members and members organizations explaining the unique characteristics and risks of this particular type of security. The circular also will note the Exchange members' prospectus or product description delivery requirements, and highlight the characteristics of purchases in a particular series of IPRs or IPSs. The circular also will inform CBOE members and members organizations that in addition to the requirements of amended CBOE Rules 31.5L (for IPRs) and 31.5M (for IPSs), IPR and IPSs will be subject to Exchange procedures and rules comparable tothose applied to existing IPRs and IPSs. The Commission believes that these requirements ensure adequate disclosure to investors about the terms and characteristics of a particular series of IPR or IPS and is consistent with section 6(b)(5) of the Act.[32]

The Commission finds good cause for approving the proposed rule change, as amended, prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register** pursuant to section 19(b)(2) of the Act.[33] Because the proposed rule change, as amended, conform the CBOE's rules to existing rules recently adopted by the Amex and the Chicago Stock Exchange,[34] the proposed rule change raises no new material regulatory issues. Accordingly, the Commission believes it is appropriate to permit investors to benefit from the flexibility afforded by these new instruments by trading them as soon as possible. Accordingly, the Commission finds that there is good cause, consistent with section 6(b)(5) of the Act,[35] to approve the proposal on an accelerated basis.

V. Conclusion

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,[36] that the proposed rule change (SR–CBOE–00–51) and Amendment Nos. 1 and 2 thereto, are hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[37]

Margaret H. McFarland,

Deputy Secretary

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[32] *Id.*

[33] 15 U.S.C. 78s(b)(1).

[34] *See supra* note 26.

[35] 15 U.S.C. 78s(b)(5).

[36] 15 U.S.C. 78s(b)(2).

[37] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44045; File No. SR–CBOE–00–37]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 3 and 4 Thereto by the Chicago Board Options Exchange, Inc. Amending the Minor Rule Violation Plan

March 7, 2001.

I. Introduction

On August 11, 2000, the Chicago Board Options Exchange, Inc. (''CBOE'' or the ''Exchange'') filed with the Securities and exchange Commission (''SEC'' or ''Commission''), 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 relating to the reporting of options transactions and amending the Exchange's minor rule violation plan. The CBOE filed Amendment No. 1 to the proposed rule change on August 23, 2000.[3] On September 6, 2000, the CBOE filed Amendment No. 2 to the proposed rule change.[4] The **Federal Register** published the proposed rule change for comment on September 25, 2000, and the same time the Commission approved on an accelerated basis the portion of the proposal that amended CBOE Rule 6.51 relating to the reporting of trades.[5] The Commission received no comments on the proposal amending the CBOE's minor rule violation plan. The Exchange filed Amendment Nos. 3[6] and 4[7] to the proposed rule change on October 25, 2000 and February 23, 2001, respectively. This order approves the portion of the proposal, as amended, relating to the CBOE's minor rule violation plan, and solicits comments on Amendment Nos. 3 and 4.

II. Description of Proposal

The proposal would revise CBOE Rule 17.50 to consolidate the failure to submit accurate trade information under CBOE Rule 17.50(g)(4) and the failure to submit trade information to the price reporter under CBOE Rule 17.50(g)(5). The Exchange also proposes to eliminate Interpretation and Policy .02 of CBOE Rule 17.50, because under the proposed rule change, the surveillance for late trade reports would be conducted pursuant to Interpretation and Policy .01 of CBOE Rule 6.51.

Moreover, the proposal would revise the time period within which a member served with a written statement pursuant to CBOE Rule 17.50(b) could request verification of the fine to fifteen days after the date of service of the written statement. The proposal would also require the Exchange to attempt to serve members with a written statement within the month immediately following the month in which the alleged violations occurred.

The Exchange also proposes to amend CBOE Rule 17.50(b) by deleting the requirement that the Exchange contemporaneously send a copy of the written statement served on members fined pursuant to CBOE Rule 17.50 to the clearing member previously designated by the member pursuant to CBOE Rule 3.23.

Finally, the Exchange proposes to issue a Regulatory Circular to its membership notifying members that they could not defend against a fine imposed pursuant to CBOE Rule 17.50(g)(4) by claiming that a transaction time was inaccurately keypunched because an order ticket was

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

[2] 17 CFR 240.19b–4.

[3] *See* letter from Jamie Galvan, Attorney, Legal Division, CBOE, to Deborah Flynn, Senior Special Counsel, Division of Market Regulation (''Division''), Commission, dated August 22,2000 (''Amendment No. 1''). Amendment No. 1 moves certain proposed language from Interpretation and Policy .01 of CBOE Rule 6.51 to the body of Rule 6.51 to confirm that a member's failure to report an options transaction within 90 seconds would be considered a violation of proposed CBOE Rule 6.51. Amendment No. 1 also requests accelerated approval of the portion of the proposal that amended CBOE Rule 6.51.

[4] *See* letter from Jamie Galvan, Attorney, Legal Division, CBOE, to Deborah Flynn, Senior Special Counsel, Division, Commission, dated September 5, 2000 (''Amendment No. 2''). In Amendment No. 2, the CBOE confirmed that the failure to report an options transaction within 90 seconds of execution would be considered a violation of CBOE Rule 6.51. Amendment No. 2 also deletes footnote 5 to Exhibit 1, which defined the term ''offense'' for purposes of CBOE Rule 17.50(g)(4) as the first instance that a pattern or practice of late reporting or failure to report has been determined. In Amendment No. 2, the Exchange proposes to add a similar footnote to the text of CBOE Rule 17.50(g)(4).

[5] Securities Exchange Act Release No. 43250 (Sept. 6, 2000), 65 FR 57636.

[6] *See* letter from Jamie Galvan, Attorney, Legal Division, CBOE, to Deborah Flynn, Senior Special Counsel, Division, Commission, dated October 24, 2000 (''Amendment No. 3''). Amendment No. 3 proposes to reserve paragraph (g)(5) of Rule 17.50 and renumbers various provisions of the rule accordingly.

[7] *See* letter from Jamie Galvan, Attorney, Legal Division, CBOE, to Deborah Flynn, Senior Special Counsel, Division, Commission, dated February 22, 2001 (''Amendment No. 4''). Amendment No. 4 withdraws proposed amendments to CBOE Rule 17.50(g)(4)(a) to increase the fine levels for failures to submit trade information on time and to increase the time frames used for determining fine amounts for multiple violations. Amendment No. 4 also withdraws the proposed policy that market makers who do not use hand held terminals may not request verification of fines imposed under CBOE Rule 17.50(g)(4)

illegible. The proposed Regulatory Circular would also inform the membership of the proposed amendments to CBOE Rules 6.51 and 17.50.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[8] Specifically, the Commission believes that the proposed rule change is consistent with the Security 6(b)(5)[9] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission also believes that the proposed rule change is consistent with Section 6(b)(6) of the Act,[10] which requires the rules of an exchange to appropriately discipline members and associated persons for violations of the Act and the rules of the exchange.

The Commission believes that the proposal will help to ensure that options transactions are reported on time by clarifying that fines will be imposed upon market makers and floor brokers who fail to submit trade information in accordance with CBOE Rule 6.51. The Commission believes that the proposed rule change appropriately disciplines members and associated persons because the proposal defines the scope of the prohibited conduct, provides notice to members and staff, and is tailored to serve a legitimate Exchange regulatory interest.

In addition, the Commission believes that reducing the time period within which a member fined pursuant to CBOE Rule 17.50(b) can request a verification of the find from twenty-five to fifteen days provides members with sufficient time within which to request a fine verification. Moreover, the Commission believes that it is reasonable to eliminate the requirement that the Exchange contemporaneously send a copy of the written statement served on members fined pursuant to CBOE Rule 17.50(b) to the clearing member previously designated by the member because, according to the Exchange, clearing members are now notified of the fine through the Exchange's automated billing system.

Finally, the Commission believes that prohibiting members from defending against fines imposed under CBOE Rule 17.50(g)(4) by claiming that a transaction time was inaccurately keypunched because of illegible handwriting should encourage legible handwriting and help to prevent inaccurate keypunching.

The Commission finds good cause to approve Amendment Nos. 3 and 4 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing of the amendments in the **Federal Register**. Amendment No. 3 amends the proposed rule language to reserve rather than delete paragraph (g)(5) of CBOE Rule 17.50. Amendment No. 4 withdraws certain portions of the proposed rule change. The Commission believe that these amendments merely make minor changes and do not alter the substance of the proposal. Accordingly, the Commission believes that there is good cause, consistent with Sections 6(b)(5) and 19(b) of the Act,[11] to approve Amendment Nos. 3 and 4 to the proposal on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment Nos. 3 and 4, including whether the amendments are consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submission should refer to the File No SR–CBOE–00–37 and should be submitted by April 5, 20001.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR–CBOE–00–37), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

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[8] In approving the proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78f(b)(6).

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

[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44052; File No. SR–NASD–01–13]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Amendments to the By-Law Definitions of ''Broker'' and ''Dealer''

March 8, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4[2] thereunder, notice is hereby given that on March 6, 2001, the National Association of Securities Dealers, Inc. (''NASD''), 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 ''non-controversial'' rule change under paragraph (f)(6) of Rule 19b–4 under the Act,[3] which renders the proposal effective upon receipt of this filing by the Commission. 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

NASD Regulation is proposing to amend the definitions of ''broker'' and ''dealer'' in Article I of the By-Laws of NASD Regulation to conform with the recent changes to the definitions of ''broker'' and ''dealer'' in the Act, as amended by the Gramm-Leach-Bliley Act of 1999 (''GLBA'').[4] Specifically, Title II of the GLBA eliminates the long-standing general exception for banks

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

[2] 17 CFR 240.19b–4.

[3] 17 CFR 240.19b–4(f)(6).

[4] Pub. L. 106–102, 113 Stat. 1338 (1999).