

Transco by those participants. It is expected that WPSC's Contribution Value as of December 31, 2000 will be approximately \$63 million, and its initial interest in Transco will be approximately 12.62%. WPSR, the other participating Wisconsin utilities, and South Beloit intend to contribute their transmission assets to Transco on or about January 1, 2001 (the "Operations Date"). Depending on the number of initial members of the Transco, it is expected that Applicants' interest in Transco and Manager will be between 10% and 15% of each entity. The Transco's other participants will make similar initial contributions.

The WPSC Transmission Assets proposed to be transferred include: (1) Transmission lines and transmission substations; (2) transformers providing transformation within the bulk transmission system and between the bulk and area transmission systems; (3) lines connecting to generation sources and step-up substations; (4) radial taps from the transmission system up to, but not including, the facilities that establish the final connection to distribution facilities or retail customers; (5) substations that provide primarily a transmission function; and (6) voltage control devices and power flow control devices directly connected to the transmission system. Applicants expect that, as of December 31, 2000, the original cost of the WPSC Transmission Assets will be approximately \$139 million. The net book value¹⁵ of the WPSC Transmission Assets at December 31, 2000 is expected to be approximately \$70 million.

Applicants state that the transmission-owning Member Utilities and Transco expect to enter into various agreements ("Agreements") under which the Member Utilities will provide Transco with operations and maintenance services, control area operations, and other services. Any services provided or received by Applicants under any of these Agreements will be provided at cost in accordance with rules 90 and 91 under the Act, unless authorized or directed by appropriate governmental or regulatory authority.¹⁶

¹⁵ "Net book value" is defined as original cost less accumulated depreciation.

¹⁶ Applicants state that certain of the Agreements may provide for certain services between Transco and affiliates of WPSR, including WPSC, to be rendered at market rates, without regard to cost.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-30133 Filed 11-24-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meetings during the week of November 27, 2000.

An open meeting will be held on Wednesday, November 29, 2000, at 10:00 a.m. in Room 1C30, the Williams O. Douglas Room.

The subject matter of the open meeting will be:

The Commission will hear oral argument on an appeal by Seaboard Investment Advisers, Inc. and Eugene W. Hansen (together, the "Respondents") as well as the Division of Enforcement from an administrative law judge's initial decision.

The law judge found that the United States District Court for the Eastern District of Virginia had issued an order, with Respondents' consent without admitting or denying liability, permanently enjoining the Respondents from violating Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 and Advisers Act Rule 206(4)-1(a)(5) and from violating an earlier Commission Order Making Findings and Imposing Remedial Sanctions and Cease and Desist Order. On the basis of the injunction, the law judge revoked the registration of Seaboard and suspended Hansen from being associated with an investment adviser for a period of twelve months.

Among the issues likely to be argued are the following:

(1) Whether the record establishes that the Respondents were permanently enjoined from violating antifraud provisions of the securities laws and from violating an earlier Commission cease-and-desist order; and

(2) If so, what sanction, if any, is appropriate in the public interest.

For further information, contact Alissa L. Baum at (202) 942-0923.

Closed meetings will be held on Wednesday, November 29, 2000 and Thursday, November 30, 2000 at 11:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or

more of the exemptions set forth in 5 U.S.C. 552b(c)(4), (8)(A) and (10) and 17 CFR 200.402(a)(4), (8), (9)(A) and (10), permit consideration for the scheduled matters at the closed meeting.

The subject matter of the closed meeting scheduled for Wednesday, November 29, 2000 will be: post argument discussion; and an opinion.

The subject matters of the closed meeting scheduled for Thursday, November 30, 2000 will be: institution and settlement of injunctive actions; and institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: November 22, 2000.

Jonathan G. Katz,

Secretary.

[FR Doc. 00-30235 Filed 11-22-00; 11:28 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43586; File No. SR-DTC-00-09]

Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to the Profile Surety Program in the Direct Registration System

November 17, 2000.

On June 29, 2000, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ a proposed rule change. Notice of the proposal was published in the **Federal Register** on August 11, 2000.² The Commission received six comment letters in response to the proposed rule change.³

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 43125 (August 7, 2000), 65 FR 49278.

³ Letters from Robert J. Duke, Director of Underwriting, The Surety Association of America (August 28, 2000); Jerome J. Clair, Chairman, Securities Industry Association Operations Committee (August 30, 2000); Dan W. Schneider, Baker and McKenzie (on behalf of EquiServe L.P.) (August 31, 2000); and William A. Harris, Vice President and Assistant General Counsel, ChaseMellon Shareholder Services (September 1, 2000); Joseph M. Velli, Senior Executive Vice

The Commission is publishing this order to grant approval of the proposed rule change.

I. Description

On April 19, 2000, the Commission granted approval of a DTC rule filing concerning changes to the Profile Modification System ("Profile"), a feature of the Direct Registration System ("DRS").⁴ Pursuant to that rule filing, a screen-based indemnification was incorporated into DRS.⁵ Because companies issuing securities in DRS after September 15, 1999, are required to use Profile and because Profile was deemed inoperable without an indemnification agreement, DTC adopted a screen-based indemnification as an accommodation to those issuers and their transfer agents wanting to issue securities in DRS on or after September 15, 1999.⁶ The screen-based indemnification adopted by DTC was substantially in the form of an indemnification approved by the DRS Committee in 1999⁷ and will be used in DRS until such time as the DRS Committee agreed to an alternative indemnification.⁸

President, The Bank of New York (September 6, 2000); and Larry E. Thompson, Managing Director and Deputy General Counsel, The Depository Trust and Clearing Corporation (September 19, 2000).

⁴ For a description of DRS and Profile, refer to Securities Exchange Act Release Nos. 35038 (December 1, 1994), 59 FR 63652 (concept release relating to DRS); 41862 (September 10, 1999), 64 FR 51162 (September 21, 1999) (order approving implementation of the Profile Modification feature of DRS); 42366 (January 28, 2000), 65 FR 5714 (February 4, 2000) (order approving an interpretation of an existing rule pertaining to DRS); 42704 (April 19, 2000), 65 FR 24242 (April 25, 2000) (order approving modification of Profile to incorporate use of an electronic screen-based indemnification).

⁵ Profile contains two indemnities. The first is applicable when a DTC participant (*i.e.*, generally a broker-dealer) requests that a customer's registered book-entry position be transferred from the books of the issuer to the participant's account at DTC, to be held in street name for the benefit of the customer. The second indemnity is applicable when a DRS limited participant (*i.e.*, a transfer agent) requests a shareholder's position at a broker-dealer be transferred from the broker-dealer's account at DTC to the books of the issuer and registered in the name of the shareholder. Except for language reflecting whether the broker-dealer or the transfer agent is the requestor or the guarantor, the language of these two indemnities is identical. Securities Exchange Act Release No. 42704 (April 19, 2000), 65 FR 25242 (April 25, 2000).

⁶ Securities Exchange Act Release No. 41862 (September 10, 1999), 64 FR 51162 (September 21, 1999).

⁷ DRS Committee meeting minutes of January 12, 1999. Minutes of the DRS Committee meetings are available from DTC. The DRS Committee is an industry committee responsible for designing DRS. Its members include the Securities Transfer Association, the Corporate Transfer Association, the Securities Industry Association, the American Society of Corporate Secretaries, and DTC.

⁸ Subsequent to the DRS Committee's approval of the screen-based indemnification, a number of

At the time DTC filed the rule change modifying Profile to incorporate the use of a screen-based indemnification into DRS, industry representatives on the DRS Committee contemplated the organization currently administering one of the three signature guarantee programs in connection with transfers of physical certificates⁹ would develop a similar surety program to accommodate some version of a screen-based indemnification to be used in Profile. The program envisioned by the DRS Committee would have required guarantors (*i.e.*, the initiator of the instruction in Profile to move an investor's position) to subscribe to surety bond coverage that would have specifically covered a claim that a DRS transfer was unauthorized in the event that a guarantor refused or failed to satisfy the claim. However, the DRS Committee was unable to reach a consensus on a program, thereby making it impossible for any of the signature guarantee program administrators to extend its program or develop a similar program to accommodate the Profile indemnification.

On April 20, 1999, representatives of the DRS Committee met in an effort to find an alternative solution. At that meeting, those in attendance concluded because of its role as administrator of DRS, DTC would be a logical party to administer an electronic indemnification program. As a result, DTC proposed to implement and administer the DRS Profile Surety Program ("PSP") and filed the present rule change.

PSP is designed to provide for a surety bond to back the representation a guarantor makes under the screen-based indemnity. Since PSP is modeled in large part after the NYSE's Medallion Signature Program, many of the two programs' details are similar.

All broker-dealers and transfer agents participating in DRS will be required to

transfer agents raised concerns regarding the perceived lack of protections in the indemnification for issuers and transfer agents. The DRS Committee agreed to reopen discussions in an attempt to develop an alternative indemnification that would address the transfer agents' concerns. After a year of discussions, an impasse developed and discussions ceased. Since Profile was effectively inoperable due to a lack of any indemnification, DTC determined to adopt the screen-based indemnification approved by the DRS Committee in 1999. Any changes to the language of the screen-based indemnities will be subject to a rule filing pursuant to Section 19(b) of the Exchange Act.

⁹ Today, physical certificates must be signature guaranteed by a guarantor participating in a signature guarantee program. The Medallion Signature Program, the Securities Transfer Association Medallion Program, and the Securities Exchange Medallion Program are the three operating signature guarantee programs.

procure a surety bond in order to send electronic instructions through Profile. (Profile will be programmed to not accept an instruction until the guarantor enters a valid PSP membership number.) The surety company issuing the surety bond for PSP will either be a company selected by DTC as the administrator of PSP or a surety company selected by the DRS user. If a DRS user elects to use a surety company other than one DTC has selected, the surety company selected will be required to issue its surety bond in a form consistent with the bond issued by the surety company selected by DTC. For example, the surety bond must have a coverage limit of \$2 million per occurrence and an aggregate limit of \$6 million. DTC will also require that all companies issuing surety bonds must be highly rated by an approved rating service.

II. Comment Letters

The Commission received six comment letters.¹⁰ In stating its support for PSP, the Securities Industry Association stated it believed that the PSP had been formulated by the DRS Committee to address the concerns of certain interested parties and should finally make DRS the electronic alternative to certificate ownership for many investors.

The Surety Association of America ("SAA") expressed qualified support for the implementation of PSP. The SAA stated that institutions that were able to qualify under the paper-based medallion programs might not be able to qualify under PSP because PSP is requiring higher bond limits than the current paper-based medallion programs, which in turn requires guarantors to have greater financial strength, stronger internal controls, and stronger risk management. Furthermore the SAA requested that the Commission refrain from approving the filing until their membership has had an opportunity to review the proposed bond form and requirements of the PSP.¹¹

The Bank of New York ("BONY") also qualified its support of PSP. BONY expressed its belief that the screen-based indemnification agreement was inadequate and stated that implementation of the PSP should be

¹⁰ *Supra* note 3.

¹¹ DTC has informed the Commission that its has had conversations with the SAA and will make the bond form publicly available. Telephone conversation between Larry E. Thompson, Managing Director and Deputy General Counsel, The Depository Trust and Clearing Corporation, and Jerry W. Carpenter, Assistant Director, Commission (November 16, 2000).

conditioned on revisions to the screen-based indemnity.

ChaseMellon Shareholder Services ("CMSS") expressed no position on whether it supported DTC's proposal. Rather it expressed its belief that the screen-based indemnification language is vague and does not provide transfer agents with sufficient assurances that requested transfers are authorized. CMSS suggested several modifications to the indemnification language to better address perceived potential for transfer agent liability.

Baker & McKenzie (on behalf of EquiServe L.P.) contends that DTC's rule filing is vague, specifically with regards to the surety bond processing arrangements, the claims procedures, and the standards used by DTC to select a designated surety. Baker & McKenzie also states that there should be no aggregate limit on the surety bond under PSP. This commenter also elaborated on what it believes to be the deficiencies of DRS and Profile.

In its letter, DTC responded specifically to the issues raised by Baker & McKenzie's comment letter and generally to the issues raised by CMSS and BONY. DTC states that while the Baker & McKenzie letter was submitted as a comment letter to this proposed rule filing on PSP, the bulk of the letter raises issues relating to the screen-based indemnity language, which was the subject of another DTC rule filing approved by the Commission on April 19, 2000.¹² DTC states it is "mystified" by the Baker & McKenzie letter in light of the contributions made by EquiServe to the indemnity language, which language Baker & McKenzie criticize in its comment letter. DTC states that the language of the screen-based indemnity is based closely on language approved in 1998 by the DRS Committee, on which EquiServe has always been represented, and reflects comments received from EquiServe when the language of the screen-based indemnity was being finalized. DTC states that many of the issues that Baker & McKenzie raise either have already been resolved over the last several years or are issues that key industry officials, including representatives from EquiServe, have decided to move beyond in order to advance DRS.

III. Discussion

Section 17A(b)(3)(F) of the Act¹³ requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and

settlement of securities transactions and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.¹⁴ As set forth below, the Commission believes that DTC's proposed rule change is consistent with its obligations under Section 17A(b)(3)(F).¹⁵

As the Commission has stated in previous orders dealing with the DRS, the primary purpose of Profile is to provide a more prompt and accurate mechanism for the transfer of an investor's book-entry position between the investor's broker-dealer and the transfer agent for the issue than the multistep, paper based processing otherwise used by the industry. Without Profile, investors holding securities positions in DRS, a majority of whom were issued securities in DRS through corporate actions, would continue to be disadvantaged by their inability to transfer their shares to their broker-dealer (or back to the transfer agent) without significant delays.

The adoption of PSP by DTC does not affect DRS's operations or its mechanisms to facilitate a more efficient manner of transfer ownership of investors' book-entry positions. The purpose of PSP is to provide an additional layer of protection for transfer agents and broker-dealers using DRS. DTC developed PSP in an effort to foster cooperation and coordination between transfer agents, issuers, and broker-dealers by addressing concerns of risk resulting from unauthorized instructions to transfer investors' book-entry positions.

We have considered the views of commenters. Three commenters (BONY, CMSS, and Baker & McKenzie) raised a number of issues regarding Profile and the screen-based indemnifications that were not the subject of this filing. BONY also predicated its support of PSP on the condition that the condition that the screen-based indemnifications be revised. Baker & McKenzie indicated its belief that the specifics of PSP were not sufficiently described in DTC's filing.

¹⁴ The prompt and accurate clearance and settlement of securities transactions includes the transfer of record ownership of securities. 15 U.S.C. 78q-1(a)(1)(A).

¹⁵ The Commission also notes that when enacting Section 17A, Congress set forth its findings that the prompt and accurate clearance and settlement of securities transactions, including the transfer of record ownership, is necessary for the protection of investors; inefficient procedures for clearance and settlement impose unnecessary costs on investors; and that new data processing and communication techniques create the opportunity for more efficient, effective, and safe procedures for clearance and settlement. 15 U.S.C. 78q-1(a)(1)(A), (B), and (C). DRS, including Profile supported by PSP, advance these objectives.

The adoption of PSP does not affect the ability of the DRS Committee to continue to negotiate alternative indemnification language. DTC has stated it will use the screen-based indemnification only until such time as an alternative indemnification agreement is reached by the DRS Committee. If and when that happens, DTC will modify PSP accordingly.

In addition, DTC structured PSP, including the increased aggregate limit amount of surety coverage, in the manner specified by the DRS Committee. The limit was increased to accommodate transfer agents' concerns that the current signature guarantee programs' aggregate limits were too low for transfer activity in an electronic environment. The DRS Committee is always free to revisit the issue of surety coverage amounts and to adjust PSP as necessary. The assertion made by Baker & McKenzie that the surety coverage should contain no aggregate limit is not feasible because no surety company is likely to provide coverage where its exposure is unlimited.

Finally, PSP's application and subscription agreement, which describes the coverage and claims process to be applied under PSP, are available from DTC upon request. DRS users that deem PSP's coverage insufficient may independently purchase additional insurance to cover outstanding liabilities.

The Commission urges the DRS Committee to continue to meet to address on-going concerns regarding liability and to continue to discuss improvements in the design of DRS. These efforts will contribute to the industry's objective of promoting the immobilization of physical certificates.

As set forth above, the Commission finds that DTC's establishment of PSP is consistent with Section 17A(b)(3)(F) of the Act¹⁶ because it will facilitate the use of a more efficient mechanism by which to transfer investors' book-entry positions and thereby promotes the prompt and accurate settlement of securities transactions. Furthermore, since PSP will provide additional protection to DRS users for liabilities that may arise in certain DRS transactions, PSP should foster cooperation between person engaged in the clearance and settlement of securities transactions.

V. Conclusion

On the basis of the foregoing, the Commission finds that DTC's proposal to modify Profile to include an electronic screen-based indemnification

¹² Securities Exchange Act Release No. 42704 (April 19, 2000), 65 FR 24242 (April 25, 2000).

¹³ 15 U.S.C. 78q-1(b)(3)(F).

¹⁶ 15 U.S.C. 78q-1(b)(3)(F).

is consistent with the requirements of the Act and in particular with the requirements of 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 N. SR-DTC-00-09) be and hereby is approved.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 00-30137 Filed 11-24-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43575; File No. SR-NASD-00-66]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Maximum Share Size Order Parameters for the Nasdaq National Market Execution System

November 16, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 6, 2000, the National Association of Securities Dealers, Inc., through its wholly-owned subsidiary The Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. Nasdaq filed with the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(5) thereunder.⁴ Pursuant to Rule 19b-4(f)(5), Nasdaq has designated this proposal as one effecting a change in an existing order-entry or trading system of a self-regulatory organization that does not: (1) Significantly affect the protection of investors or the public interest, (2) impose any significant burden on competition, or (3) significantly have the effect of limiting the access to or availability of the system. As such, the proposed rule change is immediately effective upon the Commission's receipt of this filing. The Commission is

publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Nasdaq is proposing to amend Rule 4710(d) of the National Association of Securities Dealers, Inc. ("NASD" or "Association"), to expand the maximum share size parameter for orders entered into the Nasdaq National Market Execution System ("NNMS"). Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

* * * * *

4710. Participant Obligations in NNMS

(a) through (c) No Change.

(d) Order Entry Parameters.

(1) No Change.

(2) No Change.

(3) NNMS will not accept orders that exceed [9,900] *999,999* shares, and no participant in the NNMS system shall enter an order into the system that exceeds [9,900] *999,999 shares*.

(e) No Change.

* * * * *

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

In its filing with the Commission, Nasdaq 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. Nasdaq has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

Nasdaq is proposing to expand the maximum share size parameter for single orders entered into the NNMS. Currently, the maximum number of shares that may be entered into NNMS using a single order is 9,900. Under the rule change proposed here, that single order maximum share amount will be increased to 999,999 shares. As outlined in the Commission's approval order of the NNMS system, the smaller 9,900-share order entry size was a response to then existing technological system constraints.⁵ In the interim between the

Commission's approval of NNMS and the system's upcoming implementation, Nasdaq technology staff diligently worked to modify and improve the NNMS order processing and execution platform to accommodate a larger single order size maximum. As the result of those efforts, Nasdaq is now prepared to provide to NNMS participants a single order share maximum entry capability of 999,999 shares. Expansion of NNMS's automatic execution single order maximum size parameter will give users the optional ability to seek automatic execution of larger orders in the NNMS system than would be allowed under current NNMS rules. In addition to providing increased flexibility and functionality to NNMS users, the proposal also establishes uniformity in maximum single-order size parameters between Nasdaq's automatic execution and order delivery systems.

For the reasons set forth above, Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act⁶ in that the proposal is designed to promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in processing information with respect to and facilitating transactions in securities, as well as removing impediments to and perfecting the mechanism of a free and open market, and, in general, to protect investors and the public interest.

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

Nasdaq does not believe that the proposed rule change will result in any burden on competition that is 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

Written comments were neither solicited nor received.

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)⁷ of the Act and Rule 19b-4(f)(5)⁸ thereunder in that it constitutes a change in an existing order-entry or trading system of a self-regulatory organization that does not: (1) Significantly affect the protection of investors or the public interest, (2)

⁶ 15 U.S.C. 78o-3(b)(6).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(5).

¹⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(5).

⁵ See Securities Exchange Act Release No. 42344 (January 14, 2000), 65 FR 3897.