

NU to the Utility Subsidiaries and Money Pool borrowings.

In particular, the Applicants propose that any Notes issued by NU or the Utility Subsidiaries will bear interest at a rate not exceeding 500 basic points over the base rate in effect from time to time of the lending institution or the base rate of a representative institution. The Notes may be secured or unsecured and will mature no later than 364 days from the date of their issuance. The Applicants further propose that Paper issued by NU, WMECO, CL&P, Yankee Gas and PSNH ("Issuers") will be issued at rates not exceeding the annual rate prevailing at the time of issuance for commercial paper of comparable qualities and maturities. The Paper will mature no later than 270 days from the date of issuance and will not be repayable prior to maturity. The Applicants state that each of the Issuers will not issue Paper unless the effective cost of the Paper will be equal to or less than that for the issuance of Notes in an amount at least equal to the principal amount of Paper proposed to be issued.

The Applicant finally propose, through the New Authorization Period, that the Subsidiaries be authorized to borrow from NU and each other, and to lend to each other under the Money Pool, as authorized in the Prior Orders and subject to the Debt Limitation.<sup>4</sup> Service will continue to administer the Money Pool under the same terms and conditions approved by the Commission in the Prior Orders. The Applicants state that all other terms, conditions, limitations and reporting obligations contained in the Prior Orders will apply to the proposed transactions.

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

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43628; File No. SR-DTC-00-8]

### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Tax Certificate as to Beneficial Ownership

November 28, 2000.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on June 1, 2000, The Depository Trust Company ("DTC") 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 DTC. 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 proposed rule change eliminates the requirement for DTC's participants to submit a "Tax Certificate as to Beneficial Ownership" form.<sup>2</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 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.<sup>3</sup>

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

The proposed rule change eliminates the requirement that DTC participants file a "Tax Certificate as to Beneficial Ownership" form ("Tax Certificate").<sup>4</sup>

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> A copy of the Tax Certificate is set forth in Exhibit 2 of DTC's proposed rule change, which is available through the Commission's Public Reference Room or through DTC.

<sup>3</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>4</sup> It has been DTC's practice to require applicants to submit the Tax Certificate prior to becoming DTC participants in order to continue as a participant.

The Tax Certificate requires participants to certify that each beneficial owner of a "foreign security"<sup>5</sup> credited to the participant's DTC account will be entitled to the same reduction in rate or exemption from any applicable withholding tax as would apply if the owner of such foreign security were an individual citizen of the United States who (1) was a resident in the United States and (2) who had no connection with the jurisdiction imposing the tax that would affect the rate at which the tax is to be withheld or an exemption from the tax. By submitting the Tax Certificate, participants also represent that they will withdraw from custody outside of DTC any foreign security which becomes beneficially owned by a person not entitled to such tax treatment.

DTC began requiring the Tax Certificate in 1976, in conjunction with DTC's program to make foreign securities eligible for a full range of DTC services, in order to stop its participants from depositing at DTC physical certificates evidencing foreign issues beneficially owned by customers (primarily foreign persons) not entitled to a treaty rate or to an exemption. Based on the Tax Certificate, issuers could make payment of dividends and other distributions on foreign securities at single rate without regard to the varying withholding tax rates that might otherwise apply.

DTC believes that developments in industry practices and DTC initiatives over the last twenty years make continued reliance upon the Tax Certificate inappropriate and unnecessary. Reliance on the Tax Certificate is no longer necessary because DTC has developed the TaxRelief service over DTC's Elective Dividend Service ("EDS"). Using this service, DTC can solicit certifications from participants regarding the characteristics of beneficial owners of foreign securities held in the participant's account at DTC. The certification can reflect various categories of the tax attributes of the beneficial owners, as relevant under the tax laws of the foreign jurisdictions and any relevant tax treaties, and in accordance with the extent of the participant's knowledge of the

Under the proposed rule change, applicants will no longer be required to submit the certificate, and all such certificates previously submitted will be null and void.

<sup>5</sup> The Tax Certificate defines a "foreign security" as "any security any income from which would be subject to withholding tax imposed by any country other than the United States."

<sup>4</sup> Currently, an order of the Massachusetts Department of Telecommunications and Energy limits WMECO's authority to make loans under the Money Pool to CL&P and HWP and three nonutility subsidiaries. WMECO has requested that the Commission reserve jurisdiction over its authority to lend to other Money Pool participants, pending completion of the record. PSNH may not lend to the Money Pool participants under a New Hampshire Public Utilities Commission ("NHPUC") order authorizing such lending, subject to the elimination of certain write-offs associated with restructuring mandated by the NHPUC. WMECO and PSNH may borrow from the Money Pool.

beneficial owners' characteristics.<sup>6</sup> In contrast, under the Tax Certificate, the participant was required to certify that every underlying beneficial owner was subject to the same withholding tax rate as would be a U.S. individual and to withdraw any foreign securities held by beneficial owners that were subject to different withholding rates (as for example might be the case for charitable organizations, pensions, and residents of certain other countries holding securities directly or indirectly in the participant's DTC account).

In addition, DTC now admits foreign participants, which may be expected to hold securities on behalf of beneficial owners not meeting the criteria set forth in the text of the Tax Certificate.<sup>7</sup> With regard to U.S. participants, most of which executed the Tax Certificates in the 1970s, it is doubtful that they have systems in place to prevent the prohibited deposits or to insure withdrawal after book-entry delivery for a prohibited beneficial owner. Also, book-entry only securities are now eligible for processing at DTC. In such cases, a participant may be unable to comply with the requirement that it withdraw a security in the event it becomes held by a beneficial owner not meeting the criteria.

Under current investment practices, beneficial owners of securities may now hold securities through several layers of custodians that cross country lines and even through foreign central securities depositories that have accounts at DTC. Given these practices, DTC believes that continued reliance on the Tax Certificate, in which every participant certifies that all beneficial owners have the same withholding tax status as U.S. individual residents, is no longer realistic.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>8</sup> and the rules and regulations thereunder because it promotes the prompt and accurate clearance and settlement of securities transactions while ensuring the safeguarding of funds and securities in DTC's possession or control.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

DTC does not believe that the proposed rule change will impose any 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*

DTC proposed eliminating the Tax Certificate at meetings of the DTC Foreign Tax Legal Working Group, most recently at a meeting held on September 29, 1999, and requested comments from the participant representatives that comprise the group. No written comments were received and the members of the Foreign Tax Legal Working Group concurred with the proposal.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>9</sup> and Rule 19b-4(f)(4)<sup>10</sup> promulgated thereunder because the proposed rule change effects a change in an existing DTC service that does not adversely affect the safeguarding of securities or funds in DTC's custody or control or for which DTC is responsible and does not significantly affect DTC's respective rights and obligations or persons using the service. At any time within sixty days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### **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, NW., Washington, DC 20549-0609. 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, N.W., Washington, DC. Copies of such filing also will be available for inspection and copying at DTC's principal office. All submissions should refer to File No. SR-DTC-00-8 and should be submitted by December 26, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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#### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-43634; File No. SR-DTC-00-15]

#### **Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to DTAX Fees in Connection With Providing Internet**

November 29, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup>, notice is hereby given that on, November 2, 2000, The Depository Trust Company ("DTC") 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 primarily by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change will allow DTC to modify its current fees for its domestic tax reporting service ("DTAX") in connection with providing Internet access to the DTAX information database.

#### **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

<sup>6</sup> For a more complete discussion of DTC's EDS service (now called TaxRelief), refer to Securities Exchange Act Release Nos. 29814 (October 11, 1991), 56 FR 52563 (October 21, 1991) and 32171 (April 19, 1993), 58 FR 22003 (April 26, 1993).

<sup>7</sup> See Securities Exchange Act Release Nos. 38600 (May 9, 1997), 62 FR 27086 (May 16, 1997); 40064 (June 3, 1998), 63 FR 31818 (June 10, 1998); and 41466 (May 28, 1999), 64 FR 30077 (June 4, 1999).

<sup>8</sup> 15 U.S.C. 78q-1.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(4).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).