

NSCC intends to implement these changes, subject to SEC approval, on November 20, 2000.

## 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. By permitting Fund Members and Mutual Fund Processors to submit post settlement corrections and by amending the time frames within which the value of the instruments being transferred must be confirmed, the rule change should allow NSCC to provide a mechanism to help facilitate the prompt and accurate clearance and settlement of transactions between users of Fund/Serv. Furthermore, by extending the ability to submit post settlement corrections to Fund Members and Mutual Fund Processors, an ability already granted to Settling Members and TPA Members, NSCC is ensuring that the primary users of Fund/Serv are afforded similar capabilities. These actions should foster cooperation and coordination among Fund/Serv users. Accordingly, the Commission finds that the rule change is consistent with NSCC's obligations under the Act.

NSCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for so approving the proposed rule change prior to the thirtieth day after publication in the **Federal Register** because accelerated approval will permit NSCC to implement these Fund/Serv system enhancements, which are designed to accommodate new Internal Revenue Service regulations (which will be effective January 1, 2001),<sup>7</sup> in a manner consistent with industry

within two business days. Once the transfer is acknowledged, the Delivering Fund Member must also confirm the value of the shares to be transferred within the time frame specified under Section 21. Under the proposed rule change, a Delivering Fund Member must submit the confirmation no earlier than one business day and no later than ten business days after acknowledging the transfer.

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

<sup>7</sup> The new IRS regulation relates to the certification of foreign accounts, specifically the communication of W8-related registration information. Since fund companies typically do not implement December code or system changes, NSCC requested acceleration of the rule filing so as to implement and test the system changes prior to December.

practices with respect to system enhancements. Furthermore, the Commission has not received any comment letters and does not expect to receive any comment letters on the proposal.

## 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 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-NSCC-00-12) be and hereby is approved. For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43612; File No. SR-OCC-00-10]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Adjustments to Options Contracts

November 22, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on October 3, 2000, The Options Clearing Corporation ("OCC") 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 OCC.<sup>2</sup> 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 amend Article VI, Section 11(b) of OCC's By-Laws to explicitly provide that neither OCC nor OCC's securities committee will be liable for a failure to adjust outstanding options contracts when the securities committee does not

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

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

<sup>2</sup> A copy of OCC's proposed rule change is available at the Commission's Public Reference Section or through OCC.

learn or does not learn in a timely manner of an event for which it otherwise would have directed an adjustment.

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

In its filing with the Commission, OCC 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. OCCFC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>3</sup>

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

The purpose of the proposed new language to be added to paragraph (b) of Article VI, Section 11 of OCC's By-Laws is to clarify that neither OCC nor OCC's securities committee will be liable for any failure to adjust outstanding option contracts or any delay in adjusting such contracts when the securities committee does not learn in a timely manner of an event for which it would otherwise have directed an adjustment. While OCC believes that this should be the result under the By-Laws in its present form, OCC believes it is advisable to cover this situation specifically.

Normally, OCC is notified of the occurrence of a section 11(a) adjustment event<sup>4</sup> by its internal stock watch department or by the exchanges, which use their research departments to monitor the underlying securities and the issuers of the underlying securities. OCC's economic research department regularly scans Bloomberg, Reuters, and Dow Jones newswires for announcements of adjustment events. When it learns of such an event, OCC contacts the options exchanges, the primary market for the underlying, and the issuer of the underlying to obtain more information about the event and to monitor the event. Likewise, the research departments at the various

<sup>3</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>4</sup> Section 11(a) of Article VI of OCC's By-Laws states that whenever there is a dividend, stock split, reorganization, recapitalization, or similar event with respect to an underlying security or whenever there is a merger, consolidation, dissolution, or liquidation of the issuer of an underlying security, the number of option contracts, unit of trading, exercise price, and the underlying security of all outstanding options contracts open for trading in that underlying security may be adjusted.

options exchanges scan a variety of newswires and employ different news alert services to monitor for adjustment events. When the exchanges learn of an adjustment event, they alert OCC and contact the primary market for the underlying security to obtain more information about the event and to monitor the event.

Through these procedures, the likelihood that a potential adjustment event will escape notice is minimized. However, the possibility of such an occurrence can never be completely eliminated. Accordingly, OCC wishes to make clear that neither it nor its securities committee will have liability for any failure to act or delay in acting on events not known to the securities committee. The proposed rule change would also clarify that adjustment determinations are made in light of circumstances known at the time the determination is made. For example, if the securities committee does not learn of an event for which an adjustment would normally be made until after the ex-date, the fact that options trading and/or exercise activity has taken place in circumstances suggesting that there would be no adjustment could tip the balance of fairness against making an adjustment.

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder applicable to OCC because it fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, removes impediments to and perfects the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, protects investors and the public interest.

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

OCC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

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

Within thirty-five days of the date of publication of this notice in the Federal Register or within such longer period (i)

as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change or

(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 filing also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-00-10 and should be submitted by December 22, 2000.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-43614; File No. SR-Phlx-00-101]**

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Extending the Pilot Program for Exchange Rule 98, Emergency Committee Until April 30, 2001**

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 November 17, 2000, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) filed a proposed rule change with the Securities and Exchange Commission (“SEC” or “Commission”). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. 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**

The Exchange is proposing to extend the pilot program period for Rule 98, Emergency Committee until April 30, 2001. No changes to the existing rule language are being proposed.

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

In its filing with the Commission, the Exchange 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. The Exchange 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**

On December 23, 1999, the Commission approved amendments to Rule 98, Emergency Committee (the “Committee”), which updated the composition of the Committee to reflect the current governance structure of the Exchange, on a 120-day pilot basis.<sup>5</sup> The

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

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

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

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

<sup>5</sup> Securities Exchange Act Release No. 42272 (December 23, 1999), 65 FR 153 (January 3, 2000) (SR-Phlx-99-42). In the approval order, the Commission requested that the Exchange examine the operation of the Committee to ensure that the Committee is not dominated by any one Exchange interest (e.g., On-Floor or Off-Floor interests). The