

require filing a report with the Commission, the discrepancies must be reported on Form X-17a-5 as required by Rule 17a-5. Rule 17a-13 exempts broker-dealers that limit their business to the sale and redemption of securities of registered investment companies and interests or participation in an insurance company separate account and those who solicit accounts for federally insured savings and loan associations, provided that such persons promptly transmit all funds and securities and hold no customer funds and securities.

The information obtained from Rule 17a-13 is used as an inventory control device to monitor a broker-dealer's ability to account for all securities held, in transfer, in transit, pledged, loaned, borrowed, deposited or otherwise subject to the firm's control or direction. Discrepancies between the securities counts and the broker-dealer's records alert the Commission and the Self-Regulatory Organizations ("SROs") to those firms having problems in their back offices.

Because of the many variations in the amount of securities that broker-dealers are accountable for, it is difficult to develop a meaningful figure for the cost of compliance with Rule 17a-13. Approximately 91% of all registered broker-dealers are subject to Rule 17a-13. Accordingly, approximately 6,579 broker-dealers have obligations under the Rule, and the average time it would take each broker-dealer to comply with the Rule is 100 hours per year, for a total estimated annualized burden of 657,900 hours. It should be noted that a significant number of firms subject to Rule 17a-13 have minimal obligations under the Rule because they do not hold securities. It should further be noted that most broker-dealers would engage in the activities required by Rule 17a-13 even if they were not required to do so.

Security counts under Rule 17a-13 are mandatory for broker-dealers. If a broker-dealer has security discrepancies that must be recorded in its records, such records must be preserved for a period of no less than three years pursuant to Rule 17a-4(b)(1). Rule 17a-13 does not assure confidentiality for security discrepancy records and reports on Form X-17a-5.¹ Please note that an

agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written Comments regarding the above information should be directed to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10202, New Executive Office Building, Washington, DC 20503; and (ii) Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Comments must be submitted to OMB within 30 days of this notice.

Dated: April 16, 2002.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45764; File No. SR-Amex-2002-10]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment Nos. 1 and 2 Thereto by the American Stock Exchange LLC to Establish Examination Fees on Member Firms for Which the Amex Is the Designated Examining Authority

April 16, 2002.

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 February 28, 2002, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. On March 27, 2002, the Amex amended the proposal.³ The Amex again amended the proposal on April 4,

letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See March 26, 2002 letter from Geraldine M. Brindisi, Vice President and Corporate Secretary, Amex to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), SEC and attachments ("Amendment No. 1"). Amendment No. 1 completely replaces and supersedes the original proposal.

2002.⁴ The Amex has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under section 19(b)(3)(A)(ii) of the Act,⁵ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Amex proposes to amend its Member Fees Schedule to impose quarterly Examination Fees on member firms for which the Amex is the Designated Examining Authority ("DEA"). The text of the proposed rule change is available at the Amex and at the Commission.

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 its proposal and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The Amex 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

For each member firm for which the Amex serves as the DEA pursuant to Rule 17d-1 under the Act,⁶ the Amex proposes to charge an Examination Fee of \$.00040 per dollar of gross revenue, as reported in the firm's FOCUS Report (Form X-17A-5 or replacement form). FOCUS Reports are filed either quarterly or annually. This fee is subject to a quarterly minimum fee of \$750 for firms that engage in public business and \$250

⁴ See April 3, 2002 letter from Michael Cavalier, Associate General Counsel, Amex, to Nancy Sanow, Assistant Director, Division, SEC and attachments ("Amendment No. 2"). In Amendment No. 2, the Amex provided additional language describing the purpose of the proposed rule change, and provided a new Exhibit A that completely replaces and supersedes the previous Exhibits A filed with the Commission. For purposes of calculating the 60-day abrogation period, the Commission considers the abrogation period to have commenced on April 4, 2002.

⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

⁶ 17 CFR 240.17d-1.

¹ The records required by Rule 17a-13 are available only to the examination of the Commission staff, state securities authorities and the SROs. Subject to the provisions of the Freedom of Information Act, 5 U.S.C. 522, and the Commission's rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission does not generally publish or make available information contained in any reports, summaries, analyses,

for firms that do not engage in public business. In order to reduce the potential impact on member firms that operate or are otherwise affiliated with other entities subject to the fee, the Exchange will impose on member firms operating additional entities (e.g., affiliated broker-dealers) 50% of the minimum fees for each additional entity.

The proposed fee is intended to permit the Exchange to recover a portion of the regulatory expenses incurred by the Exchange in its performance of its DEA responsibilities.⁷ The Amex notes that the proposed fee is comparable to member fees imposed by the Chicago Board Options Exchange and New York Stock Exchange in connection with the DEA function of those exchanges.⁸

The proposed fees will be designated "Examination Fees" under the Exchange's Member Fees Schedule, attached as Exhibit A. In addition to adding the Examination Fees, the Member Fees Schedule has been revised to include member fees previously filed with the Commission, including: (1) under revised Section II (Initiation Fees), the Qualifying Membership Retesting Fee,⁹ the Regular and Options Principal Special Transfer (Lease) fee under Article VII, Section 1(c) of the Exchange Constitution;¹⁰ and (2) all fees under revised Section III (Membership Fees), including interim member fees,¹¹ fees for Associate Members and Off-Floor traders,¹² and Specialist Fees.¹³ Former Section III (Permits), which, with the exception of Limited Trading Permit fees, included fees that are no longer applicable and have been

deleted, and former Section IV (Access Fees), which previously included only the electronic access fee, have been consolidated into revised Section III (Membership Fees).

2. Statutory Basis

The Exchange believes that the proposal is consistent with section 6(b) of the Act¹⁴ in general and furthers the objectives of section 6(b)(4) of the Act¹⁵ in particular in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Amex members and issuers and other persons using the Amex's facilities.

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

The Exchange does not believe that the proposed rule change will impose any 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 solicited or received with respect to the proposed rule change.

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

The proposed rule change has become effective pursuant to section 19(b)(3)(A)(ii) of the Act¹⁶ and subparagraph (f)(2) of Rule 19b-4 thereunder,¹⁷ because it establishes or changes a due, fee, or other charge imposed by the Amex. 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.¹⁸

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal 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 Amex. All submissions should refer to file number SR-Amex-2002-10 and should be submitted by May 14, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45770; File No. SR-CHX-2001-26]

Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Automatic and Manual Execution Procedures

April 17, 2002.

I. Introduction

On November 14, 2001, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend its rules to clarify a specialist's obligations relating to the automatic execution of orders and provide guidance regarding a specialist's ability to switch from automatic to manual execution mode. Notice of the proposed rule change was published for comment in the **Federal Register** on February 13, 2002.³ The Commission received no comments with respect to the proposal. This order approves the proposed rule change.

⁷ The fee is not designed to generate revenue. Telephone conversation between Michael Cavalier, Associate General Counsel, Amex, and Joseph Morra, Special Counsel, Division, SEC, April 15, 2002. The Commission expects that the Amex will monitor the fee carefully, and should the Amex collect more than is necessary to offset costs incurred in the performance of its DEA responsibilities, the Commission expects the Amex to adjust the fee.

⁸ See Securities Exchange Act Release Nos. 43144 (August 10, 2000), 65 FR 50258 (August 17, 2000) (SR-CBOE-2000-24) and 20843 (April 9, 1984), 49 FR 15042 (April 16, 1984) (SR-NYSE-84-7).

⁹ Securities Exchange Act Release No. 44286 (May 9, 2001), 66 FR 27187 (May 16, 2001) (SR-Amex-2001-22).

¹⁰ Securities Exchange Act Release Nos. 23823 (November 18, 1986), 51 FR 42955 (November 26, 1986) (SR-Amex-86-28) and 40426 (September 10, 1998), 63 FR 49766 (September 17, 1998) (SR-Amex-98-32).

¹¹ Securities Exchange Act Release No. 43016 (July 7, 2000), 65 FR 44552 (July 18, 2000) (SR-Amex-2000-19).

¹² Securities Exchange Act Release No. 43279 (September 11, 2000), 65 FR 56606 (September 19, 2000) (SR-Amex-2000-44).

¹³ Securities Exchange Act Release No. 45725 (April 10, 2002) (SR-Amex-2002-8).

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(4).

¹⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷ 17 CFR 240.19b-4(f)(2).

¹⁸ See note 4 *supra*.

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 45410 (February 6, 2002), 67 FR 6774.