

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

DTC perceives no impact on competition by reason of the proposed rule change since it will apply to any Central Matching Service Provider.

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

Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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 reasons 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 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 DTC.

All submissions should refer to File No. SR-DTC-2001-11 and should be submitted by September 12, 2001.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44708; File No. SR-GSCC-00-09]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to an Earlier Daily Trade Data Submission Deadline and the Imposition of Fines For Late Submissions

August 15, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 23, 2000, the Government Securities Clearing Corporation ("GSCC") 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 GSCC. 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

The proposed rule change would adopt an earlier daily trade submission deadline of 8:00 p.m. EST and impose a fine schedule for late trade submission.

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

In its filing with the Commission, GSCC 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. GSCC 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 Statutory Basis for, the Proposed Rule Change

Since the inception of GSCC's netting system in July 1989, the daily deadline for submission of trade data to GSCC has been 10:00 p.m. Eastern Standard Time ("EST"). GSCC first announced its intention to move to an earlier trade submission deadline in 1997 in a White Paper detailing GSCC's plans for providing straight-through processing and a point of trade guarantee. GSCC explained that an earlier deadline would be necessary to ensure that members have enough time to reconcile all their activity by the end of the processing day. Plans to move the submission deadline from 10:00 p.m. to 8:00 p.m. were further announced in the Interactive Messaging and Real-time Comparison New Service Bulletin distributed to members in December 1999 and in the Interactive Messaging Participant Specifications (SWIFT formats) made available in February 2000.

On June 2, 2000, GSCC informed its members by an Important Notice that in preparation for the planned implementation of Real-Time Comparison services members should begin submitting trade data to GSCC by 8:00 p.m. on July 10, 2000. GSCC members have thus had the opportunity to make all necessary system and other internal changes in order to accommodate the earlier deadline and to become accustomed to it. GSCC has strongly encouraged all members to abide by the 8:00 p.m. deadline but has not enforced the deadline.

GSCC now proposes to adopt the 8:00 p.m. trade submission deadline and to impose a fine schedule for late trade submission so that it may enforce the deadline. The earlier trade submission deadline provides members with more time to reconcile trading activity prior to end of day because GSCC will be able to prepare and its members will be able to view their comparison results at an earlier time. The earlier submission deadline is one of the first steps in accomplishing GSCC's plan to move to real-time interactive messaging and T+0 settlement. In the near future, GSCC will be actively encouraging members to submit trade data in real-time.

The move to the earlier submission deadline is an important interim measure that will allow members to become accustomed to submitting trade data earlier in the day. After full implementation of the interactive messaging process, GSCC may ultimately establish an even earlier

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by GSCC.

submission deadline, as required, in accordance with future business developments and market practices. Finally, the earlier submission deadline supports GSCC's cross-margining initiatives with other clearing corporations, including those in Europe. Earlier submission will facilitate close coordination of data transfer among clearing corporation across multiple time zones.

The imposition of the fine schedule is important in order to promote full compliance with the earlier submission deadline. The proposed fine schedule closely tracks GSCC's existing fine schedule for the late payment of funds settlement debits and the late satisfaction of clearing fund deficiency calls. Like the existing fine schedule, the proposed fine schedule provides for a warning mechanism before any fine is imposed. In addition, the dollar amounts of the fines in the proposed schedule are similar to those in the existing schedule.

GSCC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder because it will ensure that members will be able to reconcile their trading activity by the end of the processing day and will support GSCC initiatives that will provide important benefits to members such as real-time processing and cross-margining.

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

GSCC does not believe that the proposed rule change will have an impact 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

Written comments relating to the proposed rule change have not yet been solicited or received.³ GSCC will notify the Commission of any written comments received by GSCC.

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

Within thirty-five days of the date of publications 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 reasons

³ Members will be notified of the rule change filing and comments will be solicited by an Important Notice.

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 proceeds 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 Room in Washington, DC. Copies of such filing will also be available for inspection and copying at GSCC's principal office. All submissions should refer to File No. SR-GSCC-00-09 and should be submitted by September 12, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Jonathan G. Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44714; File No. SR-GSCC-00-08]

Self-Regulatory Organizations Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to Permitting Clearing Fund Offsets for Category 2 Dealer Netting Members and Category 2 Futures Commission Merchants

August 16, 2001.

On July 31, 2000, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and

⁴ 17 CFR 220.30-3(a)(12).

Exchange Commission ("M" a proposed rule change (File No. SR-GSCC-00-08) 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 January 11, 2001.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

GSCC has established two membership categories, "category 1" and "category 2," for dealers and futures commission merchants ("FCMs") that want to participate in GSCC's netting system. GSCC established category 2 membership for dealers and FCMs that meet all of GSCC's requirements for participating in the netting system but have less net worth than GSCC's category 1 members. The minimum net worth requirement for category 1 members is \$50 million, and the minimum net worth requirement for category 2 members is \$25 million.³

While category 2 members have a lower net worth threshold than category 1 members, category 2 members currently have a more stringent clearing fund requirement under GSCC Rule 4, Section 2(d). Specifically, the clearing fund requirement for category 2 members is calculated (i) without the benefit of any of the offsets across opposite net settlement positions⁴ that are permitted for category 1 members and (ii) with margin factors set at the 99 percent-of-movements confidence level.⁵ (Margin factors for a category 1 member are set at the 95 percent confidence level.) In addition, if a category 2 member elects to receive credit forward margin amounts⁶ in its daily funds-only settlements, its margin factors are set at levels that are based on the greater of: (i) the category 2 margin factors or (ii) margin factors adjusted to reflect GSCC's historical two-day price

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 43793 (Jan. 3, 2001), 66 FR 2465 (Jan. 11, 2001).

³ Both categories have identical requirements for minimum excess net or liquid capital of \$10 million.

⁴ This means that GSCC does not allow category 2 members to offset long positions against short positions.

⁵ This means that the category 2 margin factors are based on GSCC's historical daily price volatility data covering 99 percent of all movements.

⁶ A credit forward margin amount refers to GSCC's daily process of computing a member's collateral by marking to market the member's transactions that will settle in the future. The result will produce a net credit or a net debit. If the member has a net credit, it can elect to have GSCC pay it the value of the net credit. If the member has a net debt, it must pay GSCC.