

control of DTC or for which it is responsible and (B) does not significantly affect the respective rights or obligations of DTC or persons using the service because the proposed rule change consists of an interpretation of a prior DTC filing on Form 19b-4. At any time within sixty days of the filing of such 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.

#### 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. 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 section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR-DTC-2001-18 and should be submitted by January 30, 2002.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02-522 Filed 1-8-02; 8:45 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45229; File No. SR-NASD-2001-91]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Establishing Effective Date of Rules Requiring Debt Securities Reporting and Dissemination (TRACE Rules)

January 3, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on December 13, 2001, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, NASD Regulation, Inc. ("NASD Regulation"), 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 by NASD Regulation. NASD Regulation has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule series under paragraph (f)(1) of Rule 19b-4 under the Act.<sup>3</sup> 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

NASD Regulation is filing a proposed rule change to establish July 1, 2002 as the effective date for the new Rule 6200 Series ("TRACE Rules"). The TRACE Rules, when effective, will require NASD members to report secondary market transactions in eligible debt securities to the NASD and will subject certain transaction information to dissemination. The NASD also is proposing to replace the term, "Trade Reporting and Comparison Entry Service" with "Trade Reporting and Compliance Engine." This change preserves the "TRACE" acronym, by which the system is commonly known, while more accurately describing the functions of the TRACE system.<sup>4</sup>

<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(f)(1).

<sup>4</sup> The SEC approved the Rule 6200 Series on January 23, 2001. See Securities Exchange Act Release No. 43873 (January 23, 2001); 66 FR 8131 (January 29, 2001) (SR-NASD-99-65) ("TRACE Approval Order").

Below is the text of the proposed rule change. Proposed new language is *italicized*; proposed deletions are [bracketed].

\* \* \* \* \*

6200. *Trade Reporting and Compliance Engine (Trace)* [Trade Reporting and Comparison Entry Service (Trace)]

6210. Definitions

The terms used in this Rule 6200 Series shall have the same meaning as those defined in the Association's By-Laws and Rules unless otherwise specified.

(a) No change.

(b) The term "*Trade Reporting and Compliance Engine*" ["Trade Reporting And Comparison Entry Service"] or "TRACE" shall mean the automated system owned and operated by the NASD that, among other things, accommodates reporting and dissemination of transaction reports where applicable in TRACE-eligible securities and which may submit "locked-in" trades to National Securities Clearing Corporation for clearance and settlement and provide participants with monitoring and risk management capabilities to facilitate a "locked-in" trading environment.

(c) through (i). No change.

\* \* \* \* \*

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

In its filing with the Commission, NASD Regulation 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. NASD Regulation 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 NASD is filing the proposed rule change to establish July 1, 2002 as the effective date of the TRACE Rules and to substitute the term, "Trade Reporting and Compliance Engine," within the rules for the term, "Trade Reporting and Comparison Entry Service," as discussed in greater detail below.

a. *Effective Date.* The NASD is filing the proposed rule change to establish July 1, 2002 as the effective date of the

<sup>7</sup> 17 CFR 200.30-3(a)(12).

TRACE Rules. The TRACE Rules, when effective, will require NASD members to report secondary market transactions in eligible debt securities to the NASD and will subject certain transaction information to dissemination.

In the TRACE Approval Order, the Commission stated that the effective date of the TRACE Rules should be 180 days after the date that the NASD provided technical specifications concerning TRACE to members to allow members to make the system changes necessary to comply with TRACE.<sup>5</sup> On June 1, 2001, the NASD published technical specifications.<sup>6</sup> Subsequently, the NASD targeted the first day of reporting under the TRACE system as February 4, 2002,<sup>7</sup> which was the time the NASD estimated was needed to complete development of the system, provide members and vendors time to implement the specifications published on June 1, 2001, and avoid the implementation of an industry-wide regulatory program during a major holiday.

The NASD represents that, since the September 11, 2001 terrorist attacks, it has worked with its members to help the securities industry recover from the attacks. As part of this process, the NASD is delaying the TRACE implementation date to allow its members the time they need to re-establish, to the extent possible, normal business operations. The NASD determined that the original February 2002 implementation date would have been a hardship on the industry in its efforts to recover from September 11. Accordingly, the NASD is proposing to implement the TRACE system, including the TRACE Rules, on July 1, 2002.

b. *Renaming the Initiative.* At the same time, the NASD proposes to substitute a new term, "Trade Reporting and Compliance Engine," for the term used for the TRACE system and related rules approved by the SEC on January 23, 2001. The current term, "Trading Reporting and Comparison Entry Service," was developed when the NASD proposed to provide comparison services as part of the TRACE initiative. In the TRACE Approval Order, the Commission noted that the NASD intended to rename the system and the

related rules.<sup>8</sup> By substituting the new term, "Trade Reporting and Compliance Engine," the NASD is able to eliminate the reference to the comparison function, which will no longer be part of TRACE, while preserving the acronym, "TRACE," which is currently in widespread use.

#### (b) Statutory Basis

NASD Regulation believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The NASD's proposed rule change, if approved, will implement existing rules for the reporting and dissemination of information on eligible debt securities transactions. NASD believes that the proposed rule change will provide the NASD, as the self-regulatory organization designated to regulate the over-the-counter markets, with heightened capabilities to regulate the debt securities markets to prevent fraudulent and manipulative acts and practices; and that the proposed rule change, by requiring reporting and dissemination of such transaction information, will protect investors and the public interest by, among other things, increasing transparency in the debt securities markets.

#### (B) *Self-Regulatory Organization's Statement on Burden on Competition*

NASD Regulation does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

#### (C) *Self-Regulatory Organization's Statement on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

#### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has been filed by the Association as a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule series under Rule 19b-4(f)(1) under the Act.<sup>9</sup> It has become effective pursuant to

Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder.

At any time within 60 days of this filing, the Commission may summarily abrogate this proposal 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 purpose of the Act.

#### 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. 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 NASD. All submissions should refer to File No. SR-NASD-2001-91 and should be submitted by January 30, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 02-523 Filed 1-8-02; 8:45 am]

BILLING CODE 8010-01-M

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45225; File No. SR-NASD-2001-55]

#### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the National Association of Securities Dealers, Inc. Relating to Service of Process for Arbitration

January 3, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>5</sup> See Amendment No. 4 to SR-NASD-99-65, dated January 5, 2001, p. 4.

<sup>6</sup> See NASD Regulation web site at <http://www.nasdr.com/trace.htm>.

<sup>7</sup> The NASD clarified the timing of its targeting of the February 4, 2002 date in a telephone conversation between Sharon K. Zackula, Assistant General Counsel, NASD Regulation and Gordon Fuller, Counsel to the Assistant Director, Division of Market Regulation, Commission (January 3, 2002).

<sup>8</sup> TRACE Approval Order, 66 FR 8131, 8132, n. 11.

<sup>9</sup> 17 CFR 240.19b-4(f)(1).

<sup>10</sup> 17 CFR 200.30-(a)(12).