

FOR IMMEDIATE RELEASE

2001-100

SEC Acts on a Number of Issues at Open Meeting of
September 25, 2001

Washington, DC, September 26, 2001 - On September 25, during its open meeting, the Commission took action on a number of issues as described below. Formal releases regarding these actions will be available on the Commission's web site at www.sec.gov as soon as possible.

Filing by Foreign Private Issuers on EDGAR

The Commission approved the issuance of a release proposing rule amendments to require foreign companies and foreign governments to file their Securities Act and Exchange Act documents electronically through the Commission's Electronic Data Gathering, Analysis and Retrieval (EDGAR) System. Currently the Commission's rules only permit, but do not require, foreign issuers to file their securities documents on EDGAR. By mandating the electronic filing of foreign issuers' securities documents on EDGAR, the Commission seeks to realize the same investor benefits and the same efficiencies in information transmission, dissemination, retrieval and analysis that it has achieved through mandated EDGAR filing for domestic issuers.

The proposal would amend Regulation S-T, the Commission's rules governing electronic filing, to eliminate the foreign issuer exception from mandated EDGAR filing for most Securities Act and Exchange Act documents. The proposed amendments would require the electronic filing of

- * foreign private issuers' Securities Act registration statements and Exchange registration statements and reports;
- * foreign governments' Securities Act registration statements and Exchange registration statements and reports;
- * Multijurisdictional Disclosure System forms filed by Canadian issuers;
- * Statements of beneficial ownership on Schedules 13D and 13G and tender offer schedules that pertain to the securities of a foreign issuer, whether filed by foreign or domestic person;
- * Form CB, the form used for cross-border rights offers, exchange offers and business combinations that are exempt from the tender offer rules Securities Act registration, if the filer or the subject company is an Exchange reporting company; and
- * most Trust Indenture Act forms.

The Commission is soliciting comment on its proposal to mandate EDGAR filing for foreign issuers. Comments must be submitted within 60 days after the proposing release will be published in the Federal Register.

Extension of Compliance Date for Rules on Mutual Fund After-Tax Return Information

The Commission considered whether to extend the compliance date for certain amendments to rule 482 under the Securities Act of 1933 and rule 34b-1 under the Investment Company Act of 1940, which require that mutual fund advertisements and sales literature include standardized after-tax returns if the sales material either (i) includes after-tax performance information; or (ii) includes any performance information together with representations that the fund is managed to limit taxes. The compliance date for the rule amendments was October 1, 2001, and has been extended to December 1, 2001.

Implementation of the Commodity Futures Modernization Act of 2000: Proposed Rules Governing the Collection of Customer Margin for Security Futures

The Commission approved the publication of proposed rules governing the collection of customer margin for security futures. The proposed rules are also being considered by the Commodity Futures Trading Commission ("CFTC") and, if approved for publication, would be jointly published for comment by both agencies.

The Commodity Futures Modernization Act of 2000 ("CFMA") lifted the ban on trading in security futures and related products and established a framework for the joint regulation of these products by the Commission and the CFTC. The CFMA also authorized the Board of Governors of the Federal Reserve System ("Board") to prescribe customer margin requirements for security futures products subject to certain statutory criteria. The Board delegated this authority jointly to the Commission and CFTC, as expressly permitted by the CFMA, by letter dated March 6, 2001.

The proposed rules would apply to margin arrangements between brokers, dealers, and members of national securities exchanges and their customers with respect to security futures, subject to certain exclusions described below. The proposed rules would include the following provisions, among others:

- * Customer Margin Levels for Security Futures. The proposed rules would require each party to a security future to provide and maintain, on a daily basis, margin equal to 20 percent of the current market value of the security future. Individual national securities exchanges and associations, as well as individual firms, may impose higher customer margin levels.
- * Margin Offsets. The proposed rules would permit

regulatory authorities to reduce the margin levels for risk-reducing offset positions involving security futures, consistent with comparable offset positions involving exchange-traded options. The release would preliminarily identify margin levels for certain strategy-based offset positions involving security futures that are consistent with the levels for comparable offset positions involving exchange-traded options. National securities exchanges and associations would have to file proposed rule changes with the Commission to implement these offsets.

* **Time Limits for Collection of Margin.** The proposed rules would require firms to collect initial and maintenance margin from their customers as promptly as possible, and in any event, within three business days. Individual national securities exchanges and associations, as well as individual firms, may impose shorter time periods for the collection of customer margin.

* **Forms of Collateral.** Customers may satisfy their margin requirements under the proposed rules using the same types of collateral permitted under Regulation T, specifically, cash, "margin securities" (as defined in Regulation T), and exempted securities.

* **Applicability of Regulation T.** The proposed rules would incorporate the provisions of the Board's Regulation T by reference whenever possible to ensure that existing and future Board interpretations under Regulation T apply to security futures.

The proposed rules would exclude from their scope the following margin arrangements, which generally parallel the exclusions found in Regulation T:

* **Portfolio Margining Systems.** The proposed rules would not apply to margin arrangements that comply with a portfolio margining system established under the rules of a national securities exchange or association that have been approved by the Commission.

* **Margin Arrangements with Certain Broker-Dealers and Exchange Members.** The proposed rules would not apply to margin arrangements with Regulation T "exempted borrowers" (i.e., broker-dealers and exchange members that conduct a public securities business) as well as certain broker-dealers and exchange members that act as market makers in security futures. The proposed rules would identify the criteria that broker-dealers and exchange members would have to meet to qualify for this exclusion.

* **Margin Arrangements with Foreign Persons Involving Foreign Securities.** The proposed rules would not apply to financial relations between a foreign branch of a broker-dealer or exchange member and a foreign person involving foreign security futures.

* **Margin Requirements Imposed by Clearing Agencies.** The proposed rules would not apply to margin arrangements imposed by registered clearing agencies on their members.

The proposed rules would be subject to a thirty-day comment period. The Commission is not considering margin requirements for options on security futures at this time.

Implementation of the Commodity Futures Modernization Act of 2000: Applicability of CFTC and SEC Customer Protection, Recordkeeping, Reporting, and Bankruptcy Rules and the Securities Investor Protection Act of 1970 to Accounts Holding Security Futures Products

The Commission agreed to propose rules governing the customer protection regimes for customers that own security futures products. These rules are being proposed pursuant to the Commodity Futures Modernization Act of 2000 ("CFMA"), which lifted the ban on trading in security futures and related products and established a framework for the joint regulation of these products by the Commission and the Commodity Futures Trading Commission (the "CFTC"). The CFMA directs the Commission and the CFTC to issue rules to avoid duplicative or conflicting regulations applicable to firms doing business in securities futures products that are fully-registered with both the Commission and the CFTC. The proposed rules would also reduce duplicative recordkeeping and reporting regulations applicable to futures commission merchants that become notice registered with the Commission as broker-dealers solely for the purpose of trading security futures. The proposed rules are designed to provide firms and their customers with flexibility in how security futures will be handled without compromising customer protection.

The proposed rules contain the following provisions, among others:

- * A firm fully-registered with both the Commission and the CFTC would be able to choose, or allow its customers to choose, whether to hold security futures products in a futures account subject to the segregation requirements of the Commodity Exchange Act ("CEA") or in a securities account subject to Exchange Act Rule 15c3-3 and the Securities Investor Protection Act of 1970 ("SIPA").
- * Broker-dealers would be required to furnish customers with a disclosure document before accepting an order for a security futures product. The disclosure document would have to include a description of the SEC/SIPA and the CFTC customer protection frameworks, and a statement regarding which framework would and which framework would not be applicable to the customer's account.
- * A firm fully-registered with both the Commission and the CFTC would be required to obtain a signed acknowledgment from the customer stating that the customer understands that the account will not be protected under the alternative customer protection framework.
- * A firm fully-registered with both the Commission and the CFTC would also be allowed to change the type of account

in which a customer's security futures products are held, provided, among other things, that the broker-dealer provides the customer with the disclosure document and receives written acknowledgement from the customer stating that the customer understands that the account will not be protected under the alternative customer protection framework.

The proposed rules would be subject to a thirty-day comment period.

Extension of Compliance Date of Trade-Through Disclosure Rule

The Commission extended the compliance date for the Trade-Through Disclosure Rule for six months, until April 1, 2002. The extension delays the imposition of the Rule's disclosure requirements on broker-dealers while the options exchanges continue to work on the implementation of an intermarket linkage. The extension also provides Commission staff with time to better evaluate the exchanges' progress in implementing the linkage. Absent the extension, the Trade-Through Disclosure Rule, which requires broker-dealers that route customer orders to an exchange that chooses not to participate in a linkage plan to disclose to their customers when their trades are executed at a price inferior to another published quote, would have become effective on October 1, 2001.

Extension of Deadline for the Exchanges and the National Association of Securities Dealers, Inc. to Submit Rule Filings Concerning the Implementation of Decimal Pricing in Equity Securities and Options Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934

The Commission extended the deadline for the American Stock Exchange LLC, the Boston Stock Exchange, Inc., the Chicago Board Options Exchange, Inc., the Chicago Stock Exchange, Inc., the Cincinnati Stock Exchange, the International Securities Exchange, LLC, the National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc., the Pacific Exchange, Inc., and the Philadelphia Stock Exchange, Inc. (collectively the "Participants") to submit rule filings concerning the implementation of decimal pricing in equity securities and options pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934. The Commission's Order of May 22, 2001 required the Participants to submit rule filings to establish the minimum price variation in each market for quoting equity securities and options by November 5, 2001.

In view of the market disruption caused by the attacks of September 11, 2001, the Commission believes that it is necessary and appropriate to extend the original deadline until January 14, 2002. Granting an extension gives the Participants adequate time to thoroughly analyze the important investor protection and market integrity issues

that need to be addressed in order to preserve the benefits of decimalization. Extending the deadline will also allow the Commission to fully consider the comments submitted in response to the Concept Release on the Effects of Decimal Trading in Subpennies. The Commission has also today extended the deadline for submitting comments to the Concept Release from September 24 to November 23, 2001.

Extension of Comment Period for the Concept Release
On the Effects of Decimal Trading in Subpennies

The Commission extended the comment period for the Concept Release on the Effects of Decimal Trading in Subpennies until November 23, 2001. The Concept Release, which was published in the Federal Register on July 24, 2001, solicited the views of commenters concerning the impact of subpenny price increments for quotations, orders, and trading stocks in a decimals environment. The release requested comment in particular on the effects of subpenny trading on market transparency, customer protection rules, and automated systems.

The original deadline for submitting public comment established by the Concept Release was September 24, 2001. In view of the market disruption caused by the attacks of September 11, 2001, we received requests from various market participants to extend the original deadline. To provide the public with sufficient time to adequately address the issues raised in the Concept Release, the Commission has decided to extend the comment period until November 23, 2001.

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