available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–CBOE–00–10 and should be submitted by February 8, 2001.

VI. Conclusion

For all of the aforementioned reasons, 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.

It Is Therefore ordered, pursuant to section 19(b)(2) of the Act,[18] that the proposed rule change (SR–CBOE–00–10), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[19]

Margaret H. McFarland,

Deputy Secretary.

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[18] 15 U.S.C. 78s(b)(2).

[19] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 43824; File No. SR–EMCC–00–05]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Order Approving a Proposed Rule Change Relating to Increasing the Minimum Clearing Fund Requirement for All EMCC Members to $3,000,000 and Establishing Two Tiers of Inter-Dealer Broker Membership Standards

January 9, 2001.

On July 14, 2000, the Emerging Markets Clearing Corporation (''EMCC'') filed with the Securities and Exchange Commission (''Commission'') and on August 16, 2000, and November 1, 2000, amended a proposed rule change (File No. SR–EMCC–00–05) 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 approving the proposed rule change.

I. Description

The purpose of the rule change is to (i) increase the minimum clearing fund requirement for all EMCC members to $3,000,000 from the current required minimum of $1,000,000 and (ii) provide two tiers of IDB membership standards.[3]

With respect to the increased minimum clearing fund requirement, EMCC's risk advisory subgroup reviewed EMCC's two years of operations, including trade files and daily margin calculations. The subcommittee concluded that, generally, members' calculated clearing fund requirements did not go below $3,000,000. Moreover, raising the minimum requirement from $1,000,000 to $3,000,000 is consistent with the clearing fund requirements imposed on IDBs by other clearing corporations,[4] and it addresses the fact that IDB members have a potential clearing fund loss liability that could well exceed the current $1,000,000 clearing fund minimum. Accordingly, EMCC has determined that it would be more appropriate to have a greater amount of IDB funds on hand to cover the potential exposure than to have to request such a deposit if needed due to a loss. Therefore, EMCC has determined that it is appropriate to increase all members', including IDBs', minimum clearing fund requirement to $3,000,000.

The rule change also separates IDBs into two membership categories based on excess net capital or excess financial resources. Those IDBs with excess net capital, or excess financial resources for a broker or dealer regulated by the Securities and Futures Authority Limited, of between $10,000,000 and $20,000,000 will be margined using an ''event factor'' of 1.5 instead of the factor of 1.25 currently used in EMCC's base margining formula. This factor is representative of the volatilities experienced during the last three emerging market events.[5] Those IDBs with excess net capital or excess financial resources of more than $20,000,000 will be margined under the current event factor of 1.25.

EMCC believes that the two-tier membership standard will permit it to better collateralize the risk posed by IDBs with lower levels of capital. EMCC recognizes that the clearing fund is a key mitigant to market risk in the event of member insolvency and feels that margining those IDBs with less than $20,000,000 excess regulatory capital at an event factor of 1.5 should mitigate the risk of their lower capital levels.

The effective date for these approved changes will be thirty days following the date the Commission approves the filing for current members and will be immediately for any applicant who becomes a member after the rule change is approved.

II. Discussion

Section 17A(b)(3)(F) of the Act 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 for which it is responsible.[6] The Commission believes that the approval of EMCC's rule change is consistent with this Section. The Commission believes it is prudent for EMCC to have a greater amount of IDB funds on hand to cover the potential exposure than to have to request such a deposit if needed and to increase all members', including IDBs', minimum clearing fund requirements to $3,000,000. In addition, the Commission believes that the two-tier membership standard whereby EMCC will margin IDBs with less than $20,000,000 excess regulatory capital at an event factor of 1.5 will permit EMCC to better collateralize the risk posed by IDBs with lower levels of capital.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal 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 No. SR–EMCC–00–05) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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

[2] Securities Exchange Act Release No. 43618 (November 27, 2000), 65 FR 75327.

[3] EMCC's Rules define an IDB as ''a broker-dealer that conducts securities trading which matches buyers and sellers who are banks or dealers, and who is designated as such by the Corporation.''

[4] *See, e.g.*, Government Securities Clearing Corporation Rule 4, Section 2(c).

[5] October, 1997 (Asia), August, 1998 (Russia), and January, 1999 (Brazilian).

[6] 15 U.S.C. 78q–1(b)(3)(F) (1988).

[7] 17 CFR 200.30–3(a)(12).