While the rule G–15 amendment applies only to municipal securities issued after June 1, 2002, the interpretation of rule G–17 applies to all transactions in municipal securities regardless of the date of issuance of the security traded. This helps ensure that all future investors are made aware at or prior to the time of trade that the securities position they are about to purchase is below the minimum denomination and that the liquidity of that position may be adversely affected by this fact.

II. Summary of Comments

The Commission received fifteen comments letters on the proposal.[5] All of the letters received favored the proposal. Collectively, the comment letters asserted that the proposal balanced the enforcement of bondholder protections without impairing liquidity of bonds currently held in unauthorized denominations by unsuspecting investors.[6] All but three of the commenters preferred a retroactive application; nevertheless, they supported the proposal's prospective enforcement of bondholders' protections.[7]

III. Discussion

The Commission must approve a proposed MSRB rule change if the Commission finds that the MSRB's proposal is consistent with the requirements of the Exchange Act and the rules and regulations thereunder that govern the MSRB.[8] The language of section 15(b)(2)(C) of the Exchange Act requires that the MSRB's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, to foster cooperation and coordination with persons engaged in regulating, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national system, and, in general, to protect investors and the public interest.[9]

After careful review, the Commission finds that the MSRB's proposed rule change concerning minimum denominations meets this standard. The minimum denominations proposal consists of an amendment to MSRB Rule G–15 on confirmation, clearance and settlement of transactions with customers, an amendment to MSRB Rule G–8 on books and records to be made by brokers, dealers and municipal securities dealers, and an interpretation of MSRB Rule G–17 on conduct of municipal securities activities. The Commission believes that this proposed rule change is consistent with the requirements of the Exchange Act, and the rules and regulations thereunder, in particular, section 15B(b)(2)(C).

IV. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Exchange Act that the proposed rule change (SR–MSRB–2001–07) be, and hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–2588 Filed 2–13–02; 8:45 am]

BILLING CODE 8010–01–P

[5] See letter from Rebecca Floyd, Executive Vice President and General Counsel, Kansas Development Finance Authority to Office of the Secretary, Commission, dated January 14, 2002; letter from Neil P. Moss, Executive Director, Idaho Health Facilities Authority to Office of the Secretary, Commission, dated January 14, 2002; letter from Corinne M. Johnson, Executive Director, Colorado Health Facilities Authority to Office of the Secretary, Commission, dated January 14, 2002; letter from Edith F. Behr, President, National Council of Health Facilities Finance Authorities to Office of the Secretary, Commission, dated January 14, 2002; letter from Edith F. Behr, Executive Director, New Jersey Health Care Facilities Financing Authority to Office of the Secretary, Commission, dated January 14, 2002; letter from Larry Nines, Executive Director, Wisconsin Health and Educational Facilities Authority to Office of the Secretary, Commission, dated January 15, 2002; letter form Christopher B. Taylor, Auditor and Advisor, Department of Health and Human Services, The North Carolina Medical Care Commission to Office of the Secretary, Commission, dated January 15, 2002; letter from Don A. Templeton, Executive Director, South Dakota Health and Educational Facilities Authority to Office of the Secretary, Commission, dated January 15, 2002; letter from Robert E. Donovan, Executive Director, Rhode Island Health and Educational Building Corporation to Office of the Secretary, Commission, dated January 15, 2002; letter from David C. Bliss, Executive Director, New Hampshire Health and Education Facilities Authority to Office of the Secretary, Commission, dated January 15, 2002; letter from Malcolm S. Rode, Executive Director, Vermont Educational and Health Buildings Financing Agency, dated January 15, 2002; letter from Jill H. Tanner, Executive Director, Indiana Health Facilities Financing Authority to Office of the Secretary, Commission, dated January 16, 2002; letter from Kim Herman, Executive Director, Washington Higher Education Facilities Authority to Office of the Secretary, Commission, dated January 16, 2002; letter from Mary R. Jeka, Acting Executive Director, Massachusetts Health and Educational Facilities Authority to Office of the Secretary, Commission, dated January 16, 2002; and letter from Michael J. Stanard, Executive Director, Missouri Health and Educational Facilities Authority to Office of the Secretary, Commission, dated January 16, 2002.

[6] *See* note 4, *supra*.

[7] *See* note 4, *supra* (not including the letter from Missouri Health and Educational Facilities Authority; the letter from National Council of Health Facilities Finance Authority, and the letter from Washington Higher Education Facilities Authority).

[8] Additionally, in approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[9] 15 U.S.C. 78o–4(b)(2)(c).

[10] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–45421; File No. SR–Phlx–2001–114]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Aggregation of Individual Violations of Exchange Order Handling Rules and Option Floor Procedure Advices

February 7, 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 December 18, 2001, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') 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 the Exchange. 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 Exchange proposes to amend Exchange Rule 960.2(f), Determination to Initiate Charges, and Exchange Rule 970 concerning the Exchange's minor rule violation enforcement and reporting plan (''Minor Rule Plan''),[3] by clarifying that the Exchange may aggregate, or ''batch,'' individual violations of Exchange order handling rules and Option Floor Procedure

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Exchange Rule 970 sets forth the criteria for the imposition of a fine (not to exceed $2,500) on any member, member organization, or any partner, officer, director or person employed by or associated with any member or member organization, for any violation of a Floor Procedure Advice, which violation the Exchange shall have determined is minor in nature. Such a fine is imposed in lieu of commencing a ''disciplinary proceeding'' as that term is used in Exchange Rules 960.1–960.12. Minor Rule Plan fines are subject to Rule 19d–1 under the Act.

Advices (''OFPAs'')[4] and consider such ''batched'' violations as a single offense.

The proposed rules would also expressly provide that, as an alternative to ''batching'' of order handling violations, in certain circumstances in which the Exchange determines that there exists a pattern or practice of violative conduct without exceptional circumstances, or when any single instance of violative conduct without exceptional circumstances is deemed to be egregious, the Exchange may refer the matter to the Business Conduct Committee (''BCC'') for possible disciplinary action.

The text of the proposed rule change is available at the Phlx's Office of the Secretary 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 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. The Exchange 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 clarify that the Exchange may consider an aggregate number of violations of order handling rules and OFPAs[5] as one single offense for purposes of initiating disciplinary action under Exchange rules, or imposing fines pursuant to fine schedules set forth in the relevant OFPAs under the Exchange's Minor Rule Plan.[6] The Exchange believes that such aggregation of order handling violations would enable the Exchange's Market Surveillance Department to identify, through exception reporting and through on-floor surveillance,[7] members and member organizations that fail to meet acceptable compliance thresholds for such rules and OFPAs, and to determine whether to impose fines pursuant to the Exchange's Minor Rule Plan or refer the matter to the BCC for consideration of formal disciplinary action.[8]

The proposed rule change contemplates that aggregation of order handling violations in every instance may not be appropriate. The proposed rule change provides two alternatives to aggregation. First, the Exchange may refer the matter to the BCC for possible disciplinary action when the Exchange determines that there exists a pattern or practice of violative conduct without exceptional circumstances. The Exchange believes that the provision relating to a pattern or practice of order handling violations would enable it to identify and discipline repeat offenders, and should ultimately deter such conduct and encourage member organizations to remain compliant with the requirement.

As a second alternative to aggregation, the proposed rules would provide that, when any single instance of violative conduct without exceptional circumstances is deemed to be egregious, the Exchange may refer the matter to the BCC for possible disciplinary action. The Exchange could determine that a single instance of violative conduct is so flagrant that such an instance would not be appropriate for aggregation under the proposed rule change.[9] The Exchange believes that this provision would allow it to discipline egregious offenders appropriately and expeditiously when the offense rises above the aggregation threshold.

The Exchange believes that the aggregation proposal, in conjunction with the alternatives to aggregation relating to a pattern or practice of order handling violations or an egregious order handling violation, provide it with the means to enforce Exchange order handling rules in a manner that should ultimately deter such conduct and result in fewer violations.

(2) Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,[10] in general, and furthers the objectives of section 6(b)(5) of the Act,[11] in particular, in that it is designed to perfect the mechanisms of a free and open market and the national market system, protect investors and the public interest and promote just and equitable principles of trade by codifying the way in which order handling violations will be enforced.

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

The Exchange 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

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 of such date if it finds such longer period to be appropriate and

[4] The Exchange has agreed to amend the proposed rule change to clarify that ''batching'' of violations can only occur where the Exchange uses automated surveillance to detect violations. *See* telephone conversation between Edith Hallahan, First Vice President and Deputy General Counsel, Phlx, and Deborah Lassman Flynn, Assistant Director, Division of Market Regulation (''Division''), Commission, on February 7, 2002.

[5] Specifically, the Exchange proposes to ''batch'' violations of Exchange Rules 1051 (concerning the requirement that a member or member organization initiating an options transaction must report or ensure that the transaction is reported within 90 seconds of execution to the tape) and Exchange Rule 1082 (concerning the requirement that quotes be firm for both price and size, and the requirement that marketable orders received in a size greater than the disseminated size be executed in their entirety or up to the disseminated size within 30 seconds); OFPA A–1 (concerning the requirement that a specialist shall use due diligence to ensure that the best available bid and offer is displayed for those option series in which he is assigned); OFPA F–2 (the aforementioned 90-second trade reporting requirement under the Exchange's Minor Rule Plan); and other OFPAs, pursuant to its Numerical Criteria for Bringing Cases for Violation of Phlx Order Handling Rules.

[6] The Exchange filed this proposed rule change in accordance with the provisions of Section IV.B.i of the Commission's September 11, 2000 Order Instituting Administrative Proceedings Pursuant to Section 19(h)(1) of the Act, which required the Exchange to adopt rules establishing, or modifying existing, sanctioning guidelines such that they are reasonably designed to effectively enforce compliance with options order handling rules. *See* Securities Exchange Act Release No. 43268 (September 11, 2000), Administrative Proceeding File No. 3–10282 (the ''Order'').

[7] *See supra* note 4.

[8] The Exchange submitted to the Commission a letter, for which it requested confidential treatment, proposing how its regulatory staff would aggregate violations of the order handling rules, where the violations are identified through the Exchange's automated surveillance system. *See* letter from Anne Exline Starr, First Vice President Regulatory Group, Phlx, to John McCarthy, Associate Director, Office of Compliance, Inspections and Examinations, Commission, and Deborah Lassman Flynn, Assistant Director, Division, Commission, dated January 30, 2002.

[9] For example, the Exchange states that in the event that it discovers through investigation that a single violation or a pattern or practice of violations of Exchange order handling rules is the result of intentional conduct on the part of a member organization, nothing would preclude the Exchange from referring such a matter directly to the Business Conduct Committee for possible disciplinary action.

[10] 15 U.S.C. 78f(b).

[11] 15 U.S.C. 78f(b)(5).

publishes its reasons for so finding, or (ii) as to which the Exchange consents, the Commission will:

A. By order approve such proposed rule change; or

B.Institute proceedings to determine whether the proposed rule change should be disapproved.

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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–Phlx-2001–114 and should be submitted by March 7, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[12]

Margaret H. McFarland,

Secretary.

[FR Doc. 02–3630 Filed 2–13–02; 8:45 am]

BILLING CODE 8010–01–U

[12] 17 CFR 200.30–3(a)(12).

DEPARTMENT OF TRANSPORTATION

Office of the Secretary

Sunrise Airlines, Inc. d/b/a Flair Airlines of its Intent To Resume Operations

AGENCY: Office of the Secretary, Department of Transportation.

ACTION: Notice of Order to Show Cause (Order 2002–2–5) Docket OST–2001–8695.

SUMMARY: The Department of Transportation is directing all interested persons to show cause why it should not issue an order finding Sunrise Airlines, Inc., fit, willing, and able to resume scheduled passenger operations as a commuter air carrier, subject to conditions.

DATES: Persons wishing to file objections should do so no later than February 22, 2002.

ADDRESSES: Objections and answers to objections should be filed in Docket OST–2001–8695 and addressed to the Department of Transportation Dockets (SVC–124, Room PL–401), U.S. Department of Transportation, 400 Seventh Street, SW., Washington, DC 20590, and should be served upon the parties listed in Attachment A to the order.

FOR FURTHER INFORMATION CONTACT: Ms. Delores King, Air Carrier Fitness Division (X–56, Room 6401), U.S. Department of Transportation, 400 Seventh Street, SW., Washington, DC 20590, (202) 366–2343.

Dated: February 8, 2002.

Read C. Van De Water,

Assistant Secretary for Aviation, and International Affairs.

[FR Doc. 02–3620 Filed 2–13–02; 8:45 am]

BILLING CODE 4910–62–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

[Summary Notice No. PE–2002–11]

Petitions for Exemption; Summary of Petition Received

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of petition for exemption received.

SUMMARY: Pursuant to FAA's rulemaking provisions governing the application, processing, and disposition of petitions for exemption part 11 of Title 14, Code of Federal Regulations (14 CFR), this notice contains a summary of certain petitions seeking relief from specified requirements of 14 CFR, dispositions of certain petitions previously received, and corrections. The purpose of this notice is to improve the public's awareness of, and participation in, this aspect of FAA's regulatory activities. Neither publication of this notice nor the inclusion or omission of information in the summary is intended to affect the legal status of any petition or its final disposition.

DATES: Comments on petitions received must identify the petition docket number involved and must be received on or before March 6, 2002.

ADDRESSES: Send comments on any petition to the Docket Management System, U.S. Department of Transportation, Room Plaza 401, 400 Seventh Street, SW., Washington, DC 20590–0001. You must identify the docket number FAA–2001–11097 at the beginning of your comments. If you wish to receive confirmation that FAA received your comments, include a self-addressed, stamped postcard.

You may also submit comments through the Internet to *http://dms.dot.gov*. You may review the public docket containing the petition, any comments received, and any final disposition in person in the Dockets Office between 9:00 a.m. and 5:00 p.m., Monday through Friday, except Federal holidays. The Dockets Office (telephone 1–800–647–5527) is on the plaza level of the NASSIF Building at the Department of Transportation at the above address. Also, you may review public dockets on the Internet at *http://dms.dot.gov*.

FOR FURTHER INFORMATION CONTACT: Sandy Buchanan-Sumter (202) 267–7271, Office of Rulemaking (ARM–1), Federal Aviation Administration, 800 Independence Avenue, SW., Washington, DC 20591.

This notice is published pursuant to 14 CFR §§ 11.85 and 11.91.

Issued in Washington, DC, on February 11, 2002.

Donald P. Byrne,

Assistant Chief Counsel for Regulations.

Petitions for Exemption

Docket No.: FAA–2001–11097.
Petitioner: Business Jet Services.
Section of 14 CFR Affected: 14 CFR § 135.145.
Description of Relief Sought: To permit Business Jet Services to place turbo-jet airplanes in service without conducting proving flights.

[FR Doc. 02–3637 Filed 2–13–02; 8:45 am]

BILLING CODE 4910–13–M

DEPARTMENT OF TRANSPORTATION

Research and Special Programs Administration

[RSPA–2002–11270, Notice No. 02–4]

Advisory Notice; Enhancing the Security of Hazardous Materials in Transportation

AGENCY: Research and Special Programs Administration (RSPA), DOT.

ACTION: Advisory notice.

SUMMARY: This notice advises shippers and carriers of voluntary measures to enhance the security of hazardous materials shipments during