

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

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

[FR Doc. 01-29252 Filed 11-21-01; 8:45 am]

BILLING CODE 8010-01-M

## 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").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on August 22, 2001.<sup>2</sup> 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.<sup>3</sup> 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)<sup>4</sup> 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

<sup>3</sup> 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.

<sup>4</sup> 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.<sup>5</sup>

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

[FR Doc. 01-29197 Filed 11-21-01; 8:45 am]

BILLING CODE 8010-01-M

## 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")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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,

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

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

<sup>2</sup> 17 CFR 240.19b-4.

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

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

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

2001<sup>3</sup> and October 31, 2001.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Phlx proposes to amend Commentary .01 to Exchange Rule 1080, Philadelphia Stock Exchange Automated Options Market ("AUTOM") and Automated Execution System ("AUTO-X"), to add language providing an enhanced description of Auto-Quote, the Exchange's electronic options pricing system and to permit the specialist to consult with the trading crowd in setting Auto-Quote parameters. The proposed language would be set forth in new subsection (b) of the Commentary .01. The text of the proposed rule change is set forth below. New language is in italics. Deletions are in brackets.

*Rule 1080. Philadelphia Stock Exchange Automated Options Market (AUTOM) and Automatic Execution System (AUTO-X)*

(a)-(j) No change.

Commentary:

.01

(a) Automatic Quotation (Auto-Quote) is the Exchange's electronic options pricing system, which enables specialists to automatically monitor and instantly update quotations.

(b)(i) *The Auto-Quote System includes three commonly used options pricing algorithms: the Black Scholes Option Pricing Model; the Cox, Ross and Rubenstein Binomial Option Pricing Model; and the Barone, Adesi and*

*Whaley American Option Pricing Model. In addition, a specialist may separately employ other pricing models, by establishing a specialized connection by-passing the Exchange's Auto-Quote System, which is known as a specialized quote feed.*

(ii) *Specialists determine which model to select per option and may change models during the trading day. Each pricing model requires the specialist to input various parameters, such as interest rates, volatilities (delta, vega, theta, gamma, etc.) and dividends. The specialist may, but is not required to (a) consult with and/or (b) agree with the trading crowd in setting these parameters or selecting a model, but the members of the trading crowd are not required to provide input in these decisions, and in all cases, the specialist has the responsibility and authority to make the final determination.*

\* \* \* \* \*

### 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.

#### 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 codify a description of the Exchange's Auto-Quote system, which electronically prices options, and to permit the specialist to consult with the trading crowd in setting Auto-Quote parameters. On September 11, 2000, the Commission issued an order<sup>5</sup> that requires the options exchanges to adopt new, or amend existing, rules to include any practice or procedure, not currently authorized by rule, whereby market makers determine by agreement the spreads or option prices at which they will trade any option, or the allocation

of orders in that option.<sup>6</sup> This proposed rule change is being submitted pursuant to this undertaking.

Currently, Exchange Rule 1080 governs the operation of AUTOM, the Exchange's automated order routing, delivery, execution and reporting system for options. Auto-Quote, one feature of AUTOM, is currently defined in Commentary .01 as the Exchange's electronic options pricing system, which enables specialists to automatically monitor and instantly update quotations.

Phlx option quotations are maintained and updated electronically through Auto-quote, which generates automatic pricing of all option series and allows modification of pricing models to guarantee accurate reflection of option prices based on the value of the underlying stock. Auto-Quote also facilitates dissemination of improving bid/offer prices for orders entered through AUTOM. Auto-Quote provides for the dissemination of appropriate and accurate prices through automatic updating.

The proposed rule change incorporates a more thorough description of Auto-Quote into Exchange rules. First, it describes its various pricing models, inputs, and parameters. Second, it provides that specialists may establish a specialized proprietary connection ("specialized quote feed") that by-passes the Auto-Quote system. Finally, it provides that while the specialist selects the pricing model and inputs for Auto-Quote, he or she may (but is not required to and may, for proprietary business reasons, determine not to) consult with the trading crowd on the pricing model and the inputs to be used.<sup>7</sup> The proposed rule change also provides that if the specialist consults with one member of the crowd, all members of the crowd present must be given the opportunity to provide input.<sup>8</sup> However, members of the trading crowd would not be required

<sup>3</sup> Letter from Richard S. Rudolph, Counsel, Phlx, to Nancy J. Sanow, Assistant Director, Division of Market Regulation ("Division"), Commission, dated August 28, 2001 ("Amendment No. 1"). Among other things, Amendment No. 1: (i) States the reasons why a specialist would wish to consult with the trading crowd about specific Auto-Quote parameters; (ii) clarifies that if a specialist decides to consult with one member of the trading crowd about the Auto-Quote parameters, all members of the crowd that are present at the time must be given the opportunity to consult; and (iii) revises proposed Commentary .01(b)(ii) to Phlx Rule 1080 to state that the specialist may determine which model to select per option, not per series, as previously stated.

<sup>4</sup> Letter from Richard S. Rudolph, Counsel, Phlx, to Nancy J. Sanow, Assistant Director, Division, Commission, dated October 30, 2001 ("Amendment No. 2"). Amendment No. 2 revises the text of proposed Commentary .01(b)(ii) to Phlx Rule 1080 to clarify that where the specialist determines to consult with and/or agree with the trading crowd with respect to selecting the Auto Quote System model or setting the parameters, members of the trading crowd are not required to provide input to the specialist about these decisions.

<sup>5</sup> See Order Instituting Public Administrative Proceedings Pursuant to Section 19(h)(1) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions, Securities Exchange Act Release No. 43268 (September 11, 2000) ("Order").

<sup>6</sup> See Section IV.B.j. of the Order.

<sup>7</sup> This new language is being proposed inasmuch as the specialist's consultation with market makers on the pricing model and Auto Quote parameters could be viewed as determining option prices by agreement for purposes of the Order and is therefore required by the Order to be provided for in Exchange rules. The specialist may elect to discuss the pricing model with market makers for any reason, including as a check against possible error in use of the model. The specialist also may determine that such discussions are appropriate in view of the fact that the disseminated quote is deemed to be the quote of the ROTs in the crowd, unless the ROT clearly and audibly communicates, on a timely basis, an intent to adopt a different quote. See Phlx Rule 1080, Commentary .01(c).

<sup>8</sup> See Amendment No. 1, *supra* note 3.

to provide input to the specialist in setting Auto-Quote parameters.<sup>9</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act<sup>10</sup> in general and furthers the objectives of section 6(b)(5)<sup>11</sup> in particular in that it is designed to promote just and equitable principles of trade, remove impediments to a free and open market and a national market system, and protect investors and the public interest by clarifying and describing Auto-Quote, including the specialized quote feed, in Exchange rules.

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

The Phlx does not believe that the proposed rule change will impose any burden on competition 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 Phlx did not solicit or receive written comments on the proposed rule change.

## 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 Phlx 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 filings will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to the File No. SR-Phlx-2001-25 and should be submitted by December 14, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-29248 Filed 11-21-01; 8:45 am]

**BILLING CODE 8010-01-M**

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## SOCIAL SECURITY ADMINISTRATION

### Notice of Teleconference

**AGENCY:** Social Security Administration (SSA).

**ACTION:** Notice of teleconference.

**DATES:** December 12, 2001, 1 PM—4 PM (ET)

**ADDRESSES:** Ticket to Work and Work Incentives Advisory Panel Office, Social Security Administration, 400 Virginia Avenue, SW, Suite 700, Washington, DC 20024.

**Teleconference:** Wednesday, December 12, 2001, 1 PM—3 PM (ET); Ticket to Work and Work Incentives Advisory Panel Conference Call; Call-in number: 1-800-857-2846; Pass code: 12211; Leader/Host: Sarah Mitchell Wiggins.

**SUPPLEMENTARY INFORMATION:** *Type of meeting:* This teleconference meeting is open to the public. The interested public is invited to participate by coming to the address listed above or calling into the teleconference. Public testimony will not be taken.

**Purpose:** In accordance with section 10(a)(2) of the Federal Advisory Committee Act, the Social Security Administration (SSA) announces this teleconference meeting of the Ticket to Work and Work Incentives Improvement Act (TWWIIA) Advisory Panel (the Panel). Section 101(f) of Public Law 106-170 establishes the Panel to advise the Commissioner of SSA, the President, and the Congress on

issues related to work incentives programs, planning and assistance for individuals with disabilities as provided under section 101(f)(2)(A) of the TWWIIA. The Panel is also to advise the Commissioner on matters specified in section 101(f)(2)(B) of that Act, including certain issues related to the Ticket to Work and Self-Sufficiency Program established under section 101(a) of that Act.

**Agenda:** The Panel will deliberate on the implementation of TWWIIA, conduct committee activities and administrative business. The agenda for this meeting will be posted on the Internet at <http://www.ssa.gov/work/panel/> one week prior to the teleconference or can be received in advance electronically or by fax upon request. Records are being kept of all Panel proceedings and will be available for public inspection by appointment at the Panel office.

**Contact Information:** Anyone requiring information regarding the Panel should contact the TWWIIA Panel staff by mail addressed to Ticket to Work and Work Incentives Advisory Panel Staff, Social Security Administration, 400 Virginia Avenue, SW., Suite 700, Washington, DC, 20024, telephone contact with Kristen Breland at (202) 358-6430, fax at (202) 358-6440 or e-mail to [TWWIIAPanel@ssa.gov](mailto:TWWIIAPanel@ssa.gov)

Dated: November 16, 2001.

**Deborah M. Morrison,**

*Designated Federal Officer.*

[FR Doc. 01-29285 Filed 11-21-01; 8:45 am]

**BILLING CODE 4191-02-U**

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## DEPARTMENT OF STATE

### [Public Notice 3846]

### Discretionary Grant Programs Application Notice Establishing Closing Date for Transmittal of Certain Fiscal Year 2002 Applications

**AGENCY:** Department of State.

**SUMMARY:** The Department of State invites applications from national organizations with interest and expertise in conducting research and training to serve as intermediaries administering national competitive programs concerning the countries of Central and East Europe and Eurasia. The grants will be awarded through an open, national competition among applicant organizations.

Authority for this Program for Research and Training on Eastern Europe and the Independent States of the Former Soviet Union is contained in the Soviet-Eastern European Research

<sup>9</sup> See Amendment No. 2, *supra* note 4.

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

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