

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 19b-4

Proposed Rule Change by
STOCK CLEARING CORPORATION OF PHILADELPHIA

Pursuant to Rule 19b-4 under
the Securities Exchange Act of 1934

1. Text of the Proposed Rule Change

The Stock Clearing Corporation of Philadelphia, ("SCCP"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² proposes to amend SCCP Rule 11, Ex-Clearing Accounts, to include a transaction in an Ex-Clearing Account whereby both sides have agreed not to transmit the transaction via SCCP to the National Securities Clearing Corporation ("NSCC") for clearing and settlement. The following is the text of the proposed changes to SCCP Rule 11:

Underlining indicates additions; [Brackets indicates deletions]

Ex-Clearing Accounts

Rule 11. In an Ex-Clearing Account, SCCP records and confirms a transaction, whereby both sides have agreed to settle the transaction outside any registered [clering] clearing agency mechanism or whereby both sides have agreed not to transmit the transaction to NSCC for clearing and settlement via SCCP. SCCP makes no trade guarantees respecting Ex-Clearing transactions.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

2. Procedures of the Self-Regulatory Organization

The SCCP Board of Directors approved the proposal for filing with the Securities and Exchange Commission ("Commission") on December 11, 2002.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4

Questions and comments on the proposed rule change may be directed to John Dayton, Assistant Secretary and Counsel, Philadelphia Stock Exchange, Inc. (“Phlx”), at (215) 496-5162, or Edith Hallahan, Deputy General Counsel, Phlx, at (215) 496-5179.

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

a. Purpose

The purpose of this proposed rule change is to facilitate the efficient clearing and settlement of transactions by SCCP Participants who have made their own arrangements to transmit such transactions directly to NSCC.

SCCP anticipates that certain members of the Phlx participating in the Phlx’s program to trade Nasdaq securities will make arrangements for the clearing and settlement of their Nasdaq securities trading on the Phlx directly with NSCC. SCCP intends to offer such Phlx members the use of an “Ex-Clearing Account” for this purpose. Currently, SCCP uses Ex-Clearing Accounts in situations where both sides have agreed to settle a transaction outside any registered clearing agency mechanism (such as NSCC). This is in addition to other accounts offered by SCCP, such as a RIO Account³ and a Margin Account.⁴

³ RIO means Regional Interface Organization, which is the system through which SCCP transmits to and receives trade data from NSCC. In a RIO Account, SCCP records, confirms and transmits transactions to the RIO Participant's NSCC account or its correspondent account that ultimately settles directly with NSCC. SCCP makes no trade guarantees respecting RIO Account transactions. SCCP is solely a trade recording, confirmation and transmission agent of RIO Account Participants' transaction activity.

⁴ Phlx specialists, alternate specialists, and other Phlx floor members may be specifically approved by NSCC to effect trading in a Margin Account. SCCP will provide Margin Accounts for Margin Members that clear and settle their transactions through SCCP's Omnibus Clearance and Settlement Account at NSCC.

SCCP now proposes to amend SCCP Rule 11, Ex-Clearing Accounts, to add transactions whereby both sides have agreed not to transmit the transaction to NSCC for clearing and settlement **via SCCP**. Accordingly, both sides could agree to submit a transaction directly to NSCC themselves, in lieu of SCCP doing so. A SCCP Ex-Clearing Account would then be available for the following two scenarios, where both sides have agreed to settle a transaction: (1) outside of NSCC; and (2) at NSCC, but without SCCP submitting the transaction there.⁵

b. Statutory Basis

SCCP believes that the proposed rule change is consistent with Section 17A of the Act, in general, and with Section 17A(b)(3)(F), in particular, in that it provides for prompt and accurate clearance and settlement of securities transactions, for the removal of impediments to and for the perfection of the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, for the protection of investors and the public interest.

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

SCCP does not believe that the proposed rule change will impose any inappropriate burden on competition.

5. 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.

⁵ SCCP notes that the use of Ex-Clearing Accounts as proposed in this proposed rule change is not limited to trading in Nasdaq securities, but may be used in any situation that otherwise meets the criteria for the use of Ex-Clearing Accounts in this manner.

6. Extension of Time Period for Commission Action

SCCP does not consent to an extension of the time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not Applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits

1. Notice of proposed rule change for publication in the Federal Register.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Stock Clearing Corporation of Philadelphia has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

STOCK CLEARING CORPORATION OF PHILADELPHIA

By: _____

Murray L. Ross
Vice President and President

Date: _____

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-SCCP-2002-07)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Stock Clearing Corporation of Philadelphia to Amend SCCP Rule 11, Ex-Clearing Accounts.

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 _____ 2002, the Stock Clearing Corporation of Philadelphia ("SCCP") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared 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

The Stock Clearing Corporation of Philadelphia, ("SCCP"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),³ and Rule 19b-4 thereunder,⁴ proposes to amend SCCP Rule 11, Ex-Clearing Accounts, to include a transaction in an Ex-Clearing Account whereby both sides have agreed not to transmit the transaction via SCCP to the National Securities Clearing Corporation ("NSCC") for clearing and settlement. The following is the text of the proposed changes to SCCP Rule 11:

Underlining indicates additions; [Brackets indicates deletions]

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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⁴ 17 CFR 240.19b-4

Ex-Clearing Accounts

Rule 11. In an Ex-Clearing Account, SCCP records and confirms a transaction, whereby both sides have agreed to settle the transaction outside any registered [clering] clearing agency mechanism or whereby both sides have agreed not to transmit the transaction to NSCC for clearing and settlement via SCCP. SCCP makes no trade guarantees respecting Ex-Clearing transactions.

II. Self-Regulatory Organization's Statement Regarding the Purpose of, and the 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.

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

1. Purpose

The purpose of this proposed rule change is to facilitate the efficient clearing and settlement of transactions by SCCP Participants who have made their own arrangements to transmit such transactions directly to NSCC.

SCCP anticipates that certain members of the Phlx participating in the Phlx's program to trade Nasdaq securities will make arrangements for the clearing and settlement of their Nasdaq securities trading on the Phlx directly with NSCC. SCCP intends to offer such Phlx members the use of an "Ex-Clearing Account" for this purpose. Currently, SCCP uses Ex-Clearing Accounts in situations where both sides have agreed

to settle a transaction outside any registered clearing agency mechanism (such as NSCC). This is in addition to other accounts offered by SCCP, such as a RIO Account⁵ and a Margin Account.⁶

SCCP now proposes to amend SCCP Rule 11, Ex-Clearing Accounts, to add transactions whereby both sides have agreed not to transmit the transaction to NSCC for clearing and settlement **via SCCP**. Accordingly, both sides could agree to submit a transaction directly to NSCC themselves, in lieu of SCCP doing so. A SCCP Ex-Clearing Account would then be available for the following two scenarios, where both sides have agreed to settle a transaction: (1) outside of NSCC; and (2) at NSCC, but without SCCP submitting the transaction there.⁷

2. Statutory Basis

SCCP believes that the proposed rule change is consistent with Section 17A of the Act, in general, and with Section 17A(b)(3)(F), in particular, in that it provides for prompt and accurate clearance and settlement of securities transactions, for the removal of impediments to and for the perfection of the mechanism of a national system for the

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prompt and accurate clearance and settlement of securities transactions, and, in general, for the protection of investors and the public interest.

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

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 or such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which SCCP consents, the Commission will:

- (A) by order approve such rule change, or,
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 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 Phlx. All submissions should refer to File No. SR-SCCP-2002-07 and should be submitted by [insert 21 days from date of publication].

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

Margaret H. McFarland
Deputy Secretary