

SR-SCCP-2004-02

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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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

Stock Clearing Corporation of Philadelphia (“SCCP”) 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> proposes to amend its schedule of dues, fees and charges to adopt a Trade Ticket Adjustment Fee, which implements a fee ranging from \$50 to \$300 per trade ticket for erroneous trade tickets that create a false margin deficit.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of SCCP’s schedule of dues, fees and charges is attached hereto as Exhibit 2.

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 January 21, 2004.

Questions and comments on the proposed rule change may be directed to Mark I. Salvacion, Director and Counsel, Philadelphia Stock Exchange, Inc., at (215) 496-5126.

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

a. Purpose

The purpose of the proposed rule change is to amend SCCP's schedule of dues, fees and charges to adopt a Trade Ticket Adjustment Fee, which implements a fee ranging from \$50 to \$300 per trade ticket for erroneous trade tickets that create a false margin deficit. Trade ticket adjustments occur whenever a SCCP Margin Member

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

<sup>2</sup> 17 CFR 240.19b-4.

submits a trade ticket for adjustment (correction), due, for example, to clerical errors or missing or incorrect trade tickets. Incorrect trade tickets may cause a false impression of a margin deficiency, thereby resulting in a false margin call.

The recalculation of account margin and the correction of incorrect and/or incomplete trade data using trade ticket adjustments is a manually intensive process that requires special handling and oversight by SCCP staff. Trade ticket adjustments take up considerable SCCP resources, including resources expended in researching the source of a trade ticket error. The Trade Ticket Adjustment Fee would only apply to those trade ticket adjustments that, prior to correction, resulted in a false margin deficiency in the SCCP Margin Member's margin account. The new Trade Ticket Adjustment Fee is intended to be effective on February 1, 2004.

b. Statutory Basis

The proposed rule change is consistent with Section 17A(b)(3)(D) of the Act,<sup>3</sup> which requires that the rules of a registered clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants because it associates the cost of handling and processing erroneous trade tickets with the source of such trade ticket errors. The proposed rule change is also consistent with Section 17A(b)(3)(F) of the Act,<sup>4</sup> which requires that the rules of a registered clearing agency assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible because it will serve to reduce or eliminate false margin calls.

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<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

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.

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)

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>5</sup> and Rule 19b-4(f)(2)<sup>6</sup> thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 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.

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.

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<sup>5</sup> 15 U.S.C. 78(s)(b)(3)(A)(ii).

<sup>6</sup> 17 CFR 240.19b-4(f)(2)

9. Exhibits

1. Notice of proposed rule for publication in the Federal Register.
2. SCCP Fee Schedule.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, 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 Secretary

Date: \_\_\_\_\_

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-SCCP-2004-02)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by Stock Clearing Corporation of Philadelphia Relating to Trade Ticket Adjustment Fees

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 January \_\_, 2004, 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

SCCP, pursuant to Section 19(b)(1) and Rule 19b-4 thereunder,<sup>3</sup> proposes to amend its schedule of dues, fees and charges to adopt a Trade Ticket Adjustment Fee, which implements a fee ranging from \$50 to \$300 per trade ticket for erroneous trade tickets that create a false margin deficit. A copy of SCCP's fee schedule of dues, fees and charges is attached hereto as Exhibit 2.

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

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4

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 the proposed rule change is to amend SCCP's schedule of dues, fees and charges to adopt a Trade Ticket Adjustment Fee, which implements a fee ranging from \$50 to \$300 per trade ticket for erroneous trade tickets that create a false margin deficit. Trade ticket adjustments occur whenever a SCCP Margin Member submits a trade ticket for adjustment (correction), due, for example, to clerical errors or missing or incorrect trade tickets. Incorrect trade tickets may cause a false impression of a margin deficiency, thereby resulting in a false margin call.

The recalculation of account margin and the correction of incorrect and/or incomplete trade data using trade ticket adjustments is a manually intensive process that requires special handling and oversight by SCCP staff. Trade ticket adjustments take up considerable SCCP resources expended in researching the source of a trade ticket error. The Trade Ticket Adjustment Fee would only apply to those trade ticket adjustments that, prior to correction, resulted in a false margin deficiency in the SCCP Margin Member's margin account. The new Trade Ticket Adjustment Fee is intended to be effective on February 1, 2004.

2. Statutory Basis

The proposed rule change is consistent with Section 17A(b)(3)(D) of the Act,<sup>4</sup> which requires that the rules of a registered clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants because it associates the cost of handling and processing erroneous trade tickets with the source of such trade ticket errors. The proposed rule change is also consistent with Section 17A(b)(3)(F) of the Act,<sup>5</sup> which requires that the rules of a registered clearing agency assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible because it will serve to reduce or eliminate false margin calls.

B. 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.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>6</sup> and Rule 19b-4(f)(2)<sup>7</sup> thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 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.

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<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78(s)(b)(3)(A)(ii).

<sup>7</sup> 17 CFR 240.19b-4(f)(2).

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-2004-02. 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of SCCP. All submissions should refer to File No. SR-SCCP-2004-02 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.<sup>8</sup>

Margaret H. McFarland  
Deputy Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).

Exhibit 2New Text Underlined; Deleted Text Bracketed**STOCK CLEARING CORPORATION OF PHILADELPHIA FEE SCHEDULE****1. ACCOUNT FEES**

Maintenance Fee	\$150.00 per month (20 or fewer trades per month) \$250.00 per month(over 20 trades per month) \$650.00 per month (specialist)
Additional Suffix	\$32.00 per month per suffix

**2. TRADE RECORDING FEES (except ECNs+, remote specialists, and QQQ fees)**

Regular Trades	\$ 0.47 per side
PACE Trades <sup>9</sup>	No Charge
Specialist Trades Matching With PACE Trades*	\$0.27 per side for the first 2,500 trades per month \$0.10 per side for trades in excess of 2,500 per month
eVWAP <sup>tm</sup> Trades	\$0.30 per side
Yellow Tickets	\$0.47 per side

**3. VALUE FEES (except ECNs+ and remote specialists)**

Rio Accounts	\$0.05 per \$1,000 of contract value
Margin Accounts*	\$0.035 per \$1,000 of contract value
PACE Trades <sup>1</sup>	None
Maximum Value Charge*	\$25.00 per trade per side

+ECNs shall mean any electronic system that widely disseminates to third parties orders entered therein by an Exchange market maker or over-the-counter (“OTC”) market maker, and permits such orders to be executed against in whole or in part; except that the term ECN shall not include: any system that crosses multiple orders at one or more specified times at a single price set by the ECN (by algorithm or by any derivative pricing mechanism) and does not allow orders to be crossed or executed against directly by participants outside of such times; or, any system operated by, or on behalf of, an OTC market-maker or exchange market-maker that executes customer orders primarily against the account of such market maker as principal, other than riskless principal.

<sup>9</sup> In connection with PACE trades, trade recording fees and value fees apply where an order, after being delivered to the Philadelphia Stock Exchange, Inc. by the PACE system is executed by way of an outbound ITS commitment, when such outbound ITS commitment reflects the PACE order’s clearing information, but do not apply where a PACE trade was executed against an inbound ITS commitment.

**STOCK CLEARING CORPORATION OF PHILADELPHIA FEE SCHEDULE**

**4. SPECIALIST (OTHER THAN REMOTE SPECIALISTS) DISCOUNTS FOR TRADES CLEARED THROUGH A SCCP MARGIN ACCOUNT<sup>10</sup>**

Volume Level Discount (including PACE trades)	Discount Per side
2,501 to 10,000 sides per month	\$0.05
10,001 to 15,000 sides per month	\$0.10
15,001 to 20,000 sides per month	\$0.15
20,001 to 25,000 sides per month	\$0.20
25,001 to 30,000 sides per month	\$0.25
30,001 to 35,000 sides per month	\$0.30
35,001 to 40,000 sides per month	\$0.35
40,001 and over	\$0.40

**5. TREASURY TRANSACTIONS (except ECNs+)**

Per trade transaction	\$40.00 (plus pass through costs)
Per transfer	\$10.00 (plus pass through costs)

**6. MARGIN ACCOUNT INTEREST**

Charge on net debit balances	½% above bank broker call rate
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**7. RESEARCH FEES**

Per photocopy of input forms	\$4.00
Per microfiche copy	\$4.00
Items less than 90 days old	No charge
Items 1 year old or less	\$15.00 per hour
Items over 1 year old	\$15.00 per hour, \$25.00 minimum, plus archive retrieval costs

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<sup>10</sup> For SCCP participant firms engaged in a merger, acquisition, consolidation or other similar business combination, such firms may combine their respective volumes when determining the applicable discount for the month. SCCP Participants eligible for the combined discounts are required to request the combined volume level discounts within 30 days after the issuance of the SCCP invoice for the month in which such business combination occurs.

**STOCK CLEARING CORPORATION OF PHILADELPHIA FEE SCHEDULE****8. COMPUTER TRANSMISSIONS/TAPES**

Purchase and Sale Trade Data (daily)	\$100.00 per month
Purchase and Sale Trades plus T+2 Settling Trades (daily)	\$150.00 per month
Miscellaneous	\$150.00 per month; includes 6 tapes/transmissions
	\$ 25.00 per additional tape/transmission

**9. P&L STATEMENT CHARGES**

\$0.01 per line

**10. BUY-INS**

\$5.00 per item

**11. NASDAQ 100 TRUST, SERIES 1 (“QQQ”), and Standard & Poor’s Depository Receipts® (SPDRs) and DIAMONDS® Exchange Traded Funds (“DIAMONDS® ”).# (except ECNs+)**

Non-Specialist	\$0.30 per trade side (Non-PACE Executions; No Charge for PACE Executions)
Specialist	\$0.50 per trade (for the first 1,000 trades)* \$0.25 per trade (for all subsequent trades, no further volume discounts)*

**12. SCCP TRANSACTION CHARGE (REMOTE SPECIALISTS ONLY)**

\$0.30/round lot trade per side.  
\$0.10/odd-lot trade per side.  
The combination of these fees is capped at \$100,000/month. For purposes of this fee, an odd-lot is defined as a trade under 100 shares, whereas a round-lot is defined as a trade of 100 shares or over.

\*Denotes fees not applicable to Specialist trades matching with PACE trades on the opening.

**STOCK CLEARING CORPORATION OF PHILADELPHIA FEE SCHEDULE****13. Trade Ticket Adjustment Fee**

<u>0 to 5 Trade Ticket adjustments per month</u>	<u>No Charge</u>
<u>6 to 10 Trade Ticket adjustments per month</u>	<u>\$50 per ticket adjustment for tickets 6-10</u>
<u>11 to 15 Trade Ticket adjustments per month</u>	<u>\$100 per ticket adjustment for tickets 11-15</u>
<u>16 to 20 Trade Ticket adjustments per month</u>	<u>\$200 per ticket adjustment for tickets 16-20</u>
<u>21 or more</u>	<u>\$300 per ticket adjustment for tickets in excess of 20</u>

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Except as provided herein with respect to remote specialists, any fees, credits, discounts and other charges applicable to specialists in SCCP's fee schedule will apply to all equity specialists, including competing specialists.