

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54734; File No. SR-SCCP-2006-02)

November 9, 2006

Self-Regulatory Organizations; Stock Clearing Corporation of Philadelphia; Order Granting Approval of a Proposed Rule Change Relating to the Definition of a Margin Member

I. Introduction

On August 14, 2006, Stock Clearing Corporation of Philadelphia (“SCCP”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-SCCP-2006-02 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).¹ Notice of the proposal was published in the Federal Register on September 29, 2006.² No comment letters were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

The rule change amends the definition of “margin member” in SCCP Rule 1, Definitions, to accommodate the introduction of equity market makers on the Philadelphia Stock Exchange (“Phlx”) and to reflect the introduction of Phlx’s new equity trading system, XLE, which will replace Phlx’s equity trading floor.³ XLE is an electronic trading system which will provide for the entry, display, ranking, routing, and execution of orders in NMS stocks⁴ for its members and

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 54488, (September 22, 2006), 71 FR 57598.

³ Securities Exchange Act Release No. 54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) [File No. SR-Phlx-2006-43] (Order granting approval of a proposed rule change relating to Phlx’s new equity trading system, XLE).

⁴ 17 CFR 242.600(b)(47).

member organizations (“XLE Participants”). The current equity specialists will be replaced by market makers, a type of XLE Participant, which will be liquidity providers on XLE.⁵

SCCP Rule 1, Definitions, currently defines “margin members” as SCCP participants that are Phlx specialists, alternate specialists, or other Phlx floor members specifically approved by the National Securities Clearing Corporation to effect trading in a margin account. Margin members that clear and settle their transactions through SCCP’s “omnibus clearance and settlement account” at NSCC receive margin accounts from SCCP.⁶ SCCP expects that many of its current margin members that are Phlx specialists, alternate specialists, or other Phlx floor members will become XLE Participants, including market makers, upon approval of XLE. This rule change amends the definition of margin member in SCCP’s rules to add the term market maker⁷ and to remove the word floor from the term Phlx floor member. This will allow SCCP members that are currently margin members under Rule 1 of SCCP’s rules to maintain their status as margin members following Phlx’s transition to XLE.

SCCP believes that the proposed rule change is consistent with Section 17A of the Act⁸ because the proposed rule change is designed to allow current SCCP margin members to

⁵ Not every security on XLE will require a market maker. However, if a market maker or multiple market makers choose to register in a security, they must provide a two-sided market in that security on XLE during regular trading hours (usually 9:30 AM to 4:00 PM) of the security. Therefore, some securities on XLE may have no market makers or may have one or more market makers.

⁶ SCCP Rule 9, Margin Accounts.

⁷ The rule change in File No. SR-Phlx-2006-43 defines the term “market maker” in Phlx Rule 1, Definitions, paragraph (m). It also adds new rules 170 through 174 to set forth the registration requirements, rights, and obligations of Phlx market makers.

⁸ 15 U.S.C. 78q-1.

maintain their status as they transition from the current floor based trading environment at Phlx to the XLE electronic trading system and would thereby promote the prompt and accurate clearance and settlement of securities transactions and remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance of securities transactions.

III. Discussion

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.⁹ SCCP is a member of NSCC and has an omnibus clearance and settlement account at NSCC through which its margin members' transactions are cleared and settled. The proposed rule change amends the definition of margin member in SCCP's rules to accommodate the Phlx rule change regarding XLE that was recently approved by the Commission. The proposed rule change neither affects the services SCCP may provide to its member nor affects SCCP's agreement with NSCC to clear and settle transactions submitted through SCCP's omnibus account. Accordingly, because the proposed rule change is designed to be consistent with the new Phlx rules for the XLE trading platform and to avoid any confusion with respect to the services SCCP's members may receive either directly from SCCP or through SCCP's omnibus clearance and settlement account at NSCC, we find that it is designed to promote the prompt and accurate clearance and settlement of securities transactions.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules

⁹ 15 U.S.C. 78q-1(b)(3)(F).

and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-SCCP-2006-02) be and hereby is approved.

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

Nancy M. Morris
Secretary

¹⁰ 17 CFR 200.30-3(a)(12).