

5 thereunder, and section 15(c)(1) of the Exchange Act and rule 15c1-2 thereunder.

The law judge revoked FPA's investment adviser registration and ordered that FPA pay a civil monetary penalty of \$500,000; revoked FSC's broker-dealer registration and ordered that FSC pay a civil monetary penalty of \$500,000; and barred Brofman from association with any broker, dealer, investment adviser, or investment company and ordered him to pay a civil monetary penalty of \$250,000. The law judge also ordered that Respondents cease and desist from committing or causing any violation or future violation of the provisions they were found to have violated.

Among the issues likely to be argued are:

- a. Whether FPA made material misrepresentations and omissions in connection with the offer and sale of Fund shares;
- b. Whether FPA failed to disclose to the Fund's Board of Directors its soft dollar arrangements;
- c. Whether Brofman aided and abetted and was a cause of FPA's violations; and
- d. Whether FSC disseminated materially misleading materials in connection with the sale of Fund shares.

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: June 17, 2003.

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48010; File No. SR-GSCC-2002-07]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Elimination of the Comparison-Only Requirement for New GSCC Netting Members

June 10, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on September 5, 2002, Government Securities Clearing Corporation

("GSCC")² 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 GSCC. 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 would eliminate the requirement that before a new member can become a netting member, it must be a comparison-only member for six months.

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.³

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

GSCC's rules currently provide that an entity is eligible to become a netting member if, among other things, it has been a comparison-only member for at least six months unless this requirement is waived by GSCC's Membership and Risk Management Committee ("Committee"). The comparison-only membership requirement was included in GSCC's rules when GSCC first began operations. The purpose of this provision was to give GSCC staff the opportunity to ensure that a member firm was operationally sound and had the ability to properly communicate with GSCC before being permitted to participate in the netting system. Over the years, GSCC netting membership has become more critical for active market participants, and it has become increasingly common for management

to seek and receive approval to waive the comparison-only membership requirement. Unlike other netting membership requirements, including minimum financial standards and regulation by an established regulatory body, the comparison-only membership requirement has not been necessary to ensure the integrity of the admission and membership processes. GSCC staff has gained significant experience in making determinations about a firm's an operational capability without any comparison-only membership history prior to a firm's commencing netting activity with GSCC. Such a review process has not presented GSCC with any operationally-deficient members.

For these reasons, GSCC is proposing to amend its rules to (1) eliminate the imposition of the six-month comparison-only membership requirement as a routine matter and (2) permit the imposition of a comparison-only membership requirement for a time period deemed necessary if management is concerned about the operational capability of the applicant based on the presence of one or more of the following conditions: (a) It is a newly-formed entity with little or no functional history, (b) its operational staff lacks significant experience, (c) if one of the above conditions is present, it has not engaged a service bureau or correspondent clearing member with which GSCC has had a relationship, or (d) any other factor(s) that management believes might suggest insufficient operational ability.

The proposed rule change is consistent with the requirements of section 17A of the Act, and the rules and regulations thereunder because it would allow new members to achieve netting member status in a more efficient and timely manner.

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

GSCC does not believe that the proposed rule change will have any 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 relating to the proposed rule change have not yet been solicited or received. GSCC will notify the Commission of any written comments received by GSCC.

² On January 1, 2003, MBS Clearing Corporation ("MBSCC") was merged into the Government Securities Clearing Corporation ("GSCC") under New York law and GSCC was renamed the Fixed Income Clearing Corporation ("FICC"). Securities Exchange Act Release No. 47015 (December 17, 2002), 67 FR 78531 (December 24, 2002) File Nos. (SR-GSCC-2002-07 and SR-MBSCC-2002-01).

³ The Commission has modified the text of the summaries prepared by GSCC.

¹ 15 U.S.C. 78s(b)(1).