

and to protect investors and the public interest.

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

The CBOE does not believe that the proposed rule change will impose any burden on competition.

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

No written comments were solicited or received 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 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 proposal 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 CBOE. All submissions should refer to File No. CBOE-00-22 and should be submitted by May 29, 2001.

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. 34-44226; File No. SR-GSCC-2001-02]

Self-Regulatory Organizations; The Government Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Inclusion of Netting-Eligible Federal Home Loan Mortgage Corporation Securities in Auction Takedown Service

April 26, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 5, 2001, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") and on March 12, 2001, 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 would allow GSCC to expand its auction takedown service to include netting-eligible Federal Home Loan Mortgage Corporation ("Freddie Mac") securities.

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

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

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

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

GSCC introduced its auction takedown service in 1994.³ The service enables GSCC to accept data on a locked-in basis with respect to proprietary purchases of Treasury notes, bills, and bonds made at auction by members of GSCC's netting system; to net the purchases with when-issued trades of such members in these securities; and to deliver the purchased securities through GSCC's settlement mechanism. In its approval of GSCC's rule filing, the Commission noted, "By including auction securities in GSCC's netting system, the level of potential netting is increased and the number of required movements of securities are reduced. Netting of auction securities also may have the effect of increasing a member's liquidity. Previously, a GSCC member with a short position would have its required margin payments calculated based on its short position, even if it had an offsetting long position in auction purchases. Once the positions are netted, the member's margin payments will be calculated based on the position after taking into account the auction purchases, perhaps creating a lower margin payment. The additional liquidity may assist in the prompt and accurate clearance and settlement of securities transactions. In this manner, the proposal removes impediments to the national system for the prompt and accurate clearance and settlement of securities transactions, and fosters cooperation and coordination with persons engaged in clearance and settlement of securities transactions."⁴ The auction takedown service also reduces the counterparty risk to the Department of the Treasury and makes the information that GSCC maintains on the net settlement position of its members more complete for risk management purposes.

GSCC has recently been approached by Freddie Mac to extend GSCC's comparison and netting services to include netting-eligible Freddie Mac securities purchased at auction commencing in February 2001. Agency securities are steadily constituting an increasing portion of GSCC's processing activity.⁵ Including Freddie Mac

³ Securities Exchange Act Release No. 33984 (May 2, 1994), 59 FR 24491 (order authorizing GSCC to include in its comparison and netting services U.S. Treasury securities purchases at auction).

⁴ *Id.*

⁵ In 2000, GSCC processed 88 percent more agency security transactions than in 1999, and, in 2000, the par value of agency security transactions

securities in GSCC's auction takedown service would provide GSCC and its members that trade these securities with all the benefits described above.

In order to meet the February deadline, it is necessary for GSCC to apply its current auction takedown procedures without any material alteration to the Freddie Mac auctions. Only minor changes to GSCC's rules are necessary. Such changes include the following:

The Department of the Treasury utilizes the Federal Reserve Banks, its fiscal agents, to furnish details of its auction awards to GSCC. GSCC therefore designated both the Treasury Department and the Federal Reserve Banks as locked-in trade sources when it instituted the auction takedown service. GSCC will now add Freddie Mac as a locked-in trade source. The Commission has already given GSCC permission to designate locked-in trade sources on an as-needed basis. It should be noted that Freddie Mac will furnish details of its auction awards directly to GSCC without the involvement of its fiscal agent, the Federal Reserve Bank of New York.

Various definitions will be expanded to include Freddie Mac and its securities in the rules referencing the auction takedown service.

Freddie Mac has indicated that, unlike the Department of the Treasury, it desires that awards made to non-netting members also be handled by GSCC to the extent possible. GSCC thus will make changes to its existing rules, which already allow for secondary market trades executed by non-members to be submitted by members for the net, to specify that it will process auction purchases made by its netting members for their customers as well as for their proprietary accounts. The netting members will remain liable to GSCC as principals with respect to all auction purchase awarded to them whether the purchase is for their own accounts or for customers.

Unlike the Treasury Department, Freddie Mac does not require the clearing banks to effectively guarantee payment in advance for any newly issued securities. Thus, there will be no need for the execution of autocharge agreements by the clearing banks.

Freddie Mac retains the right to cancel auctions. GSCC has made it clear in its rules what has always been implicit for an issuer of auction awards that GSCC will have no obligation with respect to any when-issued trades if securities are not ultimately issued by

Freddie Mac. GSCC has also added the right to delete or modify trade data with respect to when-issued trades if any event occurs that gives rise to the obligation to substitute securities under guidelines published by The Bond Market Association.

The Department of the Treasury is not a member of GSCC and is therefore not required to make any clearing fund deposits or funds settlement payments to GSCC. Since Freddie Mac is a GSCC netting member and would otherwise be responsible for these deposits and payments, GSCC has exempted Freddie Mac from these requirements but only in connection with its auction deliveries.

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will enhance GSCC's auction takedown service by making it more responsive to the needs of GSCC's members.

(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. Members will be notified of the rule change filing and comments will be solicited by an Important Notice. 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

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act and Rule 19b-4(f)(4) thereunder, because the proposed rule is effecting a change in an existing service that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency and does not significantly affect the respective rights or obligations of the clearing agency or person using the service. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the

purposes of the Securities Exchange Act of 1934.

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 GSCC. All submissions should refer to File No. SR-GSCC-2001-02 and should be submitted by May 29, 2001.

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. 34-44234; File No. SR-PCX-00-03]

Self-Regulatory Organizations Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Implementing a One-Year Pilot Program Relating to Its Automatic Executive System

April 30, 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 February 15, 2000, the Pacific Exchange, Inc. ("PCX" 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

¹ 15 U.S.C. 78S(b)(1).

² 17 CFR 240.19b-4.

increased 131 percent over the par value of these transactions in 1999.