

**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 Securities and Exchange Commission will hold the following meetings during the week of September 10, 2001:

Closed meetings will be held on Tuesday, September 11, 2001, at 10:00 a.m. and Friday, September 14, 2001, at 11:30 a.m.

Commissioner Hunt, 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.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(5), (7), (8), (9)(A), 9(B), and (10) and 17 CFR 200.402(a)(5), (7), (8), (9)(i), 9(ii) and (10), permit consideration of the scheduled matters at the closed meeting.

The subject matters of the closed meeting scheduled for Tuesday, September 11, 2001, and Friday, September 14, 2001, will be:

- Institution and settlement of injunctive actions;
- Institution and settlement of administrative proceedings of an enforcement nature;
- Formal orders; and an
- Inspection report.

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: September 6, 2001.

Jonathan G. Katz,
Secretary.

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**SECURITIES AND EXCHANGE
COMMISSION**

[Release No. 34-44766; File No. SR-GSCC-2001-03]

**Self-Regulatory Organizations;
Government Securities Clearing
Corporation; Notice of Filing of
Proposed Rule Change to Establish a
Cross-Margining Agreement with the
Board of Trade Clearing Corporation**

September 5, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 4, 2001, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") 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**

GSCC is seeking to establish a cross-margining arrangement with the Board of Trade Clearing Corporation ("BOTCC").

**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**

On August 19, 1999, the Commission approved GSCC's proposed rule filing to establish a cross-margining program with other clearing organizations and to begin its program with the New York Clearing Corporation ("NYCC").³ More

¹ 15 U.S.C. 78s(b)(1).

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

³ Securities Exchange Act Release No. 41766 (August 19, 1999), 64 FR 46737 (August 26, 1999) [File No. SR-GSCC-98-04]. The requisite rule changes necessary for GSCC to engage in cross-

recently, the Commission approved GSCC's proposed rule filing to establish a similar cross-margining program with the Chicago Mercantile Exchange ("CME").⁴ GSCC is now seeking to establish a similar cross-margining arrangement with the Board of Trade Clearing Corporation.⁵

This development is significant because the Chicago Board of Trade, for which BOTCC clears, is by far the largest Treasury futures exchange market, and certain of its products, such as the 10-Year Note futures contract, which will be cross-margined with GSCC products, continue to experience growth in volume. Thus, establishing the cross-margining program between GSCC and BOTCC has the potential to provide significant collateral savings to the industry in general and to GSCC's and BOTCC's common members in particular. From each clearing organization's perspective, the cross-margining program will provide important risk management benefits. These benefits include such things as providing the clearing organizations with more data concerning members' intermarket positions to enable them to make more accurate decisions regarding the true risk of the positions to the clearing organizations and encouraging coordinated liquidation processes for a joint participant, or a participant and its affiliate, in the event of an insolvency.⁶

(i) GSCC's Cross-Margining Program

GSCC believes that the most efficient and appropriate approach for establishing cross-margining programs for fixed-income and other interest rate products is to do on a multilateral basis with GSCC as the "hub." Each clearing organization that participates in a cross-margining program with GSCC (hereinafter a "Participating CO") enters into a separate cross-margining agreement between itself and GSCC, as

marginig programs with other clearing organizations were made in the NYCC cross-margining rule filing.

⁴ Securities Exchange Act Release No. 44301 (May 11, 2001), 66 FR 28207 (May 22, 2001) [File No. SR-GSCC-00-13]. In addition to approving GSCC's cross-margining program with the CME, the order granted approval to change GSCC Rule 22, Section 4, to clarify that before GSCC credits an insolvent member for any profit realized on the liquidation of the member's final net settlement positions, GSCC will fulfill its obligations with respect to that member under cross-margining agreements.

⁵ BOTCC is a Delaware corporation that acts as the clearing organization for certain futures contracts and options on futures contracts that are traded on the Chicago Board of Trade and that are regulated by the Commodity Futures Trading Commission.

⁶ The GSCC-BOTCC cross-margining agreement requires ownership of 50 percent or more of the common stock of an entity to indicate control of the entity for purposes of the definition of "affiliate".