

communicates to its participants or others prior to settlement that a transaction has been matched. DTC assumes that the Central Matching Services Provider,⁶ Such as Global Joint Venture Matching Services—US, LLC, will make arrangements for the communication of this information to the DTC participants expected to settle matched transactions by book-entry delivery at DTC. DTC is prepared to accept from a Central Matching Service Provider a file of deliver order instructions to settle transactions between DTC participants that have authorized DTC to accept such instructions from the Central Matching Services Provider. This Order grants Commission approval of DTC's proposal whereby DTC will act upon delivery order instructions received from the Central Matching Services Provider and will collect service fees on behalf of the Central Matching Services Provider⁷ without the delay and inconvenience to both Central Matching Services Providers and DTC participants that would result if DTC were to require each participant to execute a written form of authorization. DTC will provide notice to participants of its intention to act upon the instructions of a Central Matching Services Provider, as described above, giving each participant the opportunity to advise DTC not to accept such instructions with respect to its account.

II. Discussion

Section 17A(b)(3)(F) 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.⁸ The Commission believes that the approval of DTC's rule change is consistent with this Section because it allows DTC to act upon deliver order instructions received from a Central Matching Services Provider. This will provide a means whereby DTC can help both Central Matching Services Providers and participants avoid the

delay and inconvenience that would result were DTC to require each participant using a Central Matching Services Provider to independently submit deliver order instructions to DTC.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of 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-DTC-2001-11) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44907; File No. SR-GSCC-2001-09]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to Funds-Only Settlement Payment Deadlines

October 4, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 10, 2001, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared primarily by GSCC. The Commission is publishing this notice and order to solicit comments from interested persons and to grant approval of the proposed rule change.

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

The proposed rule change will require GSCC's netting members to pay a funds-only settlement amount owed to GSCC no later than 10 a.m. and require GSCC to pay its netting members funds-only

settlement payments that it owes them by 11 a.m.

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 statement.²

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

IN 1989, GSCC established a methodology for mitigating the risks inherent in netting. One of the components of the risk management system is a funds-only settlement obligation due each day either from a netting members to GSCC or from GSCC to the netting member. GSCC initially determined that funds-only settlement amounts due from members to GSCC should be received by GSCC by 10 a.m. each day and that GSCC should pay members funds-only settlement amounts due them by 11 a.m. The funds-only settlement payment deadlines were set in the morning so that GSCC could receive the risk protection that the payments were designed to achieve soon after GSCC reports to its members its calculation of the amounts owed and soon after securities settlements begin. GSCC also gave members an appropriate amount of time after the issuance of the reports and after the opening of the cash FedWire to send their funds payments to GSCC.³ These deadlines were incorporated in a rule filing approved by the Commission in 1989.⁴

In 1991, the Commission authorized GSCC to change the funds-only settlement payment deadline for members from 10 a.m. to 9 a.m.⁵ With

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

³ The proposed text of this rule filing takes into account the subsequent change in the opening of the cash FedWire from 8:30 a.m. to 12:30 a.m. and also revises the amount of time after the opening of the cash FedWire that a member is given to remit its funds-only settlement obligation to GSCC.

⁴ Securities Exchange Act Release No. 27006 (July 7, 1989); 54 FR 29798 (July 14, 1989).

⁵ Securities Exchange Act Release No. 30135 (Dec. 31, 1991), 57 FR 942 (Jan. 9, 1992). This rule filing did not change GSCC's obligation to make funds payments to its members in a funds credit position by 11 a.m.

⁶ Central Matching Services Provider as such term is used in this proposed rule change refers to an entity that (i) provides a Central Matching Services and (ii) has registered with the Commission as a clearing agency or has been granted an exemption by the Commission from clearing agency registration. Central Matching Service means an electronic service to centrally match information between a broker-dealer and its institutional customer (so long as one or both such parties is a U.S. person) relating to transactions in securities issued by a U.S. issuer regardless of where the transactions are settled.

⁷ While DTC will include such fees as debits in the participant's settlement account, DTC's collection of such amounts shall be on a "best efforts" basis.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

the benefit of two years of netting experience, GSCC determined that the earlier deadline would more sufficiently protect GSCC from the consequences of potential default by a netting member. However, GSCC was unable to implement the 9 a.m. deadline as a practical matter due to a widespread inability of members to wire funds to GSCC in a timely manner.

In 1997, the Commission authorized GSCC to provide members with the option of satisfying their funds-only settlement obligations through an "auto-debit" method.⁶ This arrangement enabled netting members to authorize banks with which GSCC and those members have accounts to make and collect settlement payments early in the morning by debit/credit instructions given directly to such banks by GSCC. GSCC also determined that it would remit its funds-only settlement obligations to members by 10:00 a.m. (instead of 11 a.m.) because it would begin enforcing with the assistance of a new find schedule the 9 a.m. deadline that all netting members make their funds-only settlement payments. However, because GSCC continues to make certain manual adjustments to the final funds-only obligations until approximately 8:30 a.m., the auto-debit system could never be implemented and GSCC never enforced the 9 a.m. deadline.

Until such time as GSCC is able to report final funds-only settlement obligation amounts to its members well in advance of the 9 a.m. deadline, GSCC will continue to accept funds-only settlement payments at 10 a.m. and send members funds-only settlement payments that it owes them by 11 a.m. The purpose of this rule filing is to formally reflect these deadlines in all relevant places in GSCC's rules to ensure consistency with GSCC's current operating procedures.

GSCC believes that the proposed rules change is consistent with the requirements of section 17A of the Act and the rules and regulations thereunder because it clarifies GSCC's current practices with respect to funds-only settlement payment deadlines.

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

GSCC does not believe that the proposed rule change will have any impact or impose any 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. GSCC will notify the Commission of any written comments it receives.

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

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of section 17A(b)(3)(A)⁷ of the Act, which requires, among other things, that a clearing agency have the capacity to be able to comply with this provisions of the Act and the rules and regulations thereunder. The Commission finds that the proposed rule change is consistent with this obligation because this rule change will bring GSCC's written rules in line with its actual practice with respect to the deadlines for funds-only settlement procedure. The Commission notes that it is vital that the practices and operations of self-regulatory organizations, such as GSCC, be consistent with and conform to their rules.

GSCC 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 filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing because such approval will allow GSCC to immediately amend its rules to accurately reflect GSCC's practice of requiring funds-only settlement payments to be paid to GSCC by 10 a.m. and to be paid by GSCC by 11 a.m.

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-2001-09 and should be submitted by November 1, 2001.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR-GSCC-2001-09) be, and hereby is, approved on an accelerated basis.

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

Margaret H. McFarland,
Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3368]

State of Illinois; (And a Contiguous County in the State of Indiana)

Cook County and the contiguous Counties of DuPage, Kane, Lake, McHenry, and Will in the State of Illinois, and Lake County in the State of Indiana constitute a disaster area due to damages caused by severe storms and flooding that occurred August 2, 25, and 30, 2001. Applications for loans for physical damage may be filed until the close of business on December 3, 2001 and for economic injury until the close of business on July 5, 2002 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308.

The interest rates are:

	Percent
For Physical Damage:	
Homeowners with credit available elsewhere	6.625
Homeowners without credit available elsewhere	3.312
Businesses with credit available elsewhere	8.000
Businesses and non-profit organizations without credit available elsewhere	4.000

⁶ Securities Exchange Act Release No. 39309 (Nov. 7, 1997), 62 FR 61158 (Nov. 14, 1997).

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 17 CFR 200.30-3(a)(12).