

Nasdaq/NM securities in subpenny increments. The pilot is due to expire on November 5, 2001. The CHX does not propose to make any substantive or typographical changes to the pilot; the only change is an extension of the pilot's expiration date through January 14, 2002. The text of the proposal is available at the Commission and at the CHX.

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 CHX included statements concerning the purpose of and basis for its proposal and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX 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

On April 6, 2001, the Commission approved, on a pilot basis through July 9, 2001, a pilot rule interpretation (CHX Article XXX, Rule 2, Interpretation and Policy .06 "Trading in Nasdaq/NM Securities in Subpenny Increments")⁶ that requires a CHX specialist (including a market maker who holds customer limit orders) to better the price of a customer limit order in his book which is priced at the national best bid or offer ("NBBO") by at least one penny if the specialist determines to trade with an incoming market or marketable limit order. The pilot was later extended through November 5, 2001.⁷ The CHX now proposes to extend the pilot through January 14, 2002. The CHX proposes no other changes to the pilot, other than extending it through January 14, 2002.

2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange and, in particular, with the requirements of section 6(b).⁸ In particular, the CHX

believes the proposal is consistent with section 6(b)(5) of the Act⁹ in that it is designed to promote just and equitable principles of trade, to remove impediments to, and to perfect the mechanism of, a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

Because the foregoing proposed rule change does not:

(i) Significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to section 19(b)(3)(A) of the Act¹⁰ and rule 19b-4(f)(6) thereunder.¹¹ 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.

The Exchange has requested that the Commission accelerate the operative date. The Commission finds good cause to designate the proposal both effective and operative upon filing with the Commission because such designation is consistent with the protection of investors and the public interest. Acceleration of the operative date will allow the pilot to continue uninterrupted through January 14, 2002, the deadline for which self-regulatory organizations must file proposed rule changes to set the minimum price variation for quoting in a decimals environment. For these reasons, the Commission finds good cause to

designate that the proposal is both effective and operative upon filing with the Commission.¹²

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal 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 CHX. All submissions should refer to file number SR-CHX-2001-21 and should be submitted by December 14, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45066; File No. SR-CHX-2001-23]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated to Extend a Pilot Relating to Participation in Crossing Transactions Effected on the Exchange Floor

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 November 14, 2001, the Chicago Stock Exchange,

¹² For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁶ See Securities Exchange Act Release No. 44164 (April 6, 2001), 66 FR 19263 (April 13, 2001) (SR-CHX-2002-07).

⁷ See Securities Exchange Act Release No. 44535 (July 10, 2001), 66 FR 37251 (July 17, 2001) (SR-CHX-2001-15).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78s(b)(3)(a).

¹¹ 17 CFR 240.19b-4(f)(6).

Incorporated (“CHX” 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 Exchange. The Exchange filed the proposed pursuant to section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(6)⁴ thereunder, which renders the proposal effective upon filing with the Commission. 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 Exchange proposes to extend through January 14, 2002, a pilot relating to participation in crossing transactions effected on the Exchange. The CHX does not propose to make any substantive or typographical changes to the pilot; the only change is an extension of the pilot’s operation through January 14, 2002. The text of the proposed rule change is available at the Commission and at the CHX.

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 CHX included statements concerning the purpose of and basis for its proposal and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX 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

On August 24, 2000, the Commission approved, on a pilot basis through February 28, 2001, a pilot rule change to CHX Article XX, Rule 23⁵ that permits a CHX floor broker to consummate crossing transactions involving 5,000 shares or more, without interference by any specialist or market

maker, if, prior to presenting the cross transaction, the floor broker first requests a quote for the subject security. On February 23, 2001, the pilot was extended through July 9, 2001⁶ and rendered applicable to both Dual Trading System issues and Nasdaq/NM securities. The CHX inadvertently did not seek continued extension of the pilot before the July 9, 2001 expiration date. The Exchange now proposes to extend the pilot through January 14, 2002. The Exchange notes that despite the lapse of the pilot rule, CHX members have continued to adhere to the provisions of the pilot rule, which rule largely codified long-standing custom and practice on the CHX floor.

2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of section 6(b).⁷ In particular, the CHX believes the proposal is consistent with section 6(b)(5) of the Act⁸ in that it is designed to promote just and equitable principles of trade, to remove impediments to, and to perfect the mechanism of, a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

Because the foregoing proposed rule change does not:

- (i) Significantly affect the protection of investors or the public interest;
- (ii) Impose any significant burden on competition; and
- (iii) Become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective

pursuant to section 19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(6) thereunder.¹⁰ 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.

The Exchange has requested that the Commission accelerate the operative date. The Commission finds good cause to designate the proposal both effective and operative upon filing with the Commission because such designation is consistent with the protection of investors and the public interest. Acceleration of the operative date will allow the pilot to operate through January 14, 2002, the deadline for which self-regulatory organizations must file proposed rule changes to set the minimum price variation for quoting in a decimals environment. For these reasons, the Commission finds good cause to designate that the proposal is both effective and operative upon filing with the Commission.¹¹

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal 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 CHX. All submissions should refer to file number SR-CHX-2001-23 and should be submitted by December 14, 2001.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6). The CHX provided the Commission written notice of its intent to file the proposal on October 31, 2001. The Exchange has asked the Commission to waive the 30-day operative delay to allow the proposal to be effective upon filing with the Commission.

⁵ See Securities Exchange Act Release No. 43203 (August 24, 2000), 65 FR 53067 (August 31, 2001) (SR-CHX-00-13).

⁶ See Securities Exchange Act Release No. 44000 (February 23, 2001), 66 FR 13361 (March 5, 2001) (SR-CHX-00-27).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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.