

required equity specialists to obtain written approval prior to contacting an unlisted company.

The proposed rule change, as amended, was published for comment in the **Federal Register** on June 2, 2003.<sup>5</sup> The Commission received no comments on the proposal.

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>6</sup> Specifically, the Commission finds that the proposed rule change promotes the objectives of section 6(b)(5) of the Act,<sup>7</sup> which requires among other things, that the rules of the Exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and national market system, and in general, to protect investors and the public interest.

The Commission believes that the proposed rule change is a reasonable modification of the Exchange's performance evaluation and allocations procedures as it is intended to enable the Performance Committee to operate more flexibly and responsively, as well as to more accurately reflect the views of issuers and ETF sponsors in certain situations. Additionally, the timely disclosure of information and materials to the Performance Committee and the Market Quality Committee will ensure adequate time for review and distribution to participants. Finally, the elimination of the now outdated NOMI process will better serve to facilitate the Exchange's listing efforts by removing a process that caused the unintended result of specialist firms requesting NOMIs to contact an unlisted company without then undertaking substantial contact with them.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>8</sup> that the amended proposed rule change (SR-AMEX-2002-112) be, and hereby is, approved.

<sup>5</sup> See Securities Exchange Act Release No. 47914 (May 23, 2003), 68 FR 32782 (June 2, 2003).

<sup>6</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48130; File No. SR-DTC-2003-08]

### Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to Rule 4(A), Pledge of Property to the Corporation and Its Lenders

July 3, 2003.

#### I. Introduction

On May 6, 2003, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-DTC-2003-08 pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on May 21, 2003.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

#### II. Description

Each DTC participant pays or receives the net debit or net credit balance in its DTC money settlement account at the end of each day. DTC's principal risk is the possible failure of one or more participants to settle their net debit obligations. To assure that it is able to complete its settlement obligations each day, DTC maintains liquidity resources, including a committed line of credit (maximum amount of \$1.75 billion) with a consortium of banks. This committed line of credit is part of a combined syndicated facility with National Securities Clearing Corporation ("NSCC").

The line of credit matures annually. As part of the negotiations to extend the facility for the year beginning May 27, 2003, the lenders requested that Section 1 of DTC's Rule 4(A), "Pledge of Property to the Corporation and its Lenders," be clarified.<sup>3</sup> That section

<sup>1</sup> 17 CFR 200.30-3(a)(12).

<sup>2</sup> 15 U.S.C. 78s(b)(1).

<sup>3</sup> Securities Exchange Act Release No. 47875 (May 15, 2003), 68 FR 27877.

<sup>4</sup> The lenders made a similar request of NSCC which also resulted in the filing of a proposed rule change by NSCC. Securities Exchange Act Release

currently provides that for the purpose of securing loans to DTC, DTC may pledge and repledge and grant its lenders a security interest in (i) cash deposits in the participants fund and all securities, repurchase agreements, or deposits in which such cash is invested, (ii) net additions, including any security entitlements of participants in net additions, and (iii) preferred stock. That section also provides that any such loan to DTC may be on such terms as DTC, in its discretion, may deem necessary or advisable and may be in amounts greater and extend for time periods longer than the obligations of any participant in DTC. It further provides that no lender shall be obligated to return any pledged collateral prior to the full repayment of any loan secured thereby.

DTC is adding language to Section 1 of Rule 4(A) to make clear what is implicit in the current rule that while there remain any outstanding obligations under any such loan, no participant may assert a claim against the lender for the return of any collateral pledged by DTC as security therefore.<sup>4</sup> Subject to the foregoing and the terms of any such loan, the obligation of DTC to return any items of pledged collateral to its participants or to permit substitutions and withdrawals thereof remains unaffected.

In addition, the rule change makes a technical correction to the definition of the term "pledge" in Rule 1 necessitated by the recent revisions to Article 9 of the New York Uniform Commercial Code ("NYUCC"). Currently, the definition of "pledge" refers to Section 9-115 of the NYUCC. The references to that specific section are deleted so DTC's definition refers to the NYUCC in general.

#### III. Discussion

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.<sup>5</sup> By adding language, as requested by its lenders, to its rules to make clear the rights of DTC, lenders, and participants with respect to pledged deposits, the

No. 47874 (May 15, 2003), 68 FR 27881 (May 21, 2003) [File No. NSCC-2003-08].

<sup>4</sup> The new language states, "No Participant shall have any right, claim or action against any secured Lender (or any collateral agent of such secured Lender) for the return, or otherwise in respect, of any such collateral Pledged by the Corporation to such secured Lender (or its collateral agent), so long as any loans made by such Lender to the Corporation or other obligations, secured by such collateral, are unpaid and outstanding."

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

proposed rule change will help DTC maintain adequate liquidity resources and therefore should help assure DTC's ability to safeguard securities and funds.

#### 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 with the requirements of section 17A of the Act and the rules and regulations thereunder applicable.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-2003-08) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 03-17710 Filed 7-11-03; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48136; File No. SR-MSRB-2003-05]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Electronic Mail Contacts

July 8, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and rule 19b-4 thereunder<sup>2</sup> notice is hereby given that on July 1, 2003, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-2003-05). The proposed rule change is described in Items I, II, and III below, which Items have been prepared by the Board. 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

The Board is filing herewith a proposed rule change relating to technical amendments to Form G-40, on electronic mail contacts. The proposed rule change will become operative on

August 4, 2003. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

\* \* \* \* \*

#### Form G-40

##### Electronic Mail Contacts

MSRB Registration Number \_\_\_\_\_

Check one:

Original Form

Amended Form

Name of Dealer: \_\_\_\_\_

Date: \_\_\_\_\_

The dealer named above designates (name) \_\_\_\_\_ as its Primary Electronic Mail Contact for purposes of electronic communications with the MSRB. This Primary Contact person is *either a Series 53-registered municipal securities principal or a Series 51-registered municipal fund securities limited principal* with the dealer.

E-Mail Address of Primary Contact: \_\_\_\_\_

Phone Number of Primary Contact: \_\_\_\_\_

Individual CRD Number of Primary Contact (NASD member firms only): \_\_\_\_\_

(Optional): The dealer named above designates (name) \_\_\_\_\_ as its Optional Electronic Mail Contact.

E-mail Address of Optional Contact: \_\_\_\_\_

Phone Number of Optional Contact: \_\_\_\_\_

Name and title of person preparing this Form: \_\_\_\_\_

Signature: \_\_\_\_\_

Telephone number: \_\_\_\_\_

#### *New Forms Must be Mailed to*

MSRB, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

[Updates to the Form Shall be Submitted] *Forms May Be Amended Electronically [Via the G-40 Log-In On] By Logging on to the MSRB'S Web Site ([www.msrb.org](http://www.msrb.org)) and Using the Primary Contact's User ID and Password to Change Information Relating to That Person, or Using the Optional Contact's User ID and Password To Change Information Relating to That Person.*

\* \* \* \* \*

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

In its filing with the Commission, the MSRB 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 texts of these statements may be examined at the places specified in Item IV below. The MSRB 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

##### 1. Purpose

On June 6, 2002, the SEC approved MSRB Rule G-40, on electronic mail ("E-mail") contacts, and Form G-40, as well as related amendments to Rule G-8, on books and records, and Rule G-9, on preservation of records.<sup>3</sup> Rule G-40 requires each broker, dealer and municipal securities dealer (collectively referred to as "dealers") to use Form G-40 to appoint an E-mail contact to serve as the official contact person for purposes of electronic communication between the dealer and the MSRB (the "Primary Contact"). This E-mail contact must be a registered municipal securities principal with the dealer.<sup>4</sup>

Previously, the MSRB provided that dealers whose only municipal securities activities consisted of transactions in municipal fund securities (Section 529 college savings plans and local government investment pools) could appoint either a general securities principal (Series 24) or an investment company/variable contracts limited principal (Series 26) as their Primary Contact until March 31, 2003.<sup>5</sup> In addition to serving as a Primary Contact pursuant to Rule G-40, a Series 24 or 26 principal was permitted, pursuant to Rule G-3, to supervise the dealer's activities with respect to municipal fund securities until March 31, 2003. This transition period was meant to accommodate such dealers until the new Series 51 examination for municipal fund securities limited principals became available.<sup>6</sup> As of April 1, 2003, every dealer is required, pursuant to Rule G-3 on professional qualifications, to have either a municipal fund securities limited principal (Series 51) or a municipal securities principal (Series 53), as appropriate, even if the dealer's only municipal securities activities consist of transactions in municipal fund securities. In addition, every dealer is required to have either a Series 51 or Series 53 principal as their Primary Contact. The proposed rule change

<sup>3</sup> Release No. 34-46043 (June 6, 2002) 67 FR 40762. The Rule became effective on September 4, 2002.

<sup>4</sup> Dealers also have the option of appointing a second contact person (the "Optional Contact").

<sup>5</sup> See MSRB Notices 2003-1 (January 9, 2003) and 2003-6 (February 28, 2003).

<sup>6</sup> The Series 51 examination has been available since January 2, 2003, and is administered through NASD's PROCTOR system.

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.