

making decommissioning activities licensed by NRC more effective and efficient while reducing unnecessary regulatory burden on stakeholders. Further ease of use will be realized by making this a web-based document. Note also that the BPR model establishes a 3-year review cycle for updating the guidance.

The updated, consolidated guidance will be provided to all users, both NRC and licensee, in hardcopy and/or electronic media. Since each group will have access to the same guidance, the expected results are more complete license documents that will expedite the approval process for both applicants and reviewers. As a result, the resource expenditure for this project will serve to improve the overall decommissioning process. Successful completion of this project is an integral component of the effort to meet NMSS' performance goals in the NRC's Strategic Plan. This will be done by developing decommissioning guidance that ensures that NRC's decommissioning activities and decisions are more effective, efficient, and realistic; and that they reduce unnecessary regulatory burden on stakeholders through, for example, the application of risk insights and performance-based methods, and the use of a consistent decommissioning regulatory basis.

**Public Meeting:** NRC will conduct a public meeting in the auditorium of the NRC's headquarters office, Two White Flint North, 11545 Rockville Pike, Rockville, MD, on June 1, 2001, to discuss this plan for updating and consolidating the decommissioning policy and guidance of the NRC's Office Nuclear Material Safety and Safeguards with interested members of the public. The meeting is scheduled for 9 a.m. to 2 p.m. There will be an opportunity for members of the public to ask questions of NRC staff and make comments related to the plan. The meeting will be transcribed. For more information on the public meeting, please contact Jack D. Parrott, Project Scientist, Office of Nuclear Material Safety and Safeguards, Mail Stop T-7F27, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001; 301-415-6700; Internet: JDP1@NRC.GOV.

Dated at Rockville, MD, this 20th day of April, 2001.

For the Nuclear Regulatory Commission.

**Larry W. Camper,**

Chief, Decommissioning Branch Division of Waste Management, Office of Nuclear Material Safety and Safeguards.

[FR Doc. 01-10823 Filed 4-30-01; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44217; File No. SR-EMCC-00-04]

### Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Order Approving a Proposed Rule Change Relating to Membership Criteria for Inter-Dealer Brokers Regulated by the Securities and Futures Authority Limited

April 24, 2001.

On July 3, 2000, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-EMCC-00-04) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on December 13, 2000.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

The rule change establishes admission criteria for brokers or dealers who are regulated by the Securities and Futures Authority Limited ("SFA")<sup>3</sup> and act as inter-dealer brokers ("IDBs"). EMCC's membership criteria for IDBs that are registered by the SFA will mirror the requirements of U.S. registered broker-dealers acting as IDBs<sup>4</sup> except SFA regulated IDBs will be required to maintain "excess financial resources" of \$10,000,000 US as opposed to excess net capital of \$10,000,000.

#### II. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the

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

<sup>2</sup> Securities Exchange Act Release No. 43680 (December 6, 2000), 65 FR 77947.

<sup>3</sup> SFA is the United Kingdom financial services regulator.

<sup>4</sup> EMCC's Rules define an IDB as "a broker-dealer that conducts securities trading which matches buyers and sellers who are banks or dealers, and who is designated as such by the Corporation." EMCC's membership criteria for broker-dealers acting as IDBs require an applicant to demonstrate to the EMCC Board or Membership and Risk Committee that: (1) The applicant has the operational capacity to perform its membership functions in a satisfactory manner; (2) the applicant has an established business history of at least three years or personnel with sufficient operational background and experience to ensure the ability of the applicant to conduct its business; (3) the applicant has the financial ability to make all anticipated payments required by EMCC; (4) the applicant is in compliance with the capital requirements imposed by its appropriate regulatory authority; and (5) no adverse conditions exist which might prohibit applicant's membership in EMCC.

prompt and accurate clearance and settlement of securities transactions.<sup>5</sup> Since the Commission's approval of EMCC Rule 2, EMCC has been informed that brokers or dealers who are regulated by the SFA also act as IDBs and, in fact, that there are broker-dealers who are regulated by the SFA who would like to be IDB members of EMCC. The Commission believes it is prudent for EMCC to establish criteria for broker-dealers that act as IDBs and that are regulated by the SFA because it will encourage IDBs regulated by the SFA to become participants in EMCC and therefore should facilitate the prompt and accurate clearance and settlement of emerging market securities transactions.

#### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of 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-EMCC-00-04) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44219; File No. SR-OCC-00-02]

### Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change Relating to OCC Clearing Members Pledging Long Options Positions

April 25, 2001.

On March 6, 2000, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-00-02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on July 19, 2000.<sup>2</sup> No comment letters

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>7</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 43029 (July 12, 2000), 65 FR 44844.

were received. For the reasons discussed below, the Commission is approving the proposed rule change.

## I. Description

The proposed rule change expands the categories of accounts from which clearing members may pledge long options positions to third party lenders and expands the categories of permitted pledgees. The proposed rule change is intended to reflect liberalizing amendments to Regulation T (12 CFR 220) and Regulation U (12 CFR 221) made by the Board of Governors of the Federal Reserve System ("Fed Board").

Options have traditionally had no loan value under the Fed Board's margin regulations. The only relevant exception was for "special purpose credit" extended to broker-dealers.<sup>3</sup> A bank or another broker-dealer could extend credit on long options carried for the accounts of market makers and specialists to secure credit for financing their market making functions. Accordingly, when OCC adopted Rule 614, which allowed long options to be pledged to a bank or another broker-dealer, OCC specified that options could only be pledged from clearing members' market-maker and specialist accounts.<sup>4</sup> In addition, the permitted pledgees under Rule 614 were limited to banks and broker-dealers as these were the only categories of lenders from which a broker-dealer such as a clearing member or market maker was permitted to borrow.<sup>5</sup>

In 1996, the Fed Board eliminated the general prohibition against extending credit on long options and instead deferred to the rules of the options exchanges regarding option loan value by incorporating those rules by reference into Regulation T.<sup>6</sup> Although exchange margin rules then in effect also prohibited extensions of credit

<sup>3</sup> Long options may also be given value in a customer's margin account when used to offset margin otherwise required on short option positions and are in turn given margin credit in the clearing member's account at OCC. However, that use of long option value does not involve the pledging of options to third party lenders, and Rule 614 therefore has no application to such use.

<sup>4</sup> In recognition of the ability of a clearing member to pledge long options to a commodity clearing organization for the purpose of securing obligations to such clearing organization on related futures and futures option contracts, OCC later amended Rule 614 to permit this particular form of pledge. In 1999, OCC also amended its rules to permit pledging of long positions to third party lenders from a non-proprietary cross-margining account. Securities Exchange Act Release No. 41883 (September 17, 1999), 64 FR 51819 (September 24, 1999).

<sup>5</sup> As noted in the footnote above, the rule was later amended to permit pledging of long options to a commodity clearing organization.

<sup>6</sup> Fed Board Release, 61 FR 20385 (May 6, 1996).

against long options, these rules have subsequently been amended to permit broker-dealers to extend credit on certain long option positions in a customer margin account.<sup>7</sup>

In 1998, the Board amended the Supplement to Regulation U to allow lenders other than broker-dealers to extend 50 percent loan value against all long positions in listed options.<sup>8</sup> The Fed Board also modified the margin regulations to reflect amendments to the Act. The National Securities Markets Improvement Act of 1996 ("NSMIA") repealed section 8(a) of the Act which, among other things, had prohibited broker-dealers from obtaining credit against the collateral of exchange-traded equity securities from lenders other than broker-dealers and certain banks. For that reason, the Fed Board deleted provisions of Regulations T and U that implemented section 8(a) of the Act.

As a result of all of the foregoing statutory and regulatory changes, credit may now be extended by broker-dealers, banks, and other lenders against long option positions whether carried for the account of a market-maker or specialist, another broker-dealer, a public customer, or for the clearing member's own proprietary account. This renders the provisions of Rule 614, restricting the types of OCC accounts from which long options may be pledged and the kind of entities that may be pledgees obsolete. In recognition of this fact, OCC proposed to amend Rule 614 to delete the obsolete restrictions.

Of course, Regulations T and U continue to impose certain restrictions on extensions of credit secured by OCC-issued options. For example, the 50 percent loan limit would generally be applicable with certain exceptions such as when the credit is extended to an "exempted borrower."<sup>9</sup> As is the case with other securities credit transactions, lenders and borrowers who use the OCC pledge program are obligated to comply with the Fed Board's margin regulations.

OCC also proposed to make certain technical amendments to Rule 614. These reflect, among other things, revisions to Sections 8 and 9 of the Uniform Commercial Code adopted since Rule 614 was originally drafted. Conforming changes are being made to Rules 601, 602, 1105, and 1106.

<sup>7</sup> See, e.g., Securities Exchange Act Nos. 41658 (July 27, 1999), 64 FR 42736 (August 5, 1999)[SR-CBOE-97-67] and 42011 (October 14, 1999), 64 FR 57172 (October 22, 1999) [SR-NYSE-99-03].

<sup>8</sup> Fed Board Release, 63 FR 2806 (January 16, 1998).

<sup>9</sup> Exempted borrower is defined in Section 220.2 of Regulation T and in Section 221.2 of Regulation U.

## II. Discussion

In Section 17A, Congress stated its finding that the development of uniform standards and procedures for clearance and settlement will reduce unnecessary costs and increase the protection of investors and persons facilitating transactions by and acting on behalf of investors. The Commission believes that the approval of OCC's rule change is in line with this finding and directive of Congress. The proposed rule change is intended to reflect liberalizing amendments to Regulation T (12 CFR 220) and Regulation U (12 CFR 221) made by the Fed Board. Due to those amendments, credit may now be extended by broker-dealers, banks, and other lenders against long options positions whether carried for the account of a market-maker or specialist, another broker-dealer, a public customer, or for the clearing member's own proprietary account. This renders the provisions of Rule 614, restricting the types of OCC accounts from which long options may be pledged and the kinds of entities that may be pledgees, obsolete. In recognition of this fact, OCC is amending Rule 614 to delete the obsolete restrictions. As a result, OCC's rules governing the pledging of long options positions will be consistent with those of the options exchanges and with the Fed Board's Reg T and Reg U.

## III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of 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-OCC-00-02) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>10</sup> 17 CFR 200.30-3(a)(12).