

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-CSE-2002-03 and should be submitted by April 22, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02-7782 Filed 3-29-02; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45648; File No. 600-30]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing and Order Approving a Request for an Extension of Temporary Registration as a Clearing Agency

March 26, 2002.

Pursuant to section 19(a) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 27, 2002, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") a request that the Commission extend EMCC's temporary registration as a clearing agency.² The Commission is publishing this notice and order to solicit comments from interested persons and to extend EMCC's temporary registration as a clearing agency through March 31, 2003.

On February 13, 1998, pursuant to sections 17A(b) and 19(a)(1) of the Act³ and Rule 17Ab2-1 promulgated thereunder,⁴ the Commission granted EMCC's application for registration as a clearing agency on a temporary basis until August 20, 1999.⁵ By subsequent orders, the Commission extended EMCC's registration as a clearing agency through March 31, 2002.⁶

EMCC was created to facilitate the clearance and settlement of transactions in U.S. dollar denominated Brady Bonds.⁷ Since it began operations, EMCC has added certain sovereign debt to the list of eligible securities that may be cleared and settled at EMCC.⁸ EMCC began operating on April 6, 1998, with ten dealer members.

As part of EMCC's initial temporary registration, the Commission granted EMCC temporary exemption from section 17A(b)(3)(B) of the Act because EMCC did not provide for the admission of some of the categories of members required by that section.⁹ To date, EMCC's rules still only provide membership criteria for U.S. broker-dealers, United Kingdom broker-dealers, U.S. banks, and non-U.S. banks. As the Commission noted in the Registration Order, the Commission believes that it is appropriate for EMCC to limit the categories of members during its initial years of operations because to date no entity in a category not covered by EMCC's rules has expressed an interest in becoming a member.¹⁰ Accordingly, the Commission is extending EMCC's temporary exemption from section 17A(b)(3)(B).

The Commission also granted EMCC a temporary exemption from sections 17A(b)(3)(A) and 17A(b)(3)(F) of the Act to permit EMCC to use, subject to certain limitations, ten percent of its clearing fund to collateralize a line of credit at Euroclear used to finance on an intraday basis the receipt by EMCC of eligible instruments from one member that EMCC will redeliver to another member.¹¹ The Registration Order limited EMCC's use of clearing fund deposits for this intraday financing to the earlier of one year after EMCC commenced operations or the date on which EMCC begins its netting service. On April 2, and May 17, 1999, the Commission approved rule changes that permitted EMCC to implement a netting service and that extended EMCC's

⁷ Brady bonds are restructured bank loans that were first issued pursuant to a plan developed by then U.S. Treasury Secretary Nicholas Brady to assist debt-ridden countries restructure their sovereign debt into commercially marketable securities. The plan provided for the exchange of bank loans for collateralized debt securities as part of an internationally supported sovereign debt restructuring. Typically, the principal and certain interest of these bonds is collateralized by U.S. Treasury zero coupon bonds and other high grade instruments.

⁸ Securities Exchange Act Release Nos. 40363 (Aug. 25, 1998), 63 FR 46263 (Aug. 31, 1998) and 41618 (July 14, 1999), 64 FR 39181 (July 21, 1999).

⁹ Registration Order at 8716.

¹⁰ EMCC has represented to the staff that it will modify its rules to provide admission criteria for other entities that wish to become EMCC members.

¹¹ Registration Order at 8720.

ability to use clearing fund deposits for intraday financing at Euroclear until all EMCC members are netting members.¹² Because not all of EMCC's members have become netting members, the Commission is extending EMCC's temporary exemption from Section 17A(b)(3)(A) and (F).

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application. Such written data, views, and arguments will be considered by the Commission in granting registration or instituting proceedings to determine whether registration should be denied in accordance with section 19(a)(1) of the Act.¹³ Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549-0609. Copies of the amended application for registration and all written comments will be available for inspection at the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC 20549. All submissions should refer to File No. 600-30 and should be submitted by April 22, 2002.

It is therefore ordered, pursuant to section 19(a) of the Act, that EMCC's registration as a clearing agency (File No. 600-30) be and hereby is temporarily approved through March 31, 2003.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02-7783 Filed 3-29-02; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45647; File No. SR-GSCC-2001-15]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Regarding Certain Highly Leveraged Members

March 26, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 16, 2001, the Government

¹² Securities Exchange Act Release Nos. 41247 (Apr. 2, 1999), 64 FR 17705 (Apr. 12, 1999) and 41415 (May 17, 1999), 64 FR 27841 (May 21, 1999).

¹³ 15 U.S.C. 78s(a)(1).

¹⁴ 17 CFR 200.30-3(a)(16).

¹⁵ 15 U.S.C. 78s(b)(1).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(a).

² Letter from Merrie Faye Witkin, Assistant Secretary, EMCC (February 27, 2002).

³ 15 U.S.C. 78q-1(b) and 78s(a)(1).

⁴ 17 CFR 240.17Ab2-1.

⁵ Securities Exchange Act Release No. 39661 (Feb. 13, 1998), 63 FR 8711 (Feb. 20, 1998) ("Registration Order").

⁶ Securities Exchange Act Release Nos. 41733 (Aug. 12, 1999), 64 FR 44982 (Aug. 18, 1999); 43182 (Aug. 18, 2000), 65 FR 51880 (Aug. 25, 2000); and 44707 (Aug. 15, 2001), 66 FR 43941 (Aug. 21, 2001).

Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by GSCC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposal.

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

The proposed rule change amends GSCC Rules to require certain highly leveraged GSCC members to make and maintain with GSCC additional deposits to the clearing fund. The proposed rule change also amends the definition of "excess capital."

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 such statements.²

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

On May 14, 2001, GSCC filed a proposed rule change with the Commission clarifying GSCC's rights with respect to its treatment of highly leveraged members.³ GSCC stated that it was important for it to be able to monitor the ratio of each member's clearing fund requirement to that member's level of excess regulatory capital,⁴ and wished to advise its members of specific actions that it would take pursuant to its rules with respect to any member that has a ratio in excess of 0.5. GSCC informed its members that it would require a highly leveraged member to provide it with comfort that it could fulfill its

obligations to GSCC and that GSCC would be entitled to obtain or exchange margin information with respect to such member with other clearing organizations.

GSCC now proposes to take additional actions with respect to certain highly leveraged members. Specifically, GSCC proposes to require each highly leveraged member with a ratio of clearing fund requirement to excess regulatory capital greater than 1.0 to make and maintain with GSCC an additional deposit to the clearing fund. This deposit would be equal to twenty-five percent of the amount by which the member's "excess capital differential," which is being defined as the amount by which a netting member's required clearing fund requirement exceeds the member's level of excess regulatory capital.⁵ GSCC believes that this clearing fund premium is appropriate in view of the additional credit risk that such highly leveraged members pose to GSCC.⁶ These rights are in addition to any other rights and remedies that GSCC possesses pursuant to its rules.

GSCC also proposes to make a minor change to the definition of "excess capital" to reflect the fact that some regulators (such as bank regulators) do not require the entities they regulate to maintain a minimum level of net liquid assets.⁷

GSCC believes that the proposed rules changes are consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because they provide protection for GSCC with respect to the additional risk that highly leveraged members pose to GSCC and therefore better enable GSCC to safeguard the securities and funds in its custody or control or for which it is responsible.

(B) Self-Regulatory Organization's Statement on Burden on Competition

GSCC does not believe that the proposed rules changes 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 rules changes 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 Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Section 17A(b)(3)(F).⁸ Section 17A(b)(3)(F) requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds that are in its custody or control or for which it is responsible. The Commission believes that requiring each highly leveraged GSCC member with a ratio of clearing fund requirement to excess regulatory capital greater than 1.0 to make and maintain an additional deposit to the clearing fund will give GSCC additional resources to protect itself and its members' securities and funds from the additional credit risk that highly leveraged members pose. As such, the Commission believes GSCC's proposal is consistent with its obligation to assure the safeguarding of securities and funds that are in its custody or control or for which it is responsible.

GSCC 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 rule change prior to the thirtieth day after publication because such approval will immediately allow GSCC to better protect itself with respect to highly leveraged members.

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

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

³ See Exchange Act Release No. 44995 (October 26, 2001), 66 FR 55724 (November 2, 2001) (File No. GSCC-2001-06).

⁴ In this context, the term "excess regulatory capital" is used to include excess net capital, excess liquid capital, or excess adjusted net capital, as applicable, all of which are measures of an organization's net worth after adjusting for the liquidity of its balance sheet.

⁵ GSCC Rule 1 and Rule 4, Section 3.

⁶ GSCC will take the actions described in this rule filing against inter-dealer broker netting members as well if they have a ratio of clearing fund requirement to excess regulatory capital of greater than 1.0.

⁷ GSCC Rule 1.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

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 GSCC. All submissions should refer to File No. SR-GSCC-2001-15 and should be submitted by April 22, 2002.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-GSCC-2001-15) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 02-7784 Filed 3-29-02; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45644; File No. SR-NYSE-2001-53]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Amendment No. 1 Thereto by the New York Stock Exchange, Inc. Amending Its Rules Regarding the Transmission of Proxy and Other Shareholder Communication Material and the Proxy Reimbursement Guidelines Set Forth In Those Rules, and Requesting Permanent Approval of the Amended Proxy Reimbursement Guidelines

March 25, 2002.

I. Introduction

On December 21, 2001, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the NYSE's proxy fee schedule guidelines under its current pilot program, and to seek permanent approval of the pilot program. On January 9, 2002, the NYSE filed Amendment No. 1 to the proposed rule change.³ The proposed rule change and Amendment No. 1 were published in

the **Federal Register** on January 16, 2002.⁴ Eight comments were received on the proposed rule change, as amended.⁵ The NYSE responded to the comments on March 5, 2002.⁶ This order approves the proposed rule change, as amended.

II. Background

NYSE member organizations that hold securities for beneficial owners in street name⁷ solicit proxies from, and deliver proxy and issuer communication materials to, beneficial owners on behalf of NYSE issuers. For this service, issuers reimburse NYSE member organizations for out-of-pocket, reasonable clerical, postage and other expenses incurred for a particular distribution, pursuant to guidelines for reimbursement of these expenses as set forth in NYSE Rules 451 and 465, and Paragraph 402.10(A) of the NYSE's *Listed Company Manual*, (collectively "Rules").⁸

⁴ See Securities Exchange Act Release No. 45263 (January 9, 2002), 67 FR 2264.

⁵ See letters from Paul Conn, Executive Vice President, Computershare Limited, and Steven Rothblum, President, Computershare Investor Services (US), to Secretary, Commission, dated February 6, 2002 ("Computershare Letter"); Rachel E. Kosmal, Senior Attorney, Intel Corporation, D. Craig Nordlund, Senior Vice President, General Counsel and Secretary, Agilent Technologies, Inc., and Keith Dolliver, Senior Attorney, Microsoft Corporation, to Secretary, Commission, dated February 6, 2002 ("Intel et al. Letter"); Keith G. Berkheimer, President, CTA, to Secretary, Commission, dated February 6, 2002 ("CTA Letter"); Carl T. Hagberg to Secretary, Commission, dated February 4, 2002 ("Hagberg Letter"); David W. Smith, American Society of Corporate Secretaries ("ASCS"), to Jonathan G. Katz, Secretary, Commission, dated February 7, 2002 ("ASCS Letter"); Peter C. Suhr, Executive Vice President, Alamo Direct, to Secretary, Commission, dated February 1, 2002 ("Alamo Direct Letter"); Elva Gonzalez, Corporate Manager, Shareowner Services, SBC Communications, to *rule-comments@sec.gov*, Commission, dated February 8, 2002 ("SBC Communications Letter"); and Sarah A.B. Teslik, Executive Director, Council of Institutional Investors ("CII"), to Secretary, Commission, dated February 7, 2002 ("CII Letter") (collectively, "Letters").

⁶ See letter from Darla C. Stuckey, Corporate Secretary, NYSE, to Sharon Lawson, Senior Special Counsel, Division, Commission, dated March 4, 2002 (responding to the comment letters received regarding the proposed rule change) ("NYSE Response Letter").

⁷ The ownership of shares in street name means that a shareholder, or "beneficial owner," has purchased shares through a broker-dealer or bank, also known as a "nominee." In contrast to direct ownership, where shares are directly registered in the name of the shareholder, shares held in street name are registered in the name of the nominee, or in the nominee name of a depository, such as the Depository Trust Company.

⁸ The Commission's proxy rules, Rules 14a-13, 14b-1, and 14b-2 under the Act, impose obligations on companies and nominees to ensure that beneficial owners receive proxy materials and are given the opportunity to vote. These rules require companies to send their proxy materials to nominees, *i.e.*, broker-dealers or banks that hold securities in street name, for forwarding to beneficial owners. Under these rules, companies must pay nominees for reasonable expenses, both

Since the late 1960s, NYSE member firms increasingly have outsourced their proxy delivery obligations to contractors rather than handling proxy processing internally. According to the NYSE, the primary reason for this shift was that member firms believed proxy distribution was not a core broker-dealer business and that capital could be better used elsewhere. Since 1993, Automatic Data Processing, Inc. ("ADP") has distributed close to 100 percent of all proxies sent to beneficial owners holding shares in street name.⁹

On March 14, 1997, the Commission approved an NYSE proposal that significantly revised the NYSE reimbursement guidelines set forth in the NYSE Rules and established a pilot fee structure ("Pilot Program" or "Pilot").¹⁰ Under the Pilot Program, the NYSE established guidelines for the amounts that NYSE issuers should reimburse member organizations for the distribution of proxy materials and other issuer communications to security holders whose securities are held in street name. The Pilot Program was designed to address many of the functional and technological changes that had occurred in the proxy distribution process since the NYSE Rules were last revised in 1986. The fee structure under the Pilot Program reduced certain fees, increased the fee for proxy fights, and created several new fees.¹¹ The Pilot Program was originally

direct and indirect, incurred in providing proxy information to beneficial owners. The Commission's rules do not specify the fees that nominees can charge issuers for proxy distribution; rather, they state that issuers must reimburse the nominees for "reasonable expenses" incurred.

In adopting the direct shareholder communications rules in the early 1980s, the Commission left the determination of reasonable costs to the self-regulatory organizations ("SROs") because they were deemed to be in the best position to make fair evaluations and allocations of costs associated with these rules. In 1997, during the initiation of the pilot on proxy fee reimbursement, *see infra* note 10, the Commission believed that ultimately market competition should determine "reasonable expenses" and recommended that issuers, broker-dealers, and the NYSE develop an approach that may foster competition in this area. Rather than having rates of reimbursement set by the SROs, the Commission suggested that the NYSE and other SROs explore whether reimbursement can be set by market forces, and whether this would provide a more efficient, competitive, and fair process than SRO standards.

⁹ ADP is the primary distributor of proxy distribution services for a large majority of broker-dealers and collects fees from issuers based on the NYSE's Pilot Program.

¹⁰ See Securities Exchange Act Release No. 38406 (March 14, 1997), 62 FR 13922 (March 24, 1997) (File No. SR-NYSE-96-36) ("Original Pilot Program").

¹¹ For a more detailed description of the background and history of the proxy distribution industry, proxy fees, as well as events leading to the NYSE's proposal to revise the NYSE Rules and Guideline governing reimbursement of proxy fees, *see* the Original Pilot Program, *supra* note 10.

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 17 CFR 200.30-3(a)(12).

¹¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Darla C. Stuckey, Corporate Secretary, NYSE, to Sharon Lawson, Senior Special Counsel, Division of Market Regulation ("Division"), Commission, dated January 7, 2002 ("Amendment No. 1"). In Amendment No. 1, the Exchange made some technical and clarifying corrections to the proposed rule change.