

proposed rule change (SR-NASD-00-18) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²¹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42893; File No. SR-NSCC-00-03]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Relating to Processing Government Securities Trades

June 2, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 5, 2000, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by NSCC. The Commission is publishing this notice and order to solicit comments from interested parties 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 proposed rule change will allow NSCC to receive government securities trade data from the American Stock Exchange ("AMEX"), process the trade data, and transmit the trade data to the Government Securities Clearing Corporation ("GSCC").

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B)

and (C) below, of the most significant aspects of these statements.²

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

The purpose of the rule change is to amend NSCC's rules and procedures to permit NSCC to: (1) Receive trade data concerning members' government security transactions conducted on the AMEX; (2) record trade information about those transactions on NSCC members' contract lists; and (3) transmit at the request of members the trade information to GSCC for processing.

Specifically, the rule change amends NSCC's rules and procedures as follows:

- The AMEX may submit locked-in trade data for transactions in "eligible government securities" included in the AMEX Order File ("AOF") System to NSCC. NSCC will maintain a list of "eligible government securities" which must be unmatured, marketable debt securities in book-entry form that are direct obligations of the United States Government; securities issued or guaranteed by the United States, a U.S. government agency or instrumentality, or a U.S. government-sponsored corporation; or such other security as determined by NSCC from time to time.³

- The AMEX may submit its trade data throughout trade date ("T") until a time specified by NSCC. The trade data must include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value, and other identifying details that NSCC may require or permit.⁴

- NSCC will report back to members their AOF trade data items, including final contract amount as calculated by NSCC, on the morning of T+1 in a separate section of NSCC's regular way T+1 contract list.⁵

- Unless otherwise processed through GSCC, as described below, the settlement of AFO trade data items will be the responsibility of parties to the trade. Such items will not be settled through the facilities of NSCC.⁶

The rule change permits NSCC to transmit, at the request of members, AOF trade data items to GSCC for processing as follows:⁷

- Each member that would like to settle its AFO trades through GSCC

must complete and deliver to NSCC an authorization agreement.⁸

- NSCC will submit AOF trade data items to GSCC within the timeframes established by NSCC.⁹

NSCC believes that the proposed rule change is consistent with the requirements of the Act,¹⁰ and the rules and regulations thereunder. In particular, the proposed rule change is consistent with section 17A(b)(3)(F) of the Act, which requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, in general, to protect investors and the public interest.

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

NSCC does not believe that the proposed rule change will impact or impose a burden on competition.

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

No written comments have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

Section 17A(b)(3)(F)¹¹ of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. For the reasons set forth below, the Commission believes that NSCC's rule change is consistent with this obligation.

The rule change permits NSCC to build upon its existing facilities to receive and process trade data concerning government securities traded through the AMEX's AOF System by NSCC members. After processing this information, NSCC will report back to members trade information relating to their AOF trades. At the request of members who wish to settle these trades through GSCC, NSCC will then transmit trade data to GSCC for processing. By providing this service, NSCC will be facilitating the prompt and accurate clearance and settlement of Amex-traded government securities. Therefore, the Commission finds that the proposed rule change is consistent with NSCC's obligations to promote the prompt and

² The Commission has modified the text of the summaries prepared by NSCC.

³ NSCC Rule 3, Section 10.

⁴ NSCC Procedure 11.D4(a)(ii).

⁵ *Id.* at (iii).

⁶ *Id.* at (iv).

⁷ NSCC Procedure 11.D.4(b).

⁸ *Id.* at 4(b)(i).

⁹ *Id.* at 4(b)(ii).

¹⁰ 15 U.S.C. 78q-1.

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

accurate clearance and settlement of securities transactions.

NSCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice because accelerated approval will enable NSCC to coordinate with GSCC and the AMEX in order to begin providing these clearance and settlement services on the target start date of June 2, 2000.

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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of NSCC. All submissions should refer to File No. SR-NSCC-00-03 and should be submitted by June 30, 2000.

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-00-03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42897; File No. SR-OCC-99-9]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change To Merge the Equity and Non-Equity Elements of OCC's Clearing Fund

June 5, 2000.

On September 24, 1999, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-99-9) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the *Federal Register* on December 8, 1999.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

Under the rule change, OCC will merge the equity and non-equity elements of its clearing fund into combined clearing fund. A member's contribution to the combined clearing fund will be based on the member's total margin requirements, with a minimum contribution of \$150,000.³

In 1982, when OCC first began clearing non-equity products, including treasury, currency, and stock index options, OCC instituted a separate non-equity element to the clearing fund to limit the impact of a member default in one product base (*i.e.*, either equity or non-equity) on members trading only the other product base. The element of the clearing fund applicable to the product(s) involved in the default would be utilized first; only after that element was exhausted would the other element be used. Beginning in 1986, with the introduction of the Theoretical

Intermarket Margin System ("TIMS") for non-equity products, some margin offsets were allowed between equity and non-equity products. Such offsets further expanded following the implementation of TIMS for equity products in 1991. The blurring of the distinction between equity and non-equity margin requirements and the integration of OCC's equity and non-equity systems in general has reached a level such that clearing members only receive a single margin requirement each day. OCC computes distinct equity and non-equity margin requirements only on a monthly basis for the purpose of determining the size of each element of the clearing fund.

Consistent with Article VIII, Section 2 of OCC's Bylaws, OCC will issue a memorandum to its clearing members at least five business days prior to the effective date of the rule change advising them of the change in the minimum contribution and advising them of their ability to withdraw from membership should they choose not to make the required clearing fund contribution.

II. Discussion

Section 17A(b)(3)(F)⁴ of the Act 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. The Commission finds that combining the two clearing funds will have no effect on OCC's margining and risk management procedures that protect OCC against a member default. As a result, OCC will maintain its current level of protection while enhancing the efficiency of its operations. Accordingly, the rule change is consistent with OCC's obligation to safeguard securities and funds which are in OCC's custody or control.

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-OCC-99-9) be, and hereby is, approved.

⁴ 15 U.S.C. 78q-1(b)(3)(F).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 42195 (December 1, 1999), 64 FR 68712.

³ According to OCC, almost all clearing members already contribute to both the equity and non-equity elements of the clearing fund and thus are subject to the \$75,000 minimum contribution for each element. For those members, a merger of the two elements into one combined clearing fund will cause no aggregate change in the size of their clearing fund contribution. Five clearing members clear either only equity or only non-equity products and therefore contribute to only one element of the clearing fund. Three of these five members, however, will not have their contributions affected by the proposed \$150,000 minimum. Thus, the merger of the two elements into one clearing fund will not materially change the overall size of the clearing fund and will not have a minor impact on a small number of members.

¹² 17 CFR 200.30-3(a)(12).