appropriate policies and procedures in place for the supervision and control of all sales and operational activities of each branch office and of all registered employees and the customer accounts they service.

Proposed Amendments to Interpretations /01,/02, and a New Interpretation /04 to NYSE Rule 342.15. Generally, each location where member organization employees are engaged in activities on behalf on a member organization must be registered as a branch office (excluding locations on the Exchange Floor where member organizations conduct Floor Business).

A ''small'' office is a branch with three or less registered representatives, one of whom is designated as ''RR-in-charge'' (this designation is required only if there is more than one registered representative in the small office). A small office may engage in sales activities but may not conduct operational functions, such as cashiering (receipt and disbursement of funds and securities).

Interpretation /02 to NYSE Rule 342.15 currently requires small offices to be under the close supervision and control of the member organization's main office or to be supervised by a manager of another office within short travel distance. Such manager may be responsible for only two small offices.

The proposed amendments to the Interpretation will require that small offices be controlled and supervised by *either* the main office *or* another designated branch office having a qualified (*i.e.,* Series 9 and 10 exam-qualified) Branch Office Manager on the premises. Further, such supervisory arrangements must be made part of the member organization's written plan of supervision. Adoption of the interpretation will eliminate the current provision under Interpretation /01 to NYSE rule 342.15 that a manager may be responsible for only two small offices that are in close geographical proximity. Given modern electronic surveillance and monitoring techniques, this limitation regarding number of offices and geographical location is no longer necessary. New Interpretation /04 to NYSE Rule 342.15 provides that RRs operating from small, one-person branch offices must be subject to the same special supervision prescribed in Interpretation /03 to NYSE Rule 342.11 for residence offices.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b)(5)[3] that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, in that it will enhance the process for member organization supervision and control of small and residence branch offices, while also permitting registered representatives to engage in activities upon completion of a prescribed training period.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement in Comments on the Proposed Rule Change Received From Members, Participants or Other

The Exchange has neither solicited nor received any written comments with respect to the proposed rule change.

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

Within 35 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 90 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 the 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–NYSE–00–58 and should be submitted by February 12, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[4]

Jonathan G. Katz,

Secretary.

[FR Doc. 01–1750 Filed 1–19–01; 8:45 am]

BILLING CODE 8010–01–M

[3] 15 U.S.C. 78f(b)(5).

[4] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43838; File No. SR–NYSE–00–55]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 by the New York Stock Exchange, Inc. To Permit Firm Delivery of the Regulatory Element of the Continuing Education Program

January 12, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on December 7, 2000, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On December 21, 2000, the NYSE amended the proposal.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons, and to grant accelerated approval to the proposed rule change, as amended.

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

The proposal consists of interpretations with respect to the

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* December 20, 2000 letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Nancy Sanow, Assistant Director, Division of Market Regulation (''Division''), SEC (''Amendment No. 1''). In Amendment No. 1, the NYSE requested accelerated approval of the proposed rule change, and made minor, non-substantive corrections to Exhibit A to the proposed rule change.

meaning and administration of NYSE Rule 345A (''Continuing Education for Registered Persons''), to permit firm delivery of the Regulatory Element of the Continuing Education Program. Currently, this computer-based training is administered to registered persons by an outside vendor at its locations. The text of the proposed rule change is below. Proposed new language is in italics. Proposed deletions are in brackets.

Rule 345A Continuing Education for Registered Persons

(a) Regulatory Element

/01 Registration Date

Registered persons are required to participate in the Regulatory Element [on three occasions] *on the occurrence of their second registration anniversary date and every three years thereafter,* based on their initial registration anniversary date. Initial registration means the first date that the person became registered with the NYSE, NASD or another self-regulatory organization, regardless of subsequent registrations, provided that the person has remained continuously registered since that initial date.

A person's initial registration date is the date that the registration was originally approved rather than the date the person passed a qualification examination. This includes registered persons who have received waivers from specific examination requirements.

/02 Application

The requirements of the Regulatory Element apply to all persons registered or required to be registered under Exchange rules, even if such persons are not required to be qualified by taking and passing an examination e.g., certain allied members and securities lending representatives.

/03 Firm Delivery of Regulatory Element

Members and member organizations will be permitted to administer the Regulatory Element continuing education program to their registered persons by instituting a firm program acceptable to the Exchange.

The following procedures are required:

A. Senior Officer or Partner In-Charge

• *The firm has designated a senior officer or partner to be responsible for the firm's delivery of the Regulatory Element continuing education program.*

B. Site Requirements.

• *The location of all delivery sites will be under the control of the firm.*

• *Delivery of Regulatory Element continuing education will take place in an environment conducive to training. (Examples: a training facility, conference room or other area dedicated to this purpose would be appropriate. Inappropriate locations would include a personal office or any location that is not or cannot be secured from traffic and interruptions).*

• *Where multiple delivery terminals are placed in a room, adequate separation between terminals will be maintained.*

C. Technology Requirements

• *The communication links and firm delivery computer hardware must comply with standards defined by the Exchange or its designated vendor.*

D. Supervision

• *The firm's Written Supervisory Procedures must contain the procedures implemented to comply with the requirements of its delivery of Regulatory Element continuing education.*

• *The firm's Written Supervisory Procedures must identify the senior officer or partner designated pursuant to 03/A and contain a list of individuals authorized by the firm to serve as proctors.*

• *Firm locations for delivery of Regulatory Element continuing education will be specifically listed in the firm's Written Supervisory Procedures.*

E. Proctors

• *All sessions will be proctored by an authorized person during the entire Regulatory Element continuing education session. Proctors must be present in the session room or must be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor.*

• *The individual responsible for proctoring at each administration will sign a certification that required procedures have been followed, that no material from Regulatory Element continuing education has been reproduced, and that no candidate received any assistance to complete the session. Such certification may be a part of the sign-in log required under F. Administration.*

• *Individuals serving as proctors must be persons registered with an SRO and supervised by the designated senior officer/partner for purposes of firm delivery of the Regulatory Element continuing education.*

• *Proctors will check and verify the identification of all individuals taking Regulatory Element continuing education.*

F. Administration

• *All appointments will be scheduled in advance using the procedures and software specified by the Exchange, its agent or designated vendor to communicate with the PROCTOR system and CRD.*

• *The firm/proctor will conduct each session in accordance with the administrative and appointment scheduling procedures required by the Exchange or its designated vendor.*

• *A sign-in log will be maintained at the delivery facility. Logs will contain the date of each session, the name and social security number of the individual taking the session, that required identification was checked, the sign-in time, the sign-out time and the name of the individual proctoring the session. Such logs are required to be retained pursuant to SEA Rule 17a–4.*

• *No material will be permitted to be utilized for the session nor may any session-related material be removed.*

• *Delivery sites will be made available for inspection by the SROs.*

Before commencing firm delivery of Regulatory Element continuing education, members and member organizations are required to file with their Designated Examining Authority (''DEA''), a letter of attestation (as specified below) signed by a senior officer or partner attesting to the establishment of required procedures addressing senior officer/partner in-charge, supervision, site, technology, proctors and administrative requirements.

The letter of attestation shall read substantially as follows:

(Name of member or member organization) has established procedures for delivering Regulatory Element continuing education on its premises. I have determined that these procedures are reasonably designed to comply with SRO requirements pertaining to firm delivery of Regulatory Element continuing education including that such procedures have been implemented to comply with senior officer/partner in-charge, supervision, site, technology, proctors and administrative requirements.

_____

Signature

_____

Printed Name

_____

Title (Must be signed by a Senior Officer/Partner of the firm.)

_____

Date

G. Annual Representation

Each member and member organization will be required to represent to the Exchange, annually, that they have continued to maintain, and reasonably believe that they have complied with, all required procedures outlined in sections A through F of this interpretation for the previous year. Such attestation must be signed by a senior officer or partner.

H. Definition of Senior Officer or Partner

For purposes of interpretation /03, a ''senior officer or partner'' means the chief executive officer or managing partner or either (A) any other officer or partner who is a member of the member organization's executive or management committee or its equivalent committee or group or (B) if the member organization has no such committee or group, any officer or partner having senior executive or management responsibility who reports directly to the chief executive officer or managing partner. If, in the case of a member organization, its chief executive officer or managing partner does not sign the attestation, a copy of the attestation shall be provided to the chief executive officer or managing partner.

[/03] */04 Registration Lapses*

A person whose registration lapsed for less than two years and who seeks to be reregistered will be required to participate in the Regulatory Element to cover [the] any occasion[s] that [were] was missed during the period in which the person was unregistered, based on such person's initial registration date. [For example, a person whose registration lapses four and a half years after initial registration and thereafter wants to reactivate the registration six years after the initial registration date, must satisfy the fifth-year anniversary Regulatory Element before they may function under the new registration.]

If any such person has been unregistered for more than two years, then such person would be a new registrant and required to satisfy appropriate qualifying examination requirements and satisfy the requirements of the Regulatory Element *based on the new initial registration anniversary* [beginning a new 10-year cycle (*e.g.,* 2, 5 and 10 year anniversaries of reregistration)].

[/04] *05 CRD Notification*

Members and member organizations will be notified by the Central Registration Depository (''CRD'') concerning those registered persons in the CRD system whose registration anniversary dates trigger participation in the Regulatory Element computer-based training.

Even though notification will be provided by CRD as a courtesy, the final responsibility to ensure timely participation in and completion of the Regulatory Element as required is that of members and member organizations, and registered personnel themselves.

Members and member organizations and personnel who receive such notices from the CRD but would otherwise be exempt from the requirements of the Regulatory Element because their business is limited solely to the transaction of business on the Floor with members or registered broker-dealers must contact the Exchange's Qualifications and Registrations Department to confirm that they are (by definition) exempt from the Regulatory Element. *However, any such persons who do not conduct public business on the Floor, but maintain a registration (e.g. Series #7 or 7A) that would enable them to conduct a public business, must satisfy the Regulatory Element requirements in order for their registration to remain active.*

[Members and member organizations whose registered personnel are *not* on the CRD system and therefore will not receive CRD notification, are responsible for tracking the registration anniversary dates and contacting the Exchange's Qualifications and Registration Department to make appointments for computer-based training sessions for such persons.]

* * * * *

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

The purpose of the proposed rule change is to permit firm delivery of the Regulatory Element of the Continuing Education Program.

Background

The Continuing Education Program is designed to keep industry participants up to date on products, services and rules, and is composed of a Regulatory Element and a Firm Element. The Regulatory Element is computer-based training that covers ethical, sales practice, and regulatory matters, and requires that each registered person complete this training on the occurrence of their second registration anniversary date and every three years thereafter. A registered person who fails to complete the training will be deemed inactive, and may not conduct or be compensated for activities requiring registration. The Firm Element requires member and member organizations to provide to registered employees having direct contact with customers ongoing training that is specifically tailored to their business.

Proposed Amended Interpretation of Rule 345A

At the recommendation of the Securities Industry/Regulatory Council on Continuing Education,[4] the Exchange proposes to adopt interpretations of NYSE Rule 345A to permit members and member organizations to administer the Regulatory Element of the Continuing Education Program to their registered persons by instituting firm programs acceptable to the Exchange. Currently, the Regulatory Element is administered only at vendor locations.

Under the proposal, before beginning firm delivery of the Regulatory Element, members and member organizations are required to develop stipulated procedures relating to the delivery of the program and to file with their Designated Examining Authority (''DEA'') a letter of attestation signed by a senior officer or partner attesting to the establishment of those required procedures. The stipulated procedures and letter of attestation must address the

[4] The Securities Industry/Regulatory Council on Continuing Education is comprised of representatives from broker/dealers and SROs whose duties include recommending and helping to develop specific content and questions for the Regulatory Element, as well as minimum core curricula for the Firm Element. The Council has developed a model under which firms may deliver the computer-based training in-house.

designation of a senior officer/partner in charge, supervision, delivery site, technology, proctors and administrative requirements. In addition, members and member organizations will be required to file with the Exchange annually an attestation that they have continued to maintain and reasonably believe that they have adhered to all required procedures for the previous year.

In-house delivery of the Regulatory Element will, for the practical purposes of tracking participation by registered category representatives and the aggregate performance by firm and registration category, adhere to the same standards as if it was administered at vendor locations.

Additional amendments to the Interpretation of NYSE rule 345A reflect previous changes to the Rule that require registered persons to complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter (see Interpretation paragraphs /01 and /04).[5]

Further, paragraph /05 will be amended to delete the provision addressing members and member organizations whose personnel are not included in the CRD system. After November 13, 2000, all member organization personnel will be included in the CRD database and will be tracked for continuing education training purposes.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange in general, and in particular, with the requirements of Section 6(b)(5).[6] Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and national market system, and in general, to protect investors and the public interest.

The NYSE believes the proposed rule change is also consistent with Section 6(c)(3)(B) of the Act.[7] Under Section 6(c)(3)(B), it is the Exchange's responsibility to prescribe standards for training, experience and competence for persons associated with Exchange members and member organizations. The Exchange has proposed this rule change to establish an additional mechanism for the administration of the Regulatory Element of the Continuing Education Program, which will enable registered persons to satisfy their continuing education obligations.

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

The Exchange believes that the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 NYSE. All submissions should refer to file number SR–NYSE–00–55 and should be submitted by February 12, 2001.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission has reviewed carefully the NYSE's proposed rule change and Amendment No. 1, and finds, for the reasons set forth below, the proposal is consistent with the requirements of Section 6 of the Act[8] and the rules and regulations thereunder applicable to a national securities exchange.[9] Specifically, the Commission finds the proposal is consistent with Section 6(b)(5) of the Act[10] because it should facilitate compliance with the Regulatory Element of the Continuing Education Program. Under this proposal, firms will be able to deliver the Regulatory Element to their employees in-house. The Commission is satisfied that the proposal provides reasonable safeguards to uphold the integrity of the program, consistent with the requirements specified by the Securities Industry/Regulatory Council.

The Commission also finds the proposal is consistent with Section 6(c)(3)(B) of the Act,[11] because the proposal provides an additional mechanism for the administration of the Regulatory Element of the Continuing Education Program, which should make it easier for registered persons to satisfy their continuing education obligations.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission notes that the proposed is very similar to SR–NASD–00–64, which the Commission approved after the proposal was published for a full 21-day notice and comment period.[12] Approving this proposal will allow NYSE firms to take advantage of the in-house delivery option, which NASD member firms are

[5] The NYSE modified continuing education requirements for registered persons in 1998. *See* Securities Exchange Act Release No. 39712 (March 3, 1998), 63 FR 11939 (March 11, 1998) (Order approving proposed rule changes by the Chicago Board Options Exchange, Municipal Securities Rulemaking Board, National Association of Securities Dealers, Inc., and NYSE). At that time, however, the NYSE did not modify the corresponding Interpretation to NYSE Rule 345A to reflect the changes made to the Rule. The instant proposal now conforms the Interpretation to the requirements of NYSE Rule 345A. Telephone conversation between Donald Van Weezel, Managing Director, Regulatory Affairs, NYSE, and Katherine England, Assistant Director, Division, SEC, and Joseph Morra, Special Counsel, Division, SEC, January 11, 2001.

[6] 15 U.S.C. 78f(b)(5).

[7] 15 U.S.C. 78f(c)(3)(B).

[8] 15 U.S.C. 78f.

[9] In approving the proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[10] 15 U.S.C. 78f(b)(5).

[11] 15 U.S.C. 78f(c)(3)(B).

[12] *See* Securities Exchange Act Release No. 43701 (December 11, 2000), 65 FR 79143 (December 18, 2000) (Order approving in-firm delivery of the Regulatory Element of the Continuing Education Requirements). The NASD proposal received one comment letter in support of the proposal, and none in opposition. The only substantive difference between the NASD in-firm delivery rules and the NYSE proposal is the NYSE requires an annual representation that each member and member organization has continued to maintain and comply with all required procedures regarding firm delivery of the Regulatory Element for the previous year. The NASD rules require a one-time attestation. Conversation between Mary Ann Furlong, NYSE, and Joseph P. Morra, Special Counsel, Division, SEC, December 12, 2000.

already able to do. Additionally, approval of this proposal will conform the Interpretation to Rule 345A to the requirements of NYSE Rule 345A, which Rule was amended in 1998. The Commission finds, therefore, that granting accelerated approval of the proposed rule change, as amended, is appropriate and consistent with the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of Act,[13] that the proposed rule change (SR–NYSE–00–55), as amended, is hereby approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[14]

Johnathan G. Katz,

Secretary.

[FR Doc. 01–1803 Filed 1–19–01; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43837; File No. SR–OCC–00–12]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Accelerated Approval of a Proposed Rule Change Relating to the Creation of a Program to Relieve Strains on Clearing Members' Liquidity in Connection With Exercise Settlements

January 12, 2001.

On November 27, 2000, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') and on January 8, 2001 amended, a proposed rule change (File No. SR–OCC–00–12) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on December 28, 2000.[2] No comment letters were received. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

Description

1. Background

Under the Third Amended and Restated Options Exercise Settlement Agreement (the ''Accord'') dated February 16, 1995, between OCC and the National Securities Clearing Corporation (''NSCC''), OCC and NSCC each guarantee that if the other sustains a loss on liquidation of a common member[3] with pending settlement activity at NSCC resulting from option exercises and assignments, it will make a payment to the other in an amount (which may be zero) determined by a formula set forth in the Accord.[4]

Under the Accord, NSCC has until 6:00 a.m. Central Time on the day after an option exercise settlement date (E+4) to notify OCC that it has ceased to act or may cease to act for a common member. If NSCC fails to give such notice by that time, OCC is released from its guarantee obligation with respect to transactions for which E+3 was the settlement date. Because OCC is not released from its guarantee obligation until the morning of E+4, it must continue to hold margin on assignments settling on E+3 until E+4. This means that assets that a clearing member has deposited with OCC as margin for pending assignments cannot be used to settle or to finance settlement of those assignments. Instead, the clearing member must find other sources of financing, which can strain some clearing members' liquidity in months with heavy exercise and assignment activity.

2. The Rule Change

In an effort to reduce the strains on liquidity resulting from the after-the-fact release of margin on pending assignments, OCC, in conjunction with NSCC and The Depository Trust Company (''DTC''), has worked out a program to allow OCC clearing members to withdraw equity securities[5] deposited with OCC as margin and to pledge them to DTC participant lenders as collateral for loans. The proceeds of such loans will be disbursed by the lender directly to OCC and used to discharge settlement obligations of the clearing member at NSCC that were guaranteed by OCC. OCC's liability exposure to NSCC under the Accord will be correspondingly reduced as will OCC's need to continue to hold margin until E+4.

The program will work as follows:

• On the morning of E+3, a clearing member will learn from OCC the amount of the loan that it may collateralize with securities held by OCC as margin. That amount will be no less than the value assigned by OCC to such securities for margin purposes[6] and will be no more than the lesser of (i) the margin requirement for the account from which the securities were to be withdrawn[7] and (ii) the amount of OCC's guarantee exposure to NSCC (assuming that the clearing member's NSCC positions liquidated to a deficit).[8]

• The clearing member will then contact its lender and arrange for the loan. When the terms of the loan are agreed upon, the clearing member will use a new Participant Terminal System screen developed by DTC to confirm both to the lender and to OCC the amount of the loan and the quantity and description of the securities to be withdrawn from OCC and pledged to the lender as collateral. The lender and OCC will use that information to validate the loan request.

• When both the lender and OCC approve the loan, DTC will transfer the securities from a ''pledged to OCC'' field in the clearing member's DTC account to a special OCC account at DTC. From that account, the securities will be pledged to the lender against receipt of the loan proceeds. The proceeds will thus be paid directly to OCC without passing through the hands of the clearing member.

• Upon receipt in the special OCC account, the loan proceeds will automatically be paid over to NSCC for the benefit of the clearing member resulting in a corresponding reduction in OCC's guarantee exposure to NSCC under the Accord.

• At the end of the day, DTC will automatically transfer the securities from a ''pledged to lender'' field in the special OCC account to a ''pledged to

[13] 15 U.S.C. 78s(b)(2).

[14] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] Securities Exchange Act Release No. 43755, (December 20, 2000), 65 FR 82431.

[3] The Accord also covers situations where an OCC clearing member that is not an NSCC member settles option exercises and assignments through an NSCC member.

[4] For a description of the Accord's formula, refer to Securities Exchange Act Release No. 37731 (September 26, 1996), 61 FR 51731.

[5] OCC plans to allow the use of Government securities as well once the necessary systems are developed. At December 31, 1999, OCC's margin deposits included over $36 billion in equities compared to $9 billion in Governments.

[6] For example, if the clearing member had equity securities with a market value of $10 million on deposit in an account with OCC as margin (which OCC would value at $7 million for margin purposes), the amount of the loan collateralized by those securities would have to be not less than $7 million. If the loan amount were, for example, $6 million OCC would be exchanging $7 million worth of margin for a reduction of only $6 million in its guarantee exposure to NSCC.

[7] If, in the preceding example, the margin requirement in the relevant account were only $6 million, the loan would be limited to that amount, and OCC would only release equity securities with a market value of $8.57 million ($6 million in margin value). The remaining $1.43 million of securities would be excess margin, which the clearing member would be free to withdraw and pledge separately.

[8] If, in the preceding examples, OCC's guarantee exposure to NSCC were only $5 million, the loan would be limited to that amount, and OCC would only release equity securities with a value of $7.15 million ($5 million in margin value). If the loan amount were in excess of $5 million, OCC would be releasing margin worth more than $5 million for a reduction of only $5 million in its guarantee exposure.