surveillance costs. This section will also be relabeled as 11.10(A)(m) to accommodate the new subsection (A)(I).

The third proposed amendment would be to CSE Rule 11.10(A)(m) (''NSTS Internal Customer Port Charge'') in which the Exchange proposes to increase the port charge from $200.00 per month to $350.00 per month. This proposed increase is necessary to offset recent increases in Exchange expenditures. This section will also be relabeled as 11.10(A)(n) to accommodate the new subsection (A)(l).

The fourth proposed amendment would be to CSE Rule 11.10(A)(n) (''Technology Fee'') in which every CSE Member would be assessed a fee of five hundred dollars ($500.00) a month, up from three hundred dollars ($300.00) per month. The increase in the Technology Fee is necessary to offset the increase in expenditures the Exchange has incurred and that the Exchange will continue to incur in the CSE's continuing efforts to provide the highest level of technology to its Members and the investing public. This section will also be relabeled as 11.10(A)(o) to accommodate the new subsection (A)(l). Subsections (A)(o) (''Clearing Related Fee Passed Through To Member'') and (A)(p) (SEC Fee) will be relabeled as (A)(p) and (A)(q), respectively, to accommodate the inclusion of proposed CSE Rule 11.10(A)(1) (''Tape ''C'' Transactions''). However, there will be no changes to the rule text.

The final amendment adds a new provision to CSE Rules which is entitled ''Transaction Credit De Minimis'' and will be codified at Rule 11.10(C) (''Transaction Credit De Minimis''). This provision would require members to conduct a minimal amount of transactions per quarter in order to be eligible for a transaction credit for Tape A and Tape B transaction revenue under current CSE rules. This de minimis requirement is necessary to secure the efficiency and cost savings that the CSE transaction credit program encourages.

2. Statutory Basis

The proposed rule change is generally consistent with section 6(b) of the Act.[4] The proposed rule also furthers the objectives of section 6(b)(5) of the Act,[5] particularly, in that it is designed to promote just and equitable principles of trade and to remove impediments to and perfect the mechanism of a free and open market and a national market system and, generally, in that it protects investors and the public interest. The proposal also is consistent with section 6(b)(4) of the Act[6] in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Exchange members by crediting members on a pro rata basis.

B. Self-Regulatory Organization's Statement on Burden on Competition

The CSE does not believe that the proposed rule change will impose any inappropriate burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The CSE has neither solicited nor received any written comments on the proposed rule change.

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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A) of the Act[7] and subparagraph (f)(2) of Rule 19b–4 thereunder,[8] because the proposal is establishing or changing a due, fee or other charge. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 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 No. SR–CSE–2001–03 and should be submitted by August 16, 2001.

For the Commission, by the Division of Market Regulation, pursuant to the delegated authority.[9]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–18644 Filed 7–25–01; 8:45 am]

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[4] 15 U.S.C. 78f(b).

[5] 15 U.S.C. 78f(b)(5).

[6] 15 U.S.C. 78f(b)(4).

[7] 15 U.S.C. 78s(b)(3)(A).

[8] 17 CFR 240.19b–4(f)(2).

[9] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44572; File No. SR–ISE–00–17]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendments No. 1 and No. 2 by the International Securities Exchange LLC Relating to its Arbitration Program

July 18, 2001.

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 20, 2000, the International Securities Exchange LLC (the ''Exchange'' or the ''ISE'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change. On March 5, 2001, the Exchange filed Amendment No. 1 thereto,[3] and on July 16 2001, the Exchange filed Amendment No. 2 thereto,[4] as described in Items I, II, and III below, which Items have been prepared by the ISE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

[2] 17 CFR 240.19b–4.

[3] *See* Letter from Katherine Simmons, Vice President and Associate General counsel, ISE, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated March 5, 2001 (''Amendment No. 1''). In Amendment No. 1, the ISE added paragraphs (a) and (b), which are jurisdictional provisions currently contained in ISE rule 1800, to the proposed rule text.

[4] *See* Letter from Jennifer M. Lamie, Assistant General Counsel, ISE, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated July 16, 2001 (''Amendment No. 2''). Amendment No. 2 replaced the initial filing and Amendment No. 1 in their entirety. In Amendment No. 2, the ISE made minor changes to the order of the subsections under ISE Rule 1800, amended the language of its proposed jurisdictional provisions, and added subsection (c), which governs predispute arbitration agreements.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to amend Chapter 18, Arbitration, of the ISE Rules. Specifically, the ISE proposes to repeal Rules 1800 through 1835 and create new Rule 1800, which will state that the NASD Code of Arbitration, as the same may be in effect from time to time, shall govern Exchange arbitrations. The proposed rule also states that the Exchange shall retain jurisdiction over its members for failure to honor arbitration awards and any right, action or determination by the Exchange which it would otherwise be authorized to adopt, administer or enforce is in no way limited or precluded by incorporation of the NASD Code of Arbitration. Proposed new language is in italics.

* * * * *

CHAPTER 18

Arbitration

[Rules 1800—1835 repealed entirely]

Rule 1800. Arbitration

(a) General. The 10000 Series of the NASD Manual (''NASD Code of Arbitration''), as the same may be in effect from time to time, shall govern Exchange arbitrations except as may be specified in this Rule 1800. Definitions in the NASD Code of Arbitration shall have the same meaning as that prescribed herein, and procedures contained in the NASD Code of Arbitration shall have the same applications as toward Exchange arbitrations.

(b) Jurisdiction. Any dispute, claim or controversy arising out of or in connection with the business of any member of the Exchange, or arising out of the employment or termination of employment of associated persons(s) with any member may be arbitrated under this Rule 1800 except that (1) a dispute, claim, or controversy alleging employment discrimination (including a sexual harassment claim) in violation of a statute may only be arbitrated if the parties have agreed to arbitrate it after the dispute arose; and (2) any type of dispute, claim, or controversy that is not permitted to be arbitrated under the NASD Code of Arbitration, such as class action claims, shall not be eligible for arbitration under this Rule 1800.

(c) Predispute Arbitration Agreements. The requirements of NASD Rule IM–3110(f) shall apply to predispute arbitration agreements between Members and their customers.

(d) Referrals. If any material or communications related to the proceeding, that the arbitrator has reason to believe may constitute a violation of the Exchange's Rules or the federal securities laws, the arbitrator may initiate a referral of the matter to the Exchange for disciplinary investigation; provided, however, that any such referral should only be initiated by an arbitrator after the matter before him has been settled or otherwise disposed of, or after an award finally disposing of the matter has been rendered pursuant to Rule 10330 of the NASD Code of Arbitration.

(e) Payment of Awards. Any Member, or person associated with a Member, who fails to honor an award of arbitrators appointed in accordance with the Rules in this Chapter 18 shall be subject to disciplinary proceedings in accordance with Chapter 16 (Discipline).

(f) Other Exchange Actions. The submission of any matter to arbitration under this Chapter shall in no way limit or preclude any right, action or determination by the Exchange which it would otherwise be authorized to adopt, administer or enforce.

* * * * *

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 ISE 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. The ISE 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

The Exchange has contracted with NASD Regulation to perform arbitrations under ISE's rules. Accordingly, the Exchange proposes to eliminate all of the arbitration rules currently contained in Chapter 18 of the ISE Rules and incorporate the NASD Code of Arbitration by reference.[5] The proposed rule also specifies that potential violations of ISE rules identified during an arbitration hearing may be referred to the ISE for investigation, and that disciplinary action may be brought by the ISE as a result thereof. Finally, a member or person associated with a member will be subject to discipline by the ISE if it fails to honor an award made as a result of an arbitration initiated under ISE Rules.[6]

2. Statutory Basis

The ISE believes that the proposed rule change, as amended, is consistent with the provisions of section 6(b)(5) of the Act,[7] which requires that an exchange have rules that are 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 transaction in securities, and, in general, to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The ISE does not believe that the proposed rule change, as amended, will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments on the proposed rule change, as amended, were neither solicited nor received.

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 ISE consents, the Commission will:

(A) By order approve the proposed rule change, as amended, or

(B) institute proceedings to determine whether the proposed rule change, as amended, 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, N.W., Washington, D.C. 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

[5] The ISE represents that, as of this date, no cases have been opened under the Exchange's existing arbitration rules.

[6] NASDR performs arbitrations for the Philadelphia Stock Exchange. *See* Exchange Act Release 40517 (October 1, 1998), 63 FR 54177 (October 8, 2000). Because there have not been any arbitrations initiated under ISE rules, the proposed rule does not contain language found in the Phlx rules to address pending arbitrations.

[7] 15 U.S.C. 78f(b)(5).

proposed rule change, as amended, 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 at the Commission's Public Reference Room.

Copies of such filing will also be available for inspection and copying at the principal office of the ISE. All submissions should refer to File No. SR–ISE–00–17 and should be submitted by August 16, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

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[8] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44582; File No. SR–SCCP–2001–06]

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing of Proposed Rule Change to Increase the Margin Threshold for Margin Members in Certain Nasdaq National Market Securities

July 20, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on April 30, 2001, the Stock Clearing Corporation of Philadelphia (''SCCP'') 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 SCCP. 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 proposed rule change would implement a margin financing threshold rate of 25 percent for specialist and alternate specialist margin members for certain Nasdaq National Market (''NM'') securities.

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

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

In its filing with the Commission, SCCP 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. SCCP has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.[2]

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

The purpose of the proposed rule change is to implement a higher margin financing threshold rate for Nasdaq NM securities for SCCP margin members,. SCCP Rule 9 provides in part that SCCP will provide margin accounts for margin members that clear and settle their transactions through SCCP's omnibus clearance and settlement account. SCCP provides margin for such accounts based on SCCP's Rule 9 and other relevant SCCP rules, by-laws, and procedures and Regulation T of the Board of Governors of the Federal Reserve System. Currently, margin members who are designated as specialists or alternate specialists in an exchange listed security are extended margin financing at a threshold rate of 15 percent for positions in those securities held in their specialist accounts. Members holding positions for which they are not designated as specialist or alternate specialist are extended a non-specialist margin rate of 50 percent. Pursuant to Rule 9, SCCP may issue margin calls to any margin member when the margin requirement excess the account equity.

SCCP proposed to amend its procedures to specify a margin financing threshold rate of 25 percent shall be extended to specialists and alternate specialists registered in Nasdaq NM securities. It should be noted that the Philadelphia Stock Exchange, Inc. (''Phlx'') has recently proposed to reinstate its over the counter/unlisted trading privileges (''OTC/UTP'') pilot program for trading activity during regular trading hours.[3] Margin members are expected to be registered in certain of the eligible Nasdaq NM securities once the Phlx receives approval of that proposal and begins trading Nasdaq NM securities again.

As a result, SCCP determined it would be prudent to require a higher margin financing threshold rate of 25 percent for Nasdaq NM securities because the levels of volatility for such securities are still higher than comparable exchange listed securities.[4] It should be noted that no other aspects of the SCCP procedures respecting Rule 9 are being modified; only the margin financing threshold rate for margin members registered as specialists or alternative specialists in certain Nasdaq NM securities is being established at 25 percent.

SCCP believes that the proposed rule change will help to ensure compliance with SCCP's rules regarding margin and Regulation T. Therefore, SCCP believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder. In particular, SCCP believes that the proposed rule change is consistent with section 17A(b)(3)(F) of the Act[5] because the proposed higher margin financing threshold rate for Nasdaq securities should serve to protect SCCP, its members, investors, and the public interest.

B. Self-Regulatory Organization Statement on Burden on Competition

SCCP does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No written comments were either 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 find such longer period (i) the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reason for

[2] The Commission has modified parts of these statements.

[3] Securities Exchange Act Release Nos. 43692 (December 8, 2000), 65 FR 78240 (December 14, 2000) (notice of filing Phlx–00–20) and 44533 (July 10, 2001), 66 FR 37083 (July 16, 2001) (amendment to filing Phlx–00–20).

[4] A recent review of volatility levels for the Nasdaq 100 index and Nasdaq Composite index as compared to the Dow Jones Industrial average and the NYSE Composite index indicated significantly higher volatility levels over 10 day, 20 day, 50 day, and 90 day time periods.

[5] 15 U.S.C. 78q–1(b)(3)(F).