

transactions in that security from its clearance system.

## 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 such statements.<sup>2</sup>

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

EMCC's rules permit EMCC to remove a security from its list of those securities eligible for processing through EMCC's system in certain circumstances. However, EMCC's rules do not permit EMCC to exit any pending trades in such a security from its system for any reason other than where the security is no longer deliverable through a qualified securities depository. Without the ability to exit pending trades from its processing system, there may be circumstances where a member may lose important rights in a security by virtue of the continued inclusion of its trades in EMCC's processing system.

The proposed rule change therefore would permit EMCC to make a security ineligible for processing in its system and to exit pending trades in that security by issuing appropriate instructions to its affected members if in EMCC's judgment a member may lose important rights by reason of the security's continued status as an EMCC eligible instrument. For example, where an EMCC eligible instrument is subject to a restructuring which includes a voluntary exchange offer, a party to a pending trade in that security may lose the right to receive the exchange security of its original counterparty does not take appropriate protective action. In that case, the parties can best protect their rights by dealing directly with each other outside of EMCC. In that event, EMCC would notify all members of the security's removal and issue instructions in a manner it determines is appropriate to the affected members and to the extent applicable to the relevant qualified securities depository naming members as the counterparties to the affected transactions. EMCC would

issue such instructions with a view towards minimizing the number of such instructions issued in a given instance.

EMCC believes that this rule change will facilitate the prompt and accurate clearance and settlement of emerging market securities transactions and therefore believes that it is consistent with section 17A(b)(3)(F) of the Act.<sup>3</sup>

### (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

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)(F).<sup>4</sup> Section 17A(b)(3)(F) requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The proposed rule is designed and should enable EMCC to help its members not lose important rights with respect to emerging market debt securities which are subject to restructurings or other similar actions. As a result, the rule change should promote the prompt and accurate clearance and settlement of the securities transactions.

EMCC has requested that the Commission approve the proposed rule change prior to the thirtieth day after publication of the notice of the filing. The Commission finds good cause for approving the rule change prior to the thirtieth day after publication of the notice of filing because approval to this proposed rule filing will allow EMCC to be prepared to take the appropriate actions wherever the next restructuring or similar event occurs which involves an EMCC eligible instrument.

## 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, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of EMCC. All submissions should refer to File No. SR-EMCC-00-07 and should be submitted by February 1, 2001.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>5</sup> that the proposed rule change (File No. SR-EMCC-00-07) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43808; File No. EMCC-00-08]

### Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing of Proposed Rule Change to Permit Members to Satisfy Clearing Fund Obligations With Either Immediately Available Funds or Eligible Treasury Securities

January 4, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 3, 2000, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") the

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

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 would allow EMCC members to satisfy their obligations to make additional clearing fund deposits with either immediately available funds, as currently required, or eligible treasury securities.

### **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 receive 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*

EMCC's Rule 4, section 5(iii) currently requires that members satisfy their obligation to make additional required deposits ("margin") to the clearing fund in immediately available funds. EMCC Rule 4, section 8 permits the substitution of eligible collateral for clearing fund cash. On the same day a cash deposit is made, members may substitute eligible treasury securities<sup>3</sup> or an eligible letter of credit<sup>4</sup> for all or a

portion of any such margin cash deposited provided the member maintains the requisite minimum ratios of cash to securities and/or letters of credit.<sup>5</sup>

To accommodate member requests, EMCC proposes changing Rule 4, section 5(iii) to allow members the option of meeting clearing fund margin calls with either cash or eligible treasury securities. The proposed rule change increases operating efficiencies by transforming what is currently a two-step process into a single step process. Eligible treasury securities so deposited would be valued at 96% of their current market value as provided in Section 8 of EMCC Rule 4. Notwithstanding the change, EMCC would retain the right, in its discretion, to require additional deposits to be made in cash.

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 applicable to EMCC because it will promote operating efficiencies and will facilitate the prompt and accurate clearance and settlement of emerging market 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

substituted other collateral of at least equal value prior to such revocation or amendment or otherwise will have sufficient remaining value in its clearing fund deposit at the time of such revocation or amendment to satisfy its anticipated required fund deposit;

(d) States that (1) it will be duly honored upon presentment of it to the issuing bank and (2) partial drawings are permitted; and

(e) Is in a form and contains such other terms and conditions as may be required by EMCC.

<sup>5</sup> EMCC Rule 4, Sections 2 and 8(c).

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

publishes its reasons for so finding or (ii) as to which the self-regulatory organization consent, 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-00-08 and should be submitted by February 1, 2001.

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

<sup>3</sup> As defined in EMCC Rule 1, the term "eligible treasury security" means an unmatured, marketable debt security in book-entry form that is a direct obligation of the United States Government.

<sup>4</sup> As defined in EMCC Rule 1, the term "eligible letter of credit" means a letter of credit that:

(a) Is issued by an approved letter of credit issuer;

(b) Contains the unqualified commitment of such issuer to pay a specified sum of money upon demand (properly drawn under the letter of credit) at any time prior to the expiration of the letter of credit;

(c) Is irrevocable and may be neither revoked nor amended to reduce its amount except upon the issuer's written notice to EMCC of its intent to revoke or amend, which must be given not less than five full business days prior to the date fixed for such revocation or amendment, and EMCC's consent to the revocation or amendment, which shall be given promptly upon EMCC's determination that the member either has

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