

system, and, in general, to protect investors and the public interest. In section 11A(a)(1)(C),<sup>12</sup> the Congress found that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations and transactions in securities.

Nasdaq believes that the proposed rule change will protect investors and the public interest by promoting better processing of price information in UITs. Accordingly, the new listing criteria will provide greater transparency to the markets by providing greater pricing information for a broader base of investments for which there is significant investor interest. Nasdaq believes the proposed listing standards serve as a means for the marketplace to screen issuers and to provide listed status only to *bona fide* investment companies with sufficient investor base and trading interest to maintain fair and orderly markets.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

Nasdaq does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Nasdaq did not solicit or receive written comments on the proposed rule change.

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

Within 35 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 90 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 NASD 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office at the NASD. All submissions should refer to File No. SR-NASD-00-59 and should be submitted by December 22, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-43598; File No. SR-NSCC-00-12]

#### **Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Accelerated Approval of a Proposed Rule Change Relating to the Submission of Extended Corrections and Time Frames for Confirmation**

November 20, 2000.

On August 28, 2000, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-00-12) pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> to permit NSCC to allow Fund Members and Mutual Fund Processors to submit extended (post settlement) corrections in NSCC's Mutual Fund Service's Fund/Serv. Notice of the proposal was published in the **Federal Register** on October 24, 2000.<sup>2</sup> No comment letters were

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

#### **I. Description**

Pursuant to NSCC's Rule 52A, section 12, only a Settling Member or TPA Member may currently submit extended (post settlement) correction instructions. These types of instructions are submitted when a Settling Member or TPA Member determines that data with respect to a settled order previously transmitted to a Fund Member or Mutual Fund Processor is in need of correction.<sup>3</sup>

Under the proposed rule change, section 12 will be amended to also permit Fund Members and Mutual Fund Processors to submit extended (post settlement) corrections to Settling Members or TPA Members. No action will be required by a Settling Member or TPA Member if it determines to accept the extended correction of a Fund Member or Mutual Fund Processor. A Settling Member or TPA Member will be able to reject the extended correction instruction within the time frame established by NSCC.<sup>4</sup> In addition, section 12 will be revised to permit extended corrections for exchange orders.

The rule change also proposes to make two additional changes to Rule 52A. Sections 4 and 8 of Rule 52A are being amended to allow NSCC to delete certain orders, corrections, and extended corrections that have not been confirmed or rejected, respectively, within the time frame established by NSCC. Section 21 is being amended to reduce the maximum time frame within which a Delivering Fund Member must confirm the value of Fund/Serv eligible mutual fund shares, investment funds, or UIT units being transferred to a Receiving Fund Member from sixty days to tens days.<sup>5</sup>

<sup>3</sup> Securities Exchange Act Release No. 31937 (March 1, 1993), 58 FR 12609 [SR-NSCC-92-14] (order approving post settlement correction initiated by Settling Members and TPA Members).

<sup>4</sup> Currently, a Settling Member or TPA Member must reject the extended correction instruction within three days. NSCC will issue an "Important Notice" at least 30 days prior to implementing changes in the time frames required for rejections of extended corrections. Telephone conversation between Richard J. Paley, Associate Counsel, NSCC, and Susan M. Petersen, Special Counsel, Division of Market Regulation, Commission (October 16, 2000).

<sup>5</sup> Pursuant to Section 21 of Rule 52A, a Fund Member or Mutual Fund Processor ("Receiving Fund Member") may initiate a request for the transfer of a customer's mutual fund shares, investment fund, or UIT units from another Fund Member or Mutual Fund Processor ("Delivering Fund Member"). The Delivering Fund Member must acknowledge or reject the transfer request

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> Securities Exchange Act Release No. 43457 (October 17, 2000) 65 FR 63662 (October 24, 2000).

<sup>12</sup> 15 U.S.C. 78k-1(a)(1)(C).

NSCC intends to implement these changes, subject to SEC approval, on November 20, 2000.

## II. Discussion

Section 17A(b)(3)(F)<sup>6</sup> 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 foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. By permitting Fund Members and Mutual Fund Processors to submit post settlement corrections and by amending the time frames within which the value of the instruments being transferred must be confirmed, the rule change should allow NSCC to provide a mechanism to help facilitate the prompt and accurate clearance and settlement of transactions between users of Fund/Serv. Furthermore, by extending the ability to submit post settlement corrections to Fund Members and Mutual Fund Processors, an ability already granted to Settling Members and TPA Members, NSCC is ensuring that the primary users of Fund/Serv are afforded similar capabilities. These actions should foster cooperation and coordination among Fund/Serv users. Accordingly, the Commission finds that the rule change is consistent with NSCC's obligations under the Act.

NSCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for so approving the proposed rule change prior to the thirtieth day after publication in the **Federal Register** because accelerated approval will permit NSCC to implement these Fund/Serv system enhancements, which are designed to accommodate new Internal Revenue Service regulations (which will be effective January 1, 2001),<sup>7</sup> in a manner consistent with industry

within two business days. Once the transfer is acknowledged, the Delivering Fund Member must also confirm the value of the shares to be transferred within the time frame specified under Section 21. Under the proposed rule change, a Delivering Fund Member must submit the confirmation no earlier than one business day and no later than ten business days after acknowledging the transfer.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> The new IRS regulation relates to the certification of foreign accounts, specifically the communication of W8-related registration information. Since fund companies typically do not implement December code or system changes, NSCC requested acceleration of the rule filing so as to implement and test the system changes prior to December.

practices with respect to system enhancements. Furthermore, the Commission has not received any comment letters and does not expect to receive any comment letters on the proposal.

## 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-NSCC-00-12) be and hereby is approved. For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Jonathan G. Katz,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43612; File No. SR-OCC-00-10]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Adjustments to Options Contracts

November 22, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on October 3, 2000, The Options Clearing Corporation ("OCC") 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 OCC.<sup>2</sup> 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 would amend Article VI, Section 11(b) of OCC's By-Laws to explicitly provide that neither OCC nor OCC's securities committee will be liable for a failure to adjust outstanding options contracts when the securities committee does not

learn or does not learn in a timely manner of an event for which it otherwise would have directed an adjustment.

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

In its filing with the Commission, OCC 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. OCCFC 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 new language to be added to paragraph (b) of Article VI, Section 11 of OCC's By-Laws is to clarify that neither OCC nor OCC's securities committee will be liable for any failure to adjust outstanding option contracts or any delay in adjusting such contracts when the securities committee does not learn in a timely manner of an event for which it would otherwise have directed an adjustment. While OCC believes that this should be the result under the By-Laws in its present form, OCC believes it is advisable to cover this situation specifically.

Normally, OCC is notified of the occurrence of a section 11(a) adjustment event<sup>4</sup> by its internal stock watch department or by the exchanges, which use their research departments to monitor the underlying securities and the issuers of the underlying securities. OCC's economic research department regularly scans Bloomberg, Reuters, and Dow Jones newswires for announcements of adjustment events. When it learns of such an event, OCC contacts the options exchanges, the primary market for the underlying, and the issuer of the underlying to obtain more information about the event and to monitor the event. Likewise, the research departments at the various

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

<sup>4</sup> Section 11(a) of Article VI of OCC's By-Laws states that whenever there is a dividend, stock split, reorganization, recapitalization, or similar event with respect to an underlying security or whenever there is a merger, consolidation, dissolution, or liquidation of the issuer of an underlying security, the number of option contracts, unit of trading, exercise price, and the underlying security of all outstanding options contracts open for trading in that underlying security may be adjusted.

<sup>8</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> A copy of OCC's proposed rule change is available at the Commission's Public Reference Section or through OCC.