aided customers using the RAES system as well as customers whose orders are in the Exchange's book, because both categories of orders have been executed more quickly than they would have been executed otherwise. Further, ABP has been beneficial in helping prevent RAES orders from becoming subject to market risk and in preserving the priority of booked orders. The Exchange now proposes to expand the application of the ABP system to allow booked orders to trade directly with any incoming marketable public customer order routed through ORS, as opposed to only RAES-eligible orders.

Currently, when a non-RAES eligible order is entered into the Exchange's ORS at a time when the prevailing market bid (offer) is equal to the best bid (offer) on the Exchange's book, the order is routed to a Floor Broker's terminal, a work station in the crowd, or the order-sending firm's booth. This helps ensure that the orders are handled and executed in a manner that is consistent with CBOE Rule 6.45, which provides that bids or offers displayed on the customer limit order book are entitled to priority over other bids or offers at the same price. However, once an order is so routed, that order becomes subject to market risk as there may be some delay between the time the order is rerouted and the time the order is actually filled in open outcry. In times of extreme market volatility, even a short period of time between the rerouting and the execution of the order could have a significant effect on the price at which the order is executed.

To remedy this delay in the execution of marketable public customer ORS orders, the Exchange proposes to automatically execute incoming marketable public customer ORS orders against the customer limit order book in instances where a booked limit order represents or equals the prevailing best bid (offer). No automatic execution would take place if such execution would be a price that is inferior to the current best bid (offer) in any other market. The ORS order would be executed up to the size of the customer limit order(s) in the book establishing such prevailing best bid (offer). Any remaining balance of the ORS order would be instantly rerouted through the ORS as if it were a new order, which could, among other things, include handling under CBOE's RAES Rule (Rule 6.8).

The proposed change would be contained in proposed new Rule 6.8.B., which would further provide that the appropriate Floor Procedure Committee (''FPC'') could determine which option classes would be subject to the rule. Furthermore, the proposed rule would allow two Floor Officials, the FPC Chairman, or the Chairman's designee to attempt an option class or classes from the proposed rule's requirements if warranted by unusual market conditions.

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 Act[4] in that it is designed to remove impediments to a free and open market and to protect investors and the public interest.

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

The CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

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 self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule 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 20594–0609. 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 CBOE. All submissions should refer to File No. SR–CBOE–00–56 and should be submitted by June 25, 2001.

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

Margaret H. McFarland,

Deputy Secretary.

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[4] 15 U.S.C. 78f(b)(5).

[5] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44364; File No. SR–GSCC–2001–04]

Self-Regulatory Organizations; The Government Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to Fee Structures

May 29, 2001.

Pursuant to section 19(b)(1) of the Securities and Exchange Act of 1934 (''Act,'')[1] notice is hereby given that on April 18, 2001, the Government Securities Clearing Corporation (''GSCC'') filed with the Securities and Exchange Commission (''Commission'') and on April 27, 2001, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change will allow GSCC to amend its fee structure to reallocate certain repurchase transaction (''repo'') processing fees in both its delivery-versus-payment (''DVP'') and GCF Repo services to provide for a more equitable distribution among its members. These changes became effective on May 1, 2001.

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

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

In its filing with the Commission, GSCC included statement concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the rule change. The text of these statements may be examined at the places specified in Item IV below. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.[2]

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

Effective February 2, 1998, GSCC revised its pricing structure for the cost of carry related to term repo transactions (*i.e.,* repo transactions in which the close leg is scheduled to settle more than one day after the start leg) in its DVP service to: (a) Cover the true cost of providing its netting services to such transactions, which involves significant risk management, operational, and technological resources and (b) more closely reflect the benefits derived by members from the service.[3] To accomplish these goals, GSCC shifted from a transactional charge to a basis point charge, which is a more appropriate pricing method because it is based on the size of the term repo transaction in dollar terms. It thus reflects the fact that the larger the dollar amount of the repo the more risk it brings to GSCC. Moreover, the larger the dollar amount of the repo the greater the benefits incurred by the member, including balance sheet relief and guaranteed settlement.

The basis point charges that were adopted by GSCC and are currently in effect are as follows: (1) A .015 basis point fee is applied to the gross dollar amount of each repo transaction that has been compared and netted but which has not yet settled and (2) a .060 basis point fee is applied to the net dollar amount of a member's repo transactions within a CUSIP that have been compared and netted; but which has not yet settled. The fee in subsection (1) reflects the potential balance sheet offset benefit derived by the member for its repo activity. The fee in subsection (2) reflects the guarantee of settlement and other risk management benefits provided by GSCC once a member's activity has been netted within a CUSIP. A similar set of fees applies to GCF Repo transactions with no distinction between overnight and term GCF Repo transactions.

The proposed rule change addresses the manner in which the fee in subsection (1) above is applied to brokered term repo transactions. Currently if Dealer A and Dealer B enter into a DVP term repo transaction or a GCF Repo transaction through Repo Broker C, each of Dealer A and Dealer B would be subject to the .015 basis point charge. Repo Broker C, however, would be subject to two .015 basis point charges (*i.e.,* the repo transaction with Dealer A and the reverse with Dealer B for a total .030 basis point fee). It is the inequity in the application of the fee structure to brokers and dealers that GSCC is proposing to address herein.

Specifically, GSCC is proposing to reduce the fee for repo brokers with respect to their DVP term brokered repo transaction activity and their GCF Repo transaction activity to a .010 basis point fee and to increase the fee for all other netting members (including repo brokers with respect to their non-brokered repo transaction activity) to a .020 basis point fee. Therefore, in the example above, each of Dealer A, Dealer B, and Repo Broker C would be required to pay a .020 basis point fee. Repo Broker C's fee reflects a .010 basis point charge for the repo with Dealer A and a .010 basis point charge for the reverse with Dealer B. This results in a more equitable treatment of all of the parties to the transaction.

GSCC is not proposing any changes to the current .060 basis point fee applicable to the net dollar amount of DVP term repo transactions within a CUSIP or GCF Repo transactions. The .060 basis point fee, which is based on netted dollar amounts, does not raise issues of inequitable application because brokers maintain flat positions.

The proposed rule change is consistent with the requirements of Act because it involves changes to GSCC's fee structure that more fairly reflects the distribution of the costs incurred by GSCC in providing services to its members.

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

GSCC does not believe that the proposed rule change will have an impact or impose a burden on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received. GSCC will notify the Commission of any written comments received by GSCC.

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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A)(ii) of the Act and Rule 19b–4(f)(2) thereunder because the proposed rule change is changing a due, fee, or charge imposed by the self-regulatory organization. At any time within sixty days of the filing of such 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 furtherance of the purposes of 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 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 GSCC. All submissions should refer to File No. SR–GSCC–2001–04 and should be submitted by June 25, 2001.

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

Margaret H. McFarland,

Deputy Secretary.

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[2] The Commission has modified the text of the summaries prepared by GSCC.

[3] Securities Exchange Act Release No. 34–39685 (February 27, 1998), 63 FR 10055 [File No. SR–GSCC–97–09] (approving amendments to GSCC's fees for processing term repurchase agreements).