SR–CBOE–00–44 and should be submitted by December 8, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[16]

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43541; File No. SR–DTC–00–10]

Self-Regulatory Organizations; Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to the Combination of the Depository Trust Company's TradeSuite Institutional Trade Processing Services With Thomson-Financial ESG's Institutional Trade Processing Services

November 9, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on August 22, 2000, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DTC. 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 being filed by DTC is DTC's proposal to combine its TradeSuite family of institutional trade-related services (''TradeSuite Business'') with the institutional trade processing services offered by Thomson Financial ESG (''ESG Business'') [2] in a proposed joint venture, the Global Joint Venture (''GJV''), between The Depository Trust & Clearing Corporation (''DTCC'')[3], Thomson Information Services Inc. (''TISI'') [4], and Interavia, A.G. (''IAG'').[5] The proposal is as follows:

- After receipt of all necessary regulatory approvals, DTC will transfer existing assets of the TradeSuite Business, TISI will transfer existing U.S. assets of the ESG Business, and IAG will transfer existing non-U.S. assets of the ESG Business to the GJV between DTCC, TISI, and IAG.
- Certain support functions and other services will be provided to the GJV by DTCC, DTC, and TISI pursuant to service contracts.
- The GJV will provide post-trade, presettlement related services, including execution notification, allocation, electronic trade confirmation (''ETC''), central matching, operational and standing databases (*i.e.*, trade enrichment), and communications between trading parties and their settlement agents.
- The GJV's governance arrangements will be designed to assure that the ''U.S. regulated aspects'' of the GJV's activities,[6] including the pricing structure for the fees to be charged to users of such services, will be subject to the control of users.
- The GJV will be operated on a for-profit basis. Fifty percent of any profits not retained by the GJV will be distributed to DTCC.[7]
- The GJV will provide its ETC service and its central matching service through its wholly owned subsidiary, the GJV Matching Services—US, LLC, which has applied for an exemption from registration as a clearing agency.[8]

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.[9]

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

The expansion of the global economy, the tremendous growth in transaction levels in both domestic and cross-border markets, and the emergence of electronic trading vehicles has resulted in dramatic increases in securities trading volumes. This growth in volume is beginning to constrain the capacity of financial institutions to process trades efficiently so that they settle on time. Operations professionals in both domestic and foreign securities markets have concluded that the current sequential and fragmented electronic trade confirmation/affirmation model must be made more efficient and that broader industry connectivity to electronic systems must be encouraged so that these systems will be used for the large number of cross-border transactions that still rely upon the telephone and telefax for the communication of trade and settlement information.[10]

According to DTC, the combination of the TradeSuite [11] and ESG Business [12] and the linking of their current services and customers could produce immediate benefits. For example, DTC estimates that 12% of institutional trades processed in TradeSuite are affirmed on trade date and that only 87% are affirmed by noon of T+2. By introducing allocations processed in the ESG Business' OASYS system to the TradeSuite Business' TradeMatch, a much larger percentage of trades can be affirmed earlier in the settlement cycle.

[16] 17 CFR 200.30–3(a)(12).

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

[2] Thomson Financial ESG is a wholly owned subsidiary of Thomson Financial, a Thomson Corporation subsidiary.

[3] DTCC was created in 1999 as a holding company for DTC and the National Securities Clearing Corporation (''NSCC'').

[4] TISI is a wholly owned subsidiary of Thomson Financial, a Thomson Corporation subsidiary. Thomson Corporation is a global electronic information company.

[5] IAG is a Swiss corporate affiliate of TISI.

[6] The term ''U.S. regulated aspects'' of the GJV's activities refers to any services that would require registration with the Commission as a clearing agency, an exemption from such registration, or designation as a ''qualified vendor'' as defined in New York Stock Exchange Rule 387(a)(5), in National Association of Securities Dealers Rule 11860(a)(5), and in similar rules of other self-regulatory organizations. Such activities, therefore, would include the GJV's proposed ETC and centralized matching services for institutional transactions settling in the U.S., including cross-border transactions between a U.S. broker-dealer and an institution located abroad.

[7] Profits distributed to DTCC that are not retained by DTCC will be available for rebate to the participants of DTCC's wholly-owned subsidiaries, DTC and NSCC subject to such determination by DTCC's Board of Directors.

[8] The Commission has stated that matching is a clearing agency function that requires an entity that performs matching to register as a clearing agency or obtain an exemption from registration as a clearing agency. However, an entity that only provides a matching services does not have to be subject to the full range of clearing agency regulation. Securities Exchange Act Release No. 39829 (April 6, 1998), 63 FR 17943 [File No. S7–10–98]. In 1999, the Commission granted Thomson an an exemption from clearing agency registration to provide matching services. Securities Exchange Act Release No. 41377 (May 7, 1999), 64 FR 25948 [File No. 600–31]. GJV Matching Services-US, LLC has applied for exemption from clearing agency registration from the Commission. Securities Exchange Act Release No. 43540 (November 9, 2000), [File No. 600–32].

[9] The Commission has modified the text of the summaries prepared by DTC.

[10] *See, e.g.*, Securities Industry Association Institutional Transaction Processing Committee White Paper (December 1, 1999).

[11] Generally, the TradeSuite Business consists of the following products: TradeMessage, TradeMatch, TradeSettle and TradeHub.

[12] Generally, the ESG Business consists of the following products: ALERT, OASYS, OASYS Global, MarketMatch, and ITM Benchmarks.

Earlier affirmation would allow broker-dealers and their institutional customers to identify and resolve the exceptions and potential fails much earlier in the settlement cycle.

In the longer term, the combination of TradeSuite's and ESG's systems development expertise and other resources would enable the proposed joint venture to develop and market globally a single integrated ''workflow'' approach to trade management for both domestic and cross-border transactions. This development would facilitate the industry's goal of achieving straight-through processing, which would help manage the tremendous growth in trading volumes and prepare for the transition to shorter settlement cycles.

In addition, the DTC resources to be transferred to the GJV or provided to the GJV pursuant to a services contract are for the most part resources that are already fully dedicated to the TradeSuite Business. Therefore, implementation of the subject proposal will not deprive DTC of resources needed for it to provide its other services in a safe and sound manner. Furthermore, all existing services of the TradeSuite and ESG Businesses will continue uninterrupted during and after the transfer to the GJV.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act [13] and the rules and regulations thereunder applicable to DTC because the implementation of the subject proposal will facilitate the prompt and accurate clearance and settlement of institutional transactions.

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

The proposed rule change will not impose any burden on competition. The proposed joint venture will serve members of the securities industry and will be governed by its users. DTCC (which itself is owned by, and whose board represents, users) will own 50.1% of the GJV Class A Interests and only Class A Interests will have the right to vote on matters relating to the U.S. regulated aspects of the GJV's activities that are submitted to Interestholders.[14] The GJV board of directors will be composed of eight Managers, seven of whom shall be voting Managers and one of whom, the President of the GJV, shall be a non-voting Manager. Of the seven voting Managers, two will be appointees of DTCC and may be DTCC directors or officers (''DTCC Board Representatives''). Two voting Managers will be appointed by TISI and IAG, acting jointly. The remaining three voting Managers will be representatives of the global securities industry, two of whom will be nominees of DTCC. Board decisions involving U.S. regulated aspects of the GJV's business will require the affirmative vote of at least one of the two DTCC Board Representatives. In addition, the approval of both Interestholders will be required for many significant matters.

The purpose of the joint venture will be to introduce significant efficiencies into trade processing by combining two existing businesses with complementary positions and strengths. The joint venture will combine these two businesses to offer the securities industry an integrated system for trade processing which will assist firms in dealing with unprecedented levels of securities trading. The joint venture will also be a positive response to the expected industry and regulatory mandate to reduce settlement cycles worldwide and thereby to reduce risk affecting the national clearance and settlement system.

The joint venture will cooperate with other post-trade presettlement processing systems in order to achieve interoperability.

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

Written comments on the proposal from DTC participants or others have not yet been solicited or received.

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

Within thirty-five 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 ninety 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 be disapproved.

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, NW., Washington, DC 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, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC.

All submissions should refer to file No. SR–DTC–00–10 and should be submitted by December 8, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[15]

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43535; File No. SR–NASD–00–65]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Rule 10334 of the NASD Code of Arbitration Procedure

November 8, 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 3, 2000, the National Association of Securities Dealers, Inc. (''NASD''), through its wholly owned subsidiary, NASD Dispute Resolution, Inc. (''NASD Dispute Resolution'') filed with the Securities and Exchange Commission

[13] 15 U.S.C. 78q–1.

[14] The GJV Class B Interests, which will have the right to vote on matters that do not relate to U.S. regulated aspects as well as to share in the GJV's profits attributable to its domestic business, will be owned 50% by DTCC, 45% by TISI, and 5% by IAG. The GJV Class C Interests, which will have the right to vote on matters that do not relate to U.S. regulated aspects as well as to share in the GJV profits attributable to its foreign business, will be owned 50% by DTCC and 50% by IAG.

[15] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.