

appoint in each instance the specific hearing officer that will chair each Amex disciplinary panel. The Amex Board has approved this amendment and specifically authorized the Chief Hearing Officer (or the Deputy Hearing Officer) at the NASDR's Office of Hearing Officers, as the Amex Chairman's designee, to appoint NASDR hearing officers to chair Amex disciplinary panels. The Exchange is amending Rule 2(a) for the sole purpose of streamlining the process for selecting hearing officers. The Exchange believes the amendment will provide for more efficient administration of Amex disciplinary proceedings.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>6</sup> in general and furthers the objectives of Section 6(b)(6)<sup>7</sup> in particular in that it is intended to assure that Exchange members and member firms are appropriately disciplined for rule violations.

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

Amex believes the proposed rule change will impose no 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 were solicited or received with respect to the proposed rule change.

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

Because the foregoing proposed rule change does not:

- (i) Significantly affect the protection of investors or the public interest;
- (ii) Impose any significant burden on competition; and

(iii) Become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors,

or otherwise in furtherance of the purposes of the Act.<sup>10</sup>

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to file number SR-Amex-00-24 and should be submitted by May 26, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42729; File No. SR-GSCC-99-05]

### **Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to the Formation of the European Securities Clearing Corporation**

April 28, 2000.

On November 16, 1999, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-99-05) pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice

<sup>10</sup> In reviewing this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

of the proposal was published in the **Federal Register** on January 5, 2000.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

## I. Description

Under the rule change, GSCC seeks Commission approval to become an initial shareholder and to serve on the board of directors of the European Securities Clearing Corporation ("ESCC"). ESCC will be a new entity formed under the laws of the United Kingdom by GSCC, the Euroclear Clearance System Societe Cooperative ("Euroclear"), and the London Clearing House ("LCH"). ESCC will be owned equally by GSCC, Euroclear, and LCH.<sup>3</sup>

ESCC's main role will be to oversee the scope and nature of the netting services being offered through LCH's RepoClear.<sup>4</sup> It is intended that ESCC will be governed by its market participant users, which are expected to be major participants in the European fixed-income marketplace. GSCC's involvement in ESCC will be a governance role that should help ensure, among other things, that RepoClear will draw upon GSCC's experience and knowledge and will have United States-style features such as single-ticket data input, settlement of contracts at current market value, the facilitation of substitutions, and the admission of inter-dealer brokers.

GSCC's role in ESCC will further help to ensure that the RepoClear service will use, to the extent appropriate, GSCC's mark-to-market and margining methodologies to provide comprehensive, uniform risk

<sup>2</sup> Securities Exchange Act Release No. 42279, (December 28, 1999), 65 FR 541.

<sup>3</sup> In 1998, GSCC's board of directors requested that GSCC explore the possibility of providing in Europe the types of comparison, netting, and risk management services that GSCC provides in the United States. GSCC originally planned to provide these services through a joint venture with Euroclear and its operator Morgan Guaranty Trust Company of New York, Brussels Branch. Specifically, GSCC and Euroclear had planned to use J.P. Morgan Benelux, S.A., an existing Morgan subsidiary, as the netting vehicle that would have been renamed the European Securities Clearing Corporation. In a separate development, LCH was also asked by its members to provide these same services in Europe. In response, in April 1999 LCH began offering its RepoClear service through which LCH provides netting services for European sovereign debt repo transactions. To achieve greater efficiency, GSCC, Euroclear, and LCH have agreed that it would be more efficient to provide the services for European sovereign debt purchases and repo transactions through a single netting vehicle, RepoClear.

<sup>4</sup> In accordance with the agreement between GSCC, Euroclear, and LCH, LCH will transfer control of RepoClear to ESCC. For a description of LCH's RepoClear, see note 3.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(6).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

management processes. GSCC intends to help ensure that: (i) Processing efficiencies will be attained through the utilization of standardized SWIFT message formats for input and output; (ii) participants' margin requirements will be reduced through cross-margining both their European Government securities activity and their combined United States and European activity;<sup>5</sup> (iii) participants' balance sheets will be reduced and they will experience increased capital utilization through a maximization of the offsets available from repo and reverse repo activity; (iv) the RepoClear service will support global electronic trading systems which will allow for more efficient settlement of side-by-side cash and futures activities through coordinated mark-to-market and margining processes, standardized clearance and settlement practices, and optimized cross-margining of correlated positions.

## II. Discussion

Section 17A(b)(3)(F)<sup>6</sup> 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 and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. For the reasons set forth below, the Commission believes that GSCC's proposed rule change is consistent with GSCC's obligations under the Act.

GSCC's participation in ESCC as a shareholder and a member of the board of directors should help to ensure that ESCC is able to provide both to United States organizations operating abroad, either directly or through their European affiliates, and to non-United States organizations a clearance and settlement system that provides for the prompt and accurate clearance and settlement of buys and sells and repo transactions involving European sovereign debt instruments. GSCC's participation in ESCC should also foster cooperation and coordination between itself, Euroclear, and LCH, all of which are major providers of clearance and settlement services.

## 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

<sup>5</sup> The proposed cross-margining arrangement will be the subject of a separate rule filing by GSCC in the future. GSCC, Euroclear, and LCH intend to work toward implementing the cross-margining arrangement by early 2001.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

particular 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-GSCC-99-05) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Jonathan G. Katz,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42370; File No. SR-ISE-00-02]

### Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change by the International Securities Exchange LLC Relating to Its Fee Schedule

April 28, 2000.

#### I. Introduction

On February 25, 2000, the International Securities Exchange LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt a fee schedule.

The proposed rule change was published for comment in the **Federal Register** on March 6, 2000.<sup>3</sup> No comments were received on the proposal. This order approves the proposal.

#### II. Description of the Proposal

ISE's proposed fee schedule itemizes fees for the services it will offer to its members and others. This schedule includes membership fees, trading fees, and fees for a variety of other services, including the installation and maintenance of certain equipment. ISE stated in its proposal that it intends to use revenues from these fees to recover its costs of operating a trading market and to build a reserve for future needs. ISE further stated that it does not intend to use these fees to generate an operating profit to distribute to its members, and will adjust its fees to maintain the appropriate balance

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 42473 (February 29, 2000), 65 FR 11818.

between costs and expenses, as ISE gains experience in the operation of its market.

## III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to a national securities exchange,<sup>4</sup> and in particular, with the requirements of section 6 of the Act.<sup>5</sup> Specifically, the Commission finds that the proposal is consistent with section 6(b)(4) of the Act.<sup>6</sup>

Under section 6(b)(4),<sup>7</sup> a registered national securities exchange must promulgate rules that provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. The Commission finds that ISE's fee schedule is not unreasonable and should not discriminate unfairly among market participants.

## IV. Conclusion

*It Is Therefore Ordered*, pursuant to section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-ISE-00-02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Jonathan G. Katz,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42734; File No. SR-NASD-00-25]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Extension of Time To Pass the Series 55 Examination, Equity Trader

April 28, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 27, 2000, the National Association of

<sup>4</sup> In approving this rule, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>5</sup> 15 U.S.C. 78f.

<sup>6</sup> 15 U.S.C. 78f(b)(4).

<sup>7</sup> *Id.*

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.