

Act<sup>8</sup>, which requires, among other things, that the rules of a national securities exchange be designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. Specifically, the Exchange proposes not to apply the prior fee increases to accommodation transactions in order to encourage specialists and registered options traders, by keeping fees low, to provide liquidity as an accommodation to investors seeking to close out worthless option positions. The Exchange further proposes not to apply the fee increases to reversals, conversions, dividend spreads and box spreads in order to encourage specialists and registered options traders, by keeping fees low, to provide liquidity for these types of financing strategies. The Exchange has stated that it wants to keep fees for accommodation transactions and spread strategies comparable with the fees charged by other options exchanges for these types of transactions, and given that the Exchange has increased a number of fees to its membership in recent months, it believes that the implementation of any type of reduction in fees should be put in place as of December 1, 2001.

It is therefore ordered, pursuant to section 19(b)(2) of the Act<sup>9</sup>, that the proposed rule change (File No. SR-Amex-2002-12), as amended, 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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46028; File No. SR-DTC-2002-06]

### Self-Regulatory Organizations; the Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to the Use of the Federal Reserve Banks' Net Settlement System by Settling Banks

June 4, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on May 7, 2002, The Depository Trust

Company ("DTC") 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 DTC. 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 relates to DTC's End-of-Day Settlement Process for settling bank participants of DTC.<sup>2</sup> Currently settling banks can use the Net Settlement Service ("NSS") of the Federal Reserve Banks (the "FRBs") as one method to satisfy their net-net debit balances at DTC. NSS permits DTC to submit an instruction to a FRB to have the account of the settling bank charged for their DTC end-of-day net-net debit balance. Utilization of NSS serves to eliminate the need for a settling bank to initiate a wire to DTC's account at a FRB in satisfaction of a net-net debit balance. As a result, the risk that a settling bank may incur a late payment fee due to a delay in wiring funds to DTC is reduced. Under the proposed rule change, as described more fully below, (i) all settling banks will be required to use NSS and (ii) any settling bank that only settles for its own account using NSS may opt to not acknowledge its net-net balance at the end of the day.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>3</sup>

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

The purpose of the proposed rule change is to reduce settlement risk. In February 2001, DTC adopted NSS as an alternative method for settling banks to

satisfy their end-of-day net-net debits.<sup>4</sup> To date, 31 of the 83 DTC settling banks are using NSS.

NSS eliminates the need for a settling bank to initiate a wire to DTC's FRB account in satisfaction of its end-of-the-day net-net balance and reduces the risk that the settling bank will be delayed in wiring funds to DTC. By reducing the likelihood of late payments, usage of NSS should reduce the likelihood that settling banks will be assessed a late payment fee and that the completion of DTC settlement will be delayed.

The importance of settling banks being able to wire funds to DTC became obvious during the week of September 11, 2001. Completion of settlement at DTC is at risk if all settling banks that are in a net-net debit position cannot initiate a wire to DTC's FRB account. Although DTC expects additional settling banks to begin to use NSS over the next year, DTC believes it is important that the net-net debits of all DTC settling banks are collected using NSS. Therefore DTC proposes to require all settling banks to use NSS to pay their DTC end-of-the-day net-net debit balances by August 31, 2001.

Prior to using NSS, settling banks are required to sign a Settler Agreement with an FRB which incorporates a requirement that settling banks agree to the terms of the Fed's Operating Circular No. 12.<sup>5</sup> The signed Settler Agreement must be submitted to a FRB through DTC. The Settler Agreement must be on the settling bank's letterhead and must be signed by an authorized signer recognized by the FRB.

DTC proposes that settling banks use of NSS will be governed by DTC's procedures, including its End-of-Day Settlement Process section of DTC's Settlement Service Guide, as amended by this filing.<sup>6</sup> Fees connected with the End-of-Day Settlement Process remain unchanged.

Under Section 6.4 of Operating Circular No. 12, the settlement agent (in this case, DTC) has certain responsibilities regarding the allocation among settling banks using NSS of a claim for indemnity by a FRB. In making such an allocation, DTC will attempt to apply the same loss allocation procedures found in Section

<sup>4</sup> Exchange Act Release No. 44176 (April 11, 2001), 66 FR 19821 (April 17, 2001) [File No. SR-DTC-2001-02]. See also Important Notice to Participants Nos. 0842 (November 20, 2000) and 2728 (May 2, 2002) and DTC's memorandum (April 14, 2000). DTC's current and proposed use of NSS, all of which are attached as part of DTC's filing.

<sup>5</sup> The Settler Agreement and Operating Circular No. 12 is attached as part of DTC's filing.

<sup>6</sup> An amended version of this section of the Settlement Service guide is attached as part of DTC's filing.

<sup>8</sup> 15 U.S.C. 78f(b)(4).

<sup>9</sup> 15 U.S.C. 78s(b)(2).

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

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

<sup>2</sup> A copy of the text of DTC's proposed rule change and the attached exhibits are available at the Commission's Public Reference Section or through DTC.

<sup>3</sup> The Commission has modified the text of the summaries prepared by DTC.

4 and 9 of DTC's Rules and Procedures as it would with respect to losses included in DTC's settlement system.

Currently all settling banks are required to acknowledge their net-net debit balances, and settling banks that also settle for others are required to acknowledge their net-net credit balances. As part of its End-of-the-Day Settlement Process and use of NSS, DTC does not send a settling bank's net-net debit balance to a FRB for collection until the settling bank has acknowledged its balance. Some settling banks have requested that the acknowledgement step no longer be required. Therefore, DTC proposes to permit any settling bank that settles only for its own account using NSS to opt to not acknowledge its balance by signing the NSS Settling Bank Acknowledgement Option Form.<sup>7</sup> This option does not apply to settling banks that settle for others, as the acknowledgement process includes the option to refuse to pay for a participant for whom that settling bank provides settlement services.

DTC believes the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>8</sup> and the rules and regulations thereunder applicable to DTC because it will reduce settlement risk. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible since the new operation of DTC's settlement processes, as modified by the proposed rule change, will enhance the current operation of the function.

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

DTC does not believe that the proposed rule change would have any material adverse impact on competition.

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

The proposed rule change has been developed through discussions with several participants. However, DTC has received a letter from one participant expressing concerns regarding the FRB's NSS, and DTC has had subsequent

conversations with that participant regarding that letter.

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

Within thirty-five 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 ninety 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 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 DTC. All submissions should refer to File No. SR-DTC-2002-06 and should be submitted by July 2, 2002.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**BILLING CODE 8010-01-P**

**SMALL BUSINESS ADMINISTRATION**

**Data Collection Available for Public Comments and Recommendations**

**ACTION:** Notice and request for comments.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995, this notice announces the Small Business Administration's intentions to request approval on a new, and/or currently approved information collection.

**DATES:** Submit comments on or before August 12, 2002.

**ADDRESSES:** Send all comments regarding whether this information collection is necessary for the proper performance of the function of the agency, whether the burden estimates are accurate, and if there are ways to minimize the estimated burden and enhance the quality of the collection, to Cecilia Hoppenjans, Financial Analyst, Office of Investment Division, Small Business Administration, 409 3rd Street, SW., Suite 6300, Washington DC 20416

**FOR FURTHER INFORMATION CONTACT:** Cecilia Hoppenjans, Financial Analyst, (202) 205-7520 or Curtis B. Rich, Management Analyst, (202) 205-7030.

**SUPPLEMENTARY INFORMATION:**

*Title:* Disclosure Statement Leveraged Licensees & Disclosure Statement, Non-Leveraged Licensees.

*Form No's:* 856 & 856A.

*Description of Respondents:* Small Business Investment Companies.

*Annual Responses:* 400.

*Annual Burden:* 187.

**Jacqueline White,**

*Chief, Administrative Information Branch.*

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**SMALL BUSINESS ADMINISTRATION**

**[Declaration of Disaster #3418]**

**State of Illinois (Amendment #2)**

In accordance with a notice received from the Federal Emergency Management Agency, dated May 23, 2002, the above numbered declaration is hereby amended to establish the incident period for this disaster as beginning April 21, 2002 and continuing through May 23, 2002.

All other information remains the same, i.e., the deadline for filing applications for physical damage is July 20, 2002 and for economic injury the deadline is February 21, 2003.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

<sup>7</sup> The form is attached as to DTC's filing. In addition, DTC has made changes to its Settling Bank Failure to Settling Procedures to reflect that certain settling banks may opt out of the acknowledgement requirements. See Exchange Act Release No. 41879 (September 15, 1999), 64 FR 51360 (September 22, 1999) [File No. SR-DTC-99-15].

<sup>8</sup> 15 U.S.C. 78q-1.

<sup>9</sup> 17 CFR 200.30-3(a)(12).