First, DTC will contact the corporate paying agent before submitting the coupons for payment to determine whether the coupon proceeds are payable in U.S. dollars. Only corporate bearer bonds payable in either U.S. dollars or Canadian funds are eligible for CCS. Where the corporate bearer bonds are payable in Canadian funds, DTC will request the paying agent to convert the funds to U.S. dollars in accordance with the prevailing exchange rate. DTC will not process corporate bearer bonds through CCS unless the paying agent is able to and will convert Canadian funds to U.S. dollars.

Second, DTC will suppress for corporate bearer coupons the automatic payment function that it applies to municipal bearer coupons.[5] By delaying crediting participants' accounts until it has received the interest payments from paying agents, DTC will avoid having to adjust such accounts due to fluctuations in exchange rates.

DTC requires that each shell containing corporate bearer bond coupons state the following information on its face: the CUSIP number; a description of issue including purpose, series, date of issue, and maturity date; the payable date; the quantity of coupons enclosed; the dollar value of individual coupons; the total shell value unless payable in Canadian dollars; the participant number; and the contact number and telephone number of the depositing participant. In addition, each shell must be accompanied by a completed deposit ticket, each of which can cover up to twenty-five shells, which provides the participant number, the shell quantity, the total dollar value, the CUSIP number per shell, the coupon quantity per shell, the dollar value per shell unless payable in Canadian dollars, and whether the coupons are future-due or past-due.

DTC will verify the number of shells listed on the deposit ticket and give the participant a time-stamped copy of the ticket. If the number of shells listed on the deposit ticket does not agree with the physical number of shells, the entire deposit will be rejected and sent back to the participant.

II. Discussion

Section 17A(b)(3)(F) of the Act[6] requires that the rules of a clearing agency be designed to remove impediments to and to perfect the mechanism of a national system for prompt and accurate clearance and settlement of securities transactions. The Commission believes that the proposed rule change is consistent with DTC's obligations under Section 17A(b)(3)(F) because it should provide a more efficient method of settling the payment of corporate bearer bond coupons and should allow DTC participants to centralize the processing of the collection of coupons and the receipt of interest payments.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–DTC–97–17) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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[5] When processing municipal bearer coupons through CCS, DTC credits participants' accounts on the payable date of the coupons regardless of whether it actually has received the interest payment.

[6] 15 U.S.C. 78q–1(b)(3)(F).

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39955; File No. SR–DTC–98–2]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Adding the HUB Mailbox Service to the Institution Delivery System

May 4, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on February 10, 1998, the Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–DTC–98–2) as described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

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

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will add the HUB Mailbox Service (''HUB Mailbox'') to DTC's Institutional Delivery (''ID'') 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 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

The purpose of the proposed rule change is to add the HUB Mailbox to the services provided by the ID system.[3] The HUB Mailbox will allow investment managers and custodian banks[4] to exchange messages regarding; (1) securities purchases; (2) securities sales; (3) reconciliation data relating to securities positions and cash movements; and (4) other security-related transactions as agreed to by two or more HUB users.[5] Occasionally, HUB

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

[3] Currently, the ID system enables broker-dealers to exchange conformation and affirmation messages with investment managers and custodian banks. For a complete description of the services provided by the ID system refer to Securities Exchange Act Release Nos. 33466 (January 12, 1994), 59 FR 3139 [File No. SR–DTC–93–07] (order approving proposed rule change relating to the enhanced ID system); 34166 (June 6, 1994), 59 FR 31660 [File No. SR–DTC–94–01] (order approving proposed rule change to add a standing instruction database to the ID system); 34199 (June 10, 1994), 59 FR 31660 [File No. SR–DTC–94–04] (order granting accelerated approval of a proposed rule change to implement the interactive capabilities and the electric mail features of the enhanced institutional delivery system); 36050 (August 2, 1995), 60 FR 41139 [File No. SR–DTC–95–10] (order approving proposed rule change to implementing advice of confirm correction/cancellation feature and modifying the authorization/exception processing feature of the institutional delivery system); and 39832 (April 6, 1998), 63 FR 18062 [File No. SR–DTC–95–23] (order approving proposed rule change implementing the ID system).

[4] Initially, broker-dealers will not have access to the HUB Mailbox.

[5] DTC anticipates that the HUB Mailbox will be used primarily for exchanging messages regarding securities that are not eligible for settlement at DTC. Telephone conversation among Jack Wiener, Vice

Continued

users may also transmit trade data to recordkeeping vendors where the custody and accounting functions are performed by two different parties.

According to DTC, the HUB Mailbox was developed in cooperation with the Industry Standardization for Institutional Trade Communication (''ISITC'')[6] to improve the delivery of ISITC messages. Therefore, all information will be entered in an ISITC approved format initially, but other formats may be used later if agreed upon by two or more HUB users.

To use the HUB Mailbox, investment managers and custodian banks will place formatted records into bundles for each addressee with appropriately coded headers and trailers and DTC will route the bundles to addresses' mailboxes for retrieval. Addressees will acknowledge receipt of bundles through their mailboxes. All mail messages, both delivered and undelivered, will be transferred at the end of each business day between 2 a.m. and 3 a.m. (ET) to a separate file which can be accessed directly on the next day. DTC will store mail messages for up to five days. According to DTC, it will not do any processing other than to direct mail to appropriate mailboxes.

Excerpts from the separate forms of agreement to be executed by HUB Mailbox users are attached as Exhibits C, D, and E to the filing. Exhibit C lists the fees to be charged for the service to investment manager users, and Exhibit D lists the fees to be charged for the service to custodians. Liability provisions, identical in both forms of agreement, are found in Exhibit E.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder because it will increase the speed of data transmissions between investment managers and custodians, thereby promoting efficiencies in the clearance and settlement of securities transactions.

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

DTC believes that no burden will be placed on competition as a result 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 on the proposed rule change have not been solicited from DTC participants. Nevertheless, DTC has tested the HUB Mailbox in a pilot program with a few investment managers and custodian banks. One of the participants in the pilot program characterized the HUB Mailbox as ''the most efficient, secure and cost effective manner to obtain reconciliation data daily.''

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 DTC 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, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR–TDC–98–2 and should be submitted by June 2, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

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President and Senior Counsel, DTC, and Jeffrey Mooney, Special Counsel, Division of Market Regulation (''Division''), Commission, and Greg Dumark, Attorney, Division, Commission (March 2, 1998).

[6] ISITC is a committee of investment managers, custodians, and vendors which was established in 1991, has developed standard message formats and operating protocols for transmitting information concerning security-related transactions between and among investment managers and custodians. ISITC's goals are to overcome difficulties encountered by investment managers in communicating with multiple custodians and to attain straight-through-processing. Many ISITC members are DTC participants.

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39957; File No. SR–NASD–98–34]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc.; Relating to Cancellations and Suspensions for Failure To Comply with Arbitration Award

May 5, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 1, 1998, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation, Inc. (''NASD Regulation''). The Commission is publishing this notice to solicit 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 Association proposes to amend that portion of Rule 9514 of the Rules of the Association relating to review of non-compliance with arbitration awards and settlements. The Association proposes to change the composition of the hearing panels used in such proceedings. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

9514. Hearing and Decision.

* * * * *

(b) Designation of Party for the Association and Appointment of Hearing Panel

If a member, association person, or other person subject to a notice under Rule 9512 or 9513 files a written request for a hearing, an appropriate department or office of the Association shall be

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