

The Commission finds good cause for approving Amendment Nos. 1 and 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. 1 merely elaborates on the rationale for the proposal. Amendment No. 2 makes clear that the proposed rule change will apply to narrow-based index warrants as well as broad-based index warrants. Although the descriptive section of the original filing referred to broad-based index warrants, the actual text of the proposed rule change in that filing made no distinction between the two. The purpose of the proposal as it relates to broad-based index warrants relates equally to narrow-based index warrants: to enable the CBOE to compete with the overseas and OTC derivative markets in the trading of these instruments. The Commission's belief that elimination of the 400 public holder requirement would not significantly impact investors also applies equally to narrow-based index warrants. Acceleration of the amendment will allow the Exchange to implement the proposed rule change to all stock index warrants at once.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment Nos. 1 and 2, including whether Amendment Nos. 1 and 2 are 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-99-14 and should be submitted by December 22, 2000.

#### V. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with 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 (SR-CBOE-99-14), as amended, be and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43618; File No. SR-EMCC-00-05]

#### **Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing of Proposed Rule Change Seeking To Increase the Minimum Clearing Fund Requirement for All EMCC Members to \$3,000,000 and To Establish Two Tiers of Inter-Dealer Broker Membership Standards**

November 27, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 14, 2000, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") and on August 16, 2000, and November 1, 2000, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by EMCC. 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 (1) would increase the minimum clearing fund requirement for all EMCC members to \$3,000,000 and (2) would establish two tiers of inter-dealer broker ("IDB") membership standards.

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

In its filing with the Commission, EMCC 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. EMCC has prepared

summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>2</sup>

#### **(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

The purpose of the proposed rule change is to (i) increase the minimum clearing fund requirement for all EMCC members to \$3,000,000 from the current required minimum of \$1,000,000 and (ii) provide two tiers of IDB membership standards.<sup>3</sup>

With respect to the proposed increased minimum clearing fund requirement, EMCC's risk advisory subgroup reviewed EMCC's two years of operations, including trade files and daily margin calculations. The subcommittee concluded that, generally, members' calculated clearing fund requirements did not go below \$3,000,000. Moreover, raising the minimum requirement from \$1,000,000 to \$3,000,000 is consistent with the clearing fund requirements imposed on IDBs by other clearing corporations,<sup>4</sup> and it addresses the fact that IDB members have a potential clearing fund loss liability that could well exceed the current \$1,000,000 clearing fund minimum. Accordingly, EMCC has determined that it would be more appropriate to have a greater amount of IDB funds on hand to cover the potential exposure than to have to request such a deposit if needed due to a loss. Therefore, EMCC has decided to increase IDB's minimum clearing fund requirement to \$3,000,000 and has determined that it is appropriate to have this standard apply to all members.

The rule change also proposes to separate IDBs into two membership categories based on excess net capital or excess financial resources. Those IDBs with excess net capital, or excess financial resources for a broker or dealer regulated by the Securities and Futures Authority Limited, of between \$10,000,000 and \$20,000,000 would be margined using an "event factor" of 1.5 instead of the factor of 1.25 currently used in EMCC's base margining formula. This factor is representative of the volatilities experienced during the last three emerging market events.<sup>5</sup> Those

<sup>2</sup> The Commission has modified the text of the summaries prepared by EMCC.

<sup>3</sup> EMCC's Rules define an IDB as "a broker-dealer that conducts securities trading which matches buyers and sellers who are banks or dealers, and who is designated as such by the Corporation."

<sup>4</sup> See, e.g., Government Securities Clearing Corporation Rule 4, Section 2(c).

<sup>5</sup> October, 1997 (Asia), August, 1998 (Russia), and January, 1999 (Brazilian).

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

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

IDBs with excess net capital or excess financial resources of more than \$20,000,000 would be margined under the current event factor of 1.25. In either case, the event factor would be subject to EMCC's right to change the risk factor, as provided in EMCC Rule 4, Section 5(A)III.

EMCC believes that the two-tier membership standard will permit it to accept IDBs for membership while appropriately collateralizing the risk posed by those entities with lower levels of capital. EMCC recognizes that the clearing fund is a key mitigant to market risk in the event of member insolvency and feels that margining those IDBs with less than \$20,000,000 excess regulatory capital at an event factor of 1.5 should mitigate any risk of their lower capital levels.

The effective date for these proposed changes will be thirty days following the date the Commission approves the filing for current members and will be immediately for any applicant who becomes a member after the rule change is approved.

EMCC believes that the proposed rule change is consistent with the requirements of section 17A of the Act<sup>6</sup> and the rules and regulations thereunder because it promotes the prompt and accurate settlement of emerging markets securities transactions.

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

EMCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. EMCC will notify the Commission of any written comments received by EMCC.

**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 reason for so finding or (ii) as to which the self-regulatory organization 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 in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of EMCC. All submissions should refer to File No. SR-EMCC-00-05 and should be submitted by December 22, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

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

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-43613; File No. SR-NASD-00-59]**

**Self Regulatory Organizations; Notice of Filing of a Proposed Rule Change by the National Association of Securities Dealers, Inc. To Permit the Inclusion of Certain Unit Investment Trusts in Nasdaq's Mutual Fund Quotation Service**

November 22, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

20, 2000, the National Association of Securities Dealers, Inc. ("NASD") through its wholly owned subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. 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**

Nasdaq is proposing to amend NASD Rule 6800 to permit the inclusion of certain Unit Investment Trusts ("UITs") in Nasdaq's Mutual Fund Quotation Service ("MFQS"). Proposed new language is in italics; proposed deletions are in brackets.

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**6800. MUTUAL FUND QUOTATION SERVICE**

**(a) Description**

The Mutual Fund Quotation Service collects and disseminates through The Nasdaq Stock Market prices for [both] mutual funds, [and] money market funds, *and unit investment trusts*.

**(b) Eligibility Requirements**

To be eligible for participation in the Mutual Fund Quotation Service, a fund shall:

(1) be registered with the Commission as an open-end ("open-end fund") or a closed-end ("closed-end fund") investment company *or a unit investment trust* pursuant to the Investment Company Act of 1940,

(2) execute the agreement specified by the Association relating to the fund's obligations under the Program,

(3) pay, and continue to pay, the fees as set forth in Rule 7090, and

(4) submit quotations through an automatic quotation system operated by the Association.

**(c) News Media Lists**

(1) (A) An eligible open-end fund shall be authorized for inclusion in the News Media List released by the Association if it has at least 1,000 shareholders or \$25 million in net assets.

(B) An eligible closed-end fund *or unit investment trust* shall be authorized for inclusion in the News Media List released by the Association if it has at least \$60 million in net assets.

(C) Compliance with subparagraphs (1)(A) and (B) shall be certified by the fund to the Association at the time of initial application for inclusion in the List.

<sup>6</sup> 15 U.S.C. 78q-1.