

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 primarily by SCCP. 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

In the proposed rule change, SCCP seeks to obtain permanent approval of SCCP's restructured business whereby it provides limited clearance and settlement services.

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.²

(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 obtain permanent approval of SCCP's restructured and limited clearance and settlement business. In connection with the withdrawal by the Philadelphia Stock Exchange, Inc. ("Phlx") from the securities depository business (offered by its wholly owned subsidiary the Philadelphia Depository Trust Company ("Philadep")) and its restructuring and limiting its clearance and settlement business (offered by its wholly owned subsidiary SCCP), Phlx, SCCP, Philadep, National Securities Clearing Corporation ("NSCC"), and The Depository Trust Company ("DTC"), entered into an agreement dated as of June 18, 1997 ("Agreement"). Under the Agreement, the parties worked together to assure the orderly transition of most of the day-to-day depository and clearance services of the Philadep and SCCP to DTC and NSCC. Pursuant to the Agreement, SCCP ceased operating its continuous net settlement ("CNS") system for conducting settlements between SCCP

and its participants. As a result, SCCP ceased providing the cash settlement services attendant to Philadep's same-day funds settlement system and the Philadep settlement process. However, pursuant to the Agreement, SCCP continued to offer limited clearing and settlement services to PHLX members.

In December 1997, the Commission approved proposed rule changes which gave effect to the Agreement, which reflected Philadep's withdrawal from the depository business, and which temporarily approved SCCP's restructured and limited clearance and settlement business.³ Subsequently, the Commission has extended the temporary approval several times so that SCCP could continue to offer restructured and limited clearance and settlement services.⁴

SCCP is hereby proposing that the Commission grant permanent approval to its providing these limited clearance and settlement services. SCCP believes that its restructured operations have functioned consistent with its original proposed rule change. More specifically, SCCP believes its operations are functioning well under actual working conditions.

In the original rule filing 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 acquire permanent approval of SCCP's restructured and limited clearing and settlement services, as discussed in more detail below.

Under its proposal, SCCP will continue to offer trade confirmation and recording services to Phlx members effecting transactions through regional

interface operations ("RIO") accounts and ex-clearing accounts. SCCP will not provide clearing guarantees for these transactions.

SCCP will continue to provide margin accounts for margin members that clear and settle their transactions through SCCP's Omnibus Clearance and Settlement Account at NSCC.⁵ SCCP will continue to have the right to demand at any time that a margin member provide additional margin based upon SCCP's review of the margin member's security positions held in its margin account at SCCP. SCCP will retain the margin thresholds specified in its Procedures and will continue to have the right to require adequate assurances or additional margin in addition to the minimum margin thresholds in order to protect SCCP in issues deemed by SCCP to warrant additional protection. SCCP may also continue to demand any such margin payments in federal funds in accordance with its Procedures.

SCCP will continue to issue margin calls to any margin member when the margin requirement exceeds the "account equity," as defined in SCCP's Rules. SCCP may waive any amount that would trigger a margin call not exceeding \$500. Any failure to meet a margin call will subject such delinquent margin member to SCCP's rules governing disciplinary proceedings and penalties as well as to the late penalties specified in SCCP rules. SCCP can cease to act for such delinquent margin members and can retain a lien on all such margin members' accounts and securities therein.

SCCP will continue to maintain records on each individual margin account. SCCP will continue to maintain the Omnibus Clearance and Settlement Account at NSCC to reflect all positions in SCCP's margin accounts. SCCP will continue to guarantee the settlement obligations of the Omnibus Clearance and Settlement Account to NSCC. In turn, pursuant to the Agreement, Phlx would continue to guarantee SCCP's obligations to NSCC.

SCCP's books and records for the Omnibus Clearance and Settlement Account will continue to reflect all activity that occurs in such account at NSCC. At any time prior to midnight Philadelphia time on the next business day after SCCP receives a margin

³ Securities Exchange Act Release No. 39444 (December 11, 1997), 62 FR 66703 (December 19, 1997) (SR-DTC-97-16, SR-NSCC-97-08, SR-Philadep-97-04, SR-SCCP-97-04). At that time, the Commission stated that, "However, 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 appropriate 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."

⁴ Securities Exchange Act Release Nos. 40872 (December 31, 1998), 64 FR 1264 (January 8, 1999) (SR-SCCP-98-05); 42320 (January 6, 2000), 65 FR 2218 (January 13, 2000) (SR-SCCP-99-04); 43781 (December 28, 2000), 66 FR 1167 (January 5, 2001) (SR-SCCP-00-05); 45227 (January 3, 2002), 67 FR 1259 (January 9, 2002) (SR-SCCP-2001-11); and 47016 (December 17, 2000), 67 FR 78556 (December 24, 2002) (SR-SCCP-2001-12).

⁵ SCCP will continue to offer margin services only to: (1) PHLX equity specialists for their specialists and alternative specialists transactions, as well as for their propriety transactions in securities for which they are appointed as specialists or alternative specialists and (2) PHLX members listed on a schedule that are not PHLX equity specialists for their propriety transactions. Under the Agreement, SCCP may add other PHLX members to the schedule subject to NSCC's approval.

² The Commission has modified parts of these statements.