

clients. As a result, trading costs for the underlying investors are increased.

DTC's plan is to open a custodial account in a local market with an agent bank or central securities depository ("CSD") (collectively "custodian") that will hold shares on DTC's behalf.³ DTC's participants will be able to communicate with DTC with respect to foreign securities as they do today with respect to currently eligible U.S. securities. Due to differences in local market practice from that in the U.S., the eligibility procedures for foreign securities will likely differ from those currently used by DTC. However, participants will be made aware of this fact and of the eligibility criteria and procedures. These securities will be "tagged" in DTC's system in order for DTC participants to readily identify them.

DTC's first such link will be with Citibank N.A., Hong Kong Branch, acting as DTC's custodian. Through the custodian, a participant would move overseas inventory from its current custodian into DTC's account at DTC's foreign custodian. Upon notification from its custodian that the foreign securities are being held in its account, DTC would update the participant's securities position at DTC. Once the position is on DTC's books and records, the participant will be able to move the position by book-entry DVP if desired. In addition, other activity, such as automated customer account transfer services and stock loan, that are currently available for U.S. securities would also be available for foreign securities once they are made DTC eligible.

The DTC Risk Management Committee is responsible for the review and monitoring of this service. The committee will use the same due diligence template for the establishment of custodial arrangements that it uses on all "outward bound" links with foreign CSDs.

The principal benefits that will attend DTC's making these foreign securities eligible for certain depository services are: (1) Connecting the delivery to the settlement on a DVP basis; (2) accelerated speed of settlement of cross-border transactions in these foreign securities; (3) eliminating most physical movements of these foreign securities; (4) reducing costs and risks to DTC participants; and (5) making these services available to a large number of

U.S. entities (*i.e.*, DTC participants and their clients and customers).

II. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in DTC's custody or control or for which it is responsible. The rule change allows DTC and NSCC participants currently using NSCC's FSCN system the use of depository services at DTC for foreign securities. Making foreign securities eligible for depository services enables broker-dealers to move these positions by book-entry movement and thereby eliminates the inefficiencies and risks associated with the physical movement of security positions. DTC's proposal also allows its participants to settle these trades on a DVP basis instead of the more risky method currently in place where the movement of securities and the payment of money is not necessarily closely related in time. Therefore, the Commission finds that the rule change in making available risk reductions and efficiencies to DTC's participants is done so in a manner consistent with DTC's safeguarding obligations and therefore is consistent with section 17(b)(3)(F) of the Act.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular section 17A of the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-2001-03) be and hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44744; File No. SR-Phlx-2001-80]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Adopting a Monthly Fee for Trading Post Space That Includes a Kiosk

August 24, 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 August 22, 2001, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") 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 by the Phlx. 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 Phlx proposes to amend its schedule of dues, fees, and charges to adopt a fee of \$375 per month for trading post space that includes a kiosk,³ which will be imposed on the users of such kiosks, namely specialists.⁴

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 Phlx 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 Phlx has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ A kiosk is an open, flat surface that contains computer terminals and allows the specialists to face the trading crowd. Generally, post space is space on the Exchange's trading floor for specialists.

⁴ Currently, the fee for trading post space totals \$250. According to the Phlx, with respect to specialists at trading posts with a kiosk, the \$375 fee would replace the \$250 fee for trading post space. Telephone conversation between Edith Hallahan, First Vice President and Deputy General Counsel, Phlx, and Deborah Flynn, Assistant Director, Division of Market Regulation, Commission, on August 23, 2001.

³ DTC's first custodial account will be with Citibank N.A., Hong Kong Branch. DTC will submit a proposed rule change under Section 19(b)(2) before establishing any new link with any foreign custodian.

⁴ 17 CFR 200.30-3(a)(12).

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

1. Purpose

The purpose of the proposed rule change is to amend the Exchange's schedule of dues, fees, and charges to include a fee for trading post space that includes a kiosk.

During the past few years, at a considerable cost to the Exchange, the Exchange has constructed kiosks on its options trading floor to facilitate specialist interaction with the trading crowd by allowing them to directly face the trading crowd.⁵ The proposed fee would help to offset the expense incurred in constructing these kiosks.

The proposed fee will be implemented beginning September 1, 2001.⁶ In the case of a newly constructed kiosk, the fee will commence in the first full calendar month after construction is completed.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(4),⁸ in particular, in that it is an equitable allocation of reasonable fees among the Exchange's members because the members who pay the additional amount for the kiosks incur the benefit of using the kiosks.

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

The Exchange 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

The Exchange has designated the proposed rule change as a fee change pursuant to section 19(b)(3)(A)(ii) of the

Act⁹ and Rule 19b-4(f)(2) thereunder.¹⁰ Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the 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 Phlx. All submissions should refer to File No. SR-Phlx-2001-80 and should be submitted by September 20, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44742; File No. SR-Phlx-2001-77]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. to Amend Exchange Rule 625, Trading Floor Training, Equity Floor Procedure Advice F-30, and Options Floor Procedure Advice F-30

August 23, 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 August 9, 2001, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") 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 by the Phlx. 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 Phlx proposes to amend Phlx Rule 625 ("Trading Floor Training"), Equity Floor Procedure Advice F-30, and Options Floor Procedure Advice F-30 (collectively referred to as "Advice F-30")³ to allow the Exchange to require from time to time its members and their respective personnel to attend mandatory training sessions related to conduct, health and safety on the Exchange's equity and options trading floors (collectively referred to as "trading floor"). The Phlx also proposes to amend the fine schedule in Equity Floor Procedure Advice F-30 so that it is consistent with the fine schedule in the corresponding Options Floor

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Advice F-30 and the accompanying fine schedules are part of the Exchange's minor rule violation and reporting plan ("minor rule plan"). The Exchange's minor rule plan, codified in Phlx Rule 970 ("Floor Procedure Advices: Violations, Penalties, and Procedures") contains floor procedure advices with accompanying fine schedules such that a minor rule violation and reporting plan citation could be issued. Rule 19d-1(c)(2) under the Act authorizes national securities exchanges to adopt minor rule violation plans for summary discipline and abbreviated reporting. 17 CFR 240.19d-1(c)(2). Rule 19d-1(c)(1) under the Act requires prompt filing with the Commission of any final disciplinary actions. 17 CFR 240.19d-1(c)(1). However, minor rule violations not exceeding \$2,500 are deemed not final, thereby permitting periodic, as opposed to immediate, reporting.

⁵ The decision to construct a kiosk at a particular post is solely within the Exchange's discretion.

⁶ This fee is eligible for the monthly credit of up to \$1,000 to be applied against certain fees, dues, and charges and other amounts owed to the Exchange by certain members. See Securities Exchange Act Release No. 44292 (May 11, 2001), 66 FR 27715 (May 18, 2001) (SR-Phlx-2001-49).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

¹¹ 17 CFR 200.30-3(a)(12).