mechanism of a free and open market. The Commission notes that there is no guarantee that a company that satisfies the market capitalization and revenue standard in the Pilot will achieve positive earnings in the future. However, the Commission preliminarily does not believe it is inconsistent with the Act for the NYSE to permit companies to list on the Exchange that have not established positive earnings in recent years.

The Commission finds good cause for approving the Pilot prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission believes that accelerated approval of the Pilot will enable the Commission and the Exchange to gain experience with the application of the Capitalization Standard before the Commission considers permanent approval of the Pilot.[14] Accordingly, the Commission believes that granting accelerated approval of the Pilot is appropriate and consistent with sections 6(b)(5) and 19(b)(2) of the Act.[15]

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[16] that the portion of the proposed rule change (File No. SR–NYSE–99–17) relating to the Pilot program is approved until September 3, 1999, or until the Commission grants permanent approval to the proposal.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[17]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–14116 Filed 6–3–99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41455; File No. SR–OCC–98–10]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change Regarding Supplementary Exercise Notices

May 26, 1999.

On September 10, 1998, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–OCC–98–10) 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 March 2, 1999.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

Rule 805 governs the submission of expiration date exercise instructions. The rule states that if a clearing member tenders an exercise notice in response to an expiration exercise report after OCC's submission deadline (''supplemental exercise notice''), the tender is in violation of OCC's procedures. Rule 805 further provides that the clearing member shall be subject to disciplinary procedures unless the exercise notice was tendered for the account of a customer and the clearing member was prevented from submitting timely exercise instructions due to one of the circumstances specified in the rule.

Supplementary exercise notices require special processing that is manual labor intensive. As a result of OCC's ongoing review of the effectiveness of its rules and procedures relating to expiration date exercise processing, OCC is amending its expiration date exercise procedures to impose filing fees for expiration date exercise notices that are tendered after OCC's prescribed deadlines. The rule change modifies Rule 805 so that OCC's treatment of supplementary exercise notices is more in line with its treatment under Rule 801 of late exercise notices that are submitted on other dates.

Rule 801 imposes a graduated schedule of filing fees for any request to file, revoke, or modify an exercise notice after the applicable deadline. Rule 801 fees increase at specified times depending on when the filing is made in relation to OCC's nightly processing cycle.

The rule change institutes a similar schedule of fees in rule 805 for the submission of supplementary exercise notices. These fees also increase depending n when the request was made in relation to the expiration processing cycle. Under the rule change, OCC will impose a filing fee of $2,000 per clearing member for any supplementary exercise notice tendered after OCC's filing deadline, but before the start of OCC's critical expiration processing. OCC will charge a filing fee of $10,000 per line item per clearing member for any supplementary exercise notice tendered after the start of critical expiration processing. OCC's board of directors is authorized to remit any filing fee, in whole or in part, if it finds that the circumstances that caused the member to submit the supplementary exercise notice were beyond the clearing member's or its customer's control or that remission would be equitable under the circumstances. The rule change further modifies rule 805 so that the unexcused tender of a supplementary exercise notice may be deemed (as opposed to the current language of shall be deemed) a violation of OCC's procedures and so that the required institution of disciplinary action is permissive (as opposed to being mandatory). These changes also conform rule 805 to rule 801.

Finally, the rule change amends rule 805 to add a provision that requires that the tender of supplementary exercise notices be in accordance with the procedures prescribed by OCC from time to time. Under the rule change, failure to follow the procedures prescribed by OCC will result in the supplemental exercise notice being deemed null and void. This requirement is intended to ensure that among other things supplemental exercise notices are received by the appropriate OCC personnel who can act on them in a timely fashion in order to prevent undue delays in providing assignment information to clearing members.

II. Discussion

Section 17A(b)(3)(D) of the Act[3] requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. The Commission believes that the rule change is consistent with OCC's obligations under Section 17A(b)(3)(D) because supplementary exercise notices require special manual labor processing. The Commission believes that the fees imposed by the proposed rule change are reflective of the effort required by OCC to process the supplentary exercise notices and that it is appropriate to allocate the expense of processing supplementary notices to the clearing member that submits such exercise notices.

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

[14] Approval of the 90-day Pilot period should not be interpreted as suggesting that the Commission is predisposed to approving the proposal on a permanent basis.

[15] 15 U.S.C. 78f(b)(5) and 78s(b)(2).

[16] 15 U.S.C. 78s(b)(2).

[17] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] Securities Exchange Act Release No. 41088 (February 22, 1999), 64 FR 10172.

[3] 15 U.S.C. 78q–1(b)(3)(D).

particular with Section 17A of the Act[4] 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–98–10) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[5]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–14114 Filed 6–3–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41456; File No. SR–OCC–99–05]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving a Proposed Rule Change Regarding Joint Back Office Participants

May 26, 1999.

On March 3, 1999, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–OCC–99–05) 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 April 23, 1999.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change amends OCC's rules and by-laws to allow clearing members to maintain joint back office accounts (''JBO accounts'') for the broker-dealers with whom the clearing members have joint back office arrangements (''JBO participants'') in which long positions can be used to offset short positions in options.

Under the rule change, a broker-dealer registered with the Commission is considered a JBO participant if it: (1) Maintains a joint back office arrangement that satisfies the requirements of Regulation T[3] with an OCC clearing member, (2) meets the applicable requirements as specified in the applicable exchange rules, and (3) consents to having its exchange transactions cleared and its positions carried in a JBO participant account.

OCC will treat JBO participants like market makers and specialists and will treat JBO participants' accounts like market maker's accounts and specialist's accounts. For example, long positions in a JBO participant' account will be treated as unsegregated long positions. The exception to this treatment relates to Chapter IV of OCC's Rules, which pertains to the submission of matched trade reports from exchanges to OCC. OCC does not anticipate that its participant exchanges will report JBO transactions as market maker or specialist transactions for purposes of reporting matched trades. Accordingly, JBO participants will be not be included within the term ''market maker'' or ''specialist'' for the purposes of the rules in Chapter IV.

In addition, the rule change amends Article I, section 1 of OCC's By-laws to add definitions for ''JBO participant'' and ''JBO participants' account'' and amends the definition of ''unsegregated long position'' to include long positions in JBO participants' accounts. The rule change also amends Interpretation .03 to Article V, section 1 of the By-laws, which provides that applicants for clearing membership must agree to seek approval from the membership/margin committee to clear types of transactions for which approval was not initially sought in the membership application, by adding JBO participant transactions to the list of transactions. Finally, the rule change amends Article VI, section 3 of the By-laws to add a JBO participants' account to the list of permissible accounts clearing members may maintain with OCC.

II. Discussion

Section 17A(b)(3)(F) of the Act[4] requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible. The Commission believes that the rule change is consistent with OCC's obligations under section 17A(b)(3)(F) because while it should result in OCC collecting less margin for positions which will be carried in JBO accounts, it has been designed to not impair OCC's protection against member default.

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 with section 17A of the Act[5] 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–99–05) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[6]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–14115 Filed 6–3–99; 8:45 am]

BILLING CODE 8010–01–M

TENNESSEE VALLEY AUTHORITY

Shoreline Management Initiative (SMI), Reservoirs in Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia

AGENCY: Tennessee Valley Authority (TVA).

ACTION: Issuance of record of decision.

SUMMARY: This notice is provided in accordance with the Council on Environmental Quality's regulations (40 CFR parts 1500 to 1508) and TVA's procedures implementing the National Environmental Policy Act. On April 21, 1999, the TVA Board of Directors decided to adopt the preferred alternative (Blended Alternative) identified in its Final Environmental Impact Statement (EIS), Shoreline Management Initiative: An Assessment of Residential Shoreline Development Impacts in the Tennessee Valley. The Board's decision modified the Blended Alternative by increasing the shoreline management zone (SMZ) from 25 to 50 feet. The Final EIS was made available to the public in November 1998. A Notice of Availability of the Final EIS was published in the **Federal Register** on December 11, 1998. Under the Blended Alternative, TVA seeks to balance residential shoreline development, recreation use, and resource conservation needs in a way that maintains the quality of life and other important values provided by its reservoir system. TVA has decided to adopt a strategy of ''maintaining and gaining'' public shoreline, continue to allow docks and other alterations along shorelines now available for residential

[4] 15 U.S.C. 78q–1.

[5] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] Securities Exchange Act Release No. 41298 (April 16, 1999), 64 FR 20043.

[3] Joint back office arrangements are authorized under Section 220.7 of Regulation T of the Board of Governors of the Federal Reserve System and permit non-clearing broker-dealers to be deemed self-clearing for credit extension purposes if the non-clearing broker-dealer has an ownership interest in the clearing firm.

[4] 15 U.S.C. 78q–1(b)(3)(F).

[5] 15 U.S.C. 78q–1.

[6] 17 CFR 200.30–3(a)(12).