SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–51445; File No. SR–OCC–2005–03]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish an Electronic Pledge System Through Which Clearing Members May Deposit Securities With Banks Acting as Agents for OCC To Meet Margin and Clearing Fund Requirements

March 29, 2005.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 22, 2005, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by OCC. 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 establishes an electronic pledge system through which clearing members of OCC may deposit securities with banks acting as agents for OCC to meet minimum margin and clearing fund requirements.

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

In its filing with the Commission, OCC 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. OCC 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

Electronic Pledge System

Currently, clearing members that wish to make margin and clearing fund deposits electronically may do so only by using a system operated by The Depository Trust Company (''DTC''). Clearing members that wish to make deposits through a bank must use paper depository receipts through which they pledge securities to OCC. The paper depository receipts must be signed by the clearing member and the bank and faxed to OCC. Hard copies of the executed receipts also must be mailed to OCC. When OCC releases a margin deposit made through a bank, a representative of OCC must sign the paper depository receipt and fax it to the bank where the securities were deposited.

ENCORE, OCC's clearing system, has been modified to allow banks to confirm a clearing member's pledge of government securities and debt securities issued by congressionally-chartered corporations (''GSE debt securities'') and to process approved releases through a Web-based application. OCC anticipates the use of the electronic pledge system will significantly reduce paperwork and reduce costs for banks, clearing members, and OCC.

Other Proposed Revisions

OCC is also making other changes to its rules relating to margin deposits. First, OCC is updating Rule 604, which governs forms of margin, to conform the Rule to OCC's practice of valuing all U.S. and foreign government securities and GSE debt securities on a daily basis. The Rule currently provides that foreign government securities are valued no less frequently than daily but that U.S. government securities and GSE debt securities are valued no less frequently than monthly.

The second revision is the deletion of references in OCC's rules to specific time periods during which clearing members may request withdrawals of margin, deliver depository receipts with respect to deposits in lieu of margin, or withdraw depository receipts. OCC is replacing the deleted language with language that allows OCC to specify the time these transactions can be effectuated. This change provides OCC with greater flexibility in altering these time periods in response to changing business needs and emergency situations.

The third revision is the addition of an Interpretation and Policy to Rule 604, which currently requires that for stocks to be eligible as a margin deposit they must have a market value greater than $10 per share. The revision will clarify OCC's policy to accept for deposit securities that do not satisfy the requirements of the rule or retain on deposit previously deposited securities that no longer satisfy such requirements without giving margin credit for these deposits. Clearing members sometimes desire to deposit with OCC stocks with a market price slightly below $10 per share in anticipation that the price will rise above $10 per share. Alternatively, the market price of a previously deposited stock may fall below $10 per share. The rule change clarifies that in either case, OCC would hold the deposit if the clearing member so desired but would assign a value of zero for margin purposes unless and until the price exceeded $10 per share.

OCC's Proposed By-Law and Rule Changes

To effectuate these revisions, OCC is revising its By-Laws and Rules. First, OCC is amending the definition of ''EDP Pledge System'' in Article I of its By-Laws to include an OCC system such as ENCORE. The term ''EDP Pledge System'' is used in, among other places, Rule 604, which requires an electronic margin deposit be made via an ''EDP Pledge System'' to be effective. Currently, the definition of ''EDP Pledge System'' includes only systems of an approved depository, such as DTC. The proposed amendment is necessary to allow electronic deposits to be made through the ENCORE system.

Second, OCC is amending Rule 604(b)(1) to provide that both U.S. and foreign government securities must be valued no less frequently than daily. The rule currently provides that U.S. government securities are valued no less frequently than monthly. The change will conform the rule to OCC's practice of valuing these securities daily. For similar reasons, OCC is amending Rule 604(b)(2) to provide that GSE debt securities will be valued no less frequently than daily.

Third, OCC is adding an Interpretation and Policy .13 to Rule 604 to state that OCC will accept for deposit securities that do not satisfy the requirements of the rule or will retain on deposit previously deposited securities that no longer meet those requirements but will not give margin credit for these deposits unless and until they do satisfy the rule.

Finally, OCC is amending Rules 608, 610(i), and 610(j), which currently prescribe specific time periods during which clearing members may request withdrawals of margin, deliver depository receipts with respect to deposits in lieu of margin, or withdraw depository receipts. The amendments replace references to specific times with a reference to ''such times as the Corporation may specify.'' This will allow OCC to establish these times as

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

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

business needs or emergency situations require.

OCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act [3] and the rules and regulations thereunder applicable to OCC because (i) the primary change would provide for a more efficient means for clearing members and banks to process deposits and releases of securities used as margin deposits or clearing fund contributions and (ii) the remaining changes would clarify provisions of OCC's rules, conform the rules to OCC's current practices, or provide OCC with greater flexibility to establish time periods with regards to withdrawals of margin and delivery and withdrawal of depository receipts. The rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

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

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

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

Written comments were not and are not intended to be solicited with respect to the proposed rules change, and none have been received.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A) of the Act [4] and Rule 19b–4(f) [5] thereunder because the proposed rule does not significantly affect the respective rights or obligations of the clearing agency or persons using the service and does not adversely affect the safeguarding of securities or funds in the custody or control of OCC or for which it is responsible. The rule change will be implemented on the availability of the related systems changes to ENCORE, OCC's clearing system, which are scheduled for implementation on April 4, 2005. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate the 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 the 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. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*) or
- Send an e-mail to *rule-comments@sec.gov.* Please include File Number SR–OCC–2005–03 on the subject line.

Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–0609.

All submissions should refer to File Number SR–OCC–2005–03. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/sro.shtml*). 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 such filings also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at *www.optionsclearing.com.* All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–OCC–2005–03 and should be submitted on or before April 26, 2005.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[6]

Margaret H. McFarland,

Deputy Secretary.

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[3] 15 U.S.C. 78q–1.

[4] 15 U.S.C. 78s(b)(3)(A).

[5] 17 CFR 240.19b–4(f).

[6] 17 CFR 200.30–3(a)(12).

DEPARTMENT OF STATE

[Public Notice 5020]

U.S. Advisory Commission on Public Diplomacy; Notice of Meeting

The U.S. Advisory Commission on Public Diplomacy will hold a meeting at the U.S. State Department, 301 4th St., SW., Washington, DC on April 13, 2005, at 9 a.m. The Commissioners will review efforts that expand interagency coordination of public diplomacy programs to increase their effectiveness in communicating with foreign audiences.

The Commission was reauthorized pursuant to Pub. L. 106–113 (H.R. 3194, Consolidated Appropriations Act, 2000). It's Charter was renewed February 18, 2005. The U.S. Advisory Commission on Public Diplomacy is a bipartisan Presidentially appointed panel created by Congress in 1948 to provide oversight of U.S. Government activities intended to understand, inform and influence foreign publics. The Commission reports its findings and recommendations to the President, the Congress and the Secretary of State and the American people. Current Commission members include Barbara M. Barrett of Arizona, who is the chairman; Harold Pachios of Maine; Jay T. Snyder of New York; Maria Sophia Aguirre of Washington, DC; Charles ''Tre'' Evers of Florida; Ambassador Elizabeth Bagley of Washington, DC; and Ambassador Penne Korth Peacock of Washington, DC.

For more information, please contact Razvigor Bazala at 202.203.7880.

Dated: March 29, 2005.

Razvigor Bazala,

Acting Executive Director, IIP/ACPD, Department of State.

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