

options while trading in such options is delayed, halted, or suspended.*

In general, such a determination would be based on extraordinary circumstances.

To the extent that exercises of American-style, cash-settled index options are not permitted due to a delayed opening, the "exercise advice" drop-off boxes will not be placed in the designated areas until trading commences. Exercises may not be effected, nor will "exercise advices" be accepted until trading commences. Exercises may not be effected, nor will "exercise advices" be accepted until trading commences.

To the extent that exercises of American-style, cash-settled index options are not permitted due to a trading halt, the "exercise advice" drop-off boxes will be immediately removed from the designated areas upon the declaration of the trading halt and will be returned to the designated areas upon the resumption of trading. [Exercises may not be effected, nor will "exercises advices" be accepted during a trading halt.] These restrictions shall remain in place until trading resumes.

[Notwithstanding both of the above, an exercise may be processed and given effect in accordance with and subject to OCC rules if it can be documented that the decision to exercise was made during allowable time frames prior to the delayed opening or trading halt. Acceptable documentation shall ordinarily be limited to an "exercise advice" previously transmitted via C/MACS, an internal exercise memorandum previously prepared and time-stamped by a member, or a member's copy of an "exercise advice" previously submitted to the Exchange.]

[Modified Trading Hours: The "exercise advice" drop-off boxes will be removed five minutes after the designated closing time in the event that trading hours are modified. Exercises may not be effected, nor will "exercise advices" be accepted after such time.]**

Closing Rotation: The "exercise advice" drop-off boxes will remain at the designated areas and "exercise advices" will be accepted until five minutes after the completion of the closing rotation.

Modified Trading Hours: If trading hours are extended or modified, the exercise deadline will be five minutes after the close of trading on that day instead of 3:20 p.m. (CT). The "exercise advice" drop-off boxes will be removed after the modified exercise deadline, and exercises may not be effected, nor will "exercise advices" be accepted, after such time.

FLEX Index Options: In the case of an American-style, cash-settled FLEX Index Option, the references in this Paragraph 11 to a trading delay, halt, suspension, resumption, closing rotation, or modified trading hours shall mean the occurrence of the applicable condition in the standardized option on the index underlying the FLEX Index Option (rather than the occurrence of the applicable condition in the FLEX Index Option itself).

12. The President or his designee may determine to extend the applicable deadline for the delivery of "exercise advice" and "advice cancel" notifications if unusual circumstances are present.

Any questions pertaining to index option exercises can be addressed to Karen Charleston at (312) 786-7724 or Pat Cerny at (312) 786-7722.

(Regulatory Circulars RG89-13, RG92-02, RG94-61, [and] RG96-95, and RG 98-90 Revised)

* With the exception of some wording changes, these provisions are currently generally set forth in Rule 4.16(b) and Rule 11.1.05 (which is now proposed to be moved to proposed Rule 11.1.03(h)) and are not newly proposed provisions, except that acceptable documentation under Section 11(i) of the Exercise Regulatory Circular is proposed to no longer include internal exercise memoranda.

** The provision regarding modified trading hours is proposed to be moved to after the provision regarding closing rotations and to be reworded without changing its substance.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41437; File No. SR-DTC-99-03]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Implementing the Pending Transfer Account

May 21, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on March 3, 1999, The Depository Trust Company ("DTC") 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 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 implement a pending transfer account to facilitate the use of collateral in financing transactions.

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

DTC subjects deliveries and pledges to DTC's risk management controls.³ A delivery or pledge of securities is pending and not completed if the securities are then serving as collateral to secure the obligations of the delivering or pledging participant to DTC. Also, a free delivery or pledge is pending if the securities are money market instruments and were received by the delivering or pledging participant on that day in a valued delivery. The risk management controls remain in effect, and the pending delivery or pledge is recycled until daily money settlement is completed at DTC, which usually occurs at approximately 5:00 p.m. (eastern time). Prior to daily money settlement, a pending delivery or pledge (other than a free delivery or pledge of money market instruments received on that day in a valued delivery) will be completed if the participant subsequently has other collateral available to support the participant's obligations to DTC.

In financing transactions, a lender or tri-party agent often performs an evaluation of the collateral to insure that the collateral meets certain criteria. A tri-party agent acting on behalf of

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

³ DTC's risk management controls are a set of procedures designed to protect DTC against the loss that may result from a participant failure.

¹ 15 U.S.C. 78s(b)(1).

several lenders must also allocate the collateral among the individual lenders. The process of evaluation and allocation of collateral is labor intensive and time-consuming. Lenders and tri-party agents have informed DTC that they often do not begin the process of evaluating and allocating collateral until late in the day because they are reluctant to begin that process before DTC's risk management controls are released. Lenders and tri-party agents have also informed DTC that they could begin that process earlier in the day and could thus gain valuable processing time, if they could be assured that a pending delivery or pledge will be completed after DTC's risk management controls are released as long as DTC does not need the securities for collateral purposes.

At the request of participants, including participants which act as lenders and tri-party agents, DTC developed the pending transfer account. Under the proposed rule change, a participant delivering or pledging securities can indicate to DTC that if the participant has sufficient securities in its account to complete the delivery or pledge but the delivery or pledge is blocked by DTC's risk management controls, the securities are to be reserved in the participant's pending transfer account. Securities reserved in the participant's pending transfer account are reported throughout the day to the receiver or pledgee designated by the participant. Those securities are not available to the participant for any other activities at DTC and can only be released from the participant's pending transfer account during the day by the designated receiver or pledgee. The delivery or pledge will be completed when DTC releases its risk management controls only if DTC does not need the securities in the participant's pending transfer account for collateral purposes. DTC anticipates that the pending transfer account will be available for use by participants in the second quarter of 1999.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder since the pending transfer account will facilitate the use of collateral in certain financing transactions processed through DTC's facilities. According to DTC, 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 since securities reserved in the pending transfer account will be subject to DTC's existing risk management controls.

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

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

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

The proposed rule change was discussed with several participants. All participants were informed of the proposed rule change by a DTC Important Notice dated December 19, 1998. Written comments from DTC participants or others have not been solicited or received on the proposed rule change.

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

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to facilitate the prompt and accurate clearance and settlement of securities transactions for which it is responsible.⁴ The Commission finds that the rule change is consistent with this obligation because reserving the position associated with financing transactions that recycle for risk management control and reporting to the lenders and tri-party agents that the position has been reserved, will provide lenders and tri-party agents with an assurance that the recycling transactions will have sufficient position to complete when DTC release its risk management controls. These additional assurances should allow lenders and tri-party agents to begin their collateral evaluation/allocation process earlier in the processing day and should result in an earlier movement of the funds associated with the financial transactions.

DTC 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 the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of the filing because use of the pending transfer service by a participant is voluntary and accelerated approval will permit DTC participants to immediately benefit from this service.

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 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 20549. Copies of such filings will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the file number SR-DTC-99-03 and should be submitted by June 22, 1999.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-99-03) be, and hereby is, approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,

Deputy Secretary.

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SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions and Delegations of Authority

This statement amends Part S of the Statement of the Organization, Functions and Delegations of Authority which covers the Social Security Administration (SSA). Chapter S1 covers the Office of the Deputy Commissioner, Finance, Assessment and Management. Notice is given that Subchapter S1N, the Office of Financial Policy and Operations, is being amended. The Division of Systems Security (S1NA6) within the Office of Financial Policy and Standards (S1NA) is being elevated to an office-level component. The changes are as follows:

Section S1N.10 The Office of Financial Policy and Operations—(Organization):

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 200.30-3(a)(12).