

electronically by the member's clearing firm. For those option positions that do not change, a filing is generally required on a weekly basis. Finally, the existing requirement imposed on member firms to report hedge information for proprietary and customer accounts that maintain an options position in excess of 10,000 contracts will remain in place.

The Commission believes these reporting requirements will help the CBOE to monitor options positions and ensure that only qualified hedges are being exempt from position and exercise limits. To the extent that any position raises concerns, the Commission believes that the CBOE, through its monitoring, will be promptly notified, and the Commission would expect the CBOE to take any appropriate action, as permitted by its rules.

The Commission finds good cause, pursuant to section 19(b)(2) of the Act,¹⁵ for approving Amendment No 2 to the proposal prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**.

Amendment No. 2 establishes a position and exercise limit equal to no greater than five times the standard limit for those hedge strategies that include an OTC option component. Setting the position and exercise limit at this level should provide Exchange members greater flexibility in using hedge strategies advantageously, while providing an adequate level of protection against the opportunity for manipulation of these securities and disruption in the underlying market. Accordingly, the Commission finds good cause, consistent with sections 6(b)(5)¹⁶ and 19(b)(2)¹⁷ of the Act to accelerate approval of Amendment No. 2 to the proposed rule change.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 2, including whether it 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 the CBOE. All submissions should refer to File No. SR-CBOE-00-12 and should be submitted by April 17, 2002.

V. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹⁸ that the proposed rule change (File No. SR-CBOE-00-12), as amended, be and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02-7327 Filed 3-26-02; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45605; File No. SR-GSCC-2001-10]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Establishing a Loss Allocation Cap for Dealers Acting as Brokers on Substantially All of Their Repurchase Agreement Trades

March 20, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 16, 2001, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change and an on August 31, 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 persons.

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

The proposed rule change establishes an account-based loss allocation process for dealers that act as brokers in certain repurchase agreement transactions.

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 changes and discussed any comments it received on the proposed rule changes. 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

GSCC is proposing to amend its current loss allocation rule concerning non-inter-dealer broker ("dealer") members who act as brokers in certain of their repurchase agreement (repo) transactions. Under the proposed amended rule, repo transaction accounts of these dealers will be subject to the same \$5 million per event absolute loss allocation cap currently applicable to inter-dealer brokers ("IDBs") instead of an unlimited loss allocation liability. The proposed rule change is designed to afford appropriate relief for these dealers while not unfairly burdening other members.

(i) Current Loss Allocation Procedure

If upon liquidating a defaulting member's positions GSCC incurs a loss due to the failure of the defaulting member to fulfill its obligations to GSCC, GSCC looks to the collateral deposited by that defaulting member to satisfy the loss. If the defaulting member's collateral is insufficient to cover the loss, the defaulting member's most "recent" trading partners will be looked to, on a pro rata basis, in order to satisfy the "remaining loss."

Before the loss can be allocated to the defaulting member's most "recent" trading partners, GSCC must first determine the proportion of the loss that arose in connection with member-brokered transactions and non-member brokered transactions and the proportion that arose in connection with direct transactions.

To the extent the remaining loss is determined by GSCC to arise in connection with member brokered transactions, GSCC's rules provide that fifty percent of the loss will be allocated to netting members that are category 1

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 15 U.S.C. 78f(b)(5).

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 15 U.S.C. 78s(b)(2).

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.

IDBs or category 2 IDBs pro rata based upon the dollar value of each such IDB netting member's trading activity with the defaulting member compared, netted, and novated on the day of default. The remaining fifty percent of the loss will be allocated to the dealer netting members pro rata based upon the dollar value of the trading activity through IDBs of each such dealer netting member's trading activity with the defaulting member compared, netted, and novated on the day of default. For purposes of an allocation of loss determined to arise in connection with member brokered transactions, an IDB netting member will not be subject to an allocation of loss for any single loss-allocation event in an amount greater than \$5 million. A dealer netting member will not be subject to an allocation of loss for any single loss-allocation event in an amount greater than the lesser of \$5 million or five percent of the overall loss amount allocated to dealer netting members. To the extent that this cap is applicable, any excess amounts not collected from individual netting members, whether an IDB or a dealer, will be reallocated to the netting membership in general, pro rata based on average daily clearing fund deposit requirement over the twelve-month period prior to the insolvency. However, even with the reallocation, an IDB netting member would not be subject to an aggregate loss allocation for any single loss allocation event in an amount greater than \$5 million.

To the extent a remaining loss is determined by GSCC to arise in connection with non-member brokered transactions, it will be allocated among the recent category 2 IDB netting members that were parties to such non-member brokered transactions pro rata based upon the dollar value of each such category 2 IDB netting member's trading activity with the defaulting member compared, netted, and novated on the day of default. For purposes of an allocation of loss determined to arise in connection with non-member brokered transactions, there is no loss-allocation cap.

To the extent a remaining loss is determined to arise in connection with direct transactions, it will be allocated among the recent counterparty netting members pro rata based on the dollar value of the trading activity of each such netting member's trading activity with the defaulting member compared, netted, and novated during the recent trading period. For purposes of an allocation of loss determined to arise in connection with direct transactions, there is no loss-allocation cap.

Under the current loss allocation procedure, dealer netting members acting as brokers on all or substantially all of their repo transactions do not enjoy the \$5 million per event absolute loss allocation cap applicable to IDBs. Consequently, these dealers likely would be disproportionately assessed for allocation loss in the current environment.

(ii) Proposed Changes

The proposed rule change addresses the manner in which the loss allocation procedure described in subsection (i) above applies to dealers that act as brokers in their repo transactions. Specifically, the proposed rule change would establish an account-based loss allocation process whereby the segregated repo accounts of these dealers would be treated in the same way as IDB accounts.

In order to accomplish this, GSCC is proposing to add two new definitions to its rules, "non-IDB repo broker" and "segregated repo account." A non-IDB repo broker, with respect to activity in its segregated repo account, is a dealer netting member that GSCC has determined operates in the same manner as a broker and participates in GSCC's repo netting service pursuant to the same requirements imposed under the rules on IDB netting members that participate in that service. These requirements include keeping their brokered repo activity (with two GSCC netting members on both sides of each trade) in a separate account, the segregated repo account.

Since GSCC's loss allocation procedures with respect to remaining losses distinguish between brokered transactions and direct transactions and since it is with respect to non-IDB repo brokers' brokered transactions that GSCC is proposing to give relief, the proposed rule filing would amend: (i) The definition of "brokered transaction" to include transactions to which a non-IDB repo broker, with regard to activity in its segregated repo account, is a party; (ii) the loss allocation rule applicable to brokered transactions to include references to non-IDB repo brokers and the activity in their segregated repo accounts; and (iii) the loss allocation rule to provide non-IDB repo brokers with regard to activity in their segregated repo accounts with a cap on their total loss allocation obligation of \$5 million as is currently applied to IDB netting members.

All of the other activity processed by non-IDB repo brokers outside of their segregated repo broker accounts would continue to be subject to the loss

allocation rules applicable to dealer netting members.

The proposed rule change is consistent with the requirements of the Act, as amended, and the rules and regulations thereunder because it provides for a more equitable loss allocation process among GSCC's members.

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

GSCC does not believe that the proposed rule change will have any impact or impose any 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. 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

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 GSCC consents, the Commission will:

- (a) By order approve the 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 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 will also be available for inspection and copying at the principal office of GSCC. All submissions should refer to File No. SR-GSCC-2001-10 and should be submitted by April 17, 2002.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.³

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02-7291 Filed 3-26-02; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release 34-45607; File No. 600-22]

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

March 20, 2002.

Pursuant to section 19(a) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on February 8, 2002, MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") a request that the Commission grant MBSCC full registration as a clearing agency or in the alternative extend MBSCC's temporary registration as a clearing agency until such time as the Commission is able to grant MBSCC permanent registration.² The Commission is publishing this notice and order to solicit comments from interested persons and to extend MBSCC's temporary registration as a clearing agency through June 30, 2002.

On February 2, 1987, pursuant to sections 17A(b) and 19(a) of the Act³ and Rule 17Ab2-1 promulgated thereunder,⁴ the Commission granted MBSCC registration as a clearing agency on a temporary basis for a period of eighteen months.⁵ The Commission subsequently has extended MBSCC's registration through March 31, 2002.⁶

The Commission today is extending MBSCC's temporary registration as a clearing agency so that MBSCC may continue to act as a clearing agency while the Commission seeks comment on granting MBSCC permanent registration as a clearing agency. The Commission expects to publish notice requesting comments on permanent registration as a clearing agency during the calendar year 2002.

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 institution proceedings to determine whether registration should be denied in accordance with section 19(a)(1) of the Act.⁷ Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. 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. 600-22 and should be submitted by April 17, 2002.

It is therefore ordered that MBSCC's temporary registration as a clearing agency (File No. 600-22) be and hereby is extended through June 30, 2002.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02-7292 Filed 3-26-02; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45604; File No. SR-MBSCC-2001-06]

Self-Regulatory Organizations; MBS Clearing Corporation; Notice of Filing of a Proposed Rule Change Regarding the Monitoring of MBSCC Participants' Financial Condition and Activities

March 20, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934

(December 21, 1994), 59 FR 67743; 37372 (June 26, 1996), 61 FR 35281; 38784 (June 27, 1997), 62 FR 36587; 39776 (March 20, 1998), 63 FR 14740; 41211 (March 24, 1999), 64 FR 15854; 42568 (March 23, 2000), 65 FR 16980; 44089 (March 21, 2001), 66 FR 16961; and 44831 (September 21, 2001) 66 FR 49728.

⁷ 15 U.S.C. 78s(a)(1).

⁸ 17 CFR 200.30-3(a)(12).

("Act"),¹ notice is hereby given that on November 27, 2001, MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change and on December 26, 2001, amended the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by MBSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change strengthens the process regarding MBSCC's monitoring of its participants' financial condition and activities.

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

In its filing with the Commission, MBSCC 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. MBSCC 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

To strengthen MBSCC's monitoring of participants' financial condition and activities, as well as to conform to MBSCC's standard practices, MBSCC is proposing the following modifications to its rules: (i) Add a requirement that registered brokers and dealers submit copies of supplemental reports filed with the Commission pursuant to Rule 17a-11 to MBSCC; (ii) establish a formal surveillance status mechanism; (iii) allow non-domestic participants to submit required financial statements prepared in accordance with their home country Generally Accepted Accounting Principles ("GAAP"); and (iv) expand the financial criteria used by MBSCC for calculating a participant's financial ability.

The first proposed modification to the rules would require broker-dealer participants to submit copies of supplemental reports filed pursuant to

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.

³ 17 CFR 200.30-3(a)(12).

⁴ 15 U.S.C. 78s(a).

⁵ Letter from Jeffrey F. Ingber, Managing Director, General Counsel and Secretary, MBSCC (February 8, 2002).

⁶ 15 U.S.C. 78q-1(b) and 78s(a).

⁷ 17 CFR 240.17Ab2-1.

⁸ Securities Exchange Act Release No. 24046 (February 2, 1987), 52 FR 4218.

⁹ Securities Exchange Act Release Nos. 25957 (August 2, 1988), 53 FR 29537; 27079 (July 31, 1989), 54 FR 34212; 28492 (September 28, 1990), 55 FR 41148; 29751 (September 27, 1991), 56 FR 50602; 31750 (January 21, 1993), 58 FR 6424; 33348 (December 15, 1993), 58 FR 68183; 35132