

## APPENDIX A—Continued

[New Text Underlined; Deleted Text Bracketed]

(Chicago) .....	800.00 monthly
Quotron Equipment .....	225.00 monthly
Instinet, Reuters Equipment .....	Cost passed through
Examination Fee .....	1,000.00 monthly <sup>3</sup> or pass-through of another SRO's fees
Technology Fee <sup>4</sup> .....	600.00 semi-annually
Review/Process Subordinated Loans .....	25.00
Registered Representative Registration:	
Initial .....	25.00
Maintenance .....	25.00 annually
Transfer .....	25.00
Option Mailgram Service .....	117.00 monthly
Off-Floor Trader Initial Registration Fee .....	200.00
Off-Floor Trader Annual Fee .....	200.00
Computer Equipment Services, Repairs or Replacements <sup>5</sup> .....	100.00 per service call and 75.00 per hour (Two hour minimum)

<sup>1</sup> An exemption from foreign currency user fees is extended to PHLX members also holding title to a foreign currency options participation.

<sup>2</sup> This fee applies to seat owners (holders of equitable title to a membership in the Exchange) and is assessed on a per-membership basis. This fee is imposed pursuant to a pilot program in effect from January 5, 2000 to April 5, 2000.

<sup>3</sup> This fee is applicable to member/participant organizations for which the PHLX is the DEA. The following organizations are exempt: (1) inactive organizations (2) organizations operating from the PHLX trading floor which have demonstrated that at least 25% of their income as reflected on the most recently submitted FOCUS Report was derived from floor activities (3) organizations for any month where they incur transaction or clearing fees charged directly by the Exchange or by its registered clearing subsidiary, provided that the fees exceed the examinations fees for that month; and (4) organizations affiliated with an organization exempt from this fee due to the second or third category. Affiliation includes an organization that is a wholly owned subsidiary of or controlled by or under the common control with an exempt member or participant organization. An inactive organization is one which had no securities transaction revenue, as determined by semi-annual FOCUS reports, as long as the organization continues to have no such revenue each month.

<sup>4</sup> An exemption from the technology fee is extended to foreign currency options participants who are also affiliated with the Exchange as Phlx members.

<sup>5</sup> These fees will be effective from January 1, 2000 until March 31, 2000, unless extended consistent with the requirements of Section 19(b) of the Securities Exchange Act of 1934. At this time, these fees will not be applied to participants on the Foreign Currency Options Trading Floor.

<sup>6</sup> These fees will be effective from January 1, 2000 until March 31, 2000, unless extended consistent with the requirements of Section 19(b) of the Securities Exchange Act of 1934. At this time, these fees will not be applied to participants on the Foreign Currency Options Trading Floor.

[FR Doc. 00-817 Filed 1-12-00; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42320; File No. SR-SCCP-99-04]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Temporary Approval of a Proposed Rule Change Relating to the Extension of the Stock Clearing Corporation of Philadelphia's Restructured Business

January 6, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 22, 1999, the Stock Clearing Corporation of Philadelphia ("SCCP") 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 SCCP. 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

Under the proposed rule change, SCCP will continue to provide limited clearance and settlement service for an additional year period through December 31, 2000.

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

In its filing with the Commission, PHLX 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. PHLX has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

##### A. SCCP's Statement of the Purpose of and Statutory Basis for the Proposed Rule Change

SCCP proposes to extend for a one year period through December 31, 2000, its ability to provide limited clearance and settlement services. Specifically,

SCCP seeks to continue to provide trade confirmation and recording services for members of PHLX effecting transactions through Regional Interface Operations ("RIO") and ex-clearing accounts. SCCP will continue to provide an interface between its floor members, specialists, and the National Securities Clearing Corporation ("NSCC"). SCCP will also continue to provide margin services to: (i) PHLX equity specialists for their specialists and alternate specialists transactions and for proprietary transactions in securities for which they are not appointed as specialists of alternate specialists and (ii) PHLX members listed on the schedule, discussed below, who are not PHLX equity specialists for proprietary transactions. SCCP may add other PHLX members to the above referenced schedule subject to NSCC's approval pursuant to its agreement with NSCC and the prior proposed rule change, as discussed below. The clearing services to be conducted by SCCP continue to be through an omnibus account that SCCP maintains at NSCC for such purpose; such services do not include the maintenance or offering of Continuous Net Settlement ("CNS") accounts for its participants.

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

<sup>2</sup> The Commission has modified the text of the summaries prepared by SCCP.

## Background

In an agreement dated June 18, 1997, ("Agreement") among the Philadelphia Stock Exchange ("PHLX"), SCCP, Philadelphia Depository Trust Company ("Philadep"), NSCC, and The Depository Trust Company ("DTC"), Philadep and SCCP agreed to certain provisions, including: (i) Philadep would cease providing securities depository services; (ii) SCCP would make available to its participants access to the facilities of one or more other organizations providing depository services; (iii) SCCP would make available to SCCP participants access to the facilities of one or more other organizations providing securities clearing services; and (iv) SCCP would transfer to the books of such other organizations the CNS system open positions of SCCP participants on the books of SCCP.

On December 11, 1997, the Commission issued an order related to the Agreement which reflected Philadep's withdrawal from the depository business and reflected SCCP's restructured and limited clearance and settlement business.<sup>3</sup> The approval order stated that:

[B]ecause a part of SCCP's proposed rule change concerns the restructuring of SCCP's operations to enable SCCP to offer limited clearing and settlement services to certain PHLX members, the Commission finds that it is appropriate to grant only temporary approval to the portion of SCCP's proposed rule change that amends SCCP's By-Laws, Rules, or Procedures. This will allow the Commission and SCCP to see how well SCCP's restructured operations are functioning under actual working conditions and to determine whether any adjustments are necessary. Thus, the Commission is approving the portion of SCCP's proposal that amends its By-Laws, Rules, or Procedures through December 31, 1998.

In December 1998, the Commission granted a one year extension of such approval allowing SCCP to continue offering its restructured and limited clearance and settlement services.<sup>4</sup>

SCCP proposes an additional one year extension of the approval of its restructured and limited clearing and settlement services. SCCP believes that its restructured operations have functioned consistently with the existing order, and SCCP will continue to evaluate whether any adjustments are necessary.

<sup>3</sup> Securities Exchange Act Release No. 39444 (Dec. 11, 1997), 63 FR 66703 [File Nos. SR-DTC-97-16, SR-NSCC-97-08, SR-Philadep-97-04, SR-SCCP-97-04].

<sup>4</sup> Securities Exchange Act Release No. 34-40872, File No. SR-SCCP-98-05, Dec. 31, 1998 ("continuation of limited clearance and settlement services").

## Purpose

As stated above, SCCP will continue to offer limited clearing and settlement services to PHLX members as well as trade confirmation and recording services for PHLX members effecting transactions through RIO and ex-clearing accounts. In the original rule change approving SCCP's restructured business, many SCCP rules were amended and discussed at length. No new rule changes are proposed at this time. Thus, the purpose of the proposed rule change is to extend the effectiveness of SCCP's restructured business.

Pursuant to Rule 9, SCCP may continue to provide margin accounts for its margin members that clear and settle their transactions through SCCP's omnibus clearance and settlement account.<sup>5</sup> SCCP may continue to demand at any time that a margin member provide additional margin based upon SCCP's review of such margin member's security positions held by SCCP. SCCP will retain the margin thresholds as specified in its Procedures and may require adequate assurances of additional margin in addition to the minimum margin in order to protect SCCP in issues deemed by SCCP to warrant additional protection. SCCP may also continue to demand any such margin payments in federal funds in accordance with its Procedures.

SCCP may continue to issue margin calls to any margin member when the margin requirement exceeds the account equity.<sup>6</sup> SCCP may waive any margin call not exceeding \$500. Any failure to meet a margin call shall subject such delinquent margin member to Rule 22, Disciplinary Proceedings and Penalties. SCCP may cease to act for such delinquent margin members and may retain a lien on all such margin members' accounts and securities therein.

SCCP will continue to maintain records on each individual margin account. SCCP will continue to maintain the omnibus clearance and settlement account to reflect all positions in SCCP's margin accounts. SCCP will continue to guarantee the settlement obligations of the omnibus clearance and settlement account to NSCC. In turn, pursuant to the Agreement, PHLX will continue to guarantee SCCP's obligations to NSCC.

SCCP's book and records for the omnibus clearance and settlement

<sup>5</sup> The definition of "margin member" in Rule 1 continues to reflect those PHLX floor firms entitled to clear through a SCCP margin account.

<sup>6</sup> "Account equity" is defined in SCCP Rule 1.

account will continue to reflect all activity that occurs in such account at NSCC and DTC. At any time prior to midnight (Philadelphia time) on the next business day after SCCP receives a margin member's trade, SCCP will continue to be entitled to reverse the trade from the margin member's account. SCCP will continue to settle the omnibus clearance and settlement account with NSCC each business day in accordance with NSCC's rules and procedures. Accordingly, SCCP will continue to be subject to NSCC's rules.

Through the omnibus clearance and settlement account, SCCP will continue to have one composite settlement per day with NSCC. SCCP will maintain line of credit arrangements with one or more commercial banks sufficient to support anticipated funding needs of the underlying margin accounts.

To ensure that margin members have an efficient way to obtain securities depository services after the closure of Philadep's depository service, SCCP opened a depository account at DTC. In the event that margin members effect trades in securities not eligible for custodial services in DTC's book-entry system, SCCP will continue to utilize the Direct Clearing Service to settle these transactions. SCCP will continue to perform bookkeeping and reconciliation services for the omnibus clearance and settlement account and its related DTC custody account pursuant to SCCP Procedures.

In accordance with NSCC's participants fund formulae, SCCP, as a NSCC participant and sponsored participant of DTC, will continue to be required to provide NSCC and DTC with participants fund contribution. SCCP will continue to apply a fixed \$35,000 contribution for the specialist margin account and non-specialist margin account categories and a contribution of \$10,000 to \$75,000 for a RIO account, depending upon monthly trading activity. Participants engaging in more than one account type activity would continue to be subject only to the formula that would generate the highest contribution. Furthermore, SCCP's participants fund will continue to be governed by SCCP Rule 4.

## Statutory Basis

SCCP believes the extension of the Commission's temporary approval to permit SCCP's continued operation of its restructured and limited clearance and settlement services is consistent with the requirements of the Act and the rules and regulations thereunder applicable to SCCP and in particular with Section 17A(b)(3)(F) which requires that a clearing agency be

organized and its rules be designed, among other things, to promote the prompt and accurate clearance and settlement of securities transactions, to safeguard funds and securities in its possession and control, and to remove impediments to perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. SCCP believes that the extension of SCCP's restructured business should promote the prompt and accurate clearance and settlement of securities transactions by integrating and consolidating clearing services available to the industry; further, it should assure the safeguarding of securities and funds in the custody or control of SCCP or for which SCCP is responsible, consistent with the aforementioned provisions of the Act.

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

SCCP does not believe that this extension will impose any burden on competition 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*

Written comments were neither solicited nor received with respect to 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<sup>7</sup> requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. Based on the information the Commission has to date, the Commission believes that SCCP's restructured operations have functioned satisfactorily under actual working conditions to provide prompt and accurate clearance and settlement. During the upcoming temporary approval period, the Commission will review with SCCP in further detail SCCP's restructured operations.

SCCP 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 the publication of notice of the filing. By

approving prior to the thirtieth day after publication of notice, the Commission will be approving the continuation of SCCP's restructured clearing operation as soon as practicable after the previous temporary approval expired on December 31, 1999.

### **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 the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of SCCP. All submissions should refer to File No. SR-SCCP-99-04 and should be submitted by February 3, 2000.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR-SCCP-99-04), be, and hereby is, approved on an accelerated basis through December 31, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **DEPARTMENT OF STATE**

### **Office of Defense Trade Controls**

[Public Notice 3195]

**Munitions Exports Involving China National Aero-Technology Import and Export Corporation (CATIC), China National Aero-Technology International Supply Company, CATIC (USA), Inc., Tal Industries, Inc., Yan Liren and Hu Boru (Employees of CATIC), McDonnell Douglas Corporation, Douglas Aircraft Company, and Robert Hitt (Employee of McDonnell Douglas and Douglas Aircraft)**

**AGENCY:** Department of State.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that it shall be the policy of the Department of State to deny all export license applications and other requests for approval pursuant to section 38 of the Arms Export Control Act, that request authorization for the export, the brokering activity involving, the transfer by, for or to, or transactions that involve directly or indirectly by or to: China National Aero-Technology Import and Export Corporation (CATIC), China National Aero-Technology International Supply Company, CATIC (USA) Inc., Tal Industries, Inc., Yan Liren, Hu Boru, McDonnell Douglas Corporation, Douglas Aircraft Company, and Robert Hitt, and any of their subsidiaries, affiliates, or successor entities in connection with the transactions involving defense articles or defense services. This policy also precludes the use in connection with such entities of any exemptions from license or other approval included in the International Traffic in Arms Regulations (ITAR) (22 CFR Parts 120-130) except as those exemptions directly pertain to licenses or other written approvals granted prior to October 19, 1999.

**EFFECTIVE DATE:** October 19, 1999.

**FOR FURTHER INFORMATION CONTACT:**

Mary F. Sweeney, Acting Chief, Compliance and Enforcement Branch, Office of Defense Trade Controls, Department of State (703 875-6644, Ext. 3).

**SUPPLEMENTARY INFORMATION:** A sixteen count indictment was returned on October 19, 1999, in the U.S. District Court for the District of Columbia, charging China National Aero-Technology Import and Export Corporation, China National Aero-Technology International Supply Company, CATIC (USA) Inc., Yan Liren, Hu Boru (employees of CATIC),

<sup>7</sup> 15 U.S.C. 78q-(b)(3)(F).

<sup>8</sup> 17 CFR 200.3(a)(12).