

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

No written comments were solicited or received with respect to the proposed Regulatory Circular interpretation of CBOE Rule 12.3.

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

Within 35 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 90 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 Exchange 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, as amended, 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to file number SR-CBOE-2003-24 and should be submitted by July 30, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

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

[FR Doc. 03-17274 Filed 7-8-03; 8:45 am]

**BILLING CODE 8010-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-48121; File No. SR-DTC-2003-06]

**Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change to Restrict the Next-Day Matched Reclamation Process**

July 2, 2003.

**I. Introduction**

On April 7, 2003, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-DTC-2003-06 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 29, 2003.<sup>2</sup> For the reasons discussed below, the Commission is approving the proposed rule change.

**II. Description**

DTC's current reclamation procedures allow participants to submit reclamations to reverse completed Deliver Order ("DO") and Payment Order ("PO") transactions. When reclamation instructions are received, DTC currently attempts to match the reclaim with a completed original transaction processed on the current day ("same-day reclaims") or on the preceding business day ("next-day reclaims"). Reclamations that are not matched to original deliveries are considered unmatched reclaims and are subject to the same rules and controls as original transactions. Reclamations that are matched to original deliveries are considered matched reclaims and are permitted to bypass the Receiver Authorized Delivery ("RAD") system and override DTC's risk management controls if they are DOs less than \$15 million or POs less than \$1 million.<sup>3</sup> In addition, matched reclamations can be processed in the exclusive reclaim period (3:20 p.m. to 3:30 p.m.) and cannot be re-reclaimed by the receiver (*i.e.*, the original deliverer).

Reclamations in general and next-day reclamations in particular impair the finality of settlement and prolong the

period during which delivering participants and DTC are at risk. To minimize this exposure, DTC is eliminating the next-day matched reclamation process. Under its revised procedures, DTC will continue to accept reclamation instructions and link those reclaim transactions to original transactions. However, only reclamation transactions that are linked to original transactions processed the same processing day will be considered matched. Only matched reclaim transactions will be permitted to bypass RAD and DTC's risk management controls. In addition, only matched reclaim transactions can be submitted in the exclusive reclaim period and will be blocked from subsequent re-reclamation by the receiver.

Reclamation transactions that are linked to original transactions processed prior to the current processing day will be processed in the same manner as other deliveries. That is, they will not bypass RAD or DTC's risk management controls. Linked reclamations will have to be submitted during normal input times and cannot be submitted in the exclusive reclaim period. Furthermore, a participant receiving a linked reclamation that it believes is inappropriate will be able to re-reclaim that transaction. To allow participants to continue to automatically track transaction status changes, however, both matched and linked reclaim output will contain the Relative Block Number assigned by DTC of both the reclamation transaction and the original transaction.

DTC plans to implement the enhancements to the reclamation process in phases. Beginning July 17, 2003, DTC will eliminate the next-day matched reclaim process for money market instruments ("MMIs"). DTC plans to eliminate the next-day matched reclaim capability for all other securities late in 2003 or early in 2004. At that time, DTC will begin linking reclamation transactions with original transactions processed in the preceding 60 days.

**III. Discussion**

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed, among other things, to promote the prompt and accurate clearance and settlement of securities transactions and to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.<sup>4</sup> The Commission finds that DTC's proposed rule change is consistent with this requirement because it should bring

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

<sup>2</sup> Securities Exchange Act Release No. 47899 (May 21, 2003), 68 FR 32143.

<sup>3</sup> RAD is a control mechanism that allows participants to review transactions prior to completion of processing in order to limit exposure from misdirected or erroneously entered deliveries or payment orders. The override of RAD and DTC's risk management controls is designed to address industry concern that the receiver not be "stuck" with a delivery it does not know because of RAD or the risk management controls.

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>5</sup> 17 CFR 200.30-3(a)(12).