

to reduce the pre-opening price change parameter for certain securities from  $\frac{1}{8}$  point (\$0.125) to \$0.10, as well as change pricing references to decimal pricing. Finally, the proposal expands the pre-opening price change parameters for certain stocks, which are reported on Network B of the Consolidated Tape Association, similar to those stocks reported on Network A.

The Commission finds that the proposed amendment is consistent with the Act in general, and in particular, with section 11A(a)(1)(C)(ii),<sup>5</sup> which provides for fair competition among the Participants and their members, and section 11A(a)(1)(D),<sup>6</sup> which provides for linking of markets for qualified securities through communications and data processing facilities that foster efficiency, enhance competition, increase the information available to brokers, dealers, and investors, facilitate the offsetting of investors' orders, and contribute to the best execution of such orders. The Commission also finds that the amendment is consistent with Rule 11Aa3-2(c)(2),<sup>7</sup> which requires the Commission to determine that the amendment is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanisms of, a national market system or otherwise in furtherance of the purposes of the Act.

On June 8, 2000, the Commission ordered the self-regulatory organizations ("SROs") to submit a plan that would begin phasing in decimal pricing in equity securities and options on or before September 5, 2000, and complete this phase-in no later than April 9, 2001.<sup>8</sup> On July 24, 2000, the SROs submitted a phase-in plan to the Commission. On August 7, 2000, the SROs filed proposed rule changes necessary to implement decimal pricing. The Commission believes that the proposed amendment to the ITS Plan is another required adjustment in the process of the market-wide conversion to decimal pricing that may improve the efficiency and reliability of ITS. Lastly, the proposed amendment is necessary to accommodate decimal pricing, the new method of pricing for equity securities among the Participants, and therefore is consistent with ITS's purpose: to facilitate intermarket trading in listed equity securities.

For the foregoing reasons, the Commission finds that the proposed amendment is consistent with Act and the rules and regulations thereunder applicable to the ITS and, in particular, sections 11A(a)(1)(C)(ii) and (D) of the Act<sup>9</sup> and Rule 11Aa3-2(c)(2) thereunder.<sup>10</sup>

*It is Therefore Ordered*, pursuant to section 11A(a)(3)(B) of the Act,<sup>11</sup> that the proposed amendment be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-30668 Filed 11-30-00; 8:45 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the closed meeting scheduled for Thursday, November 30, 2000 at 11:00 a.m. time has been changed to Thursday, November 30, 2000 at 10:30 a.m.

Commissioner Carey, as duty officer, determined that no earlier notice thereof was possible.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: November 28, 2000.

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. 00-30763 Filed 11-29-00; 11:17 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43592; International Series Release No. 1235; File No. 601-01]

### Self-Regulatory Organizations; Morgan Guaranty Trust Company, Brussels Office, as Operator of the Euroclear System and Euroclear Bank, S.A.; Notice of Filing of Application To Modify an Existing Exemption From Clearing Agency Registration

November 17, 2000.

#### I. Introduction

On September 21, 2000, Morgan Guaranty Trust Company of New York, Brussels office ("MGT-Brussels"), as operator of the Euroclear System,<sup>1</sup> and Euroclear Bank, S.A., ("Euroclear Bank") filed pursuant to Section 17A of the Securities Exchange Act of 1934 ("Exchange Act")<sup>2</sup> and Rule 17Ab2-1 thereunder<sup>3</sup> with the Securities and Exchange Commission ("Commission") an application on Form CA-1<sup>4</sup> to modify MGT-Brussels' existing exemption from clearing agency registration ("Modification Application"). MGT-Brussels' current exemption allows it to perform, with certain limits, the functions of a clearing agency with respect to U.S. government and agency securities for its U.S. participants without registering as a clearing agency. The purpose of the Modification Application is to have Euroclear Bank substituted for MGT-Brussels as operator of the Euroclear System with respect to the Commission's exemption. The Commission is publishing this notice to solicit comment from interested persons.

#### II. Background

##### A. 1998 Exemption Order

On February 11, 1998, the Commission granted MGT-Brussels an exemption from registration as a clearing agency, subject to certain conditions, to the extent MGT-Brussels performs the functions of a clearing agency with respect to transactions involving U.S. government and agency securities for its U.S. participants ("1998 Exemption Order").<sup>5</sup> Specifically, the 1998 Exemption Order

<sup>1</sup> MGT-Brussels presently operates the Euroclear System pursuant to an operating agreement with Euroclear Bank.

<sup>2</sup> 15 U.S.C. 78q-1.

<sup>3</sup> 17 CFR 240.17Ab2-1.

<sup>4</sup> Copies of the application for exemption are available for inspection and copying at the Commission's Public Reference Room.

<sup>5</sup> Securities Exchange Act Release No. 39643 (February 11, 1998), 63 FR 8232.

<sup>5</sup> 15 U.S.C. 78k-1(a)(1)(C)(ii).

<sup>6</sup> 15 U.S.C. 78k-1(a)(1)(D).

<sup>7</sup> 17 CFR 240.11Aa3-2(c)(2).

<sup>8</sup> See Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38010 (June 19, 2000).

<sup>9</sup> 15 U.S.C. 78k-1(a)(1)(C)(ii) and (D).

<sup>10</sup> 17 CFR 240.11Aa3-2(c)(2).

<sup>11</sup> 15 U.S.C. 78k-1(a)(3)(B).

<sup>12</sup> 17 CFR 200.30-3(a)(29).

permitted MGT-Brussels to provide clearance, settlement, and collateral management services for its U.S. participants' transactions in "eligible U.S. government securities" which was defined as: (1) Fedwire-eligible U.S. government securities,<sup>6</sup> (2) mortgage-backed pass through securities that are guaranteed by the Government National Mortgage Association ("GNMAs"), and (3) any collateralized mortgage obligation whose securities are Fedwire-eligible U.S. government securities or GNMA guaranteed mortgage-backed pass through securities and which are depository eligible securities.

The 1998 Exemption Order imposed two conditions on MGT-Brussels' ability to provide clearance and settlement services.<sup>7</sup> First, the average daily volume of eligible U.S. government securities that can be settled through MGT-Brussels for U.S. participants is limited to five percent of the total average daily dollar volume of the aggregate volume in eligible U.S. government securities.<sup>8</sup> Second, the 1998 Exemption Order allows the Commission access to a variety of information related to MGT-Brussels' role as operator of the Euroclear System.<sup>9</sup>

#### *B. Changeover From MGT-Brussels to Euroclear Bank*

On January 1, 2000, owners and operators decided that MGT-Brussels should be replaced by Euroclear Bank as operator of the Euroclear System. In May 2000, Euroclear Bank was created. On July 27, 2000 the Belgian Banking and Finance Commission ("CBF") granted Euroclear Bank a Belgian banking license. MGT-Brussels will continue to operate the Euroclear System until the changeover, which is

scheduled to occur on December 31, 2000. At the changeover, the business and related assets and liabilities of the Euroclear System will vest in and virtually all of the MGT-Brussels staff will be transferred to Euroclear Bank.

As a result of the changeover, Euroclear Clearance System Public Limited Company ("Euroclear PLC"), a limited liability company organized under the laws of the United Kingdom, will own 59.5% of Euroclear Bank. Calar Investments, a wholly-owned subsidiary of Euroclear PLC, will own 35.5% of Euroclear Bank. The remaining five percent of Euroclear Bank will be owned by the former members of Euroclear Clearance System Societe Cooperative, the predecessor of Euroclear Bank.

#### **III. Proposed Modification of the 1998 Exemption Order**

Euroclear Bank has requested modification of the 1998 Exemption Order by replacing MGT-Brussels with Euroclear Bank as operator of the Euroclear System. The 1998 Exemption Order provides that "the Commission may modify by order the terms, scope, or conditions of MGT-Brussels' exemption from registration as a clearing agency if the Commission determines that such modification is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act"<sup>10</sup>

Euroclear Bank will operate the Euroclear System in the manner that MGT-Brussels currently operates the Euroclear System. Euroclear Bank will use the same personnel, operating systems, procedures, and risk management as MGT-Brussels currently uses. Euroclear Bank represents that it will substantially satisfy, just as MGT-Brussels currently does, each of the conditions for registration set forth in Section 17A(b)(3) of the Exchange Act, that relate to "safe and sound clearance and settlement" in the U.S., which the Commission has identified in the 1998 Exemption Order as the fundamental goal of Section 17A. Accordingly, Euroclear Bank requests the identical exemption granted to MGT-Brussels. Therefore, the Modification Application does not seek to have any changes made to the "Scope of the Exemption," as described in Section IV.C. of 1998 Exemption Order with respect to the conditions and limitations of the 1998 Exemption Order.

As described in the 1998 Exemption Order, MGT-Brussels is a division of the foreign branch of a U.S. bank and

accordingly is subject to the comprehensive supervision and regulation of the Federal Reserve Bank of New York.<sup>11</sup> The Federal Reserve Bank of New York conducts annual on-site examinations in Brussels and otherwise regulates MGT-Brussels' operations, including its operation of the Euroclear System. Because there will be no similar U.S. regulation of Euroclear Bank, the Commission will require the execution of a satisfactory Memorandum of Understanding ("MOU") with the CBF<sup>12</sup> to facilitate the provision of information by Euroclear Bank to the Commission and to continue to facilitate the Commission's monitoring of the impact of Euroclear Bank's operation under this exemption.<sup>13</sup>

Section 17A(b)(1) of the Exchange Act authorizes the Commission to exempt applicants from some or all of the requirements of Section 17A if it finds such exemptions are consistent with the public interest, the protection of investors, and the purposes of Section 17A, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.<sup>14</sup> Therefore, the Commission invites commenters to address whether modifying the 1998 Exemption Order as requested by Euroclear Bank and as described above, subject to the continuation of the conditions and limitations set forth in that order, would further the goals of Section 17A.

#### **IV. Solicitation of Comment**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application by December 22, 2000, including whether the exemption is consistent with the Exchange Act. Such written data, views, and arguments will be considered by the Commission in deciding whether to grant the Modification Application. Persons desiring to make written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Reference should be made to File No. [601-01]. Copies of the application and all written comments will be available for inspection and copying at the Commission's Public Reference Room,

<sup>6</sup> As described in footnote 64 of the 1998 Exemption Order, U.S. government securities means "U.S. government securities" as defined in Section 3(a)(42) of the Exchange Act, 15 U.S.C. 78c(a)(42), except that it shall not include any (i) foreign-targeted U.S. government or agency securities or (ii) securities issued or guaranteed by the International Bank for Reconstruction and Development (*i.e.*, the "World Bank") or any other similar international organization.

<sup>7</sup> The conditions in the 1998 Exemption Order reflected the Commission's determination to take a gradual approach toward permitting an international, unregistered clearing organization to perform clearing agency functions for transactions involving U.S. government and agency securities for U.S. participants. 1998 Exemption Order at 63 FR 8239.

<sup>8</sup> The scope of the 1998 Exemption Order is limited to U.S. eligible government securities and does not apply to other U.S. debt or equity securities. For a more complete description of the volume limit, refer to Section IV.C.2. of the 1998 Exemption Order at 63 FR 8239.

<sup>9</sup> For a more complete description of the Commission's access to information refer to Section IV.C.3. of the 1998 Exemption Order at 63 FR 8240.

<sup>10</sup> 1998 Exemption Order at 63 FR 8240.

<sup>11</sup> 1998 Exemption Order at 63 FR 8237.

<sup>12</sup> Euroclear Bank is subject to regulation by the CBF.

<sup>13</sup> Euroclear Bank also continues to agree to provide information to the Commission as described in the 1998 Exemption Order.

<sup>14</sup> 15 U.S.C. 78q-1(b)(1).

450 Fifth Street, NW., Washington, DC 20549.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

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

[FR Doc. 00-30666 Filed 11-30-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43611; File No. SR-CBOE-99-14]

### Self Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1 and 2 to the Proposed Rule Change Relating to Listing Criteria for Index Warrants

November 22, 2000.

#### I. Introduction

On April 6, 1999, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("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 amend its Rule 31.5.E to add an alternative set of distribution criteria for stock index warrants. Notice of the proposed rule change was published in the *Federal Register* on May 13, 1999.<sup>3</sup> On August 2, 1999, and September 20, 2000, the CBOE filed Amendment Nos. 1 and 2 to the proposal, respectively.<sup>4</sup> The Commission received no comments on the proposal. This order approves the proposed rule change, accelerates approval of Amendments Nos. 1 and 2, and solicits comments from interested persons on the amendments.

<sup>15</sup> 17 CFR 200.30-3(a)(16).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 41376 (May 6, 1999), 64 FR 25937.

<sup>4</sup> Amendment No. 1 elaborates upon the rationale for the proposal and how liquidity may be insured when the current, 400-holder requirement is deleted. See Letter from Stephanie C. Mullins, Attorney, the CBOE, to Mandy Cohen, Special Counsel, Division of Market Regulation ("Division"), the Commission, dated July 29, 1999. Amendment No. 2 clarifies the intent of the CBOE to apply the proposed rule change to apply to narrow-based index warrants, in addition to broad-based index warrants. See Letter from Angelo Evangelou, Attorney, the CBOE, to Ira Brandriss, Attorney, Division of Market Regulation, the Commission, dated September 19, 2000. See also Section III below.

#### II. Description of the Proposal

Currently, before a stock index warrant may be listed for trading on the CBOE, certain public distribution requirements must be met. These criteria are enumerated in CBOE Rule 31.5.E(2):

1. The issue must include at least one million warrants outstanding.
2. The principal amount/aggregate market value must be at least \$4,000,000.
3. There must be at least 400 public holders.

In addition, according to the CBOE, industry practice has been to discourage the listing of instruments of this kind that are priced below \$4 per unit. The CBOE states that it finds this practice appropriate, although Rule 31.5E does not specifically impose this restriction.

The proposed rule change would establish an alternative set of distribution criteria, eliminating the minimum public holder requirement. To list a stock index warrant under this alternative, the following requirements would need to be satisfied:

1. The issue would need to include at least two million warrants outstanding—double the current requirement.
2. The principal amount/aggregate market value would need to be at least \$12,000,000—triple the current requirement.
3. The minimum initial price would need to be set at \$6 per warrant—one and one-half times the minimum initial price as would be required under current informal guidelines.
4. A minimum number of public holders would be required as determined on a case by case basis.

The CBOE states that it is seeking to eliminate the 400-holder requirement so that it can be more competitive with the overseas and over-the-counter (OTC) derivatives markets in the listing of index warrants.

As explained by the Exchange, offerings of stock index warrants—unlike offerings of common stock and common stock warrants—are limited to options-approved accounts and are primarily directed to institutional and high net worth clients. Finding 400 initial holders thus may entail an extensive and time-consuming marketing effort. As a result, member firms have told the Exchange that they often find it considerably more cost effective to offer stock index warrants either offshore or in the OTC derivatives market.

The proposed rule change would create an alternative set of public distribution criteria under which no

minimum number of public holders would be defined, but would be determined by the Exchange on a case-by-case basis. At the same time, this alternative set of criteria would require the issue to be significantly larger in terms of number of warrants outstanding and their aggregate market value, besides imposing a minimum initial price for each warrant that reflects a substantial increase from the minimum initial price currently required for listing on the CBOE.

#### III. Discussion

After careful review, the Commission finds the proposed rule change to be consistent with the provisions of the Act applicable to a national securities exchange, particularly those of section 6(b)(5)<sup>5</sup> of the Act, and with the rules and regulations thereunder.<sup>6</sup> The Commission believes that the proposal is reasonably designed to enable the CBOE to better compete with the overseas and OTC derivatives markets for the trading of stock index warrants, while raising no significant investor protection issues.

In lieu of the requirement that there be 400 public holders, the Exchange proposes to double to two million the minimum number of warrants that must be outstanding for the CBOE to list and trade a stock index warrant. In addition, the Exchange proposes to triple to \$12 million the principal amount/aggregate market value of the warrants and increase to \$6 the minimum initial price for listing the warrant. In addition, the Exchange on a case by case basis will specify a minimum number of public holders of the warrant.

These additional protections should serve to assure that there are adequate thresholds for the Exchange to list and trade a particular stock index warrant that does not otherwise satisfy the requirement of 400 public holders. Thus, the Commission believes the ability of market makers to maintain markets in such instruments should not be impaired.<sup>7</sup>

<sup>5</sup> 15 U.S.C. 78f(b)(5). Section 6(b)(5) requires that the rules of a national securities exchange be designed, among other things, to promote just and equitable principles of trade and protect investors and the public interest.

<sup>6</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>7</sup> The Commission notes that for new narrow-based stock index warrants that it lists for trading, the CBOE may be able to file a Form 19b-4(e) pursuant to the provisions of Rule 19b-4(e) under the Act, 17 CFR 240.19b-4(e), in fulfillment of its rule change filing requirements. See CBOE Rule 24.2(b), which has been made applicable to narrow-based index warrants by CBOE Rule 31.5E, Interpretation .01.