

traffic. The Commission believes that approving the proposed capacity allocation will provide the options exchanges and OPRA with an immediate, short-term solution to a pressing problem, while giving the Commission and the options markets additional time to evaluate, and possibly implement, other quote mitigation strategies. In addition, the limited time frame of this capacity allocation program provides the Commission and the options exchanges with greater flexibility to modify the program, as necessary, to ensure the fairness of the allocation process to all of the options markets going forward. The Commission finds, therefore, that granting accelerated approval of the proposed OPRA Plan amendment, as modified, is appropriate and consistent with Section 11A of the Act.¹³

V. Conclusion

It is therefore ordered, pursuant to Rule 11Aa3-2 of the Act,¹⁴ that the proposed OPRA Plan amendment, as modified, (SR-OPRA-00-04) is approved on an accelerated basis until September 9, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42782; File No. SR-DTC-00-03]

Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to Establishing a Depository Link With SIS SegalInterSettle AG

May 15, 2000.

On February 22, 2000, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-00-03) 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 March 9, 2000.² No

comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

Under the rule change, DTC will establish a free-of-payment omnibus account at SIS SegalInterSettle AG ("SIS") in order to create a one-way DTC-SIS link. The link will permit, but will not require, DTC to hold in its account at SIS positions in issues that are eligible at both DTC and SIS. The interface will enable DTC participants to more efficiently move and position their inventory through book-entry movements from one depository's books to the other's.³

Establishment of the link will enable a DTC participant to settle a cross-border transaction with an SIS counterparty by making a free-of-payment book-entry delivery from DTC's omnibus account at SIS to the SIS participant's account at SIS. Conversely, an SIS participant will be able to settle a cross-border transaction with a DTC participant by making a free-of-payment book-entry delivery from the SIS participant's account at SIS to the DTC omnibus account at SIS (while identifying the DTC participant to which the delivered securities should be credited). The receiving DTC participant then will be able to redeliver the securities on either a free-of-payment or versus-payment basis to any other DTC participant within DTC.

SIS will make SIS's custody and depository services (such as income collection, maturity presentments, and reorganization processing) available to DTC for securities held in DTC's account at SIS in accordance with SIS procedures. Whether DTC holds its underlying inventory in Switzerland or in the U.S., DTC services to DTC participants will be the same as are currently provided.

II. Discussion

Section 17A(b)(3)(F)⁴ of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds that are in its custody or control or for which it is responsible. For the reasons set forth below, the Commission believes that DTC's

proposed rule change is consistent with DTC's obligations under the Act.

The Commission believes that the link between DTC and SIS should promote the prompt and accurate clearance and settlement of securities transactions. The central purpose of the link is to facilitate the efficient processing of cross-border securities transactions between DTC participants and SIS participants. By opening an omnibus account at SIS, DTC will enable its participants to substitute efficient book-entry movements for inefficient physical movements of securities certificates from SIS to DTC. The link should reduce much of the time, expense, costs, and risks associated with physically moving certificates from SIS and redepositing them at DTC.

The Commission also believes that DTC has established the link with SIS in a manner that is consistent with its safeguarding obligations under the Act. In order to assure itself that the linking with SIS is safe and prudent, DTC completed an extensive review of such things as: (1) SIS's operational controls, financial strength, technology capabilities, and audit arrangements; (2) Swiss regulation of SIS; and (3) application and effect of Swiss and U.S. laws as they pertain to the link.

Accordingly, the Commission finds that the link satisfies DTC's obligations to promote the prompt and accurate clearance and settlement of securities transactions and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

III. 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 Section 17A of the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-00-03) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,
Deputy Secretary.

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¹³ 15 U.S.C. 78k-1.

¹⁴ 17 CFR 240.11Aa3-2.

¹⁵ 17 CFR 200.30-3(a)(29).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 42482, (March 1, 2000), 65 FR 12602.

³ With respect to global share issues of issuers such as UBS, DTC expects to hold the bulk of its positions at DTC so that DTC's position will be reflected on the books of U.S. transfer agents.

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 200.30-3(a)(12).