prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to increase from $200 to $500 the fee that it charges applicants seeking membership as a Market-Maker or Floor Broker for the three-day Orientation Program provided to applicants by the Exchange. The Exchange states that the purpose of this proposed fee increase is to cover the costs of the Orientation Program, which are no longer adequately covered by the current $200 fee. The change to the New Member Orientation Fee is proposed to take effect on January 1, 2001.

The Exchange further proposes to amend its Membership Fee Circular to clarify the application of the Corporation/Partnership/LLC fee. This fee is imposed by the Exchange on each new firm applicant for membership on the Exchange. It is also applicable to a member organization that changes its legal structure (*e.g.*, from partnership to corporation or the reverse, from partnership to LLC or the reverse, or from corporation to LLC or the reverse).

The clarification concerns the applicability, when a member organization changes its legal structure, of certain other membership and membership application fees generally imposed by the Exchange. These include a General Partner fee, and Executive Officer fee, an LLC Manager fee, a Principal Shareholder fee, a Limited Partner fee, and an LLC Member fee.

The Exchange proposes to amend the Membership Fee Circular to clarify that if a member organization changes its legal structure or in the event of a merger between current CBOE member organizations, General Partners, Executive Officers, LLC Managers, Principal Shareholders, Limited Partners and LLC Members listed on the Uniform Application for Broker-Dealer Registration Form (''Form BD'') of the member organization(s) prior to the change will not be assessed any fees in connection with the change. This proposed revision to the Membership Fee Circular codifies the current practice of the Exchange in addressing this situation.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)[3] of the Act, in general, and furthers the objectives of Section 6(b)(4)[4] of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other changes among CBOE members.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purpose of the Act.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing rule change, which establishes or changes a due, fee, or other charge applicable to members of the Exchange, has become effective pursuant to Section 19(b)(3)(A)[5] of the Act and subparagraph (f)(2) of Rule 19b–4 thereunder.[6] At any time within 60 days of the filing of the rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 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–00–54, and should be submitted by December 28, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

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[3] 15 U.S.C. 78f(b).

[4] 15 U.S.C. 78f(b)(4).

[5] 15 U.S.C. 78s(b)(3)(A).

[6] 17 CFR 240.19b–4(f)(2).

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43640; File No. SR–DTC–00–19]

Self Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by the Depository Trust Company Relating to a New Tax Service Called DALI

November 29, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,[1] notice is hereby given that on November 20, 2000, 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 by DTC. 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

DTC has filed a proposed rule change to implement a new tax service called ''DALI'' (an acronym for data link for intermediaries). DALI is a communications hub to be used by U.S. payors such as banks, broker-dealers and foreign customers to exchange data in order to determine the proper withholding amount and to report U.S. withholding tax on payments such as dividends and interest made to a foreign payee.

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

[1] 15 U.S.C. 78s(b)(1).

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 such statements. [2]

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

The proposed rule change consists of the addition of DALI to DTC's tax services. DALI is a communications hub that will allow financial institutions (typically, a U.S. paying institution and its foreign customer payee) to exchange the data necessary to determine correct withholding and reporting of U.S. tax on payments such as dividends and interest to a foreign payee. DALI will also provide a storage facility for payment allocation information necessary for tax reporting. At a later stage, DALI will be expanded to also serve as a document repository for payee tax documentation and a storage facility for payment allocation information necessary for tax reporting at a beneficial owner level.

Background

Changes in U.S. tax regulations concerning U.S. withholding tax and reporting on payments of U.s. source income made to foreign payees will become effective on January 1, 2001.[3] The new withholding regulations require U.S. withholding agents, such as banks and broker-dealers that pay dividends and interest to foreign customers, to determine the appropriate withholding tax rates for such payments based upon the tax status of the beneficial owner of the payment and to allocate the payments among each beneficial owner or classes of owners for annual reporting to the Internal Revenue Service. As a consequence, when the U.S. financial institution's foreign customer is not the beneficial owner (for example, a foreign intermediary holding securities on behalf of its customers), the U.S. financial institution, in its capacity as U.S. withholding agent, must obtain payment allocation information from its direct foreign intermediary customer, based upon the identity of tax status of the ultimate beneficial owners of each payment made by the U.S. financial institution to its foreign customer.

Development of DALI

DTC was asked to provide the DALI service by several of its participants (referred to here as the ''Consortium'') that sought a common solution to enable them to comply with the new withholding tax regulations. The Consortium also consulted with Price WaterhouseCoopers (''PWC'') concerning the feasibility of developing a centralized and standardized software system that could be shared among the Consortium. At the request of the Consortium and industry groups, DTC agreed to act as a project manager for the development of the DALI software system and to operate and maintain the completed system as a DTC service. DTC and the Consortium retained PWC to develop the core DALI software. The Consortium agreed to pay PWC's software development costs and DTC's out-of-pocket product development costs such as hardware and operating software. The Consortium expects to recoup these costs over time from the proceeds of excess user service fees.[4]

Description of DALI System

DALI is a communications hub that withholding agents and foreign payees can use to transmit and receive the information necessary for tax withholding and reporting under the new tax regulations. DALI will be available to participants and non-participant customers for use with respect to withholding on varying types of payments and not restricted to position in securities held at DTC. DALI may be accessed by File Transfer Protocol and through the Internet at DTC's website.

In its simplest form, a typical message flow through DALI would proceed as follows:

(1) A U.S. financial institution notifies its foreign customer of a forthcoming payment and requests payment allocation information on the payment.

(2) The foreign intermediary responds with allocation information based upon the characteristics of the beneficial owners of the payment; and

(3) The U.S. financial institution confirms allocation instructions.

DALI will later be used to also validate, track, and retain required payee tax documentation such as IRS Forms W–8 and W–9 and to aggregate information for recordkeeping and tax reporting.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3) of the Act [5] and the rules and regulations thereunder because it will promote foreign investments in U.S. securities by facilitating the exchange of information necessary for payors of U.S. income to determine the correct withholding tax treatment of payments made to foreign payees. DTC also believes that the proposed rule change will be implemented consistently with the safeguarding of securities and funds in its custody or control or for which it is responsible.

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

DTC 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

Representatives of several of DTC's participants that comprise DTC's Foreign Taxes Legal Working Group requested at a meeting held on January 24, 2000, that DTC provide a service to facilitate compliance with the new U.S. tax withholding regulations effective January 1, 2001. This request was made in writing by memorandum to DTC dated February 1, 2000, from the group of financial institutions then comprising the DALI Consortium (Morgan Stanley, Dean Witter, Goldman Sachs, Merrill Lynch, Prudential Securities, Salomon Smith Barney/Citibank, Pershing/DLJ, Chase Manhattan Bank, Brown Brothers Harriman, and Bear Stearns). Except as set forth above, DTC has not solicited nor received written comments on the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act [6] and Rule 19b–4(f)(4) [7] thereunder because the rule change (1) effects a change in an existing service of EMCC that does not adversely affect the safeguarding of securities or funds in the DTC's custody or control or for which it is responsible and (2) does not significantly affect DTC's respective rights or obligations or persons using the service. At any time within sixty days of the filing of such proposed rule change, the Commission may summarily abrogate such rule

[2] The Commission has modified the text of the summaries prepared by DTC.

[3] Sections 1441, *et seq.*, of the Internal Revenue Code and regulations promulgated thereunder.

[4] The proposed fee schedule for users of the DALI service is being developed and will be filed with the Commission shortly.

[5] 15 U.S.C. 78q–1(b)(3).

[6] 15 U.S.C. 78s(B)(3)(A)(iii).

[7] 17 CFR 19b–4(f)(4).

change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal 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, 450 Fifth Street, NW., Washington, DC. Copies of such filing will also be available for inspection and copying at DTC's principal office. All submissions should refer to File No. SR–DTC–00–19 and should be submitted by December 28, 2000.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43641; File No. SR–PCX–00–40]

Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change and Amendment No. 1 Thereto by the Pacific Exchange, Inc. Relating to Audit Committee Requirements for Listed Companies

November 29, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 23, 2000, the Pacific Exchange, Inc. (''PCX'' or ''Exchange''), through its wholly-owned subsidiary, PCX Equities, Inc. (''PCXE''), 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 by the PCXE. The Exchange filed Amendment No. 1 to the proposed rule change on November 22, 2000.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The PCXE proposes to amend its rules pertaining to composition of audit committees of listed companies as recommended by the Blue Ribbon Committee on Improving Effectiveness of Corporate Audit Committees. The text of the proposed rule change is set forth below. New text is in italics. Deletions are in brackets.

Corporate Governance

Rule 5.3(a) Conflicts of interest—No change.

Rule 5.3(b) Independent Directors/Audit Committee

The Corporation shall require that each listed domestic issuer have at least two independent directors on its board of directors. Such issuer must maintain an audit committee. [a majority of which] *All audit committee members* must be independent directors *that satisfy the audit committee requirement set forth below.*

(1) Audit Committee Charter. The board of directors must adopt and approve a formal written charter for the audit committee. The audit committee must review and reassess the adequacy of the formal written charter on an annual basis. The charter must specify the following:

(i) The scope of the audit committee's responsibilities and how it carries out those responsibilities, including structure, processes, and membership requirements;

(ii) That the outside auditor is ultimately accountable to the board of directors and the audit committee of the company, that the audit committee and board of directors have the ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for shareholder approval in any proxy statement); and

(iii) That the audit committee is responsible for ensuring that the outside auditor submits on a periodic basis to the audit committee a formal written statement delineating all relationships between the auditor and the company and that the audit committee is responsible for actively engaging in a dialogue with the outside auditor with respect to any disclosed relationships or services that may impact the objectively and independence of the outside auditor and for recommending that the board of directors take appropriate action in response to the outside auditors' report to satisfy itself of the outside auditors' independence.

(2) Composition/Expertise Requirement of Audit Committee Members.

(i) Each audit committee will consist of at least three independent directors, all of whom have no relationship to the company that may interfere with the exercise of their independence from management and the company (''Independent'');

(i) Each member of the audit committee must be financially literate, as such qualification is interpreted by the company's board of directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the audit committee; and

(iii) At least one member of the audit committee must have accounting or related financial management expertise, as the Board of Directors interprets such qualification in its business judgment.

(3) Independence Requirement of Audit Committee Members. In addition to the definition of Independent provided in 5.36(2)(i), the following restrictions shall apply to every audit committee member:

(i) Employees: A director who is an employee (including non-employee executive officers) of the company or any of its affiliates may not serve on the audit committee until three years following the termination of his or her employment. In the event the employment relationship is with a former parent or predecessor of the company, the director could serve on the audit committee after three years following the termination of the relationship between the company and the former parent or predecessor. ''Affiliate'' includes a subsidiary, sibling company, predecessor, parent company, or former parent company.

(ii) Business Relationship. A director (a) who is a partner, controlling shareholder, or executive officer of an organization that has a business relationship with the company, or (b) who has a direct business relationship with the company (e.g., a consultant) may serve on the audit committee only if the company's board of directors determines in its business judgment that the relationship does not interfere with the director's exercise of independent judgment. In making a determination regarding the independence of a direct pursuant to this paragraph, the board of directors should consider, among other things, the materiality of the relationship to the company, to the director, and, if applicable, to the organization with which the director is affiliated. ''Business relationships'' can include commercial, industrial, banking consulting, legal, accounting and other relationships. A director can have this relationship directly with the company, or the director can be a partner, officer or employee of an organization that has such a relationship. The director may serve on the audit

[8] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 7s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Letter dated November 20, 2000 from Cindy L. Sink, Senior Attorney, PCX, to Nancy Sanow, Assistant Director, Division of Market Regulation, Commission (''Amendment No. 1''). Amendment No. 1 specifies an implementation plan for the proposed rule change.