

GSTI Indexes that are still outstanding as of the close of trading on September 17, 1999, will continue to settle based on the present guidelines and calculation methodology, but will be listed under new ticker symbols.

The Exchange will notify market participants of the revisions to the GSTI Indexes through a notice to members and member firms, which notice will be disseminated in advance of a changeover. Because the Exchange will provide advance notice of the revisions, and the outstanding option series contracts will not be materially changed (i.e., the outstanding option series contracts will continue to trade and settle under the old methodology, albeit under a new ticker symbol), the Exchange believes that transition problems should not arise. Moreover, the Exchange has successfully used the same procedures for new option series introduced after revisions to index settlement and weighting methodologies.⁷

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act⁸ in that it is designed to perfect the mechanisms of a free and open market, and protect investors and the public interest.

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

The Exchange believes that the proposed rule change will not impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed rule Change Received From Members, Participants or Others

The Exchange did not solicit or receive comments with respect to the proposed rule change.

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

Because the foregoing proposed rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) the Exchange provided the Commission with written notice of its

intent to file the proposed rule change at least five business days prior to the filing date; the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(6)¹⁰ thereunder.

A proposed rule change filed under rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)¹¹ permits the Commission to designate such shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission designate such shorter time period so that the proposed rule change may become operative on September 17, 1999. By accelerating the operative date of the proposal to September 17, 1999, the Commission will enable the Exchange to promptly offer market participants options based on the revised GSTI Composite Index and the Sub-Indexes.

The Commission, consistent with the protection of investors and the public interest, has determined to make the proposed rule change operative on September 17, 1999, for the following reasons. The Commission believes that the revisions to the component selection guidelines governing the GSTI Composite Index and Sub-Indexes will strengthen the GSTI Indexes by including components that better reflect the current state of technology. In addition, the changes will help the GSTI Composite Index and Sub-Indexes to better track future changes in the technology industry. Finally, the changes in the component weighting guidelines will ensure greater weight diversification among the component stocks of the Sub-Indexes and will eliminate concentrations in weighting that might cause the Sub-Indexes to be dominated by a few highly-capitalized stocks. The Commission believes that these improvements to the GSTI Composite Index and Sub-Indexes are important and that investors should be permitted to trade options on the improved GSTI Indexes as soon as practicable.

For all of the reasons set forth above, the Commission finds that it is consistent with the protection of investors and the public interest for the proposed rule change to become operative on September 17, 1999. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission

that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

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 submissions, 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 persons, 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 will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CBOE-99-54 and should be submitted by October 15, 1999.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41883; File No. SR-OCC-99-04]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to Amendments to the Pledge Program

September 17, 1999.

On March 5, 1999, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-99-04) pursuant to Section 19(b)(1) of the Securities Exchange Act

⁷ See Securities Exchange Act Release Nos. 30944 (July 21, 1992), 57 FR 33376 (July 28, 1992) (order permitting the continued listing and trading of Nasdaq 100 options after a change in the exercise settlement value for the Nasdaq 100 index); and 40642 (Nov. 9, 1998), 63 FR 63759 (Nov. 16, 1998) (order permitting the continued listing and trading of Nasdaq 100 options after a change in the weighting methodology for the Nasdaq 100 index).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² 17 CFR 200.30-3(a)(12).

of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on June 17, 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 permits OCC clearing members to pledge long positions in non-proprietary cross margin accounts through OCC's pledge program. In addition, the rule change updates OCC's rules to reflect the way that the pledge program currently operates.

OCC designed its market maker pledge program to allow its clearing members to finance their positions by permitting them to pledge excess long market maker options as collateral to obtain loans from banks or from other clearing members.³ Current eligible account types include, among others, a combined market-makers' account and a separate market-maker's account.

The rule change amends OCC rule 614 to add non-proprietary cross margin accounts to the list of accounts that are eligible for the pledge program.⁴ The rule change also revises Rule 614 to reflect the current operation of the pledge program because some of the practices described in the rule are no longer used. For example, OCC's system does not "transfer" pledged cleared securities into a separate "pledge account" as suggested by the rules. Rather, OCC identifies within the "primary" account those long positions in a cleared security that a clearing member has instructed OCC that it desires to pledge. In addition, certain instructions and reports are not submitted or distributed in hard copy form but are electronically inputted or disseminated through OCC's C/MACS system. (Hard copy forms are used as acceptable backups should C/MACS be unavailable.) As a result, the rule change eliminates references to "transfers," "Transfer Day," "Primary Accounts," and certain "forms," and substitutes where appropriate terms like "identifying" cleared securities to be pledged, "Activity Day," "Eligible Account," "pledged and unpledged

cleared securities," and "instructions." The rule change further amends Rule 614 to reflect that clearing member designations among pledgees can be carried out electronically or through use of the pledgee designation form.

The rule change eliminates references to lock box distribution of reports. Clearing members receive OCC reports electronically through C/MACS, and other pledges receive reports by electronic format from OCC or have other arrangements with OCC for purposes of receiving reports. Under the rule change, report distribution will be accomplished in accordance with procedure agreed to between OCC and each pledgee.

Finally, under the rule change OCC is changing the time at which the release of a pledged cleared security is effective. Previously, Rule 614 provided that the release was deemed to be effective as of 9:00 a.m. (central time) on the transfer day and that all rights of a pledgee as to such released cleared security were terminated at that time. However, this effective time comes after OCC nightly processing is completed. During nightly processing, the long positions in cleared securities are released from pledge, included in marginable positions, and used to offset short positions as described in Rules 601 and 602. Pledgee banks have the understanding that when they execute the instructions to release pledged positions, they release their rights in the long positions and take appropriate measures to ensure that the loan is repaid or otherwise secured. As a result, the rule change provides that when a pledgee releases a pledged position, the position is deemed to be released as of the cutoff time for submitting the instructions to release the positions on the day that the instructions are received.

In addition to the amendments described above, the rule change makes conforming changes to Rules 601, 602, 1105, and 1106 and to the pledge account agreement.⁵

II. Discussion

Section 17A(b)(3)(F) of the Act⁶ requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody and control of the clearing agency or for which it is responsible. The Commission believes that the proposed rule change is consistent with OCC's obligations under

Section 17A(b)(3)(F) because the rule change should increase the ability of OCC's clearing members to finance their positions through the use of OCC's pledge program without impairing OCC's overall 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 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. OCC-99-04) be and hereby is approved.

For the Commission by the Division of Market Regulations, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41884; File No. SR-OCC-99-06]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to the Purchase of OCC Stock by Participant Exchanges and the Rights of Participant Exchanges on Liquidation of OCC

September 17, 1999.

On March 15, 1999, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-99-06) 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 May 26, 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 updates the provisions of OCC's Certificate of Incorporation, By-Laws, and Stockholders Agreement that relate to the purchase of OCC stock by participant exchanges and the rights of

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 41507 (June 10, 1999) 64 FR 32600.

³ For a detailed description of the pledge program, refer to Securities Exchange Act Release No. 19956 (July 19, 1983), 48 FR 33956 [File No. SR-OCC-82-25] (order approving proposed rule change).

⁴ Market-makers, specialists, and registered traders are the categories of market professionals that are eligible to have their positions included in a clearing members' non-proprietary cross margin account, and many such market professionals participate in cross margining.

⁵ OCC attached a copy of the amended pledge account agreement as Exhibit A to its filing, which is available for inspection and copying in the Commission's public reference room and through OCC.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 41422 (May 18, 1999) 64 FR 28543.