

competition and to protect investors and the public interest by standardizing the method by which stays of committee decisions are made. The Exchange also believes that this proposal, as amended, is consistent with Section 6(b)(4) of the Act¹⁰ because it provides for the equitable allocation of reasonable dues, fees and other charges among members, issuers and other persons.

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

The Exchange does not believe that the proposed rule change will impose 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

No written comments were solicited or received with respect to 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 Exchange 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 and Amendment No. 1 are 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 PCX. All submissions should refer to File No. SR-PCX-2002-20 and should be submitted by February 5, 2003.

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

J. Lynn Taylor,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47140; File No. SR-Phlx-2002-76]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Certain Rules Governing Participation in Crossing Transactions Effected on the Exchange

January 8, 2003.

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 21, 2002, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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, pursuant to Rule 19b-4 of the Act, proposes to amend certain Phlx Rules governing participation in crossing transactions effected on the Exchange. Specifically, the Phlx proposes to amend Phlx Rule 126, adding Supplementary Material (h) instituting an alternative procedure for crossing certain orders of 10,000 shares or greater (the "Alternative Procedure"). In addition, the Phlx proposes to amend Phlx Rule 229B, to allow specialists and floor brokers on the Exchange's equity floor to take advantage of the Alternative Procedures electronically.

The text of the proposed rule change is below. Proposed new language is in

italics; proposed deletions are in brackets.

* * * * *

Crossing" Orders

Rule 126. When a member has an order to buy and an order to sell the same security, he must offer such security at a price which is higher than his bid by the minimum variation permitted in such security before making a transaction with himself.

Supplementary Material

(a)-(g) No Change.

(h) *If prior to presenting a cross transaction involving 10,000 shares or more, a member requests that the specialist post the current market for the security ("Updated Quotation"), the member may execute a cross transaction:*

(i) *at the Updated Quotation, if both sides of the cross transaction are agency orders and the Updated Quotation contains no agency orders; or*

(ii) *between the Updated Quotation, without interference by another member. In no event shall an agency order on the book having time priority, remain unexecuted after any other order at its price has been effected pursuant to this rule or otherwise.*

* * * * *

[Order Entry Window] Alternative Electronic Order Entry

Rule 229B. (a) *Floor Brokers and Specialists may elect to enter orders through an order entry window (the "Order Entry Window" or "OEW"), which will route orders to the appropriate specialist, in accordance with Rule 229A, with all OEW orders treated as Non-Directed Orders, as that term is defined in Rule 229A. Specialists may enter orders only in those stocks that they have been approved to trade as a specialist by the Equity Allocation, Evaluation and Securities Committee. Orders sent through the OEW will be displayed to the specialist for a period of time to be determined by the Exchange. During that time, the specialist can choose to interact with the OEW order. At the end of the time period, absent previous specialist action, the OEW order will be automatically executed or cancelled.*

(b) *Specialists and Floor Brokers may enter cross transactions electronically in accordance with the Phlx Rule 126(h).*

* * * * *

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

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹⁰ 15 U.S.C. 78f(b)(4).

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 better allow members to compete for new and retain existing order flow in large crossed orders on the Phlx equity floor through use of the Alternative Procedures.³ The Alternative Procedures would allow a member with an order to buy and an order to sell the identical number of shares of the same security to cross those orders without interference by another member under certain circumstances.⁴ In order to use the Alternative Procedures, the member attempting to cross without interference by another member must satisfy a number of preconditions. First, the potential cross must involve orders of greater than 10,000 shares. Second, prior to introducing the cross, the member attempting to cross must request that the specialist in the security post the current market for the security (the "Updated Quotation"). Upon receiving the Updated Quotation, the member may execute the cross transaction without interference by another member either (1) at the Updated Quotation, if both sides of the cross transaction are agency orders⁵ and the Updated Quotation contains no agency orders or (2) between the Updated Quotation in any other case.⁶ If either side of the cross would take place outside the Updated Quotation or at the Updated Quotation, for crosses where one or both sides of the cross transaction are non-agency orders or the Updated Quotation contains an agency

order, then member may not cross utilizing the Alternative Procedures.⁷

In addition, the Exchange intends to permit members to enter crosses electronically subject to the Alternative Procedures. Upon electronic notification of the cross, the specialists in that security will be requested to submit an Updated Quotation.⁸ The member's cross will be compared with the Updated Quotation, if any, and will either be executed pursuant to the Alternative Procedures or the member will be notified that the cross did not take place.

In contrast to this proposal, under current Phlx Rules pertaining to priority, if a member presents a crossing transaction, another member may participate, or "break up," the transaction, by offering (after presentation of the proposed crossing transaction) to improve one side of the transaction by the minimum price variation. The member presenting the cross is then effectively prevented from consummating the transaction as a "clean cross," which may be to the detriment of the member's customer.⁹ The Exchange notes that the minimum price variation is one penny, making it relatively inexpensive for another Exchange member to break up the crossing transaction by simply improving one side or the other by one penny.

In a decimal pricing environment, the Exchange's Floor Procedure Committee is concerned that a portion of the crossing business and corresponding Exchange volume could evaporate unless members and their customers receive the protection offered by the Alternative Procedures. The Exchange believes that the Alternative Procedures

⁷ The unavailability of the Alternative Procedures does not restrict how a member may then continue to represent the orders that otherwise would have been crossed. For instance, a member may choose to execute part of one of the cross against the trading interest that caused the unavailability of the Alternative Procedures and then attempt to execute the remaining portion of the cross using the Alternative Procedures. A member could also decide to seek execution for the cross in another market.

⁸ In a telephone conference between John Dayton, Assistant Secretary and Counsel, Phlx, and Alton Harvey, Chief, Office of Market Watch, and Mary N. Simpkins, Special Counsel, Division of Market Regulation, Commission, on January 7, 2003, the Phlx clarified that as with manual, in-person use of the Alternative Procedures, a member attempting to cross electronically using the Alternative Procedures will use the Exchange's trading systems to request that the specialists submit an Updated Quotation.

⁹ Some institutional customers prefer executing large crossing transactions at a single price and are willing to forego the opportunity to achieve the piecemeal price improvement that might result from the break up of the cross transaction by another Exchange member. Of course, the member will still retain the ability to present both sides of the order at the post if the customers so desire.

strike a balance of interests of those members who are impacted by crossing transactions. Members attempting to execute crosses for their customers may be interested, on behalf of their customers, in obtaining a rapid execution of their order at a single price. Members submitting Updated Quotations may be interested in executing against with a portion of one side or the other of the cross because they see this as a favorable trade. This proposal allow both interests to be fulfilled by streamlining the crossing procedures while retaining the right of members to represent their best bid or offer through their response to the request for an Updated Quotation. It also protects the priority of agency orders by requiring that requiring that in no event shall an agency order in the book, having time priority, remain unexecuted after any other order at its price has been effected.

2. Statutory Basis

The Exchange believes that its proposal to amend certain Phlx Rules governing participation in crossing transactions effected on the Exchange is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act¹¹ in particular, 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

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

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

³ Crossed orders or crosses are two orders, one to buy and one to sell the identical number of shares of the same security, which a member is brokering for his or her customers. This proposed rule change effects crosses of 10,000 shares or larger.

⁴ The proposed addition of Supplementary Material (h) to Phlx Rule 126 does not preclude Exchange members from choosing to cross such orders under another provision of Phlx Rule 126.

⁵ Agency orders are orders that are not for the account of brokers or dealers.

⁶ As with all other trading on the Exchange, members must adhere to the trading restrictions contained in Section 11(a) of the Act, 15 U.S.C. § 78k(a), and Rules 11a-1 *et. seq.*, 17 CFR 240.11a-1 *et. seq.*, pertaining to members trading on the Exchange floor for their own account.

publishes its reasons for so finding or (ii) as to which the Exchange 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 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 number SR-Phlx-2002-76 and should be submitted by February 5, 2003.

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

J. Lynn Taylor,

Assistant Secretary.

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SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions and Delegations of Authority

This statement amends part S of the Statement of the Organization, Functions and Delegations of Authority which covers the Social Security Administration (SSA). Chapter S7 covers the Office of the Deputy Commissioner for Human Resources. Notice is hereby given that subchapter S7C, the Office of Labor-Management and Employee Relations is being amended to reflect the establishment of three centers. The new material and changes are as follows:

Section S7C.10 The Office of Labor Management and Employee Relations—(Organization):

Delete B.

Retitle:

A. The "Director, Office of Labor-Management and Employee Relations" to the "Associate Commissioner, Office of Labor-Management and Employee Relations (S7C).

Reletter C to B:

B. The Immediate Office of the Associate Commissioner, Office of Labor-Management and Employee Relations (S7C).

Establish:

C. The Center for Program Policy, Automation and Training (S7CC).

D. The Center for Operations (S7CE).

E. The Center for Negotiation (S7CG).

Section S7C.20 The Office of Labor Management and Employee Relations—(Functions):

Delete:

B.

C., Line 5, starting with "The functions of the office include the following:" and items 1 through 10.

Reletter:

C. to B.

Retitle:

A., Line 1 and B., Lines 1 and 2 from "The Director, Office of Labor-Management and Employee Relations" to "the Associate Commissioner, Office of Labor-Management and Employee Relations".

B., Line 3, from "the Director" to the "Associate Commissioner"

B., Line 4, from "the Human Resources Manager" to "the Deputy Associate Commissioner".

Establish:

C. The Center for Program Policy, Automation, and Training (S7CC).

1. Formulates SSA program policy, guidance, and direction in the development, administration and evaluation of a comprehensive national program in the areas of labor-management relations, performance-management, disciplinary and adverse actions, and SSA grievances.

2. Designs and implements processes to monitor and evaluate implementation of government-wide and SSA priorities relative to SSA's national labor and employee relations programs.

3. Develops and evaluates SSA policies and programs involving labor-management relations, disciplinary and adverse actions, performance-based actions, grievances, and appeals.

4. Researches, compiles, and analyzes information on the granting and usage of union official time, grievances, adverse

and disciplinary actions, and third party proceedings. Establishes and maintains automated data bases for information management to monitor and analyze emerging trends and compliance with SSA policy, laws, rules and regulations relating to labor and employee relations.

5. Conducts statutory review of all Memoranda of Understanding negotiated Agency-wide. Administers and maintains arbitration panels.

D. The Center for Operations (S7CE).

1. Provides technical guidance in developing, implementing and administering cooperative labor-management and employee relations programs throughout SSA.

2. Administers SSA employee relations programs involving disciplinary and adverse actions, performance-based actions, SSA grievances, and appeals.

3. Provides technical and advisory services to management for exercising management rights and discharging SSA's obligations under labor and employee relations statutes, laws, executive orders, regulations and negotiated agreements.

4. Works with managers, labor organizations, and union officials throughout SSA to develop and maintain plans, programs, and procedures necessary to institutionalize sound labor-management relations and more effective and efficient dealings between the parties.

5. Provides training, advice, and direction to supervisors, managers, and other management personnel in SSA components on the proper interpretation and application of negotiated agreements, 5 U.S.C. 71, and employee relation's laws and regulations.

6. Coordinates activities of field and component labor relations staffs to ensure uniform implementation of national labor and employee relations policies.

E. The Center for Negotiation (S7CG).

1. Negotiates, administers, interprets and implements SSA national labor agreements which include pre-negotiation activities, team preparation, advisory services and problem resolution.

2. Negotiates national midterm contractual issues with the recognized bargaining unit(s).

3. Provides technical and advisory services and expertise to management in establishing management negotiating positions and for representation in third-party proceedings.

4. Maintains files of case law which effect contracts and researches bargaining history relevant to establishing management's position at

¹² 17 CFR 200.30-3(a)(12).