

particular with Section 17A of the Act⁴ 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-98-10) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41456; File No. SR-OCC-99-05]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change Regarding Joint Back Office Participants

May 26, 1999.

On March 3, 1999, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-OCC-99-05) 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 April 23, 1999.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change amends OCC's rules and by-laws to allow clearing members to maintain joint back office accounts ("JBO accounts") for the broker-dealers with whom the clearing members have joint back office arrangements ("JBO participants") in which long positions can be used to offset short positions in options.

Under the rule change, a broker-dealer registered with the Commission is considered a JBO participant if it: (1) Maintains a joint back office arrangement that satisfies the requirements of Regulation T³ with an

OCC clearing member, (2) meets the applicable requirements as specified in the applicable exchange rules, and (3) consents to having its exchange transactions cleared and its positions carried in a JBO participant account.

OCC will treat JBO participants like market makers and specialists and will treat JBO participants' accounts like market maker's accounts and specialist's accounts. For example, long positions in a JBO participant account will be treated as unsegregated long positions. The exception to this treatment relates to Chapter IV of OCC's Rules, which pertains to the submission of matched trade reports from exchanges to OCC. OCC does not anticipate that its participant exchanges will report JBO transactions as market maker or specialist transactions for purposes of reporting matched trades. Accordingly, JBO participants will be not be included within the term "market maker" or "specialist" for the purposes of the rules in Chapter IV.

In addition, the rule change amends Article I, section 1 of OCC's By-laws to add definitions for "JBO participant" and "JBO participants' account" and amends the definition of "unsegregated long position" to include long positions in JBO participants' accounts. The rule change also amends Interpretation .03 to Article V, section 1 of the By-laws, which provides that applicants for clearing membership must agree to seek approval from the membership/margin committee to clear types of transactions for which approval was not initially sought in the membership application, by adding JBO participant transactions to the list of transactions. Finally, the rule change amends Article VI, section 3 of the By-laws to add a JBO participants' account to the list of permissible accounts clearing members may maintain with OCC.

II. Discussion

Section 17A(b)(3)(F) of the Act⁴ requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible. The Commission believes that the rule change is consistent with OCC's obligations under section 17A(b)(3)(F) because while it should result in OCC collecting less margin for positions which will be carried in JBO accounts, it has been designed to not impair OCC's protection against member default.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with section 17A of the Act⁵ 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-99-05) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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TENNESSEE VALLEY AUTHORITY

Shoreline Management Initiative (SMI), Reservoirs in Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia

AGENCY: Tennessee Valley Authority (TVA).

ACTION: Issuance of record of decision.

SUMMARY: This notice is provided in accordance with the Council on Environmental Quality's regulations (40 CFR parts 1500 to 1508) and TVA's procedures implementing the National Environmental Policy Act. On April 21, 1999, the TVA Board of Directors decided to adopt the preferred alternative (Blended Alternative) identified in its Final Environmental Impact Statement (EIS), Shoreline Management Initiative: An Assessment of Residential Shoreline Development Impacts in the Tennessee Valley. The Board's decision modified the Blended Alternative by increasing the shoreline management zone (SMZ) from 25 to 50 feet. The Final EIS was made available to the public in November 1998. A Notice of Availability of the Final EIS was published in the **Federal Register** on December 11, 1998. Under the Blended Alternative, TVA seeks to balance residential shoreline development, recreation use, and resource conservation needs in a way that maintains the quality of life and other important values provided by its reservoir system. TVA has decided to adopt a strategy of "maintaining and gaining" public shoreline, continue to allow docks and other alterations along shorelines now available for residential

⁴ 15 U.S.C. 78q-1.

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78q-1.

² Securities Exchange Act Release No. 41298 (April 16, 1999), 64 FR 20043.

³ 15 U.S.C. 78s(b)(1).

⁴ Securities Exchange Act Release No. 41298 (April 16, 1999), 64 FR 20043.

⁵ Joint back office arrangements are authorized under Section 220.7 of Regulation T of the Board of Governors of the Federal Reserve System and permit non-clearing broker-dealers to be deemed self-clearing for credit extension purposes if the non-clearing broker-dealer has an ownership interest in the clearing firm.

⁶ 15 U.S.C. 78q-1(b)(3)(F).