control of the member organization's main office or to be supervised by a manager of another office within short travel distance. The manager may be responsible for only two small offices.

The proposed amendments to the Interpretation will require that small offices be controlled and supervised by *either* the main office *or* another designated branch office having a qualified (*i.e.,* Series 9 and 10 exam-qualified) Branch Office Manager on the premises. Further, such supervisory arrangements must be made part of the member organization's written plan of supervision. Adoption of the Interpretation will eliminate the current provision under Interpretation /01 to NYSE Rule 342.15 that a manager may be responsible for only two small offices that are in close geographical proximity. Given modern electronic surveillance and monitoring techniques, the Exchange believes this limitation regarding number of offices and geographical location is no longer necessary. New Interpretation /04 to NYSE Rule 342.15 provides that RRs operating from small, one-person branch offices must be subject to the same special supervision prescribed in Interpretation /03 to NYSE Rule 342.11 for residence offices.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[4] Specifically, the Commission finds the proposal is consistent with the section 6(b)(5)[5] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that by amending its Interpretations to NYSE Rule 342, the Exchange will enhance the process for member organization supervision and control of small and residence branch offices, while also permitting RRs to engage in activities upon completion of a prescribed training period.

The proposal would amend Interpretation /03 to NYSE Rule 342.11 to permit RRs in residence offices to begin working after the four-month training period required in NYSE Rule 345, instead of a six-month securities industry experience requirement in Interpretation /03. The proposal would require member organizations to develop and implement special supervisory procedures for heightened supervision for the two-month period immediately following completion of prescribed training, and to inform RRs operating from a residence or small one-person office of the special supervision, as well as to maintain records evidencing the implementation and conduct of the special supervision. Notwithstanding the proposed special supervision period, member organizations must always have appropriate policies and procedures in place for the supervision and control of all sales and operational activities of each branch office and of all registered employees and the customer accounts they service. The Commission believes that this interpretation establishes a good foundation for Exchange members to develop sufficient procedures for continuous and meaningful supervision of their RRs operating from a residence or small one-person office.

The proposal also would amend Interpretations /01 and /02 of NYSE Rule 342.15 to require that small offices be controlled and supervised by either the main office of another designated branch office having a qualified Branch Office Manager on the premises, and that such supervisory arrangements must be made part of the member organization's written plan of supervision. Further, the proposal would create Interpretation /04 to NYSE Rule 342.15 which would require that RRs operating from small, one-person branch offices must be subject to the same special supervision prescribed in Interpretation /03 to NYSE Rule 342.11 for residence offices. The Commission believes that these proposed changes are consistent with the Act in that they will aid the Exchange in supervising member firms that have small offices and the RRs who work therein without reducing any of the currently established oversight mechanisms.

IV. Conclusion

It is Therefore Ordered, pursuant to section 19(b)(2) of the Act,[6] that the proposed rule change (SR–NYSE–00–58) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–14331 Filed 6–6–01; 8:45 am]

BILLING CODE 8010–01–M

[4] In approving this rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital information. 15 U.S.C. 78c(f).

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

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44370; File No. SR–OCC–00–10]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to Adjustments of Options Contracts

May 31, 2001.

On October 3, 2000, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–OCC–00–10) 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 December 1, 2000.[2] No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The purpose of the rule change is to add new language to paragraph (b) of Article VI, Section 11 of OCC's By-Laws to clarify that neither OCC nor OCC's securities committee will be liable for any failure to adjust outstanding option contracts or for any delay in adjusting such contracts when the securities committee does not learn in a timely manner of an event for which it would otherwise have directed an adjustment. While OCC believes that this should be the result under the By-Laws in its present form, OCC believes it is advisable to cover this situation specifically.

Normally, OCC is notified of the occurrence of a section 11(a) adjustment event[3] by its internal stock watch

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

[2] Securities Exchange Act Release No. 43612, (November 22, 2000), 65 FR 75331.

[3] Section 11(a) of Article VI of OCC's By-Laws states that whenever there is a dividend, stock split, reorganization, recapitalization, or similar event with respect to an underlying security or whenever there is a merger, consolidation, dissolution, or liquidation of the issuer of an underlying security, the number of option contracts, unit of trading, exercise price, and the underlying security of all outstanding options contracts open for trading in that underlying security may be adjusted.

department or by the exchanges, which use their research departments to monitor the underlying securities and the issuers of the underlying securities. OCC's economic research department regularly scans Bloomberg, Reuters, and Dow Jones newswires for announcements of adjustment events. When it learns of such an event, OCC contacts the options exchanges, the primary market for the underlying, and the issuer of the underlying to obtain more information about the event and to monitor the event. Likewise, the research departments as the various options exchanges scan a variety of newswires and employ different news alert services to monitor for adjustment events. When the exchanges learn of an adjustment event, they alert OCC and contact the primary market for the underlying security to obtain more information about the event to monitor the event.

Through these procedures, the likelihood that a potential adjustment event will escape notice is minimized. However, the possibility of such an occurrence can never be completely estimated. Accordingly, OCC wishes to make clear that neither it nor its securities committee will have liability for any failure to act or for any delay in acting on events not known to the securities committee.

The rule change also clarifies that adjustment determinations are made in light of circumstances known at the time the determination is made. For example, if the securities committee does not learn of an event for which an adjustment would normally be made until after the ex-date, the fact that options trading and/or exercise activity has taken place in circumstances suggesting that there would be no adjustment could tip the balance of fairness against making an adjustment.

II. Discussion

For the reasons set forth below, the Commission believes that OCC's rule change is consistent with OCC's obligations under section 17A(b)(3)(F)[4] of the Act which requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The rule change minimizes OCC's exposure to liability for a delay or failure to adjust an outstanding option contract for an event which it would otherwise have made an adjustment where OCC does not learn or does not learn in a timely manner of the event. By explicitly stating that OCC has no liability in such situations beyond its control, OCC's rule change allows OCC to focus its resources on safeguarding the securities and funds for which OCC is responsible.

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 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–OCC–00–10) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–14310 Filed 6–6–01; 8:45 am]

BILLING CODE 8010–01–M

[4] 15 U.S.C. 78q–1(b)(3)(F).

[5] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44371; File No. SR–OCC–00–09]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Specific Deposit and Escrow Deposit Programs

May 31, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), notice is hereby given that on, September 8, 2000, The Options Clearing Corporation (''OCC'') 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 OCC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested parties and to grant accelerated approval.[1]

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

The proposed rule change adds a provision to OCC's rules to describe specifically how OCC would handle a closing purchase transaction submitted to it in the name of a suspended clearing member that had been effected to close out or reduce a covered short position. The purposed rule also updates and clarifies OCC's rules that describe how OCC proceeds after suspending a clearing member.

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 these statements.

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

The principal purpose of the proposed rule change is to add a provision to OCC's rules to describe specifically how OCC would handle a closing purchase transaction submitted to it in the name of a suspended clearing member that had been effected to close out or reduce a covered short position. A secondary purpose of the proposed rule change is to update and clarify a few other rules that describe how OCC proceeds after suspending a clearing member. These changes are described under the heading ''Other Changes'' below.

The rules governing both OCC's escrow deposit program and its specific deposit program permit OCC to have recourse to a deposit if an exercise is assigned to the short position that is covered by the deposit and if the clearing member does not perform on the assignment.[2] Both programs are intended to provide OCC with protection against the risk associated with short positions. The escrow deposit program is intended also to provide the clearing member and the clearing member's correspondent broker, if there is one for a particular customer, with recourse if the clearing

[1] A copy of the text of OCC's proposed rule change and the attached exhibit are available at the Commission's Public Reference Section or through OCC.

[2] Under OCC's rules, an ''escrow deposit'' is a deposit made by a clearing member's customer with a bank that has been approved by OCC (referred to as an ''escrow bank''), and a ''specific deposit'' is a deposit made by a clearing member at The Depository Trust Company. When OCC accepts an escrow deposit or a specific deposit, it does so in lieu of requiring the clearing member to deposit margin with OCC, and OCC therefore looks to the deposit to make itself whole if the clearing member fails to perform on an assignment on the short position that is covered by the deposit.