

date has been consistent with this belief and the Exchange has provided the Commission with execution data to this effect. Accordingly, the Exchange requests that the Commission now approve the pilot on a permanent basis.

2. Statutory Basis

The ISE believes that the proposed rule change is consistent with the provisions of Section 6(b)(5) of the Act,¹¹ which requires that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and 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 ISE does not believe that the proposed rule change will result in 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

Written comments on the proposed rule change were neither solicited nor 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 publishes its reasons for so finding or (ii) as to which the ISE consents, the Commission will:

(A) By order approve the proposed rule change, as amended, 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the ISE. All submissions should refer to File No. SR-ISE-2001-17 and should be submitted by August 1, 2001.

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

[Release No. 34-44505; File No. SR-Phlx-2001-54]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Eliminate the Requirement That the Three Core Members of the Equity and Options Allocation, Evaluation, and Securities Committees Who Conduct a Public Securities Business Be the Same People for Both Committees

July 3, 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 May 16, 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The Phlx proposes to amend Phlx rule 500(a)(iii), Equity Allocation, Evaluation and Securities Committee and Options Allocation, Evaluation and Securities Committee (the "Committee" or "Committees"), which establishes the composition of the Committees, to eliminate the requirement that the three core members of the Committees who conduct a public securities business be the same people for both Committees.³ The following is the text of the proposed rule change. Proposed additions are *italicized* and proposed deletions are in brackets.

* * * * *

Rule 500. Equity Allocation, Evaluation and Securities Committee and Options Allocation, Evaluation and Securities Committee.

The Equity Allocation, Evaluation and Securities Committee and the Options Allocation, Evaluation and Securities Committee, respectively, shall administer Rules 500 through 599, where applicable, and unless indicated otherwise, these rules shall apply to both option and equity specialist evaluations and allocations. For the purpose of Rules 500 through 599, the term "Committee" shall mean either the Equity Allocation, Evaluation and Securities Committee or the Options Allocation, Evaluation and Securities Committee, where applicable.

(a) Composition.

(i) The core members of the Equity Allocation, Evaluation and Securities Committee shall be three persons who conduct a public securities business, and two persons who are active on the equity trading floor as a specialist or floor broker. The annual members of the Equity Allocation, Evaluation and Securities Committee shall be two persons who are active on the equity trading floor as a specialist or floor broker, one public Governor and one non-industry Governor.

(ii) The core members of the Options Allocation, Evaluation and Securities Committee shall be three persons who conduct a public securities business, one person who is active on the options trading floor as a floor broker, and one person who is active on the options trading floor as a specialist, registered options trader, or floor broker. The

³ On July 5, 2000, the Commission approved a proposed rule change, which divided the Phlx Allocation, Evaluation and Securities Committee into two separate committees, one for equities and one for options. See Securities Exchange Act Release No. 43011 (July 5, 2000), 65 FR 34521 (May 30, 2000).

¹¹ 15 U.S.C. 78f(b)(5).

annual members of the Options Allocation, Evaluation and Securities Committee shall be two persons who are active on the options trading floor as a specialist, registered options trader, or floor broker, one public Governor and one non-industry Governor.

(iii) [The three persons who conduct a public securities business and t]The public Governor and non-industry Governor, as set forth in Sections (i) and (ii) above shall be the same persons, and shall be members of both the Equity Allocation, Evaluation and Securities Committee and the Options Allocation, Evaluation and Securities Committee.

(b) Where circumstances warrant, the Committee may determine to consult with the Floor Procedure Committee, Options Committee or Foreign Currency Options Committee.

* * * * *

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 statement.

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 eliminate the requirement that the three core members of the Committees who conduct a public securities business be the same people for both Committees. Rule 500 requires that the three core members of both Committees who conduct a public securities business be the same people. The proposed amendment to Rule 500 would eliminate this requirement and thereby permit the Committees to have core members who conduct a public securities business in options or equities to serve only on the Committee in which they conduct their particular type of securities business.

Each Committee is responsible for appointment of specialist units on the floor;⁴ for approving the transfer of equities or options among specialist

units on each floor;⁵ for allocating equities or options to applicant specialist units on each floor;⁶ for evaluating the performance of specialist units on each floor;⁷ for reallocating equities or options when warranted due to performance issues from one specialist unit to another;⁸ and for supervising over questions pertaining to securities admitted to dealings on the Exchange.⁹

The Exchange believes that by permitting the three core members of both Committees who conduct public securities business to be different people, both Committees should benefit from the specific options or equities industry expertise and experience that those members possess and can bring to each committee. This would serve to provide added expertise on each committee in allocating securities to, and evaluating performance of, specialist units on the trading floor on which the Committee member works and has experience. Currently, the three core members who conduct a public securities business are the same on each Committee regardless of whether their particular experience is limited to either equities or options. Under the proposal, the three core members who conduct a public securities business on the Committees would consist of members with experience specific to the type of securities to be allocated, and in the type of specialists to be evaluated.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6 of the Act¹⁰ in general, and with Sections 6(b)(5)¹¹ of the Act in particular, because it is designed to perfect the mechanisms of a free and open market and a national market system, to promote just and equitable principles of trade, and to protect investors and the public interest, by organizing the Committees to have core members who conduct a public securities business in options or equities to serve only on the Committee in which they conduct their particular type of securities business, thereby, permitting members with specific industry expertise to be a member of only that particular Committee.

⁵ See Phlx Rule 508.

⁶ See Phlx Rule 511(b).

⁷ See Phlx Rules 511(c)-(d) and 515.

⁸ See Phlx Rules 511(b)-(e) and 515.

⁹ See Phlx Rules 800-899.

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(5).

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

The Phlx has neither solicited nor received written comments 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 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-2001-54 and should be submitted by August 1, 2001.

¹² 17 CFR 200.30-3(a)(12).

⁴ See Phlx Rule 510.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01-17303 Filed 7-10-01; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44513; File No. SR-Phlx-2001-22]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Regarding Members' and Member Organizations' Duty To File Form U-5 With the Exchange

July 3, 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 April 17, 2001, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II, below, which Items have been prepared by the self-regulatory organization ("SRO"). On June 5, 2001, the Exchange filed Amendment No. 1 to the proposal.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval to the proposed rule change.

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 Exchange Rule 604 ("Registration and Termination of Registered Persons"), paragraphs (b) and (d), to provide that members and member organizations whose Designated Examining Authority ("DEA") is the Phlx must file Form U-5 ("Uniform Termination Notice for Securities Industry Registration") with the Phlx. The following is the text of the proposal:

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Diana Tenenbaum, Counsel, Phlx, to Nancy Sanow, Assistant Director, Division of Market Regulation, Commission, dated May 31, 2001 ("Amendment No. 1"). In Amendment No. 1, the Exchange deleted a representation regarding the ability of Phlx members to access Web CRD, and added a sentence explaining the Exchange's current efforts to secure a connection to Web CRD.

(Italics represents additions; brackets represent deletions.)

* * * * *

Rule 604. Registration and Termination of Registered Persons

(a) Unchanged.

(b) Members and member organizations whose *Designated Examining Authority ("DEA") is the Exchange* shall immediately file a Form U-5, Uniform Termination Notice for Securities Industry Representatives and/or Agents [to the CRD] *with the Exchange* upon termination of any associated person. *Members and member organizations whose DEA is not the Exchange shall file Form U-5 with the CRD.*

(c) Unchanged.

(d) Every person who is compensated directly or indirectly by a member or participant organization for which the Exchange is the [Designated Examining Authority ("DEA")] for the solicitation or handling of business in securities, including trading securities for the account of the member or participant organization, whether such securities are those dealt in on the Exchange or those dealt in over-the-counter, who is not otherwise required to register with the Exchange by paragraph (a) of this rule or another rule shall file Form U-4, Uniform Application for Securities Industry Registration or Transfer, with the Exchange.

(e) Unchanged.

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

In its filing with the Commission, the Exchange 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 III below. The Exchange has prepared summaries, set forth in sections A, B, 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 provide that members and member organizations whose DEA is the Exchange must file Form U-5, regarding termination of securities industry representatives and/or agents, with the Exchange.⁴

⁴ The proposed amendment pertains only to members and member organizations whose DEA is the Exchange. The general requirement that termination documentation be filed with the Central Registration Depository ("CRD"), in accordance with the provisions of Rule 604(b), remains in effect for all other members and member organizations.

Pursuant to section 17(d) of the Act,⁵ the Commission may "allocate among self-regulatory organizations the authority to adopt rules with respect to matters as to which, in the absence of such allocations, such self-regulatory organizations share authority under this title."⁶ A DEA is the SRO that is responsible for examining compliance with certain federal securities laws, as well as the SRO's rules.

Currently, Phlx acts as the DEA for approximately 150 of its members and member organizations. As the DEA, Phlx regularly reviews books and records regarding the financial condition of members and member organizations, as well as trading reports and trader registration information. Rule 604(a) requires that all qualified Registered Representatives of Phlx members or participant organizations (and persons conducting functions customarily performed by a Registered Representative) register with the Exchange. Paragraph (d) requires that Form U-4 ("Uniform Application for Securities Industry Registration or Transfer") be filed with the Exchange by every person who is compensated for certain securities-related business by a member or participant organization whose DEA is Phlx. Currently, the rule requires that Form U-5 be filed with the CRD, with most members and member organizations filing with the Exchange as well. Because the rule is silent on the filing with the Exchange, it is especially important to state expressly in Phlx rules that Form U-5 must be filed with the Exchange. The proposed amendment will state in the rules the requirement that Form U-5 be filed with the Exchange upon termination of the above business relationships. Although the Exchange is presently exploring the possibility to secure a Web CRD connection for its members, it is the Exchange's belief that the proposed rule change is still necessary until such connection becomes available, in order to reflect current practice and to aid in the enforcement of the Form U-5 filing requirements.⁷

2. Statutory Basis

The Exchange believes that its proposal is consistent with section 6(b) of the Act⁸ in general, and furthers the objectives of section 6(b)(5)⁹ in particular in that it should promote just and equitable principles of trade, by requiring direct Exchange notification of

⁵ 15 U.S.C. 78q(d).

⁶ 15 U.S.C. 78q(d).

⁷ See Amendment No. 1, *supra* note 3.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).