

authorities".<sup>9</sup> The same comment letter offered two alternative considerations "to facilitate fair pricing" such as, initiating "a system of identified \* \* \* market makers for any, all or specific municipal bonds" or requiring municipal securities traders to "inform or quote two-sided markets instead of just their bid or offer side."<sup>10</sup>

Subsequent letters sent from Municipalbonds.com continued to address reporting inefficiencies. In addition to the two alternatives discussed above, Municipalbonds.com challenged the MSRB to respond to the problem of reporting errors, which Municipalbonds.com has identified.<sup>11</sup>

### III. Discussion

The Commission must approve a proposed MSRB rule change if the Commission finds that the proposal is consistent with the requirements set forth under the Exchange Act and the rules and regulations thereunder, which govern the MSRB.<sup>12</sup> The language of Section 15B(b)(2)(C) of the Exchange Act requires that the MSRB's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, to foster cooperation and coordination with persons engaged in regulating, 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 system, and, in general, to protect investors and the public interest.<sup>13</sup>

After careful review, the Commission finds that the MSRB's proposed rule change consisting of an amendment to Rule G-14, on professional qualifications, which relates to municipal fund securities limited principals, meets the statutory standard. The Commission believes that this proposed rule change is consistent with the requirements of the Exchange Act, and the rules and regulations thereunder. In addition, the Commission finds that the proposed rule is consistent with the requirements of Section 15B(b)(2)(C) of the Exchange Act, set forth above.

<sup>9</sup> See letter from Municipalbonds.com dated April 10, 2002, note 6, *supra*.

<sup>10</sup> *Id.*

<sup>11</sup> See letters from Municipalbonds.com, dated April 19, 2002, note 6, *supra*.

<sup>12</sup> Additionally, in approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup> 15 U.S.C. 78o-4(b)(2)(C).

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Exchange Act,<sup>14</sup> that the proposed rule change (File No. SR-MSRB-2002-04) be and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**J. Lynn Taylor,**

*Assistant Secretary.*

[FR Doc. 02-11394 Filed 5-7-02; 8:45 am]

BILLING CODE 8010-01-P

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45862; File No. SR-Phlx-2002-22]

#### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Extend Its Pilot Program to Disengage Its Automatic Execution System ("AUTO-X") for a Period of Thirty Seconds After the Number of Contracts Automatically Executed in a Given Option Meets the AUTO-X Minimum Guarantee for that Option

May 1, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 8, 2002, 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposal, on an accelerated basis, for an additional six-month pilot, expiring on November 30, 2002.

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

The Phlx proposes to extend, for an additional six months, its pilot program effecting a systems change to AUTO-X, the automatic execution feature of the Exchange's Automated Options Market System ("AUTOM"),<sup>3</sup> that would

<sup>1</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>2</sup> 15 U.S.C. 78s(b)(2).

<sup>3</sup> 17 CFR 200.30-3(a)(12).

<sup>4</sup> 15 U.S.C. 78s(b)(1).

<sup>5</sup> 17 CFR 240.19b-4.

<sup>6</sup> AUTOM is the Exchange's electronic order

disengage AUTO-X for a period of thirty seconds after the number of contracts automatically executed in a given option meets the AUTO-X minimum guarantee for that option. The pilot program was originally approved on a six-month basis for a limited number of eligible options,<sup>4</sup> and subsequently extended for an additional six-month period.<sup>5</sup> Subsequently, the number of options eligible for the pilot was expanded to include all Phlx-traded options.<sup>6</sup> As of December 1, 2001, the pilot was again extended for an additional six-month period, which is scheduled to expire on May 31, 2002.<sup>7</sup>

#### 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 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, 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 Phlx proposes to extend the pilot program for an additional six-month period. On December 1, 2000, the Initial Pilot Program became effective.<sup>8</sup> The pilot program was then extended several times and is currently scheduled to end on May 31, 2002.<sup>9</sup> The pilot program includes the following features:

the automatic entry and routing of equity option and index option orders to the Exchange trading floor. Orders delivered through AUTOM may be executed manually, or certain orders are eligible for AUTOM's automatic execution feature, AUTO-X. Equity option and index option specialists are required by the Exchange to participate in AUTOM and its features and enhancements. Option orders entered by Exchange members into AUTOM are routed to the appropriate specialist unit on the Exchange's trading floor.

<sup>4</sup> See Securities Exchange Act Release No. 43652 (December 1, 2000), 65 FR 77059 (December 8, 2000) (SR-Phlx-00-96) ("Initial Pilot Program").

<sup>5</sup> See Securities Exchange Act Release No. 44362 (May 29, 2001), 66 FR 30037 (June 4, 2001) (SR-Phlx-2001-56).

<sup>6</sup> See Securities Exchange Act Release No. 44760 (August 31, 2001), 66 FR 47253 (September 11, 2001) (SR-Phlx-2001-79).

<sup>7</sup> See Securities Exchange Act Release No. 45090 (November 21, 2001), 66 FR 59834 (November 30, 2001) (SR-Phlx-2001-100).

<sup>8</sup> See *supra* note 4.

<sup>9</sup> See *supra* note 7.

- Once an automatic execution occurs in an option via AUTO-X, the system would begin a "counting" program, which would count the number of contracts executed automatically for that option, up to the AUTO-X guarantee, regardless of the number of executions.

- When the number of contracts executed automatically for that option meets the AUTO-X guarantee within a fifteen second time frame, the system would cease to automatically execute for that option, and would drop all AUTO-X eligible orders in that option for manual handling by the specialist for a period of thirty seconds to enable the specialist to refresh quotes in that option.<sup>10</sup>

- Upon the expiration of thirty seconds, automatic executions would resume and the "counting" program would be set to zero and begin counting the number of contracts executed automatically within a fifteen second time frame again, up to the AUTO-X guarantee.

- Again, when the number of contracts automatically executed meets the AUTO-X guarantee within a fifteen second time frame, the system would drop all subsequent AUTO-X eligible orders for manual handling by the specialist for a period of thirty seconds.

A significant purpose of this pilot program is to enable the Exchange to move towards the dissemination of options quotations with size.<sup>11</sup> The "counting" feature of the pilot program functions to disengage AUTO-X for a period of thirty seconds in a given option once the number of contracts automatically executed meets the AUTO-X guarantee for that option within a fifteen-second time frame. A similar "counting" mechanism is expected to be utilized upon the

implementation of the systems necessary for the dissemination of options quotations with size. Thus, the proposed extension of the pilot program should allow the Exchange to continue its efforts in the process of moving towards the implementation of quotations with size.

The Exchange believes that an extension of the pilot program would enable specialists to continue to provide fair and orderly markets during peak market activity by manually executing orders at correct market prices and refreshing quotations to reflect market demand.

In addition, the Exchange recognizes that the Commission has inquired into the possibility of re-engaging AUTO-X in less than thirty seconds once the specialist revises the quote. The Exchange's Financial Automation, Legal, and Regulatory staff have begun to review the issue, specifically as to whether it is feasible to re-engage AUTO-X for an entire issue based upon the revision of a quotation in one single series.<sup>12</sup> The Exchange notes that the Commission has informed the Exchange that it would not grant the pilot program permanent approval unless the Exchange addresses this issue. Because the Exchange's proposal to define the disseminated size for options quotations to reflect bids and offers of limit orders on the book has not yet been approved by the Commission, the Exchange proposes to extend the pilot for an additional six months in lieu of seeking permanent approval of the pilot. The Exchange believes that, with the ultimate implementation of the second phase of the dissemination of quotes with size, the Exchange should, over the proposed additional six-month pilot period, be able to more accurately assess its ability to re-engage AUTO-X in an entire class of options upon the revision of a quote in a single option series.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act<sup>13</sup> in general, and with Section 6(b)(5) in particular,<sup>14</sup> in that it is designed to perfect the mechanism of a free and open market and a national market system, protect investors and the public interest and promote just and equitable principles of trade by enabling Exchange specialists

to maintain fair and orderly markets during periods of peak market activity.

## 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

The Exchange did not receive or solicit any written comments on the proposed rule change.

## III. 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 Exchange. All submissions should refer to File No. SR-Phlx-2002-22 and should be submitted by May 29, 2002.

## IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>15</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires that the rules of an exchange be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national securities

<sup>10</sup> Any orders delivered in excess of the minimum AUTO-X guarantee will be executed to the guaranteed amount and the excess will be dropped to the specialist for manual execution. See Initial Pilot Program, *supra* note 4.

<sup>11</sup> Currently, the size of any disseminated bid or offer by the Exchange is equal to the AUTO-X guarantee for the quoted option, except that the disseminated size of bids and offers of limit orders on the book is ten contracts and shall be firm regardless of the actual size of such orders. See Exchange Options Floor Procedure Advice F-7. The Exchange has established this rule setting forth the size for which its quotes are firm, and periodically publishes that size in accordance with recently amended Rule 11Ac1-1 under the Act ("Quote Rule"), setting forth firm quote requirements for responsible brokers or dealers quoting options. See Securities Exchange Act Release No. 44145 (April 2, 2001), 66 FR 18662 (April 10, 2001) (SR-Phlx-01-37). The Exchange represents that the current pilot is designed, in part, to enable the Exchange to roll out the system designed to decrement the disseminated size of Exchange quotes once such system is deployed.

<sup>12</sup> Under Phlx's current pilot program, AUTO-X is programmed to re-engage after thirty seconds, regardless of whether the specialist has updated its quote prior to that period of time.

<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

system, and protect investors and the public interest.<sup>16</sup> The Commission believes that an extension of the pilot program for an additional six months should help the Exchange to prepare for disseminating options quotes with size. In addition, the Commission believes that the proposal may assist specialists in maintaining fair and orderly markets during periods of peak market activity.

The Commission notes that the Exchange is attempting to address its concern regarding the feasibility of re-engaging AUTO-X for a particular issue prior to thirty seconds if the quote has been revised by the specialist before that time period. Consequently, the Commission believes that extending the pilot program for an additional six months should enable the Phlx to further evaluate the effect of disengaging AUTO-X under certain circumstances.

The Commission notes that the Exchange has represented that it will continue to evaluate the pilot program by reviewing specialists' performance, and by monitoring any complaints relating to the pilot program.<sup>17</sup> Furthermore, the Commission notes that the Exchange has represented that it will continue to post on its website a list of options included in the pilot program, as well as issue a circular to this effect to members, member organizations, participants, and participant organizations explaining the pilot program and the circumstances in which the AUTO-X system will not be available for customer orders.<sup>18</sup>

Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>19</sup> for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission recognizes that during the last six-month extension of the pilot program, the Phlx has received no complaints from customers, floor traders, or member firms. The Commission believes that granting accelerated approval to extend the pilot program for an additional six months will allow Phlx to continue, without interruption, the existing operation of its AUTO-X system.

## V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>20</sup> that the proposed rule change (SR-Phlx-2002-22), is hereby approved on an accelerated basis, as a six-month pilot, scheduled to expire on November 30, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>21</sup>

**J. Lynn Taylor,**

*Assistant Secretary.*

[FR Doc. 02-11392 Filed 5-7-02; 8:45 am]

**BILLING CODE 8010-01-P**

## SELECTIVE SERVICE SYSTEM

### Computer Matching Between the Selective Service System and the Department of Education

**AGENCY:** Selective Service System.

**ACTION:** Notice.

In accordance with the Privacy Act of 1974 (5 U.S.C. 552a), as amended by the Computer Matching and Privacy Protection Act of 1988 (Public Law 100-503), and the Office of Management and Budget (OMB) Guidelines on the Conduct of Matching Programs (54 FR 25818 (June 19, 1989)), and OMB Bulletin 89-22, the following information is provided:

1. Name of participating agencies. The Selective Service System (SSS) and the Department of Education (ED).

2. Purpose of the match. The purpose of this matching program is to ensure that the requirements of Section 12(f) of the Military Selective Service Act [50 U.S.C. App. 462(f)] are met.

3. Authority for conducting the matching program. Computerized access to the Selective Service Registrant Registration Records (SSS 10) enables the U.S. Department of Education to confirm the registration status of applicants for assistance under Title IV of the Higher Education Act of 1965 (HEA), as amended (20 U.S.C. 1070 *et seq.*). Section 12(f) of the Military Selective Service Act, as amended [50 U.S.C. App. 462(f)], denies eligibility for any form of assistance or benefit under Title IV of the HEA to any person required to present himself and submit to registration under Section 3 of the Military Selective Service Act who fails to do so in accordance with that section and any rules and regulations issued under that section. In addition, the Military Selective Service Act and

section 484(n) of the HEA which allows the data match to fulfill the statement requirement specifies that any person required to present himself and submit to registration under Section 3 of the Military Selective Service Act file a statement that he is in compliance with the Military Selective Service Act. Furthermore, Section 12(f)(3) of the Military Selective Service Act authorizes the Secretary of Education, in agreement with the Director of the Selective Service, to prescribe methods for verifying the statements of compliance filed by students.

Section 484(n) of the Higher Education Act of 1965, as amended (20 U.S.C. 1091), requires the Secretary of Education to conduct data base matches with the Selective Service System, using common demographic data elements, to enforce the Selective Service registration provisions of the Military Selective Service Act [50 App. U.S.C. 462(f)], and further states that appropriate confirmation of person's registration shall fulfill the requirement to file a separate statement of compliance.

4. Categories of records and individuals covered.

1. Federal Student Aid Application File (18-11-01). Individuals covered are men born after December 31, 1959, but at least 18 years old by June 30 of the applicable award year.

2. Selective Service Registration Records (SSS 10).

5. Inclusive dates of the matching program. Commence on July 1, 2002 or 40 days after copies of the matching agreement are transmitted simultaneously to the Committee on Governmental Affairs of the Senate, the Committee on Government Operations of the House of Representatives, and the Office of Management and Budget, whichever is later, and remain in effect for eighteen months unless earlier terminated or modified by agreement of the parties.

6. Address for receipt of public comments or inquiries. Willie L. Blanding, Jr., Director of Operations, 1515 Wilson Boulevard, Arlington, VA 22209-2425.

Dated: April 30, 2002.

**Alfred Rascon,**

*Director.*

[FR Doc. 02-11461 Filed 5-7-02; 8:45 am]

**BILLING CODE 8015-01-M**

<sup>16</sup> 15 U.S.C. 78ff(b)(5).

<sup>17</sup> Telephone conversation between Richard S. Rudolph, Counsel, Phlx, and Sapna C. Patel, Attorney, Division of Market Regulation ("Division"), Commission, on April 30, 2002.

<sup>18</sup> *Id.* Phlx also represented that it would include language in its circular clarifying that AUTO-X will not be re-engaged until the expiration of the thirty second period, even after a quote is revised. Telephone conversation between Richard S. Rudolph, Counsel, Phlx, and Sapna C. Patel, Attorney, Division, Commission, on April 30, 2002.

<sup>19</sup> 15 U.S.C. 78s(b)(2).

<sup>20</sup> *Id.*

<sup>21</sup> 17 CFR 200.30-3(a)(12).