

the Exchange to establish "sponsored accounts" pursuant to which the MCC provides sponsored participants with access to clearance, settlement and delivery via a qualified clearing agency such as the National Securities Clearing Corporation ("NSCC"). The Exchange in turn provides a guaranty to the NSCC (and through the NSCC to The Depository Trust Company ("DTC")) from time to time to guarantee the obligations of the MCC with respect to liabilities that could be generated in sponsored accounts.⁵ As stated above, the Exchange and the MCC have decided to discontinue the sponsored account program on June 30, 2000.

Because of this change, all current sponsored participants will have to become direct participants in qualified clearing agencies such as NSCC and DTC. The Exchange therefore proposes to amend Article XI, Rule 3 to incorporate the minimum net capital and excess net capital requirements currently required for direct participation in NSCC, subject to the amended phase-in periods set forth in Interpretation and Policy .01 to the amended rule. The Exchange anticipates that the proposed phase-in periods will ameliorate any financial burden that might otherwise be placed on members who are specialists or who carry accounts of specialists.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act.⁶ In particular, the Commission finds the proposal is consistent with Section 6(b)(5)⁷ of the Act. Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade and to protect investors and the public interest.

The Commission believes that the proposal is consistent with the Act and rules thereunder because the CHX is amending its rules to require net capital and excess net capital levels that are consistent with its current business plan, in light of CHX and MCC's decision to discontinue the sponsored account program. Because of this change in business plans, sponsored participants now need to become direct participants in clearing agencies such as NSCC and DTC. The proposed rule change allows for this change by making certain the CHX's net capital

requirements for specialists and members who carry the accounts of specialists are consistent with those of NSCC. Further, CHX has given these members advance notice of the change and has provided for a reasonable phase-in period to prepare these members for the change.

IV. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-CHX-99-20) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-9327 Filed 4-13-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42658; File No. SR-MSRB-00-03]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval to Proposed Rule Change Relating to Underwriting and Transaction Assessments Imposed by the Municipal Securities Rulemaking Board Pursuant to Rule A-13

April 10, 2000.

I. Introduction

On February 7, 2000, the Municipal Securities Rulemaking Board ("MSRB" or "Board"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² submitted to the Securities and Exchange Commission ("Commission") a proposed rule change revising Rule A-13, Underwriting and Transaction Assessments for Brokers, Dealers and Municipal Securities Dealers. The proposed rule change was published for comment in the **Federal Register** on March 10, 2000.³ No comments were received on the proposal. This order approves the proposal.

II. Description of the Proposal

A. Current Fee Structure

Rule A-13(c) currently provides for a fee levied by the MSRB based on the

total par value of a dealer's inter-dealer sales in municipal securities.⁴ Dealers report these transactions by submitting transaction information to the automated comparison system operated by the National Securities Clearing Corporation. The inter-dealer transaction fee assessment has been set at \$.005 per \$1,000 par value of sales since it was instituted in 1996.

The MSRB levies three other types of fees that generally apply to dealers. Rule A-12 requires each dealer to pay a \$100 initial fee when it enters the municipal securities business. Rule A-14 requires each dealer that conducts municipal securities business during the year to pay an annual fee of \$200. Rule A-13 requires each dealer to pay an assessment on underwriting activity based on the par value of the dealer's purchases from the issuer of primary offerings of municipal securities.

B. Proposed Fee Structure

The MSRB is proposing to expand the transaction-based fee to take into account the dealer's sales to customers in addition to sales to dealers. The MSRB proposes to use a rate of \$.005 per \$1,000 par value to calculate assessments for both inter-dealer and customer transactions. The MSRB would exclude from the calculation of both inter-dealer and customer transaction-based fees certain transactions in very short-term instruments (*i.e.*, securities that have a final stated maturity of nine months or less and securities that may be put to the issuer at least as frequently as every nine months).⁵ Transactions on these instruments are not excluded from the inter-dealer transaction-based fee, but would be excluded from that fee under the MSRB's proposal.

Under the proposed rule change, the MSRB would assess transaction fees on a monthly basis, based on transactions that dealers report to the MSRB's Transaction Reporting System, which supports market surveillance and price transparency functions for the municipal securities market. Dealer sales to customers (not purchases by the dealer from customers) would be used as the measure of transaction activity to avoid double counting when a dealer buys and sells a block of securities in the customer market.⁶

⁴ The total par value of sales transactions will be referred to hereafter as "transaction activity."

⁵ The excluded categories of short-term issues are referred to hereafter as "municipal commercial paper," "short-term notes," and "variable rate demand obligations."

⁶ Similarly, the current inter-dealer transaction fee is assessed to the dealer on the "sell side" of each trade.

⁵ See CHX Rules, Art. XXI, Rule 14.

⁶ In reviewing the proposal, pursuant to Section 3(f) of the Act, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f(b)(5).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

See Exchange Act Release No. 42492 (March 2, 2000), 65 FR 48 (March 10, 2000).

The proposed is intended to increase revenue to the MSRB to cover budgetary expenditures. The MSRB contends that it is facing a projected shortfall in revenue caused by declining underwriting assessments and increases in projected expenses. According to the MSRB, during the past five years, increased regulatory activities and expanded operation of the Municipal Securities Information Library ("MSIL") system have increased its expenses from \$6,716,681 in FY 1994 to \$9,849,701 in FY 1999. The MSRB reported that much of the expenses during this time resulted from development and operation of its Transaction Reporting System.⁷ In addition, according to the MSRB, its long-range plans call for increased involvement in activities to improve disclosure, which may entail substantial modification or enhancement of the Board's computer systems, thus requiring increased revenue.

III. Discussion

The Commission must approve a proposed MSRB rule change if it finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that govern the MSRB.⁸ The Commission finds that the proposal meets the above standard. In particular, the Commission finds that the proposed rule is consistent with the requirements of Section 15B(b)(2)(J) of the Act,⁹ which requires, in pertinent part, that the MSRB's rules shall "provide that each municipal securities broker and each municipal securities dealer shall pay to the Board such reasonable fees and charges as may be necessary or appropriate to defray the costs and expenses of operating and administering the Board."

The Commission believes that the proposal will help to provide sufficient

revenues to fund Board operations and to allocate fees among brokers, dealer, and municipal securities dealers in a manner that more accurately reflects each dealer's participation in the municipal securities market. The Commission believes that the MSRB's fees should be based, to the extent possible, on a comprehensive measurement of participation in the municipal market. The Commission further believes that it is appropriate for the MSRB to change the scope of the rules governing fees based on changes in dealer participation in the market. The Commission also believes that the increased revenue will help to ensure that the MSRB continues to provide increased disclosure in the municipal securities market.

IV. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the Exchange Act and the rules and regulations thereunder applicable to the MSRB and, in particular, Sections 15B(b)(2)(J).¹⁰

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act¹¹ that the proposed rule change (SR-MSRB-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.

[FR Doc. 00-9326 Filed 4-13-00; 8:45 am]

BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

[Declaration of Economic Injury Disaster #9H05]

State of Washington

King County and the contiguous counties of Chelan, Kittitas, Pierce, Snohomish, and Yakima in the State of Washington constitute an economic injury disaster area as a result of the civil disturbance in the City of Seattle during the World Trade Organization Conference from November 29 to December 4, 1999. Eligible small businesses and small agricultural cooperatives without credit available elsewhere may file applications for economic injury assistance for this disaster until the close of business on

¹⁰In approving this rule proposal, the Commission notes that it has also considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹¹15 U.S.C. 78s(b)(2).

¹²17 CFR 200.30-3(a)(12)

January 8, 2001 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, P.O. Box 13795, Sacramento, CA 95853-4795.

The interest rate for eligible small businesses and small agricultural cooperatives is 4 percent.

(Catalog of Federal Domestic Assistance Program No. 59002.)

Dated: April 7, 2000.

Aida Alvarez,

Administrator.

[FR Doc. 00-9329 Filed 4-13-00; 8:45 am]

BILLING CODE 8025-01-U

SMALL BUSINESS ADMINISTRATION

Small Business Investment Company Computation of Alternative Maximum Annual Cost of Money to Small Businesses

13 CFR 107.855 limits the maximum annual Cost of Money (as defined in 13 CFR 107.50) that may be imposed upon a Small Business in connection with Financing by means of Loans or through the purchase of Debt Securities. The cited regulation incorporates the term "Debenture Rate", which is defined in 13 CFR 107.50 as the interest rate, as published from time to time in the **Federal Register** by SBA, for ten year debentures issued by Licensees and funded through public sales of certificates bearing SBA's guarantee.

Accordingly, Licensees are hereby notified that effective the date of publication of this Notice, and until further notice, the Debenture Rate, plus the 1 percent annual fee which is added to this Rate to determine a base rate for computation of maximum Cost of Money, is 8.64 percent per annum.

13 CFR 107.855 does not supersede or preempt any applicable law imposing an interest ceiling lower than the ceiling imposed by its own terms. Attention is directed to Section 308(i) of the Small Business Investment Act of 1958, as amended, regarding that law's Federal override of State usury ceilings, and to its forfeiture and penalty provisions.

(Catalog of Federal Domestic Assistance Program No. 59.011, small business investment companies)

Dated: April 7, 2000.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 00-9328 Filed 4-13-00; 8:45 am]

BILLING CODE 8025-01-U

⁷The MRSB reported that MSIL expenditures during the past five fiscal year totaled \$16.5 million, more than half of which is for its Transaction Reporting System development and operations. The MSRB has enhanced the Transaction Reporting System to disseminate more information in the transparency reports and to increase the information provided in a surveillance database to support enforcement of Board rules. Annual subscriptions to the transparency reports are available for a fee of \$15,000, which the MSRB stated has resulted in revenue that less than offsets the marginal cost of production. In January 2000, the MSRB began making available detailed transaction reports and determined that, in order to foster the broadest possible dissemination of price information, the new reports will be made available free of charge. See Exchange Act Release No. 41916 (Sept. 27, 1999) 64 FR 53759 (Oct. 4, 1999).

⁸15 U.S.C. 78s(b). The Commission's statutory role is limited to evaluating rules as proposed against the statutory standards. See S. Rep. No. 75, 94th Cong., 1st Sess., at 13 (1975).

⁹15 U.S.C. 78o-4(b)(2)(J).