SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–45731; File No. SR–CBOE–2001–62]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Minimum Trading Increments for Spread, Straddle, and Combination Orders in Options on the S&P 500 Index

April 11, 2002.

On December 13, 2001, the Chicago Board Options Exchange, Inc. (''CBOE or ''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend CBOE Rule 6.42, *Minimum Increments for Bids and Offers,* to require that bids and offers on spread, straddle, or combination orders in options on the S&P 500 Index (''SPX''), except for box spreads, be expressed in decimal increments no smaller than $0.05. In addition, the proposed rule change adds new interpretation .05 to CBOE to define the term ''box spreads.'' The proposed rule change was published for comment in the **Federal Register** on March 5, 2002.[3]

The Commission finds that the proposed rule change in consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange[4] and, in particular, the requirements of Section 6 of the Act[5] and the rules and regulations thereunder. The Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,[6] which, among other things, requires that the Exchange's rules be designed to promote just and equitable principles of trade and facilitate transactions in securities. The commission believes that requiring bids and offers, in spread, straddle, and combination orders in SPX options to be expressed in decimal increments no smaller that $0.05 should increase the ability of SPX options traders to execute these types of orders efficiently by reducing the number of steps necessary to break the orders down into the required contract quantities and prices.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[7] that the proposed rule change (SR–CBOE–2001–62) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–9630 Filed 4–18–02; 8:45 am]

BILLING CODE 8010–01–M

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

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 45479 (February 26, 2002), 67 FR 10026.

[4] In approving this proposed rule change, the Commission notes that it has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[5] 15 U.S.C. 78f.

[6] 15 U.S.C. 78f(b)(5).

[7] 15 U.S.C. 78s(b)(2).

[8] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–45746; File No. SR–NASD–97–44]

Self-Regulatory Organizations; Notice of Filing of Amendment Nos. 5 and 7 to a Proposed Rule Change by the National Association of Securities Dealers, Inc. Regarding the Eligibility of Claims for Arbitration

April 12, 2002.

On June 24, 1997, the National Association of Securities Dealers, Inc. (''NASD''), through its wholly owned subsidiaries NASD Regulation, Inc. (''NASD Regulation'') and NASD Dispute Resolution, Inc. (''NASD Dispute Resolution''),[1] filed with the Securities and Exchange Commission (''Commission'') a proposed rule change pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[2] and Rule 19b–4 thereunder[3] to amend NASD Rules 10304, 10307, and 10324 of the NASD's Code of Arbitration Procedure (''Code''). Notice of the proposed rule change and Amendment Nos. 1, 2, 3, and 4 thereto was published for comment in the **Federal Register** on January 6, 1998.[4] The NASD filed Amendment Nos. 5, 6, and 7 to the proposal on March 20, 1998; September 30, 1999; and March 15, 2002, respectively.[5] The Commission is publishing this notice of Amendment Nos. 5 and 7 to solicit comments on proposed rule change, as amended, from interested persons. To date, the Commission has received ten comments on the proposal.[6]

I. Text of Proposed Rule Change

The NASD has proposed amendments to the provisions of the Code that govern the eligibility of claims. The proposed rule change, as amended, is set forth below. The base text is taken from the proposed rule change that the Commission published for comment in 1998. Additional language proposed by the NASD in Amendment No. 5 is italicized; language deleted by Amendment No. 5 is in brackets.

10304. Time Limit on Eligibility of Claims for Arbitration; Procedures for Determining Eligibility Under This Rule

This rule describes when a claim must be filed in order to be eligible for arbitration, how and when parties may challenge the eligibility of claims, and the Director's role in determining eligibility.

(a) Claims eligible for arbitration and the Director's role in determining the eligibility of claims.

(1) Any filed claim is eligible for arbitration unless the Director decides it is ineligible. The Director may decide a claim is ineligible only if:

(A) A party that is responding to a claim, the responding party, asks the Director to decide that the claim is ineligible; and

[1] The original rule filing and Amendment Nos. 1 to 6 were filed by the NASD through NASD Regulation, of which the Office of Dispute Resolution (''ODR'') was a part before July 9, 2000. On that date, ODR became a separate, wholly owned subsidiary of the NASD, known as NASD Dispute Resolution, Inc. The NASD filed Amendment No. 7 through NASD Dispute Resolution.

[2] 15 U.S.C. 78s(b)(1).

[3] 17 CFR 240.19b–4.

[4] *See* Securities Exchange Act Release No. 39487 (December 23, 1997), 63 FR 588.

[5] *See* letter to Katherine A. England, Division of Market Regulation (''Division''), Commission, from John M. Ramsey, Vice President and Deputy General Counsel, NASD Regulation, dated March 18, 1998 (''Amendment No. 5''); letter to Richard C. Strasser, Division, Commission dated September 27, 1999 (''Amendment No. 6''); letter to Florence Harmon, Division, Commission, from Laura Gansler, Counsel, NASD Dispute Resolution, dated March 15, 2002 (''Amendment No. 7''). As explained in Section III *infra,* the Commission is not seeking comment on Amendment No. 6 because it has been superceded by Amendment No. 7.

[6] *See* letter to Margaret McFarland, Deputy Secretary, Commission, from Seth E. Lipner, Deutsch & Lipner, dated December 11, 1997; letter to Commission from Donald G. McGrath, Falk & Siemer, dated December 29, 1997; letter to Jonathan G. Katz, Secretary, Commission, from Scot D. Bernstein, dated January 22, 1998; letter to Jonathan G. Katz, Secretary, Commission, from William J. Fitzpatrick, dated January 23, 1998; letter to Jonathan G. Katz, Secretary, Commission, from Paul Dubow, Chairman, Arbitration Subcommittee, Securities Industry Association (''SIA''), dated January 27, 1997; letter to Jonathan G. Katz, Secretary, Commission, from Morton Levy, dated January 27, 1998; letter from Philip M. Aidikoff, President, Public Investors Arbitration Bar Association, to Linda Feinberg, President, NASD Dispute Resolution, dated March 8, 2002; e-mail to Catherine McGuire and Robert Love, Division, Commission, from C. Thomas Mason, dated March 20, 2002; e-mail to Catherine McGuire, Division, Commission, from Jerry Stanley, dated March 20, 2002; e-mail to Catherine McGuire and Robert Love, Division, Commission, from Joel A. Goodman, *et al.,* dated March 22, 2002.

(B) The Director determines that the claim is based on an occurrence or event that took place 6 years or more before the claim was filed.

(2) The 6 year eligibility period in paragraph (a)(1)(B) will be extended only for the length of time that a claim is pending in court. (The eligibility period will not be extended during any period in which a responding party fraudulently concealed facts from the claimant.)

(b) Procedures for challenging eligibility and new time periods for answering and delivering documents.

(1) If a responding party wants the Director to decide whether a claim is ineligible:

(A) A responding party must serve a written request on the Director and all the other parties to the arbitration; and

(B) A responding party must serve the written request no later than 30 days after the responding party was served the Statement of Claim. (Rule 10314(c) explains how to serve a document.)

(2) To oppose the written request, a party must serve a written response on the Director and all the parties. This written response must be served no later than 14 days after the party was served the written request.

(3) The Director will try to determine eligibility issues within 30 days of receiving the written request. The Director will serve the decision on all the parties.

(4) The Director's determination is final. No party to the arbitration may seek review of the determination in any forum, in an action to vacate the arbitration award, or in any other proceeding.

(5) If a claimant amends a Statement of Claim filed in arbitration, a responding party may challenge the eligibility of any new claim in the amended Statement of Claim.

(6) The parties do not have to file an answer or any other documents until 45 days after the Director serves the decision on eligibility.

(c) Challenges to eligibility when a claimant files a claim or claims in court.

(1) If a court orders a claim to arbitration at the request of the responding party, then the responding party may not challenge the claim's eligibility in arbitration.

(2) The responding party may challenge the eligibility of a claim in arbitration that a claimant initially filed in court when:

(A) The court orders the claim to arbitration and the responding party did not request the order, or

(B) The claimant moves the claim from court to arbitration without a court order.

(d) Determinations of eligibility and statutes of limitation.

(1) All statutes of limitation [or any other time limitations that may apply to a claim] are extended from the time a Statement of Claim is filed until 45 days after the Director serves a decision on eligibility or the Association no longer has jurisdiction over a claim, whichever is later. The parties agree that they will not assert a statute of limitations defense in court that is inconsistent with this subparagraph.

(2) The Director's determination that a claim is eligible or ineligible does not determine whether a claim was filed later than the time allowed by a statute of limitations. The parties may still assert to the arbitrators or the court that has jurisdiction over a claim any statute of limitations defense that applies to a claim.

(3) A claimant may pursue a claim in court even if a court or the Director determines the claim is ineligible for arbitration.

(e) Consolidation of eligible and ineligible claims. If the Director decides that one or more of the claims is not eligible for arbitration, a customer claimant may:

(1) Pursue all of the claims included in the Statement of Claim in court; or

(2) Pursue the eligible claims in arbitration and the ineligible claims in court.

(f) Definitions.

(1) ''Claim''—For purposes of this Rule, the term ''claim'' means any dispute or controversy described in a Statement of Claim *or answer,* including Counter-claims, Cross-claims, and Third-party claims, for which the claimant is seeking any form of relief, damages or other remedy.

(2) ''Occurrence or event''—For purposes of this Rule, the term ''occurrence or event'' means:

(A) The date of the transaction upon which the claim is based; or,

(B) If the claim does not arise from a transaction, the date of the occurrence of the act or omission upon which the claim is based.

* * * * *

10307. Reserved

* * * * *

10324. Interpretation of Provisions of Code and Enforcement of Arbitrator Rulings

The arbitrators may interpret and apply the provisions of this Code and take appropriate action to obtain compliance with any ruling that they make, except as provided in other provisions of this Code. The interpretations and actions of the arbitrators to obtain compliance shall be final and binding upon the parties.

* * * * *

III. Amendment Nos. 5, 6, and 7 [7]

In Amendment No. 5, the NASD responded to comments on the proposal and made two minor revisions to the proposed rule text in response to points raised by one commenter. First, the NASD amended proposed NASD Rule 10304(d)(1), which is largely a recodification of current NASD Rule 10307(a), by deleting the words ''or any other time limitations that may apply to a claim.'' The NASD explained, however, that it intended for the term ''statute of limitations'' to be read broadly to include all time limitations that might apply to a claim under applicable law. Second, in proposed NASD Rule 10304(f)(1), the NASD revised the definition of ''claim'' by inserting the words ''or answer'' following ''Statement of Claim.''

In Amendment No. 6, the NASD stated that the effective date of the proposed rule change would be 120 days after the Commission had taken final action on the last of three related rule filings: SR–NASD–97–44 (the present proposal), SR–NASD–97–47,[8] and SR–NASD–98–74.[9] The NASD stated that, to avoid multiple amendments of customer account agreements as a result of these three

[7] These amendments may be viewed on the website of NASD Dispute Resolution. *See* http://www.nasdadr.com/rule_filings_index.asp#97–44.

[8] *See* Securities Exchange Act Release No. 39371 (November 26, 1997), 62 FR 64428 (December 5, 1997) (amendments to the Code relating to punitive damages).

[9] *See* Securities Exchange Act Release No. 42160 (November 19, 1997), 64 FR 66681 (November 29, 1999). SR–NASD–98–74 would, in relevant part, amend NASD Rule 3110(f) governing the use of predispute arbitration agreements with customers to coincide with the proposed amendments to NASD Rule 10304. First, it would amend the language that NASD members are required to place in predispute arbitration contracts to acknowledge that, under the rules of the arbitration forum, parties may sue each other in court for certain claims. *See* proposed amendments to NASD Rule 3110(f)(1)(A) and (F). SR–NASD–98–74 also would prohibit NASD members from including in any predispute arbitration agreement any condition that ''limits the ability of a party to file any claim in court permitted to be filed in court under the rules of the forums in which a claim may be filed under the agreement.'' This provision would incorporate within parties' arbitration agreements the ability to litigate claims that the Director had determined to be ineligible for arbitration (along with otherwise eligible claims) under the bifurcation provision of proposed NASD Rule 10304(e). *See* proposed amendments to NASD Rule 3110(f)(4)(iii). Finally, SR–NASD–98–74 would incorporate within parties' agreements the proposed change in NASD Rule 10304(c) that would require members to arbitrate all claims included in a complaint that a member had asked a court to compel to arbitration, even if any of those claims were over six years old. *See* proposed amendment to NASD Rule 3110(f)(5).

proposed rule changes, all of them should take effect at the same time, and that the effective date of the rules should provide enough time for member firms to replace their customer agreements.

In Amendment No. 7, the NASD again revised the proposed effective date. The NASD has now stated that it would de-link the effective date of this proposed rule change from the two others. The NASD also stated that it would announce the effective date of the proposed rule change in a Notice to Members following final action by the Commission, and that the effective date would be at least 30 days after publication of a Notice to Members.[10] Because Amendment No. 7 supercedes Amendment No. 6, the Commission is not soliciting comment on the latter.

VI. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the proposed rule change, as amended, including whether the proposal is consistent with the Act. In particular, the Commission is soliciting comment on the issues highlighted below:

Existing NASD Rule 10304 does not provide guidance regarding who makes the determination of eligibility, when such determinations should be made, and under what procedures.[11] This has resulted in protracted and expensive litigation proceedings. The proposed rule is based on the current rule, continuing with the basic premise that claims older than six years are not appropriate for arbitration. The proposed rule change states that it would address defects in the existing rule, in part, by narrowing the outright ban on older cases (because the ban would not be enforced unless a responding party raised the provision within the time established by the rule), and by appointing the Director to decide whether the Statement of Claim asserts that claims are within the six-year time limitation. Proposed NASD Rule 10304(b)(4) would provide that the Director's decision regarding the eligibility of a claim is final, and that no party to the arbitration may seek review of the determination in any forum, in an action to vacate the arbitration award, or in any other proceeding. Decisions on eligibility that have been made by arbitrators have been subject to motions to vacate under the Federal Arbitration Act.[12] Under the proposed rule change eligibility determinations would no longer be subject to such motions. Given this background:

1. Should the proposed rule explicitly provide for additional review of the Director's determination on eligibility, for example, to the NASD Dispute Resolution Board of Governors?

2. In the absence of review of particular eligibility determinations under the proposed rule, does NASD Dispute Resolution governance and oversight by the Commission provide sufficient assurance of the integrity of eligibility determinations?

Broker-dealers are compelled by existing NASD Rule 10301(a) to arbitrate certain customer claims upon demand. NASD member firms generally require customers, in their account opening documents, to agree that disputes must be arbitrated. Under proposed NASD Rule 10304(d)(3), ''[a] claimant may pursue a claim in court even if a court or the Director determines the claim is ineligible for arbitration.'' Further, proposed NASD Rule 10304(e) would allow a claimant to consolidate eligible and ineligible claims in court, or to bifurcate the claims, pursuing some in arbitration or others in court. In a companion filing, the NASD has proposed to amend NASD Rule 3110(f) governing the use of predispute arbitration agreements with customers to implement the changes to NASD Rule 10304 proposed in the present filing.[13] In light of the above:

3. Is it reasonable for the NASD to permit its members to restrict the availability of the NASD's arbitration forum for a claim based on an occurrence or event that took place six years or more before the claim was filed when the possible consequences include: (a) The bifurcation of a particular customer's claims into court and arbitration proceedings; (b) the resolution of all of a particular customer's claims in court proceedings rather than through arbitration; and (c) the clear rejection of the ''election of remedies'' doctrine, providing claimants with the ability to pursue a claim based on an occurrence or event that took place six years or more before the claim was filed in a court with jurisdiction over a claim?

4. Is it reasonable for claims based upon state or common law that are based on an occurrence or event that took place six years or more before the claim was filed to be directed to courts with jurisdiction over the law that gave rise to the claim?

5. Would proposed NASD Rules 10304(d)(3) and 10304(e), taken together with the amended arbitration agreements required under the proposed changes to NASD Rule 3110(f), be sufficient to convince courts that the parties have agreed to allow certain claims to be pursued in court, even if the Director had found them ineligible for arbitration?

The proposed rule change carries forward the principle from existing NASD Rule 10304 that claims older than six years will generally be ineligible for arbitration. Under proposed NASD Rule 10304(a)(1)(B), the Director may find a claim ineligible if the claim were based on an ''event or occurrence that took place 6 years or more before the claim was filed.'' Under proposed NASD Rule 10304(f)(2), an ''occurrence or event'' would mean, ''if the claim does not arise from a transaction, the date of the occurrence of the act or omission upon which the claim is based.'' [14]

6. Does this definition of ''occurrence or event'' require more specificity?

7. Is the language of the proposed rule change sufficiently clear to allow the Director to determine that a claim is eligible when the allegations that form the basis of the claim occurred within the six-year time limitation if they are related to a transaction that occurred more than six years ago?

Statutes of limitations for claims under the federal securities laws generally require that a plaintiff commence its action within one year after the discovery of the facts that constitute the violation and within three years after the occurrence of such violation.[15] Proposed NASD Rule 10304(d)(1) would provide: ''All statutes of limitation are extended from the time a Statement of Claim is filed until 45 days after the Director serves a decision

[10] NASD Dispute Resolution also stated that NASD Regulation would file a similar amendment with respect to SR–NASD–98–74.

[11] Currently, Rule 10324 provides, in part, that the arbitrators shall be empowered to interpret and determine the applicability of all provisions under the Code and that such interpretations are binding on the parties. The Commission believes that this rule is a clear indication that arbitrators should apply Rule 10304, and some courts have agreed with that conclusion. Other courts, however, disagree.

[12] *See* 9 U.S.C. 10.

[13] *See supra* note 9.

[14] Proposed NASD Rule 10304(a)(2) would state: ''The eligibility period will not be extended during any period in which a responding party fraudulently concealed facts from the claimant.''

[15] See, e.g., section 9(e) of the Act, 15 U.S.C. 78i(e); section 18(c) of the Act, 15 U.S.C. 78r(c); section 13 of the Securities Act of 1933, 15 U.S.C. 77m; *Lampf, Pleva, Lipkind, Prupis & Petigrow* v. *Gilbertson,* 501 U.S. 350 (1991) (adopting Section 9(e) limitation period for claims implied under Section 10(b) of the Act, 15 U.S.C. 78j(b)). *But see, e.g.,* Section 16(b) of the Act, 15 U.S.C. 78p(b) (claims for disgorgement of unlawful profits must be brought within two years after the date such profit was realized); Section 20A(b)(4) of the Act, 15 U.S.C. 78t–1 (private action based on liability to contemporaneous traders for insider trading must be brought within five years after the date of the last transaction that is the subject of the violation).

on eligibility or the Association no longer has jurisdiction over a claim, whichever is later. The parties agree that they will not assert a statute of limitations defense in court that is inconsistent with this subparagraph.''[16]

8. Do proposed NASD Rule 10304(d)(1) and the proposed amendments to NASD Rule 3110(f) provide reasonable assurances to the parties regarding the possibility that a statute of limitations could expire during the period of time in which the Director is making an eligibility determination?

9. Should proposed NASD Rule 10304 be amended to provide that a claimant may request an expedited determination of eligibility where the claimant has concerns regarding the possible expiration of a statute of limitations?

* * * * *

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. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All 2 submissions should refer to File No. SR–NASD–97–44 and should be submitted by May 10, 2002.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–9586 Filed 4–18–02; 8:45 am]

BILLING CODE 8010–01–P

[16] Current NASD Rule 10307(a) provides: ''Where permitted by applicable law, the time limitations which would otherwise run or accrue for the institution of legal proceedings shall be tolled where a duly executed Submission Agreement is filed by the Claimant(s). The tolling shall continue for such period as the Association shall retain jurisdiction upon the matter submitted.'' This provision would be replaced by proposed NASD Rule 10304(d)(1).

[17] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–45745; File No. SR–OCC–2001–04]

Self-Regulatory Organizations; the Options Clearing Corporation; Order Approving a Proposed Rule Change Relating to Forms of Margin Collateral

April 12, 2002.

On March 9, 2001, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') and on August 24, 2001, amended proposed rule change SR–OCC–2001–04 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 November 13, 2001.[2] On April 8, 2002, OCC filed a second amendment.[3] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change expands the types of debt securities that clearing members may deposit with OCC as margin collateral. In light of the declining supply of U.S. Treasury bills, notes, and bonds, the rule change allows OCC clearing members to deposit as margin debt securities issued by Congressionally chartered corporations (government sponsored enterprise or ''GSE'' debt securities).

To be acceptable as margin collateral, the GSE debt securities must be approved by OCC's membership/margin committee. OCC's membership/margin committee has approved certain non-callable debt securities issued by two GSEs, the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae), as being eligible for margin deposit.[4] Both companies are stockholder-owned, Congressionally chartered corporations with the public purpose of increasing the supply and availability of home mortgages.

In 1998, Freddie Mac initiated its Reference Debt Program (''RDP'') in order to finance the mortgages it retains.[5] Through the RDP program, Freddie Mac sells large issues of long and short-term non-callable debt (*i.e.,* bills, notes, and bonds) to provide investors with high quality debt securities.[6] The debt securities generally are distributed through a group of participating dealers that also support secondary trading in the securities. To ensure broad based dealer participation, Freddie Mac limits the allocation to any one dealer to 35 percent of the offered amount. The debt securities are offered according to a predetermined schedule and issued in sufficient quantities to provide investors with liquid secondary markets. The RDP debt securities issued by Freddie Mac are the general obligations of the company and are not secured by the full faith and credit of the U.S. Government. Not all RDP debt has been rated. However, all such debt that has been rated has received S&P and Moody's top ratings. Domestic clearing and settlement may be done through organizations participating in one or more U.S. clearing systems, principally the book entry system operated by the Board of Governors of the Federal Reserve System. As a result, OCC will be readily able to perfect its security interest in these securities.

Also in 1998, Fannie Mae launched the Benchmark Debt Program (BDP), which is its debt financing initiative.[7] The BDP model is almost identical to the RDP model. Through the BDP, Fannie Mae sells large issues of non-callable long and short-term debt securities that are the general obligations of the company and are not secured by the full faith and credit of the U.S. Government.[8] Other than the total value of securities issued in the programs, the most notable difference between the RDP and BDP is that all BDP securities have been rated and have received Moody's and S&P's top credit ratings.

These debt securities issued by Freddie Mac and Fannie Mae are liquid, marketable, and of high credit quality which makes them an appropriate form of margin collateral. These characteristics help ensure that OCC will be readily able to liquidate the securities and to realize their market value in order to cover any clearing member default. Securities haircuts,

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

[2] Securities Exchange Act Release No. 45021 (November 5, 2001), 65 FR 56876.

[3] The amendment was technical in nature and did not affect the substance of the proposal as published for notice.

[4] OCC will advise the Commission staff of additional GSE debt securities that the membership/margin committee approves for deposit as margin collateral.

[5] Freddie Mac's web site, *www.freddiemac.com,* provides a detailed description of the RDP program.

[6] At the end of 2000, the total outstanding notional value of non-callable RDP bonds and notes approached $100 billion while the outstanding notional value of the non-callable RDP bills approached $600 billion.

[7] Fannie Mae's web site, *www.fanniemae.com,* provides a detailed description of its BDP program.

[8] At the end of 2000, the total outstanding notional value of non-callable BDP bonds and notes approached $180 billion. The outstanding notional value of BDP bills approached $350 billion in notional value at the end of 2000.