

Spread Order is represented at the primary trading station or concurrent with the announcement of such order, the member initiating the order must contact the Order Book Official or the DPM, as applicable, at the other trading station. This change is required due to the fact that the MNX, NDX, OEF, and QQQ trading crowds are DPM trading crowds.

As is currently the case, paragraph (b)(iii) of CBOE Rule 24.19 will provide that a member holding a Multi-Class Spread Order that is priced net in a multiple of the minimum increment will have priority over bids and offers in the trading crowd if both legs of the spread would trade at a price that is at least equivalent to quotes in the crowd. Similarly, such an order will have priority over bids and offers in the customer limit order books so long as: (1) No leg of the order would trade at a price outside the currently displayed bids or offers, or bids or offers in the customer limit order book; and (2) at least one leg of the order would trade at a price that is better than the corresponding bid or offer in one of the books.

The Exchange believes that expanding the application of CBOE Rule 24.19 to the products and spread orders listed above, so that both legs of such spread orders can be executed at the same post, will result in tighter and more competitive markets for such orders, benefiting both customers and traders.

2. Statutory Basis

CBOE believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) Act¹⁰ in that it is designed to perfect the mechanisms of a free and open market and to protect investors and the public interest. CBOE believes that the proposed rule will further these statutory goals by allowing for the efficient conduct of Multi-Class Broad-Based Index Option Spread Orders that will be beneficial to both customers and traders.

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

CBOE does not believe that the proposed rule change will impose a burden on competition that is not necessary or appropriate in furtherance of purposes of the Act.

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

CBOE has asserted that, because the foregoing proposed rule change does not (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) become operative for 30 days from the date on which it was filed (or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest), it has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹² In addition, CBOE gave the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change. 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 the 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 provision 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-CBOE-2001-53 and should be submitted by November 2, 2001.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44849; File No. SR-GSCC-00-10]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving Proposed Rule Change Relating to the Submission of Repo Collateral Substitutions

September 25, 2001.

On September 11, 2000, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ a proposed rule change (File No. GSCC-00-10) and on November 20, 2000, and August 28, 2001, amended the proposed rule change.² Notice of the proposal was published in the **Federal Register** on January 11, 2001.³ No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change enables GSCC to reduce the risk to itself and its members caused by the repurchase ("repo") collateral substitution process. Due to a variety of reasons, this process has recently stressed GSCC's and its inter-dealer broker members' operational infrastructures, and has caused undue fail-financing expenses for other members. GSCC's new rules relating to repo collateral substitutions processes and the fees associated with such substitutions will prohibit certain practices and will impose an additional

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Because the second amendment merely modified the language in GSCC's rule to better reflect what was discussed and comment requested on in the notice, notice of the amendment and comment is not required.

³ Securities Exchange Act Release No. 43794 (January 3, 2001), 66 FR 2466.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹⁰ 15 U.S.C. 78f(b)(5).

risk management measure on the repo substitution process.

First, GSCC will amend Rule 18 (“Special Provisions for Repo Transactions”), its Schedule of Timeframes, and its Fee Schedule to initially impose: (i) a deadline of noon (12:00 p.m. for the submission of repo collateral substitution notifications after which time the dealer member that initiated the substitution will be subject to a late fee of \$500 per substitution notification and (ii) an absolute deadline of 12:30 p.m. for the submission of repo collateral substitution notifications after which time GSCC will reject the substitution notification.⁴ GSCC will extend these submission deadlines by one hour on those days that The Bond Market Association announces in advance will be extraordinary volume days. All required information must be included in the substitution notification in order for it to be deemed to be received by the deadlines. Substitution notifications or amendments will no longer be accepted verbally but instead will only be accepted through the use of GSCC’s designated messaging utility that is available to all repo-netting participants.

Second, GSCC will revise Rule 12 (“Securities Settlement”) to make clear that the use of reversal codes in certain situations is improper and that members may not use a reversal code for a securities delivery obligation to GSCC unless the member has obtained GSCC’s prior consent. The rule change also provides that if GSCC is required to obtain overnight financing with respect to securities delivered in violation of this new rule, the entire amount of the financing cost will be borne by the offender.⁵

Third, for risk management reasons, GSCC will amend Rule 18 to add a requirement that all collateral substitutions with regard to repos that are on GSCC’s books pending settlement must be made through GSCC.

Fourth, GSCC will amend Section 4 of Rule 18 to permit a repo broker to submit a repo collateral substitution. As

part of this change, GSCC will add the definition of repo broker to its definitions under Rule 1. A repo broker will be defined as an inter-dealer broker or a division or other separate operating unit within a dealer netting member that operates in the same manner as a broker and that participates in GSCC’s repo netting service pursuant to the same requirements imposed under Rule 15 governing special provisions for certain netting members and Rule 19 governing special provisions for brokered repo transactions.

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Section 17A(b)(3)(F)⁶ of the Act, which requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The commission finds that GSCC’s rule change meets these conditions because it implements procedures designed to prohibit practices that pose risk and operational difficulties to GSCC.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–GSCC–00–10) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44910; File No. SR–NASD–2001–67]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Nasdaq National Market Execution System Fees and the Introduction of a Liquidity Provider Rebate for NASD Members

October 5, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 4, 2001, the National Association of Securities Dealers, Inc. (“NASD” or “Association”), through its subsidiary, The Nasdaq Stock Market, Inc. (“Nasdaq”), 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 Nasdaq. Nasdaq has designated this proposal as one establishing or changing a due, fee or other charge imposed by the self-regulatory organization under Section 19(b)(3)(A)(ii) of the Act, which renders the rule effective upon filing with the Commission.¹ 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

This is a rule change, on a pilot basis, to: (1) increase the per share charge for use of the Nasdaq National Market Execution System (“NNMS” or “SuperSOES”); and (2) introduce a liquidity provider rebate. Nasdaq has designated this proposal as one establishing or changing a due, fee, or other charge imposed by a self-regulatory organization, and therefore the proposed rule change is effective upon filing as applied to NASD members. The rule change will become operative on a pilot basis, commencing on November 1, 2001 and ending on October 31, 2002.² During the pilot

¹ The NASD filed an amendment to the filing on October 5, 2001. The substance of the amendment has been incorporated into this notice. See letter to Katherine A. England, Assistant Director, Commission, from John M. Yetter, Assistant General Counsel, Nasdaq, (October 4, 2001).

² Nasdaq also filed a companion rule filing (SR–NASD–2001–68) to apply the per share charge

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⁴ The 12 p.m. deadline is one hour after which time the broker should have received all of the requisite substitution information under The Bond Market Association guidelines. In the future, GSCC may change these deadlines depending on market practice. Prior to making any such change, GSCC will make an appropriate filing under Section 19 of the Act and Rule 19(b)(4) thereunder and notify its members in advance.

⁵ A GSCC member may continue to use a reversal code under circumstances where it wishes to indicate to GSCC (where GSCC is the initiating party of a securities delivery to the member) that it “does not know” (“DK”) the transaction. For example, if GSCC sends a securities delivery to a member in error, it is appropriate for the member to DK such delivery.

⁶ 15 U.S.C. 78q–1(b)(3)(F).

⁷ 17 CFR 200.30–3(a)(12).