

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to an Earlier Daily Trade Data Submission Deadline and the Imposition of Fines for Late Submissions

November 14, 2001.

[Release No. 34-45053; File No. SR-GSCC-00-09]

On August 23, 2000, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-00-09) pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on August 22, 2001.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change will change GSCC's daily trade submission deadline from 10:00 p.m. to 8:00 p.m. Eastern Standard Time ("EST") and impose a fine schedule for late trade submissions.

GSCC first announced its intention to move to an earlier trade submission deadline in 1997 in a White Paper detailing GSCC's plans for providing straight-through processing and a point of trade guarantee. In that paper, GSCC explained that an earlier deadline is necessary to ensure that its members have enough time to reconcile all their activity by the end of the processing day. GSCC also announced its plans to move the submission deadline from 10:00 p.m. to 8:00 p.m. in its Interactive Messaging and Real-time Comparison New Service Bulletin distributed to members in December 1999 and in the Interactive Messaging Participant Specifications in February 2000.

On June 2, 2000, GSCC informed its members by an Important Notice that in preparation for the planned implementation of real-time comparison

services members should begin submitting trade data to GSCC by 8:00 p.m. on July 10, 2000. GSCC members have thus had the opportunity to make all necessary system and other internal changes in order to accommodate the earlier deadline and to become accustomed to it. GSCC has strongly encouraged all members to abide by the 8:00 p.m. deadline but has not enforced the deadline.

GSCC will now formally adopt the 8:00 p.m. trade submission deadline and impose a fine schedule for late trade submission to enforce the deadline. The earlier submission deadline is one of the first steps to accomplish GSCC's plan to move to real-time interactive messaging and T+0 settlement. The move to the earlier submission deadline is also an important measure that will allow GSCC members to become accustomed to submitting trade data earlier in the day. After full implementation of the interactive messaging process, GSCC may ultimately establish an even earlier submission deadline in accordance with future business developments and market practices.³ Finally, the earlier submission deadline supports GSCC's cross-margining initiatives with other clearing corporations, including those in Europe, as earlier submission will facilitate close coordination of data transfer among clearing corporations across multiple time zones.

GSCC's new fine schedule closely tracks its old fine schedule concerning late payments of funds settlement debits and late satisfactions of clearing fund deficiency calls. Like the old fine schedule, the new schedule provides a warning mechanism before any fine is imposed. In addition, the dollar amounts of the fines in the new schedule are similar to those in the old schedule.

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of section 17A(b)(3)(F)⁴ of the Act. Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission finds that GSCC's rule change meets this requirement because GSCC will now be able to prepare and its members will be

³ GSCC will soon be actively encouraging members to submit trade data in real-time and might ultimately establish an even earlier submission deadline in accordance with future business developments and market practices.

⁴ 15 U.S.C. 78q-1(b)(3)(F).

able to view their comparison results at an earlier time thereby affording GSCC members more time to reconcile their trading activity before the end of the processing day. In addition, the earlier trade submission deadline should support GSCC's future initiatives, such as real-time processing, which should further GSCC's ability to provide for the prompt and accurate clearance and settlement of securities transactions. Finally, the imposition of the fine schedule is necessary for GSCC to promote and enforce full compliance with the earlier submission deadline.

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 with the requirements of 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-GSCC-00-09) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45060; File No. SR-Phlx-2001-25]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Exchange's Auto-Quote System

November 15, 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 March 5, 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 Phlx submitted amendments to the proposed rule change on August 29,

⁵ 17 CFR 200.30-3(a)(12)

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 44708 (Aug. 15, 2001), 66 FR 44192.