

Section 17A(b)(3)(F).⁴ Section 17A(b)(3)(A)(F) requires that the rules of a clearing agency be designed, among other things, to protect investors and the public interest. DTC's policy of requiring low volume tender offers to be processed through ATOP and of not making securities available to an offeror until payment for the shares tendered is received should help to ensure that those tendering shares will be paid for their tendered shares. This should help DTC and its participants to protect investors and is in the public interest.

DTC has requested that the Commission approve the proposed rule change prior to the thirtieth day after publication of the notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the publication of notice because such approval will allow DTC to immediately apply the safeguards discussed above to the processing of low volume tender offers.

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 Room, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the File No. SR-DTC-00-13 and should be submitted by December 26, 2000.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁵ that the proposed rule change (File No. SR-DTC-00-13) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43626; File No. SR-GSCC-00-05]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Enhancements to the Government Collateral Finance Repo Service and Clarifying Certain Risk Management Practices of the Service

November 27, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 5, 2000, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") and on July 13, 2000, amended 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 will allow GCF Repo securities lenders to satisfy their collateral allocation requirements with "comparable securities," benchmark U.S. Treasury securities, or cash. Similarly, the proposed rule change will allow GCF Repo securities borrowers, under certain conditions, to return "comparable securities," benchmark U.S. Treasury securities, or cash. The proposed rule change also would allow GSCC to alter its risk management procedures associated with the GCF Repo service to conform to the mortgage-backed securities ("MBS") market practice.

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.²

(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 1998.³ The GCF Repo Service allows GSCC's non-interdealer 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 more recently began accepting mortgage-backed securities ("MBS") for GCF Repo processing.⁴

Having gained the experience of operating the GCF Repo Service for more than one year, GSCC is now seeking to enhance the service in certain ways in order to make it more responsive to its members' needs and to clarify certain risk management practices, each in a manner consistent with market practice.

(i) Authority To Deliver Comparable or U.S. Treasury Securities

The first change proposed by GSCC applies to the collateral allocation

² The Commission has modified the text of the summaries prepared by GSCC.

³ In 1998, the Commission approved a rule change that allowed GSCC to implement the GCF Repo Service on an intrabank basis. Securities Exchange Act Release No. 40623 (October 30, 1998), 63 FR 59831, (November 5, 1998) [File No. SR-GSCC-98-02]. In 1999, the Commission approved a rule change that allowed GSCC to implement the second, interbank phase of the GCF Repo Service. That enhancement has enabled participating dealers to engage in GCF Repo trading with participating dealers that use a different clearing bank. Securities Exchange Act Release No. 41303 (April 16, 1999), 64 FR 20346 (April 26, 1999) [File No. SR-GSCC-99-01].

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

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 15 U.S.C. 78s(b)(2).

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

obligations of securities lenders⁵ in GCF Repo transactions. Under the proposed rule change, securities lenders will be permitted to satisfy their collateral allocation requirements in connection with their GCF Repo activity with (1) "comparable securities" (*i.e.*, those that fall within the same generic CUSIP number), (2) benchmark U.S. Treasury securities (*i.e.*, bills, notes, or bonds), or (3) cash. Market participants consider comparable securities to be acceptable substitutes because securities that fall within the same generic CUSIP number tend to have the same level of liquidity. U.S. Treasury securities are also acceptable substitute securities because of their high level of liquidity.

The second change proposed by GSCC applies where the securities borrower, due to reasons beyond its control and despite exercising best efforts, is not able to obtain in a timely manner the securities that were delivered on the day before by the securities lender. Under the proposed rule change, the securities borrower will have the right to return (1) "comparable securities," (2) benchmark U.S. Treasury securities, or (3) cash. The securities borrower will be responsible for making the securities lender whole (through GSCC) for any actual damages directly suffered by the securities lender as a result of not receiving back the same securities that were originally lent.

(ii) Insolvency Situation Involving Mortgage-Backed Securities

The third change proposed by GSCC relates to clarification of its risk management procedures associated with the GCF Repo Service to reflect the nature of MBS and MBS market practice. In the event of a securities borrower's insolvency, it may be impractical or even impossible for GSCC to obtain the identical types of MBS that were originally lent. Moreover, MBS market practice is such that in such a situation, securities lenders in repurchases transactions involving MBS would not expect to receive the same securities back.

The proposed rule change will amend Rule 22, Section 4 of GSCC's rules by giving GSCC the authority in an insolvency situation, where MBS were the underlying collateral, to deliver back to a securities lender "comparable securities" or benchmark U.S. Treasury

securities.⁶ Alternatively, the proposed rule change will permit GSCC to give a securities lender the right to close out the transaction by buying "comparable securities" or U.S. Treasury securities in return for a cash payment by GSCC equal to the value of the securities it bought. However, if GSCC determines that the price paid by the securities lender is unreasonably high, GSCC will be entitled to pay the securities lender a reasonable price as determined by an independent third party pricing source for the "comparable securities" or U.S. Treasury securities.

GSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to GSCC and in particular with Section 17A(b)(3)(F) of the Act because it will enhance the GCF Repo Service by making it more responsive to the needs of GSCC's members and by clarifying certain of GSCC's risk management practices, each in a manner consistent with market practice.

(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

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 of 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 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-00-05 and should be submitted by December 26, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43603; File No. SR-NYSE-00-36]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to the Proposed Rule Change by the New York Stock Exchange, Inc. Extending the Pilot Fee Structure Governing the Reimbursement of Member Organizations for Costs Incurred in the Transmission of Proxy and Other Shareholder Communication Materials and Amending the Components of Coordination Activities

November 21, 2000.

I. Introduction

On August 11, 2000, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or

⁵ As provided in GSCC's Rule 46, the use of borrowing and lending terminology in this proposed rule change filing and in GSCC's rules and agreements shall not be deemed to affect the intent of members as to their characterization of their transactions in agreements entered into by the members with each other or with third parties with respect to such transactions.

⁶ Rule 3 of MBS Clearing Corporation ("MBSCC") reflects MBS market practice of delivering comparable securities in an insolvency situation.

⁷ 17 CFR 200.30-3(a)(12).