25146 (November 20, 1987), 52 FR 45418 [File No. SR–NSCC–87–08] (order granting permanent approval to NSCC's Fund/SERV); 31937 (March 1, 1993), 58 FR 12609 [File No. SR–NSCC–92–14] (order approving modifications to NSCC's Fund/SERV); and 27056 (July 24, 1989), 54 FR 31752 [File No. SR–DTC–89–09] (order approving DTC's Fund/SERV interface with NSCC).

[4] For further information regarding DTC's SDFS system, refer to Securities Exchange Act Release No. 35720 (May 16, 1995), 60 FR 27360 [File No. SR–DTC–95–06] (order granting accelerated approval of a proposed rule change modifying the SDFS system).

participants fund.[5] Accordingly, the Fund/SERV Agreement is being modified to reflect the existence of a single participants fund and a new participants fund formula.

In addition, the Fund/SERV Agreement will be modified to reflect the application of the SDFS settlement procedures and the SDFS failure to settle procedures, are set forth in DTC's Rules and Procedures. Under the proposed rule change, DTC no longer will settle Fund/SERV obligations separately from other settlement activity conducted between DTC and NSCC. DTC's settlement obligations resulting from Fund/SERV interface activity will be settled on a net basis with all other settlement obligations between DTC and NSCC. In the event a DTC participant fails to settle with DTC and the participant has a Fund/SERV debit owed to NSCC, DTC will employ its failure to settle procedures. If DTC's failure to settle procedures result in sufficient funds to pay NSCC, DTC will make such payment to NSCC. If the failure to settle procedures do not result in sufficient funds to pay the debit, DTC will not make payment to NSCC. On the next business day, NSCC will, on DTC's request, reverse the Fund/SERV transactions of the defaulting participant and recover any credits paid to NSCC Fund/SERV members with respect to the transactions.

DTC believes the proposed rule change is consistent with Section 17A of the Act and the rules and regulations thereunder because the proposed rule change will modify the Fund/SERV Agreement between DTC and NSCC to reflect the conversion to an entirely SDFS settlement system. DTC also believes 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 because the proposed rule change modifies the Fund/SERV Agreement to reflect the application of DTC's SDFS failure to settle procedures.

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

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

[5] Under DTC's SDFS system procedures, a participant's required deposit is based on the participant's liquidity needs. Therefore, a participant's Fund/SERV activity, to the extent it results in liquidity use (*i.e.*, net debits), will be included in the calculation of its required participants fund deposit.

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

Comments on the proposed rule change were not solicited. DTC will notify the Commission of any written comments received by DTC.

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

Section 17A(b)(3)(F) of the Act[6] requires that the rules of a clearing agency be designed 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 and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. The Commission believes that DTC's proposed rule change is consistent with DTC's obligations under Section 17A(b)(3)(F) because the proposed rule change should further reduce DTC's risk exposure with regard to its participants' Fund/SERV activities by applying DTC's SDFS settlement procedures and DTC's failure to settle procedures to the Fund/SERV interface.

Furthermore, although DTC does not guarantee its participants' Fund/SERV settlement payments to NSCC, the proposed rule change includes safeguards against losses due to participant defaults. Under the amended Fund/SERV Agreement between DTC and NSCC, DTC's SDFS failure to settle procedures will be employed to identify excess collateral and/or other funds to cover DTC's settlement obligations to NSCC resulting from a failed participant's Fund/SERV activities. If the application of DTC's SDFS failure to settle procedures produces funds to pay the defaulting participant's Fund/SERV obligations, then there should be a reduction in the number of reversals at NSCC. If DTC's procedures fail to produce sufficient funds, DTC will not be liable for the remaining settlement obligations, and NSCC will reverse the Fund/SERV transactions the following day.

The Commission also believes the proposal is consistent with DTC's obligations to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions because the proposal will allow DTC and NSCC to settle obligations arising from Fund/SERV interface activity on a net basis; thus, simplifying the two clearing agencies' settlement procedures. Furthermore, the revised Fund/SERV Agreement sets forth DTC's and NSCC's responsibilities if a participant fails to settle and establishes a framework by which DTC and NSCC can mitigate the risks posed by a defaulting participant.

[6] 15 U.S.C. 78q–1(b)(3)(F) (1988).

DTC 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 filing. The Commission finds good cause for so approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing because the proposed rule change will amend the Fund/SERV Agreement between DTC and NSCC in accordance with DTC's conversion to SDFS on February 22, 1996, and will allow DTC to apply the safeguards provided under the SDFS failure to settle procedures to the Fund/SERV interface immediately. Furthermore, the Commission has previously published notice of and approved NSCC's rule filing with regard to the proposed changes in the Fund/SERV interface and DTC's rule filing setting forth its SDFS failure to settle procedures. DTC's and NSCC's proposed rule changes did not generate any comment letters, and the Commission does not anticipate comments with regard to DTC's amendment to the Fund/SERV Interface Agreement.

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 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 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–96–07 and should be submitted by August 12, 1996.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR–DTC–96–07) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–18456 Filed 7–19–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37439; File No. SR–NASD–96–21]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Mandatory Electronic Filing of Forms U–4, U–5 and BD

July 15, 1996.

On June 7, 1996, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), a proposed rule change to require mandatory electronic filing of Forms U–4, U–5, and BD. Notice of the proposed rule change, together with the substance of the proposal, was issued by the Commission (Securities Exchange Act Release No. 37291, June 7, 1996) and published in the Federal Register (61 FR 30269, June 14, 1996). No comment letters were received. The Commission is approving the proposed rule change.

I. Background

The NASD has undertaken an extensive redesign of the Central Registration Depository (''CRD''), the central database for securities industry firms and personnel, with the goal of requiring electronic filing of registration-related forms. The focus of the redesign effort is to provide efficient, reliable, effective, state-of-the-art systems and procedures at reasonable cost to support licensing and regulation of the securities industry. The NASD believes the implementation of mandatory electronic filing will eliminate the delays that may stem from processing information in hard copy. Further, the NASD believes that redesigned CRD will offer efficient processing of registration-related filings and user-friendly access to information contained in those filings for all industry and regulatory participants. A detailed discussion of the CRD implementation plan appeared in the December 1995 issue of Membership On Your Side.

The NASD's proposal contains revisions to both the NASD By-Laws and its Membership and Registration Rules. The revisions to the By-Laws include amendments that require filers to submit information on Forms U–4, U–5, and BD via electronic means.[1] The NASD states that the impact of this requirement on smaller member firms with limited access and form filing needs was considered by its Board of Governors. The Board addressed this concern, by providing all firms with the option to contract with third party vendors to handle the filings with the CRD. The Board also determined to give firms that have less than fifty registered persons the option to file electronically, utilize a third-party service bureau or file with the NASD's internal processing unit. Member firms can choose for themselves based upon their needs whether to access the system directly by acquiring the necessary hardware and software and training their registration staff or to access the system indirectly via a third party agent or service bureau. The NASD asserts that its Membership staff is working with the vendors and service bureaus to make sure they are prepared to provide this service to members.

Specific-By-Law provisions which currently require filers to use ''forms'' or provide ''written notification'' are changed to require filing by electronic process or such other process as the NASD may prescribe. The provisions which refer to the filer obligations to keep applications ''current'' have been revised to set out more specific requirements including specific time frames (usually 30 days) for the filing of information. In addition, the NASD's membership eligibility criteria are amended to require firms to file via the electronic process. Firms that fail to comply with the electronic filing requirement may be subject to suspension or cancellation of membership.

The NASD has established a rollout schedule which began in May 1996 with approximately eleven member firms and one service bureau being involved in a pilot test. It is anticipated that the pilot firms will file all forms electronically in the new CRD system on approximately July 29, 1996.

The rollout schedule for all NASD members is as follows. The firms have been divided among five NASD Service and Quality teams. Team 1 goes into production on approximately September 9, 1996, Teams 2 and 3 on approximately October 7, 1996, and Teams 4 and 5 on approximately November 4, 1996.

Firms that had fewer than 50 registered representatives on April 26, 1996, (''Group II'') may comply with the electronic filing requirement through any of three methods: (1) They may file electronically on their own; (2) they may utilize a third-party vendor to file on their behalf; or (3) for a period commencing on September 9, 1996 and ending on December 31, 1997, for a prescribed fee, these firms may file paper forms with the NASD which through its own internal processing unit will file the forms with the new CRD system.

The NASD is also amending its Membership and Registration Rules to establish electronic filing protocols. Under these protocols the member will:

(1) Designate a Registered Principal(s) or corporate officer(s) to be responsible for supervising the electronic filing of appropriate filings with such responsibility to acknowledge, electronically, that the filing is on behalf of the firm and the member firm's associated persons.

(2) Retain and provide upon regulatory request original, signed Form U–4s which were electronically processed as initial or transfer applications as part of the recordkeeping requirements.

(3) File amendments to administrative data without the signature of the subject individual. Such information includes the addition of state or SRO registration, exam scheduling and updates to residential, business and personal history.

(4) File amendments to disclosure data electronically provided that the subject person has acknowledged that the information has been received and reviewed. This acknowledgement must be retained and provided upon regulatory request.

(5) File initial and amended Form U–5 Notice of Terminations electronically. The filing firm must make the filings available upon regulatory request.

II. Discussion

The Commission believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[2] which require the rules of the NASD be designed to prevent fraudulent

---

[7] 17 CFR 200.30–3(a)(12) (1995).

[1] On July 5, 1996, the Commission approved an NASD proposed rule change amending Forms U–4 and U–5. File No. SR–NASD–96–19; Securities Exchange Act Release No. 37407.

[2] 15 U.S.C. 78*o*–3(b)(6).