

fees and value fees.² Currently, SCCP does not charge trade recording fees or value fees for PACE trades. SCCP proposes to define a PACE trade with greater specificity in order to clarify the imposition of trade recording fees and value fees as they relate to PACE trades only.

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

First, the proposed rule change clarifies that the trade recording fees and value fees apply in situations where an order, after being delivered to Phlx by the PACE system, is executed by way of an outbound Intermarket Trading System ("ITS") commitment⁴ when such outbound ITS commitment reflects the PACE order's clearing information. In this situation, the trade is not considered to be a PACE trade for purposes of the imposition of trade recording fees and value fees and thus becomes subject to both charges.

Secondly, the proposed rule change clarifies that the trade recording fees and value fees do not apply where a PACE trade was executed against an inbound ITS commitment. The execution on the Phlx against an inbound ITS commitment is considered a PACE trade and therefore, SCCP trade recording fees and value fees do not apply to these transactions.

Lastly, the proposed rule change rebates to any participants that were charged trade recording fees or value fees for PACE trades that were executed against an inbound ITS commitment for

the months of September, October, November, and December 2002.

SCCP believes that not charging SCCP participants these fees for PACE trades that are executed against an inbound ITS commitment should encourage greater use of the PACE system which in turn should promote a more active and liquid equities market. Also, SCCP believes that this clarification should help to avoid any participant confusion.

Previously, SCCP's billing system charged trade recording fees and value fees for PACE trades executed against an inbound ITS commitment due to the difficulties in identifying executions of orders in this manner. Due to advances in billing, SCCP can now more readily identify PACE trades that are executed against inbound ITS commitments. SCCP believes that by not charging trade recording fees and value fees and by providing a rebate, as described above for the months of September through December 2002, it will encourage future use of the PACE system and will reimburse participants who were charged the trade recording fees and value fees when the application of these charges may not have been clear. Also, SCCP believes that going forward for trades settling on or after January 2, 2003, there should be no charge for these PACE trades due to the fact that the method of execution of these trades is outside of the customer's control.

SCCP believes that its proposal is consistent with Section 17A(b)(3)(D) of the Act⁵ because it provides for the equitable allocation of reasonable dues, fees, and other charges among its participants.

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

SCCP does not believe that the proposed rule 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 rule change establishes or changes a due, fee, or other charge, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁶ and Rule 19b-4(f)(2) thereunder.⁷ At any time within sixty 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.

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. Comments may also be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. SR-SCCP-2002-08. This file number should be included on the subject line if e-mail is used. To help us process and review comments more efficiently, comments should be sent in hardcopy or by e-mail but not by both methods. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of SCCP.

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

Jill M. Peterson,

Assistant Secretary.

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² PACE is the acronym for the Philadelphia Stock Exchange Inc.'s ("Phlx") automated communication and execution system. It is Phlx's order routing, delivery, execution, and reporting system for its equity trading floor. See Phlx Rules 229 and 229A.

³ The Commission has modified parts of these statements.

⁴ ITS means the application of the system that permits intraday trading in eligible listed securities between participant markets as set forth in the ITS Plan. See Phlx Rule 2001.

⁵ 15 U.S.C. 78q-1(b)(3)(D).

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

⁷ 17 CFR 240.19b-4(f)(2).

⁸ 17 CFR 200.30-3(a)(12).