

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 Regulatory Circular interpretation of CBOE Rule 12.3.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve such proposed rule change; or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. 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 Exchange. All submissions should refer to file number SR-CBOE-2003-24 and should be submitted by July 30, 2003.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48121; File No. SR-DTC-2003-06]

Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change to Restrict the Next-Day Matched Reclamation Process

July 2, 2003.

I. Introduction

On April 7, 2003, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-DTC-2003-06 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 29, 2003.² For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

DTC's current reclamation procedures allow participants to submit reclamations to reverse completed Deliver Order ("DO") and Payment Order ("PO") transactions. When reclamation instructions are received, DTC currently attempts to match the reclaim with a completed original transaction processed on the current day ("same-day reclaims") or on the preceding business day ("next-day reclaims"). Reclamations that are not matched to original deliveries are considered unmatched reclaims and are subject to the same rules and controls as original transactions. Reclamations that are matched to original deliveries are considered matched reclaims and are permitted to bypass the Receiver Authorized Delivery ("RAD") system and override DTC's risk management controls if they are DOs less than \$15 million or POs less than \$1 million.³ In addition, matched reclamations can be processed in the exclusive reclaim period (3:20 p.m. to 3:30 p.m.) and cannot be re-reclaimed by the receiver (*i.e.*, the original deliverer).

Reclamations in general and next-day reclamations in particular impair the finality of settlement and prolong the

period during which delivering participants and DTC are at risk. To minimize this exposure, DTC is eliminating the next-day matched reclamation process. Under its revised procedures, DTC will continue to accept reclamation instructions and link those reclaim transactions to original transactions. However, only reclamation transactions that are linked to original transactions processed the same processing day will be considered matched. Only matched reclaim transactions will be permitted to bypass RAD and DTC's risk management controls. In addition, only matched reclaim transactions can be submitted in the exclusive reclaim period and will be blocked from subsequent re-reclamation by the receiver.

Reclamation transactions that are linked to original transactions processed prior to the current processing day will be processed in the same manner as other deliveries. That is, they will not bypass RAD or DTC's risk management controls. Linked reclamations will have to be submitted during normal input times and cannot be submitted in the exclusive reclaim period. Furthermore, a participant receiving a linked reclamation that it believes is inappropriate will be able to re-reclaim that transaction. To allow participants to continue to automatically track transaction status changes, however, both matched and linked reclaim output will contain the Relative Block Number assigned by DTC of both the reclamation transaction and the original transaction.

DTC plans to implement the enhancements to the reclamation process in phases. Beginning July 17, 2003, DTC will eliminate the next-day matched reclaim process for money market instruments ("MMIs"). DTC plans to eliminate the next-day matched reclaim capability for all other securities late in 2003 or early in 2004. At that time, DTC will begin linking reclamation transactions with original transactions processed in the preceding 60 days.

III. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed, among other things, to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.⁴ The Commission finds that DTC's proposed rule change is consistent with this requirement because it should bring

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 47899 (May 21, 2003), 68 FR 32143.

³ RAD is a control mechanism that allows participants to review transactions prior to completion of processing in order to limit exposure from misdirected or erroneously entered deliveries or payment orders. The override of RAD and DTC's risk management controls is designed to address industry concern that the receiver not be "stuck" with a delivery it does not know because of RAD or the risk management controls.

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 200.30-3(a)(12).

more finality to the settlement process and as such facilitates prompt and accurate clearance and settlement and safety and soundness at DTC.

IV. 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-DTC-2003-06) 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. 03-17355 Filed 7-8-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release 34-48116; File No. 600-23]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Order Approving an Extension of Temporary Registration as a Clearing Agency

July 1, 2003.

The Securities and Exchange Commission ("Commission") is publishing this notice and order to solicit comments from interested persons and to extend the Fixed Income Clearing Corporation's ("FICC") temporary registration as a clearing agency through June 30, 2004.¹

On May 24, 1988, pursuant to Sections 17A(b) and 19(a) of the Act² and Rule 17Ab2-1 promulgated thereunder,³ the Commission granted the Government Securities Clearing Corporation ("GSCC") registration as a clearing agency on a temporary basis for a period of three years.⁴ The Commission subsequently has extended

GSCC's registration through June 30, 2003.⁵

On February 2, 1987, pursuant to Sections 17A(b) and 19(a) of the Act⁶ and Rule 17Ab2-1 promulgated thereunder,⁷ the Commission granted MBS Clearing Corporation ("MBSCC") registration as a clearing agency on a temporary basis for a period of eighteen months.⁸ The Commission subsequently has extended MBSCC's registration through June 30, 2003.⁹

FICC has requested that the Commission extend FICC's temporary registration until such time as the Commission is prepared to grant FICC permanent registration.¹⁰

The Commission today is extending FICC's temporary registration as a clearing agency in order that FICC may continue to provide its users clearing and settlement services as a registered clearing agency while the Commission seeks comment on granting FICC permanent registration as a clearing agency.¹¹ FICC acts as the central clearing entity for the U.S. Government securities trading and financing marketplaces and provides for the safe and efficient clearance and settlement of transactions in mortgage-backed securities.

Interested persons are invited to submit written data, views, and

arguments concerning the foregoing application. Such written data, views, and arguments will be considered by the Commission in granting registration or instituting proceedings to determine whether registration should be denied in accordance with Section 19(a)(1) of the Act.¹² Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Comments may also be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. 600-23. This file number should be included on the subject line if e-mail is used. To help us process and review comments more efficiently, comments should be sent in hardcopy or by e-mail but not by both methods.

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, NW., Washington, DC 20549. Copies of the application for registration and all written comments will be available for inspection and copying at the principal office of FICC. All submissions should refer to File No. 600-23 and should be submitted by July 30, 2003.

It is therefore ordered that FICC's temporary registration as a clearing agency (File No. 600-23) be and hereby is extended through June 30, 2004.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,
Deputy Secretary.

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⁵ 17 CFR 200.30-3(a)(12).

¹ On January 1, 2003, MBS Clearing Corporation ("MBSCC") was merged into the Government Securities Clearing Corporation ("GSCC") and GSCC was renamed the Fixed Income Clearing Corporation. Securities Exchange Act Release No. 47015 (December 17, 2002), 67 FR 78531 (December 24, 2002) File Nos. [SR-GSCC-2002-07 and SR-MBSCC-2002-01].

² 15 U.S.C. 78q-1(b) and 78s(a).

³ 17 CFR 240.17Ab2-1.

⁴ Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19639.

⁵ Securities Exchange Act Release Nos. 25740 (May 24, 1988), 53 FR 19639; 29236 (May 24, 1991), 56 FR 24852; 32385 (June 3, 1993), 58 FR 32405; 35787 (May 31, 1995), 60 FR 30324; 36508 (November 27, 1995), 60 FR 61719; 37983 (November 25, 1996), 61 FR 64183; 38698 (May 30, 1997), 62 FR 30911; 39696 (February 24, 1998), 63 FR 10253; 41104 (February 24, 1999), 64 FR 10510; 41805 (August 27, 1999), 64 FR 48682; 42335 (January 12, 2000), 65 FR 3509; 43089 (July 28, 2000), 65 FR 48032; 43900 (January 29, 2001), 66 FR 8988; 44553 (July 13, 2001), 66 FR 37714; 45164 (December 18, 2001), 66 FR 66957; and 46135 (June 27, 2002), 67 FR 44655.

⁶ *Supra* note 2.

⁷ *Supra* note 3.

⁸ Securities Exchange Act Release No. 24046 (February 2, 1987), 52 FR 4218.

⁹ Securities Exchange Act Release Nos. 25957 (August 2, 1988), 53 FR 29537; 27079 (July 31, 1989), 54 FR 34212; 28492 (September 28, 1990), 55 FR 41148; 29751 (September 27, 1991), 56 FR 50602; 31750 (January 21, 1993), 58 FR 6424; 33348 (December 15, 1993), 58 FR 68183; 35132 (December 21, 1994), 59 FR 67743; 37372 (June 26, 1996), 61 FR 35281; 38784 (June 27, 1997), 62 FR 36587; 39776 (March 20, 1998), 63 FR 14740; 41211 (March 24, 1999), 64 FR 15854; 42568 (March 23, 2000), 65 FR 16980; 44089 (March 21, 2001), 66 FR 16961; 44831 (September 21, 2001), 66 FR 49728; 45607 (March 20, 2002), 67 FR 14755; and 46136 (June 27, 2002), 67 FR 44655.

¹⁰ Letter from Jeffrey Ingber, Managing Director, General Counsel, and Secretary, FICC (May 28, 2003).

¹¹ The Commission continues to consider two issues related to FICC's permanent registration status: (1) FICC's organizational structure after its integration with The Depository Trust & Clearing Corporation and (2) the appropriate standard of care for FICC.

¹² 15 U.S.C. 78s(a)(1).

¹³ 17 CFR 200.30-3(a)(1506).