

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

#### 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 in the Commission's Public Reference Section, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to File No. SR-GSCC-00-01 and should be submitted by August 1, 2000.

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

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42996; File No. SR-GSCC-00-04]

### Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Accepting Mortgage-Backed Securities for Processing in the GCF Repo Service

June 30, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on June 1, 2000, Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in

Items I, II, and III below, which items have been prepared primarily by GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would allow GSCC to accept non-Fedwire eligible mortgage-backed securities for processing in GSCC's GCF Repo Service.

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

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

##### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

GSCC introduced its GCF Repo Service in November 1998.<sup>3</sup> The GCF Repo Service allows GSCC's non-inter-dealer broker netting members ("dealers") to trade general collateral repos involving U.S. Government securities throughout the day without requiring trade for trade settlement on a delivery versus payment basis.

GSCC has been activating the generic CUSIP numbers representing the securities that are eligible for GCF Repo processing in stages. U.S. Treasury securities with a maturity of ten years or less and U.S. Treasury securities with a maturity of thirty years or less were the first products to be made eligible for GCF Repo processing. At the beginning of this year, GSCC also began accepting non-mortgage-backed agency securities for GCF Repo processing and then more recently began accepting mortgage-

backed securities ("MBS") for GCF Repo processing.<sup>4</sup>

GSCC members active in the MBS markets have expressed an interest, both directly and through The Bond Market Association, in having GSCC process all types of MBS, especially those issued by the Government National Mortgage Association (Commonly referred to as "GNMAs").<sup>5</sup> Because these members engage in transactions involving all types of MBS, not just Fedwire-eligible MBS, they desire to have the risk reducing benefits associated with GSCC processing extend to GCF Repo transactions involving non-Fedwire-eligible MBS.

When GSCC submitted its original GCF Repo rule filing to the Commission, it only contemplated Fedwire-eligible securities (treasuries, agencies, and certain MBS) as eligible products. In response to the industry demand, GSCC desires to expand the acceptable types of underlying securities processed in the GCF Repo Service to include all types of MBS, not just Fedwire-eligible MBS.

The proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder because it will enhance the GCF Repo Service by making it more responsive to the needs of GSCC's members.

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

GSCC does not believe that the proposed rule change will have an impact or impose a burden on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received. GSCC will notify the Commission of any written comments received by GSCC.

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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A)(iii)<sup>6</sup> of the Act and Rule

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

<sup>3</sup> On November 5, 1998, the Commission approved a rule change (Release No. 34-40623, File No. SR-GSCC-98-02) that allowed GSCC to implement the GCF Repo Service on an intrabank basis. On April 16, 1999, the Commission approved a rule change (Release No. 34-41303, File No. SR-GSCC-99-01) that allowed GSCC to implement an enhancement to the GCF Repo Service to enable participating dealers to engage in GCF Repo trading with participating dealers that use a different clearing bank.

<sup>4</sup> On March 20, 2000, GSCC activated the generic CUSIP number representing Federal Home Loan Mortgage Corporation and Federal National Mortgage Association fixed-rate MBS.

<sup>5</sup> The Government National Mortgage Association recently announced that it has decided to move its NBS clearance and settlement activities to the Federal Reserve System. No specific timetable has been specified for this move which will make GNMAs Fedwire-eligible.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

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

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

19b-4(f)(4)<sup>7</sup> promulgated thereunder because the proposal effects a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and it does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of such 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.

#### 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 in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to File No. SR-GSCC-00-04 and should be submitted by August 1, 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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43001; File No. SR-NASD-00-41]

### Self-Regulatory Organization; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to SelectNet Fees

June 30, 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 June 29, 2000, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary the Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq.<sup>3</sup> 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

Nasdaq proposes to: (1) Extend the reduced SelectNet fee pilot program under NASD Rule 7010(i) from April 1, 2000 until March 31, 2001, or through the date of implementation of the Nasdaq National Market Execution System ("Implementation Date," currently expected to be July 10, 2000), whichever is sooner; and (2) beginning on the Implementation Date, to (a) reduce the fees currently charged under NASD Rule 7010(i) for the execution of transactions in SelectNet; (b) reduce the

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

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

<sup>3</sup> The Commission notes that Nasdaq filed a virtually identical proposal, SR-NASD-00-29, on May 24, 2000. In SR-NASD-00-29, Nasdaq proposed to amend its SelectNet fees in the same manner that it proposes to amend these fees in this filing. SR-NASD-00-29 was filed under Section 19(b)(3)(A) of the Act and, therefore, was effective upon filing. Among other things, Nasdaq proposed in SR-NASD-00-29 that its reduced SelectNet fees, which were subject to a pilot program, continue from the date of the filing, May 24, 2000. The pilot program, however, expired on March 31, 2000. When Commission staff brought this to the attention of Nasdaq expressed its desire to have the reduced fees apply retroactively from April 1 to May 23, 2000. After consultation with the Commission staff, Nasdaq filed this proposal, SR-NASD-00-41, to replace SR-NASD-00-29. Because the proposals are virtually identical except for Nasdaq's request in SR-NASD-00-41 that the reduced fees apply retroactively, the Commission has determined not to publish SR-NASD-00-29. Nevertheless, the public can receive a copy of it from the NASD or from the Commission's public reference room.

fees currently charged under NASD Rule 4770(a) for the execution of transactions in the Small Order Execution System for Nasdaq SmallCap issues; and (c) establish that the fees charged for the execution of transactions in Nasdaq National Market issues in the Nasdaq National Market Execution System, will be identical to the fees charged for transactions in the Small Order Execution System ("SOES") for Nasdaq SmallCap issues.

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

In its filing with the Commission, Nasdaq 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. Nasdaq has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

Nasdaq proposes to again extend its current reduced SelectNet fees.<sup>4</sup> The reasons for Nasdaq's prevailing SelectNet fee structure were fully explained in its original fee structure proposal filed with the Commission in February of 1998.<sup>5</sup> Since then, SelectNet usage has continued at significantly elevated levels. As such, Nasdaq believes that an extension of these reduced fees through the Implementation Date is warranted.

Under the proposal, from April 1, 2000 until March 31, 2001, or until the Implementation Date, whichever is sooner, SelectNet fees would continue to be assessed in the following manner:

<sup>4</sup> Nasdaq represents that this rule supersedes SR-NASD-00-29, which Nasdaq submitted on May 24, 2000. According to Nasdaq, SR-NASD-00-29 proposed to extend the pilot program reducing SelectNet fees, but did not explicitly state that the pilot expired on March 31, 2000, and that the pilot should apply retroactively as of April 1, 2000. At the request of Commission staff, Nasdaq is submitting this filing to clarify these facts.

<sup>5</sup> See Securities Exchange Act Release No. 39641 (February 10, 1998), 63 FR 8241 (February 18, 1998). Nasdaq's current reduced fee structure was originally approved for a 90 day period. The last extension of this pilot occurred in April of 1999, and the pilot expired on March 31, 2000. According to the April 1999 extension, the SelectNet fees were supposed "to revert to their original \$2.50 per-side level on April 1, 2000" if Nasdaq took no action. See Securities Exchange Act Release No. 41314 (April 20, 1999); 64 FR 22664 (April 27, 1999).

<sup>7</sup> 17 CFR 240.19b-4(f)(4).

<sup>8</sup> 17 CFR 200.30-3(a)(12).