

Commission ("Commission") proposed rule change File No. SR-OCC-2002-06 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on August 9, 2002.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

The proposed rule change amends OCC's adjustment procedures for stock futures to provide for adjusting stock futures contracts to compensate for special cash dividends and for rights distributions that expire in the money during the life of the futures contract. Security futures markets and certain firms interested in trading stock futures have expressed to OCC their belief that in order for stock futures to be successful they must replicate a position in the underlying stock as closely as possible. This means that, among other things, if an unanticipated corporate event (*i.e.*, an event that cannot be discounted in futures prices) materially affects the value of an underlying stock, the terms of futures contracts on that stock should be adjusted to compensate for the event. There are two types of corporate events that cause particular concern from this perspective: (1) Special (*i.e.*, non-recurrent) cash dividends and (2) rights distributions.

OCC does not, as a general rule, adjust options for cash dividends unless the amount of the dividend exceeds 10 per cent of the value of the underlying stock. If the holder of a call option wants to capture a dividend below that threshold, he can do so by exercising his option. Because stock futures, like other futures products, are not exercisable, the holder of a long stock future would not have that ability. Recurrent cash dividends are not regarded as a problem because they can be anticipated and discounted in futures settlement prices. But there is no economical way for holders of long stock futures positions to ensure themselves the benefit of unscheduled dividends.

Similarly, if the issuer of an underlying stock declares a rights distribution and the rights will expire before the options do, the holder of a call option can capture the value of the rights by exercising the option before the rights expire. In contrast, the holder of a long stock future would have no way of obtaining the benefit of a rights

distribution if the rights expire before the future does.

OCC's by-laws currently specify adjustment procedures for stock futures that generally parallel the adjustment rules for options. These procedures do not take into account the economic differences between options and futures discussed above. The security futures markets and firms interested in trading stock futures strongly believe that OCC's adjustment provisions should accommodate these differences.³

This rule change addresses that concern. OCC's by-laws presently provide that, as a general rule, outstanding stock futures contracts will not be adjusted to compensate for "ordinary" cash dividends. A cash dividend is deemed "ordinary" if the amount does not exceed 10 per cent of the value of the underlying stock on the declaration date. This rule change amends Article XII, Section 3, of the by-laws to provide that in the case of stock futures, a cash dividend would be deemed "ordinary" if OCC determined that it was declared pursuant to a policy or practice of paying such dividends on a quarterly or other regular basis regardless of the size of the cash dividend.⁴ This change recognizes that market pricing mechanisms can compensate for anticipated cash dividends, but because the market cannot anticipate and cannot price for special dividends, the rule change provides for adjustments to outstanding stock futures when a company pays a special (*i.e.*, non-recurring) cash dividend without regard to size. This will be done through a one-time adjustment in the futures settlement price that has the effect of causing the short holder to pass the value of the dividend to the long holder.

Article XII, Section 3, of OCC's By-Laws currently provides that outstanding stock futures will not be adjusted to compensate for rights distributions where the rights expire before the maturity date of the future. Under the rule change, if rights will expire before they are to be delivered under a stock futures contract, the futures contract will be adjusted

³ Although this would cause the adjustment procedures for stock futures to diverge from those applicable to equity options, the consensus among prospective markets and market participants appears to be that it is more important to avoid discontinuity between stock futures and the underlying stocks than between futures and options.

⁴ Quarterly stock dividends will be deemed "ordinary" regardless of size. Stock futures contracts will ordinarily be adjusted for other stock distributions, even if recurrent (*e.g.*, annual), to avoid creating an unnecessary discontinuity with equity options.

through a one-time adjustment in the futures settlement price in an amount equal to the value of the rights as determined by OCC. OCC's good-faith determination of value will be conclusive and binding on investors.

Because Interpretation and Policy .11 to Article XIII applies only to certain types of adjustments, it is being deleted because OCC has concluded that it is likely to be more confusing than useful.

III. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the protect investors and the public interest.⁵ Because OCC's current procedures do not allow for price adjustments to stock futures, which include securities futures, in the event of special cash dividends and rights distributions, there can be a disconnect between the value of stock futures and the value of the underlying stock. This proposed rule change, which allows OCC to make adjustments to stock futures contracts in these circumstances, will address this possible disconnect and will allow the price of stock futures to more accurately reflect the price of the underlying stock.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with the requirements of Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder applicable.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-2002-06) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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SOCIAL SECURITY ADMINISTRATION

Agency Information Collection Activities: Emergency Request and Proposed Request

The Social Security Administration (SSA) publishes a list of information collection packages that will require clearance by the Office of Management

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 46312 (August 5, 2002), 67 FR 51919.

and Budget (OMB) in compliance with Public Law 104-13 effective October 1, 1995, The Paperwork Reduction Act of 1995. The information collection packages that may be included in this notice are for new information collections, revisions to OMB-approved information collections and extensions (no change) of OMB-approved information collections.

SSA is soliciting comments on the accuracy of the agency's burden estimate; the need for the information; its practical utility; ways to enhance its quality, utility and clarity; and on ways to minimize burden on respondents, including the use of automated collection techniques or other forms of information technology. Written comments and recommendations regarding the information collection(s) should be submitted to the OMB Desk Officer and the SSA Reports Clearance Officer. The information can be mailed and/or faxed to the individuals at the addresses and fax numbers listed below:

(OMB), Office of Management and Budget, Attn: Desk Officer for SSA, New Executive Office Building, Room 10235, 725 17th St., NW., Washington, DC 20503, Fax: 202-395-6974.

(SSA), Social Security Administration, DCFAM, Attn: Reports Clearance Officer, 1338 Annex Building, 6401 Security Blvd., Baltimore, MD 21235, Fax: 410-965-6400.

I. SSA has submitted the information collection listed below for emergency consideration by OMB. SSA has requested OMB approval has within 30 days from the date of this notice. Therefore, your comments will be most useful if received before the 30 days concludes. You can obtain copies of the OMB clearance package by calling the SSA Reports Clearance Officer at 410-965-0454, or by writing to the address listed above.

Voice Print Proof of Concept—0960-NEW. SSA provides Internet-based electronic services to the business community in order to conduct business with the Agency. As part of the registration process for these services, SSA uses a negative verification option to allow a business' management to stop SSA from sending a password to a registrant to act on behalf of the business. SSA plans to test the use of voice technology, saving a biometric voice-print, as a positive verification by the business that a registrant is allowed to act on their behalf. This technology is expected to be more secure, less burdensome, faster and provide better customer service than other available options. SSA will initiate a 2-month

Proof of Concept project to test the business community's acceptance of this technology. This is strictly voluntary. SSA will collect the name, phone number and e-mail address of the registrant's supervisor. In addition, SSA may survey both the registrant and the supervisor to gauge their reactions to this new process.

Type of Request: New information collection.

Number of Respondents: 1,000.

Frequency of Response: 1.

Average Burden Per Response: 5 minutes.

Estimated Annual Burden: 83 hours.

II. The information collections listed below are pending at SSA and will be submitted to OMB within 60 days from the date of this notice. Therefore, your comments should be submitted to SSA within 60 days from the date of this publication. You can obtain copies of the collection instruments by calling the SSA Reports Clearance Officer at 410-965-0454, or by writing to the address listed above.

1. *Statement of Marital Relationship (by One of the Parties)—20 CFR 404.726—0960-0038.* SSA uses the information collected on Form SSA-754 to determine whether the conditions for establishing a common-law marriage under state law are met. The respondents are applicants for spouse's benefits.

Type of Request: Extension of an OMB-approved information collection.

Number of Respondents: 30,000.

Frequency of Response: 1.

Average Burden Per Response: 30 minutes.

Estimated Annual Burden: 15,000 hours.

2. *Marital Relationship Questionnaire—20 CFR 416.1826—0960-0460.* The information collected on Form SSA-4178 is needed by SSA to determine whether unrelated individuals of the opposite sex who are living together, and present themselves to the public as husband and wife, should be paid as a couple or two eligible individuals. The information is used to determine whether correct payment is being made to Supplemental Security Income (SSI) couples and individuals. The respondents are applicants for and recipients of SSI who are living together in a questionable relationship.

Type of Request: Extension of an OMB-approved information collection.

Number of Respondents: 5,100.

Frequency of Response: 1.

Average Burden Per Response: 5 minutes.

Estimated Annual Burden: 425 hours.

3. *Statement of Living Arrangements, In-Kind Support and Maintenance—20*

CFR, 416.1130-.1148—0960-0174. Form SSA-8006 provides a national uniform vehicle for collecting information from SSI applicants and recipients about whether they receive income from in-kind support and maintenance. Responses are used to determine eligibility for SSI benefits. The respondents are individuals applying for SSI or whose eligibility is being reevaluated.

Type of Request: Extension of an OMB-approved information collection.

Number of Respondents: 173,380.

Frequency of Response: 1.

Average Burden Per Response: 7 minutes.

Estimated Annual Burden: 20,228 hours.

4. *Application for Widow's or Widower's Insurance Benefits—20 CFR 404.335-.338—0960-0004.* SSA uses the information collected on the Form SSA-10-BK to determine if the applicant meets the statutory and regulatory conditions for entitlement to widow(er)'s benefits. The respondents are applicants for Widow(er)'s benefits.

Type of Request: Extension of an OMB-approved information collection.

Number of Respondents: 288,580.

Frequency of Response: 1.

Average Burden Per Response: 15 minutes.

Estimated Annual Burden: 72,145 hours.

5. *Student Reporting Form—20 CFR 404.352(b), 422.135, .415, .434, .367-.368—0960-0088.* Form SSA-1383 is used by Social Security student beneficiaries to report events or changes that may affect continuing entitlement to these benefits. The respondents are Social Security Student Beneficiaries.

Type of Request: Extension of an OMB-approved information collection.

Number of Respondents: 75,000.

Frequency of Response: 1.

Average Burden Per Response: 6 minutes.

Estimated Annual Burden: 7,500 hours.

Dated: October 4, 2002.

Elizabeth A. Davidson,
Reports Clearance Officer, Social Security Administration.

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SOCIAL SECURITY ADMINISTRATION

Statement of Organization Functions, and Delegations of Authority

This statement amends part S of the Statement of Organization, Functions, and Delegations of Authority which covers the Social Security