

**SECURITIES AND EXCHANGE
COMMISSION**

[Release No. 34-41483]

Y2K EDGAR Testing for Filers

June 7, 1999.

The Securities and Exchange Commission has announced it will provide filers the opportunity to voluntarily test their systems' Y2K compliance by submitting test filings to the EDGAR test system.

When

We will make the EDGAR test system available for voluntary Y2K testing from July 12 through July 30, 1999. Starting at 8:00 a.m. Monday, July 12, we will set the EDGAR test system clock to February 21, 2000. The test will continue until the EDGAR test system clock reaches 10:00 p.m. March 10, 2000 on July 30, 1999.

During the test period, you may submit Y2K test filings from 8:00 a.m. until 10:00 p.m. on weekdays, although only limited filer support will be available after 7:00 p.m. The EDGAR test system will also be available from 9:00 a.m. until 5:30 p.m. on Saturdays and Sundays.

What To Test

We encourage filers who wish to perform Y2K testing to send any submission. We encourage filing agents and other large volume filers to choose a representative sampling of companies and submission types for Y2K testing. Since this test system has less capacity than the production system, we ask filers to consider limiting multiple tests, particularly on or about test-day February 29, 2000 (Tuesday, July 20, 1999).

Where To Submit

Submit Y2K test filings to the EDGAR test system. We will publish the telephone number for the test system on our web site (<<http://www.sec.gov>>, under Current News) no later than June 15, 1999, but please remember this telephone number will only be active during the test filing period. You must change both the primary number and the secondary number in your EDGARLink software package to this telephone number to successfully connect to the EDGAR test system. If you do not change both numbers, you may connect to the live production system and not the Y2K test environment. The live production system will not be prepared to accept Y2K test files or to limit dissemination of filings submitted.

Include a Test Tag

You must include in the submission header of each Y2K test submission a <TEST> tag OR specify that the submission is a TEST from the EDGARLink main menu or the dial up interface. Including the <TEST> tag will ensure that your Y2K test submission is not disseminated in the event that you incorrectly submit it to the operational EDGAR system.

We will deem all live submissions sent to the test site as test submissions, and we will discard them. Filings sent to EDGAR test system will not be disseminated.

Messages

Once the EDGAR test system receives your Y2K test submission, EDGAR will send you an acceptance or suspension message through CompuServe or the Internet. All messages from the EDGAR test system will state that the filing was a Y2K test filing.

Modules/Segments

If you want to reference a module or segment in your Y2K test filing, you must submit the module or segment to the EDGAR test system as a LIVE submission. However, you will not be able to refer to modules and segments sent to the EDGAR test system later in live filings on the production system.

Fee Payments

No fees are required for EDGAR Y2K Test Filings, nor will the testing include fee payment, processing, and posting. All test filings or form types ordinarily requiring fees will assume the fee has been paid. Filers and their banks are responsible for assuring that they have a Y2K compliant means of transferring money for payment of SEC filing fees.

For Help

EDGAR filer support staff will be available to assist you with EDGAR Y2K issues. Contact EDGAR Filer Support at (202) 942-8900 and select Y2K assistance from the telephone menu.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-14954 Filed 6-11-99; 8:45 am]

BILLING CODE 8010-01-M

**SECURITIES AND EXCHANGE
COMMISSION**

[Release No. 34-41488; File No. SR-AMEX-98-42]

**Self-Regulatory Organizations;
American Stock Exchange LLC; Notice
of Filing and Order Granting
Accelerated Approval of a Proposed
Rule Change Regarding the
Confirmation and Affirmation of
Securities Transactions**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on October 27, 1998, the American Stock Exchange, Inc. ("AMEX") filed with the Securities and Exchange Commission ("Commission") and on May 21, 1999, amended the proposed rule change as described in Items I and II below, which items have been prepared primarily by AMEX.² The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposal.

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

Under the rule change, AMEX will amend Rule 423 to permit electronic confirmation/affirmation of depository eligible COD transactions³ by a qualified vendor or by an entity that has obtained an exemption from registration as a clearing agency.⁴

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

In its filing with the Commission, AMEX 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. AMEX has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² Since the filing of the proposed rule change, AMEX has merged with the National Association of Securities Dealers and as a result has changed its full name from American Stock Exchange, Inc. to American Stock Exchange LLC.

³ COD transaction are those in which a member firm extends receipt versus payment or delivery versus payment privileges to a customer.

⁴ The text of the amendments is attached as Exhibit A to this notice.

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

AMEX Rule 423 ("COC Orders") currently requires that the facilities of a Commission registered clearing agency be used by AMEX member organizations for the confirmation, affirmation, and book-entry settlement of COD transactions in depository eligible securities. Certain vendors of electronic trade confirmation ("ETC") services have requested that they be allowed to provide confirmation/affirmation services for institutional trades (*i.e.*, COD transaction) even though they are not registered clearing agencies. Under the proposed rule change, AMEX will amend Rule 423 to allow its broker-dealer members to use a qualified vendor for the confirmation and affirmation of institutional trades. In addition, Rule 423 is being amended to allow AMEX's broker-dealer members to use the confirmation/affirmation services of any entity that has obtained an exemption from registration as a clearing agency specifically so that it can provide confirmation/affirmation services for institutional trades.

In order to become a qualified vendor under the rule change, and ETC vendor will be required to certify to its customers that:

(1) With respect to its electronic trade confirmation/affirmation system, it has a capacity requirements, evaluation, and monitoring process that allows it to formulate current and anticipated estimated capacity requirements;

(2) Its electronic trade confirmation/affirmation system has sufficient capacity to process the specified volume of data that it reasonably anticipates to be entered into its electronic trade confirmation/affirmation service during the upcoming year;

(3) Its electronic trade confirmation/affirmation system has formal contingency procedures, the entity has followed a formal process of reviewing the likelihood of contingency occurrences, and the contingency protocols are reviewed and updated on a regular basis;

(4) Its electronic trade confirmation/affirmation system has a process for preventing, detecting, and controlling any potential or actual systems integrity failures and its procedures designed to protect against security breaches are followed; and

(5) Its current assets exceed its current liabilities by at least \$500,000.

In addition, a qualified vendor will be required initially and annually to submit to AMEX and to the Commission staff a report prepared by independent audit personnel (referred to in the rule change as "Auditor's Report"). Each Auditor's Report must: (1) verify the certifications described above; (2)

contain a risk analysis of all of the entity's information technology systems; and (3) contain the written response of the entity's management to the Auditor's Report's verifications and risk analysis. The Auditor's Report must be deemed not unacceptable by Commission staff.⁵

Qualified vendors will be subject to ongoing requirements under the rule change. For each transaction in which it provides confirmation/affirmation services, a qualified vendor will be required to: (1) Deliver a trade record to a registered clearing agency in the clearing agency's format; (2) obtain a control number for the trade record from the clearing agency; (3) cross reference the control number to the confirmation and subsequent affirmation of the trade; and (4) include the control number when delivering the affirmation of the trade to the clearing agency. A qualified vendor will be required to notify AMEX and the Commission staff in writing of any changes to its systems that significantly affect or have the potential to significantly affect its electronic trade confirmation/affirmation system. In addition, a qualified vendor will be required to supply supplemental information regarding its confirmation/affirmation system as requested by AMEX or by the Commission staff. If a qualified vendor intends to cease providing confirmation/affirmation services as requested by AMEX or by the Commission staff, it must notify AMEX and the Commission staff in writing.

The Municipal Securities Rulemaking Board ("MSRB"), the National Association of Securities Dealers ("NASD"), and the New York Stock Exchange ("NYSE") have made amendments to their rules similar to those being proposed here by AMEX.⁶ The proposed Rule 423 amendments are responsive to the Commission staff's request that the self-regulatory organizations have uniform rules with respect to qualified vendors providing confirmation/affirmation services.

⁵ At this time, the Commission staff intends to indicate that an entity's initial Auditor's Report is not unacceptable by issuing a letter to the entity stating that it will not recommend enforcement action against any of AMEX's member organizations that elect to use the confirmation/affirmation systems of the entity. Subsequent Auditor's Reports submitted to the Commission staff by the qualified vendor will be considered acceptable unless the Commission staff otherwise informs the qualified vendor.

⁶ Securities Exchange Act Release No. 41378 (May 7, 1999), 64 FR 25940 [File Nos. SR-MSRB-98-06, SR-NASD-98-20, SR-NYSE-98-07 (order approving proposed rule changes)].

(2) Statutory Basis

AMEX believes that the proposed rule change is consistent with Section 6(b) of the Act⁷ in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities.

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

AMEX believes that the proposed rule change will impose no 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 were solicited or received with respect to the proposed rule change.

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

Section 6(b)(5) of the Act⁸ requires, among other things, that AMEX's rules be designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities. In addition, Section 6(b)(8) of the Act⁹ requires that AMEX's rules not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Commission believes that AMEX's proposed rule change is consistent with its obligations under the Act because it will require unregulated entities that wish to provide confirmation/affirmation services to establish links and interfaces with a registered clearing agency. This requirement should increase cooperation and coordination among AMEX's members, registered clearing agencies, and entities that become qualified vendors under the rule change.

In addition, in reviewing the proposed rule change the Commission has considered whether the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Commission believes that the rule change has been carefully designed to allow unregistered ETC vendors to provide confirmation/affirmation services for institutional

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78f(b)(8).

trades in a manner which is not unduly burdensome for ETC vendors and which preserves the safety and soundness of the national system for the clearance and settlement of securities transactions. Therefore, the Commission believes that AMEX's proposed rule change should not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the publication of notice of the filing. Approving prior to the thirtieth day after publication of notice will allow AMEX to immediately conform its Rule 423 to the recently amended confirmation/affirmation rules of the MSRB, NASD, and NYSE.¹⁰

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, N.W., Washington, D.C. 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, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of AMEX. All submissions should refer to File No. SR-AMEX-98-42 and should be submitted by July 6, 1999.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (File No. SR-AMEX-98-42) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

Exhibit A

Proposed Amendments to Rule 423

Additions *Italicized*

Deletions [bracketed]

COD Orders

Rule 423. No member or member organization shall accept an order from a customer pursuant to an arrangement whereby payment for securities purchased is to be made to the member or member organization upon delivery of the securities to an agent of the customer, or whereby payment for securities sold is to be made by the member or member organization to an agent of the customer upon receipt of the securities from such agent, unless all of the following procedures are followed:

(1) through (4) No change.

[(5) The customer or its agent shall utilize the facilities of a securities depository for the confirmation, acknowledgment and book entry settlement of all depository eligible transactions.]

(5) The facilities of a Clearing Agency shall be utilized for the book-entry settlement of all depository eligible transactions. The facilities of either a Clearing Agency or a Qualified Vendor shall be utilized for the electronic confirmation and affirmation of all depository eligible transactions.

Commentary

.01 through .03 No change.

[(.04 The following transactions shall be exempt from the provisions of paragraph (5) of this Rule:

(1) Transactions that are to be settled outside of the United States.

(2) Transactions wherein both a member organization and its agent are not participants in a securities depository.

(3) Transactions wherein both a customer and its agent are not participants in a securities depository.]

.04 Transactions that are to be settled outside of the United States shall be exempt from the provisions of paragraph (5) of this rule.

.05 No Change.

.06 For the purposes of this rule, a ["securities depository"] "Clearing Agency" shall mean a Clearing Agency as defined in Section 3(a)(23) of the Securities Exchange Act of 1934, that is registered with the Securities and Exchange Commission ("Commission") pursuant to Section 17A(b)(2) of the Act or has obtained from the Commission and exemption from registration granted specifically to allow the Clearing Agency to provide confirmation and affirmation services.

.07. For the purposes of this rule, "depository eligible transactions" shall mean transactions in those securities for which confirmation, [acknowledgment] affirmation,

and book-entry settlement can be performed through the facilities of a [securities depository] Clearing Agency as defined in Commentary .06 of this rule.

[(.08 Rule 423(5) and Commentary .04, .05, .06, and .07 shall become effective January 1, 1983.)]

.08 "Qualified Vendor" shall mean a vendor of electronic confirmation and affirmation services that:

(A) shall, for each transaction subject to this rule; (i) deliver a trade record to a Clearing Agency in the Clearing Agency's format; (ii) obtain a control number for the trade record from the Clearing Agency; (iii) cross-reference the control number to the confirmation and subsequent affirmation of the trade; and (iv) include the control number when delivering the affirmation of the trade to the Clearing Agency;

(B) certifies to its customers: (i) with respect to its electronic trade confirmation/affirmation system, that it has a capacity requirements, evaluation, and monitoring process that allows the vendor to formulate current and anticipated estimated capacity requirements; (ii) that its electronic trade confirmation/affirmation system has sufficient capacity to process the specified volume of data that it reasonably anticipates to be entered into its electronic trade confirmation/affirmation service during the upcoming year; (iii) that is electronic trade confirmation/affirmation system has formal contingency procedures, that the entity has followed a formal process of reviewing the likelihood of contingency occurrences, and that the contingency protocols are reviewed and updated on a regular basis; (iv) that its electronic trade confirmation/affirmation system has a process for preventing, detecting, and controlling any potential or actual systems integrity failures, and its procedures designed to protect against security breaches are followed; and (v) that its current assets exceed its current liabilities by the lease five hundred thousand dollars;

(C) has submitted, and shall continue to submit on an annual basis, an Auditor's Report to the Commission staff which is not deemed unacceptable by the Commission staff. An Auditor's Report will be deemed unacceptable if it contains any findings of material weakness;

(D) notifies the Commission staff immediately in writing of any changes to its systems that significantly affect or have the potential to significantly affect its electronic trade confirmation/affirmation systems including, without limitation, changes that: (i) affect or potentially affect the capacity or security of its electronic trade confirmation/affirmation system; (ii) rely on new or substantially different technology; or (iii) provide a new service to the Qualified Vendor's electronic trade confirmation/affirmation system;

(E) immediately notified the Commission staff in writing if it intends to cease providing services;

(F) provides the Exchange with copies of any submissions to the Commission staff made pursuant to .08 (B), (C), (D) and (E) of this rule within ten business days; and

(G) supplies supplemental information regarding their electronic trade confirmation/

¹⁰ *Supra* note 4.

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR. 200.30-3(a)(12).

affirmation services as requested by the Exchange or the Commission staff.

.09 "Auditor's Report" shall mean a written report which is prepared by competent, independent, external audit personnel in accordance with the standards of the American Institute of Certified Public Accountants and the Information Systems Audit and Control Association and which (i) verifies the certifications contained in .08(B) above; (ii) contains a risk analysis of all aspects of the entity's information technology systems including, without limitation, computer operations, telecommunications, data security, systems development, capacity planning and testing, and contingency planning and testing; and (iii) contains the written response of the entity's management to the information provided pursuant to (i) and (ii) above.

[FR Doc. 99-14990 Filed 6-11-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41486; SR-OCC-99-01]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Acceptance of Letters of Credit for Margin Purposes

June 7, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 22, 1999, The Options Clearing Corporation ("OCC") 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 primarily by OCC. The Commission is publishing this notice to solicit comments from interested persons on 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 modify OCC's rules with respect to letters of credit accepted for margin purposes.

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

In its filing with the Commission, OCC 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. OCC 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

The proposed rule change will conform OCC's Rule 604(c) to the terms of the Uniform Letter of Credit ("ULC") created by the Unified Clearing Group ("UCG"). The UCG is an organization composed of all major securities and futures clearing organizations and depositories in the United States.³ The ULC was developed to foster uniformity among the various U.S. securities and futures clearing organizations with respect to the acceptable terms of letters of credit that are deposited as margin.⁴ All UCG member that accept letters of credit as margin are expected to use the ULC and to convert to the ULC during calendar year 1999.

Under the terms of the ULC, clearing corporations can continue to present a demand for payment by hand delivery and/or SWIFT message.⁵ The ULC also permits a demand for payment by facsimile transmission. However, unlike the current letters of credit accepted by OCC, the ULC does not permit a demand by tested telex.

The rule change proposes to make several amendments to Rule 604(c). First, it will require the issuing bank to make payment against the letter of credit within sixty minutes of presentment for payment if the demand is made by a preset cutoff time on a business day, which OCC specifies in its rules as 3:00 p.m. Central Time. Demands submitted to the bank after the cut-off time or on a day when the bank is closed must be honored within sixty minutes of the opening of business on

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

³ The members of the UCG include the Boston Stock Exchange Clearing Corporation, The Depository Trust Company, Government Securities Clearing Corporation, MBS Clearing Corporation, National Securities Clearing Corporation, OCC, Board of Trade Clearing Corporation, Chicago Mercantile Exchange, Clearing Corporation of New York, Kansas City Board of Trade, Minneapolis Grain Exchange, New York Mercantile Exchange, Emerging Markets Clearing Corporation, and Clearing Corporation for Options and Securities.

⁴ In developing the ULC, UCG consulted with several letter of credit issuing banks and the National Standby Letter of Credit Committee of the International Financial Service Association (formerly known as the U.S. Council on International Banking). In addition, various regulatory agencies, including the staffs of the Securities and Exchange Commission, the Commodity Futures Trading Commission, and Board of Governors of the Federal Reserve System attended the UCG meetings where the ULC was discussed.

⁵ SWIFT messages are secured, electronic transmissions.

the next business day. Certain exceptions will be made in the case of foreign currency letters of credit.

Second, the rule change will permit OCC flexibility in specifying acceptable expiration dates for letters of credit. Currently OCC requires that a letter expire no later than the first day of the next calendar quarter but is considering permitting letters of credit to be issued with expiration dates more than one calendar quarter in the future. In order to simplify recordkeeping, OCC presently anticipates that it will continue to require the replacement of outstanding letters of credit with newly issued letters of credit on an annual basis.

Third, the rule change will eliminate provisions that permit a clearing member to issue instructions to OCC that restrict a previously unrestricted letter of credit or a portion thereof to serve as margin only for the clearing member's customers' accounts. These provisions have generally not been used, and clearing members who need to restrict letters of credit to the customers' accounts for regulatory compliance purposes may do so by placing such restriction on the letter itself. OCC believes that a restriction on the face of the letter will provide better notice of the restriction and should reduce the likelihood of confusion over which letters are intended to be restricted and which are not.

Finally, the proposed rule deletes the final sentence of Rule 604(c), which allows members to deposit letters of credit denominated in any foreign currency that is a trading currency, because it is unnecessary in light of other provisions proposed for Rule 604 that specify letters of credit may be denominated in any currency approved by OCC for that purpose.

OCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because, among other things, it will promote the prompt and accurate clearance and settlement of transactions in securities by requiring issuing banks to make payment against letters of credit within sixty minutes of a demand for payment rather than by the close of the third banking day following presentation of a demand for payment as is presently the case.

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

OCC does not believe that the proposed rule change will impose any burden on competition.

¹ 15 U.S.C. 78s(b)(1).