

this new product by trading them as soon as possible. Accordingly, the Commission finds that there is good cause, consistent with Section 6(b)(5) of the Act,¹⁷ to approve the proposal on an accelerated basis.

V. Conclusion

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-NYSE-00-53), is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43668; File No. SR-OCC-99-15]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of Proposed Rule Change Relating to Clearing Member Affiliates

December 4, 2000.

On November 2, 1999, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-99-15) and on August 11, 2000, amended the proposed rule change 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 September 15, 2000.² No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The principal purpose of the proposed rule change is allow certain affiliates of a clearing member to be designated as non-customers under the Commission's hypothecation rules³ so that the affiliates may have their transactions and positions commingled in their clearing member's firm account and/or proprietary X-M account at OCC for the purpose of receiving more

favorable clearing margin treatment.⁴ The proposed rule change creates a definition of Member Affiliates that consists of the relevant portion of the existing definition of Related Person in OCC's By-Laws. (For the sake of economy of expression and consistency, OCC proposes to replace that portion of the Related Person definition used to define Member Affiliate with the term Member Affiliate.) The proposed rule change then modifies the definition of Non-Customer to include a Member Affiliate that has executed a non-conforming subordination agreement⁵ that has been approved by the clearing member's designated examining authority.

Additionally, the proposed rule change modifies the definition of Related Person to eliminate redundancies and to more closely parallel 17 CFR 1.3(y), which defines "proprietary account" for the purposes of the Commodity Exchange Act's regulations.⁶ The proposed rule no longer refers to spouses of "any such person" (*i.e.*, any officer, director, or general or special partner) which was redundant because the rule already covers spouses of "any non-customer of the clearing member," and the definition of Non-Customer includes officers, directors, or general or special partners. Additionally, in order to conform OCC rules with Section 1.3(y)'s definition of "proprietary account," the proposed rule change clarifies that not only are spouses and minor dependents of non-customers Related Persons but also that the spouses and minor dependents of certain employees are also Related Persons.

II. Discussion

Section 17A(b)(3)(F)⁷ of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is

⁴ See also no-action letter from Michael A. Macchiaroli, Associate Director, Division of Market Regulation, Commission, to William H. Navin, Executive Vice President and General Counsel, OCC, (June 15, 2000).

⁵ Non-conforming subordination agreements are subordination agreements that do not meet the requirements of Appendix D of Rule 15c3-1.

⁶ As defined, a Related Person is essentially a person whose account would be a "proprietary account" under the rules of the Commodity Futures Trading Commission, but who is nevertheless a "customer" for purposes of the Commission's hypothecation rules cited above. Market Makers who are Related Persons of a clearing member are deemed to be Associated Market Makers and are excluded from the Combined Market Maker Account under Article VI, Section 3(c) of OCC's By-Laws.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

responsible. For the reasons set forth below, the Commission believes that OCC's proposed rule change is consistent with OCC's obligations under the Act.

The proposed rule change to add and modify several definitions so that affiliates may have their transactions and positions commingled in their clearing member's firm account and/or proprietary X-M account at OCC should result in a more accurate assessment of risk and a more appropriate margin requirement thus further assuring the safeguarding the securities and funds within OCC's control. In addition the proposed rule change should provide more consistency with respect to the interplay of the Commodity Exchange Act's regulations with OCC's rules.

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-OCC-99-15) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43645; File No. SR-Phlx-00-92]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Concerning Reporting, Examination, Recordkeeping, and Disclosure Requirements Related to Off-Floor Trading Organizations and Their Affiliated Traders

November 30, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder, notice is hereby given that on October 11, 2000, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹⁷ 15 U.S.C. 78s(b)(5).

¹⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 43276, (September 11, 2000), 65 FR 56015.

³ 17 CFR 240.8c-1 and 240.15c2/1.