TRACE Rules. The TRACE Rules, when effective, will require NASD members to report secondary market transactions in eligible debt securities to the NASD and will subject certain transaction information to dissemination.

In the TRACE Approval Order, the Commission stated that the effective date of the TRACE Rules should be 180 days after the date that the NASD provided technical specifications concerning TRACE to members to allow members to make the system changes necessary to comply with TRACE.[5] On June 1, 2001, the NASD published technical specifications.[6] Subsequently, the NASD targeted the first day of reporting under the TRACE system as February 4, 2002,[7] which was the time the NASD estimated was needed to complete development of the system, provide members and vendors time to implement the specifications published on June 1, 2001, and avoid the implementation of an industry-wide regulatory program during a major holiday.

The NASD represents that, since the September 11, 2001 terrorist attacks, it has worked with its members to help the securities industry recover from the attacks. As part of this process, the NASD is delaying the TRACE implementation date to allow its members the time they need to re-establish, to the extent possible, normal business operations. The NASD determined that the original February 2002 implementation date would have been a hardship on the industry in its efforts to recover from September 11. Accordingly, the NASD is proposing to implement the TRACE system, including the TRACE Rules, on July 1, 2002.

b. *Renaming the Initiative.* At the same time, the NASD proposes to substitute a new term, ''Trade Reporting and Compliance Engine,'' for the term used for the TRACE system and related rules approved by the SEC on January 23, 2001. The current term, ''Trading Reporting and Comparison Entry Service,'' was developed when the NASD proposed to provide comparison services as part of the TRACE initiative. In the TRACE Approval Order, the Commission noted that the NASD intended to rename the system and the related rules.[8] By substituting the new term, ''Trade Reporting and Compliance Engine,'' the NASD is able to eliminate the reference to the comparison function, which will no longer be part of TRACE, while preserving the acronym, ''TRACE,'' which is currently in widespread use.

(b) Statutory Basis

NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The NASD's proposed rule change, if approved, will implement existing rules for the reporting and dissemination of information on eligible debt securities transactions. NASD believes that the proposed rule change will provide the NASD, as the self-regulatory organization designated to regulate the over-the-counter markets, with heightened capabilities to regulate the debt securities markets to prevent fraudulent and manipulative acts and practices; and that the proposed rule change, by requiring reporting and dissemination of such transaction information, will protect investors and the public interest by, among other things, increasing transparency in the debt securities markets.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NASD Regulation 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, as amended.

(C) Self-Regulatory Organization's Statement on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has been filed by the Association as a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule series under Rule 19b–4(f)(1) under the Act.[9] It has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(1) thereunder.

At any time within 60 days of this filing, the Commission may summarily abrogate this proposal 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 purpose of the Act.

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. 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 NASD. All submissions should refer to File No. SR–NASD–2001–91 and should be submitted by January 30, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–523 Filed 1–8–02; 8:45 am]

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[5] *See* Amendment No. 4 to SR–NASD–99–65, dated January 5, 2001, p. 4.

[6] *See* NASD Regulation web site at *http://www.nasdr.com/trace.htm.*

[7] The NASD clarified the timing of its targeting of the February 4, 2002 date in a telephone conversation between Sharon K. Zackula, Assistant General Counsel, NASD Regulation and Gordon Fuller, Counsel to the Assistant Director, Division of Market Regulation, Commission (January 3, 2002).

[8] TRACE Approval Order, 66 FR 8131, 8132, n. 11.

[9] 17 CFR 240.19b–4(f)(1).

[10] 17 CFR 200.30-(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–45225; File No. SR–NASD–2001–55]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the National Association of Securities Dealers, Inc. Relating to Service of Process for Arbitration

January 3, 2002.

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 August 28, 2001, the National Association of Securities Dealers, Inc. (''NASD''), through its wholly owned subsidiary, NASD Dispute Resolution, Inc. (''NASD Dispute Resolution'') 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 NASD Dispute Resolution. NASD Dispute Resolution submitted Amendment No. 1 to the proposed rule change on December 7, 2001.[3] 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

NASD Dispute Resolution is proposing to add a new rule to the NASD Code of Arbitration Procedure to give claimants who are represented by counsel the option of serving initial arbitration claims on respondents directly, rather than having NASD Dispute Resolution staff serve those respondents. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

103xx.[4] Optional Direct Service by Claimant

(a) General

A Claimant who is represented by counsel may serve a Respondent directly instead of initiating the Claim in the manner provided by Rule 10314(a). Claimant shall serve the following documents upon any Respondent that Claimant chooses to serve directly: a Statement of Claim specifying the relevant facts and the remedies sought, together with the documents in support of the Claim, the Uniform Submission Agreement, and a copy of NASD Form XYZ.[5]

(b) Manner of Service

Service may be made under this Rule in the manner provided for service of demands for arbitration under the law of the jurisdiction in which the Respondent is being served.

(c) Additional Mailing

(1) No later than one business day following service on the first Respondent to be served under this Rule, Claimant shall mail a copy of the Statement of Claim to all Respondents together with information stating which Respondents were served in accordance with this Rule.

(2) If any Respondent is a member, the mailing shall be addressed ''Attention Legal and Compliance Department'' and sent to the main office of the member. The outside of the envelope shall state: ''Important Legal Documents Enclosed.''

(d) Filing with the Association

Within twenty (20) days of service on the last Respondent whom Claimant serves under this Rule, Claimant must file with the Director of Arbitration;

(1) An affidavit of service on each Respondent served;

(2) The names of any additional Respondents whom Claimant wants the Association to serve;

(3) An affidavit of mailing in accordance with paragraph (c);

(4) An executed Submission Agreement;

(5) A Statement of Claim of the controversy in dispute, together with the documents in support of the Claim, in the form in which it was served on Respondent(s);

(6) The required deposit; and

(7) Sufficient additional copies of the Submission Agreement, the Statement of Claim and supporting documents for each party that has not been served directly and for each arbitrator.

(e) Time to Answer

When filing under paragraph (d) is complete and any deficiencies have been resolved, the Association shall acknowledge that fact in writing to all parties. All time periods that are measured from receipt of the Statement of Claim or service of a Claim under Rule 10314(b) shall commence upon receipt of such written notification from the Association.

* * * * *

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

In its filing with the Commission, NASD Dispute Resolution 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. NASD Dispute Resolution 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

NASD Dispute Resolution proposes an optional procedure to allow arbitration claimants who are represented by counsel the choice of serving respondents directly. The proposed rule could be used to serve some respondents and not other respondents in a given case, as claimant chooses. NASD Dispute Resolution staff would serve any remaining respondents as usual. The National Arbitration and Mediation Committee of NASD Dispute Resolution recommended adoption of the proposed rule in response to suggestions from some frequent users of the NASD Dispute Resolution arbitration forum who normally represent claimants and requested an optional direct service process.

As background, the current procedure is for all initial claims to be served by NASD Dispute Resolution.[6] After resolving any deficiencies, such as missing or unsigned documents or improper fees, NASD Dispute Resolution serves all respondents at the same time. Respondents then have 45 calendar days from receipt of the claim in which to answer.

NASD Dispute Resolution believes that the proposed rule contains several safeguards to ensure that the direct service option would result in proper service. For the protection of claimants whose awards might later be challenged because of improper service, use of the proposed rule is limited to parties that are represented by counsel, who would be familiar with applicable law concerning service of demands for arbitration. To avoid any detriment

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Letter from Jean I. Feeney, Chief Counsel, NASD Dispute Resolution, to Florence Harmon, Assistant Director, Division of Market Regulation, Commission, dated December 7, 2001 (''Amendment No. 1''). Amendment No. 1 makes certain technical changes to the proposed rule language. Amendment No. 1 also clarifies that the phrase ''the law of the jurisdiction in which the Respondent is being served'' in paragraph (b) of the proposed Rule 103xx refers to state rather than federal law, and could encompass the laws of the District of Columbia. Finally, Amendment No. 1 states that NASD Dispute Resolution will provide NASD Form XYZ to the Commission prior to the Commission's approval of the proposed rule change.

[4] A rule number will be assigned prior to implementation of the proposed rule change.

[5] This form will explain the direct service process. It will be drafted and assigned an official number prior to implementation of the proposed rule change.

[6] NASD 10314(a) sets forth the process for initiating a proceeding. Under NASD Rules 10314(b) and (c), and 10328(a), the parties already serve directly any counterclaims, cross-claims, third-party claims, or amended pleadings.

where there is a delay in serving all respondents, the proposed rule requires a notice to all respondents immediately after the first respondent has been served directly. To forestall the possibility that a member firm may not be aware of service on a remote branch office, the proposed rule requires the claimant, no later than one business day following service on the first respondent to be served under the proposed rule, to provide all respondents with the Statement of Claim and information indicating which respondents were served in accordance with this rule. Such information is to be sent to the main office of a member firm, addressed to the Legal and Compliance Department, in an envelope marked on the outside to indicate its importance. Finally, to avoid having different or uncertain due dates for answers, the time to answer would not begin to run until NASD Dispute Resolution notified all parties of the due date, as described below.

Following direct service on all respondents to be served directly, claimants must file the claim and submission agreement, affidavits of service and mailing, other related documents, and the proper fees with NASD Dispute Resolution. If claimants wish NASD Dispute Resolution to serve any remaining respondents, they must provide that information as well. The NASD Dispute Resolution staff would review such submissions for any deficiencies, as at present. Once any deficiencies have been resolved, NASD Dispute Resolution would notify the parties and the time to answer would begin to run. Details of the proposed rule are set forth below.

Highlights of Proposed Rule

Proposed paragraph (a) states that claimants who are represented by counsel may elect to serve any respondent directly. Claimants are not required to use this rule, nor are they required to use the rule for all respondents in a particular case. For example, claimants may be willing to serve an active member firm respondent directly, but may be unsure of how to find and serve a particular associated person respondent. In such a case, NASD Dispute Resolution would serve the associated person as it does now.

Along with the Statement of Claim specifying the relevant facts and the remedies sought, claimants must serve any documents in support of the claim, the Uniform Submission Agreement, and a copy of a standard cover letter explaining the process in simple terms (temporarily referred to as ''NASD Form XYZ'' in the proposed rule). That cover letter would indicate to the respondent being directly that: (i) the respondent need to file an answer to the claim at this time, and (ii) the arbitration claim is not reportable to the Central Registration Depository (CRD) by respondents who are associated persons until NASD Dispute Resolution notifies the respondent in writing as provided in paragraph (e) of the proposed rule. The proposed cover letter would be made available to claimants and would be posted on the NASD Dispute Resolution Web site.

Proposed paragraph (b) provides that claimants exercising the option of directly serving respondents must serve the claim in the manner provided for service of demands for arbitration under the law of the state or other jurisdiction in which the respondent is being served. NASD Dispute Resolution would not be providing advice to claimants on such legal requirements; as noted above, this procedure is only available to parties who are represented by counsel.

Proposed paragraph (c)(1) requires the claimant to mail a copy of the Statement of Claim to all respondents together with information stating which respondents were served in accordance with the proposed rule, and to do this no later than one business day following service on the first respondent to be served under the rule.

Paragraph (c)(2) requires that mailings addressed to respondents who are members must be addressed to the Legal and Compliance Department of the firm, sent to the main office, and state on the envelope: ''Important Legal Documents Enclosed.'' This would alert the member firm immediately, and will reduce the chance that service would be made on the wrong office.

Proposed paragraph (d) provides that claimant must file the enumerated documents, including affidavits of service, with the Director of Arbitration within 20 days of service on the last respondent whom claimant serves under the proposed rule. Proposed paragraph (e) provides that time periods measured from receipt of the Statement of Claim or service of a claim under Rule 10314(b) would commence upon receipt of written notification from the Association. The claim would not be considered officially filed until deficiencies have been resolved, as in the current procedure. When the filing is complete, the staff would acknowledge that fact in writing, and the time to answer would begin for all respondents. This prevents the confusion that would occur if the time to answer began to run when each respondent was served.

b. Statutory Basis

NASD Dispute Resolution believes that the proposed rule change, as amended, is consistent with the provisions of Section 15A(b)(6) of the Act,[7] which requires, among other things, that the Association's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASD Dispute Resolution believes that the proposed rule change will protect investors and the public interest by giving claimants the option of serving claims directly and by providing specific procedures to ensure that service is accomplished properly.

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

NASD Dispute Resolution does not believe that the proposed rule change, as amended, 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 were not 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 publishes its reasons for so finding or (ii) as to which NASD Dispute Resolution 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 proposal, 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

[7] 15 U.S.C. 78*o*–3(b)(6).

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 the filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the File No. SR–NASD–2001–55 and should be submitted by January 30, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–530 Filed 1–8–02; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–45227; File No. SR–SCCP–2001–11]

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Notice of Filing and Order Granting Accelerated Approval on a Temporary Basis of a Proposed Rule Change Extending Approval of Restructured and Limited Clearing Services

January 3, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on December 17, 2001, the Stock Clearing Corporation of Philadelphia (''SCCP'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which items have been prepared primarily by SCCP. The Commission is publishing this notice and order to solicit comments from interested persons and to grant accelerated approval of the proposal.

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

SCCP proposes to extend, for a one year period ending December 31, 2002, the ability to provide limited clearance and settlement services. Specifically, SCCP seeks to continue to provide trade confirmation and recording services for members of the Philadelphia Stock Exchange, Inc. (''Phlx'') effecting transactions through Regional Interface Operations (''RIO'') and ex-clearing accounts. SCCP will also continue to provide margin accounts to certain participants cleared through an account established by SCCP at the National Securities Clearing Corporation (''NSCC'').[2]

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

In its filing with the Commission, SCCP 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. SCCP has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[3]

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to continue SCCP's restructured and limited clearance and settlement business for an additional one year period ending December 31, 2002. In an agreement dated as of June 18, 1997, (''Agreement'') by and among the Phlx, SCCP, Philadelphia Depository Trust Company (''Philadep''), NSCC and The Depository Trust Company (''DTC''), Philadep and SCCP agreed to certain provisions, including that: (i) Philadep would cease providing securities depository services; (ii) SCCP would make available to its participants access to the facilities of one or more other organizations providing depository services; (iii) SCCP would make available to SCCP participants access to the facilities of one or more other organizations providing securities clearing services; and (iv) SCCP would transfer to the books of such other organizations the CNSS system open positions of SCCP participants on the books of SCCP.

In December, 1997, the Commission approved a proposed rule change which gave effect to this Agreement and which reflected Philadep's withdrawal from the depository business and SCCP's restructured and limited clearance and settlement business.[4] In that approving order, the Commission stated, ''because a part of SCCP's proposed rule change concerns the restructuring of SCCP's operations to enable SCCP to offer limited clearing and settlement services to certain Phlx members, the Commission finds that it is approprirate to grant only temporary approval to the portion of SCCP's proposed rule change that amends SCCP's By-Laws, Rules or Procedures. This will allow the Commission and SCCP to see how well SCCP's restructured operations are functioning under actual working conditions and to determine whether any adjustments are necessary. Thus, the Commission is approving the portion of SCCP's proposal that amends its By-Laws, Rules and Procedures through December 31, 1998.'' In December 1998, December 1999, and December 2000, one-year extensions of such approval were granted by the Commission to continue SCCP's restructured and limited clearance and settlement services.[5]

SCCP is hereby requesting an additional one year extension of such approval noting that such extension is appropriate in order that SCCP may continue to provide services to its participants. SCCP believes that its restructured operations have functioned consistent with the original proposed rule change, and SCCP will continue to evaluate whether any adjustments are necessary.

In the original proposed rule change and order approving SCCP's restructured business, many SCCP rules were amended and discussed at length. No new rule changes are proposed at this time. Thus, the purpose of the proposed rule change is to extend the effectiveness of SCCP's restructured business.

SCCP believes that the extension of the Commission's temporary approval to permit SCCP's continued operation of its restructured and limited clearance and settlement services is consistent with the requirements of the Act and the rules and regulations thereunder applicable to SCCP and in particular with Section 17A(b)(3)(F) which requires that a clearing agency be organized and its rules be designed, among other things, to promote the prompt and accurate clearance and settlement of securities transactions. SCCP believes that the extension of SCCP's restructured business should promote the prompt and accurate

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[8] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] *See* SCCP Rule 1.

[3] The Commission has modified the text of the summaries prepared by SCCP.

[4] Securities Exchange Act Release No. 39444 (December 11, 1997), 62 FR 66703 (December 19, 1997) (SR–SCCP–97–04).

[5] Securities Exchange Act Release Nos. 40872 (December 31, 1998), 64 1264 (January 8, 1999) (SR–SCCP–98–05); 42320 (January 6, 2000), 65 FR 2218 (January 13, 2000) (SR–SCCP–99–04); and 43781 (December 28, 2000), 66 FR 1167 (January 5, 2001) (SR–SCCP–00–05).