

ensure that the Manager complies with the Fund's investment objectives, policies, and restrictions.

8. No Trustee, director, or officer of the Funds or officer or director of the Adviser will own directly or indirectly (other than through a pooled investment vehicle over which such person does not have control) any interest in a Manager except for (a) ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Manager or an entity that controls, is controlled by, or is under common control with a Manager.

9. Each Fund will disclose in its registration statement the Aggregate Fees.

10. Independent counsel knowledgeable about the Act and the duties of Independent Trustees will be engaged to represent the Independent Trustees. The selection of such counsel will be within the discretion of the then-existing Independent Trustees.

11. The Adviser will provide the Board, no less frequently than quarterly, with information about the Adviser's profitability on a per-Fund basis. This information will reflect the impact on the profitability of the hiring or termination of any Manager during the applicable quarter.

12. Whenever a Manager is hired or terminated, the Adviser will provide the Board information showing the expected impact on the Adviser's profitability.

13. For any Fund that compensates a Manager directly, any change to a Subadvisory Agreement that would result in an increase in the overall management and advisory fees payable by the Fund will be required to be approved by the shareholders of the Fund.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 02-4839 Filed 2-27-02; 8:45 am]

BILLING CODE 8010-01-P

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-45464; File No. SR-ISE-2002-03]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the International Securities Exchange LLC To Amend Its Rules Relating to Ratio Orders**

February 21, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 12, 2002, the International Securities Exchange LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the ISE. ISE filed the proposed rule change pursuant to section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with 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 Change**

The Exchange is proposing to amend Rule 722 to permit a spread, straddle, or combination order that consists of legs that have a different number of contracts as long as the number of contracts differ by a ratio of 0.5 or greater. Below is the text of the proposed rule change. New text is in *italics*. Proposed deletions are in [brackets].

\* \* \* \* \*

*International Securities Exchange LLC*  
Rules

\* \* \* \* \*

*Rule 722. Complex Orders*

(a) Complex Orders Defined. A complex order is any order for the same account as defined below.

\* \* \* \* \*

(6) Ratio Order. A spread, straddle or combination order may consist of *legs that have* a different number of contracts, so long as the number of contracts differs by a permissible ratio. For purposes of this paragraph, a permissible ratio of contracts is any [of

the following: one-to-one, one-to-two and two-to-three.] *ratio that is equal to or greater than .5. For example, a one-to-two ratio (which is equal to .5) and a six-to-ten ratio (which is equal to .6) are permitted, but a one-to-three ratio (which is equal to .33) is not.*

\* \* \* \* \*

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

In its filing with the Commission, ISE 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 ISE 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

ISE Rule 722(a)(6) provides that the legs of a spread, straddle, or combination order can consist of different number of contracts, so long as the number of contracts differs by a permissible ratio. The permissible ratios are defined as one-to-one (100%), two-to-three (67%) and one-to-two (50%). Thus, the lowest percentage ratio currently permitted by Rule 722(a)(6) is 50%.

The Exchange proposes to redefine the permissible ratios as any ratio whose percentage is equal to or greater than 0.5 (*i.e.*, 50%). This proposed change would permit ratios between 100% and 50% other than the current two-to-three ratio, but would not change the minimum percentage currently permitted under the rule. For example, a one-to-two ratio (which is equal to 0.5) and a six-to-ten ratio (which is equal to 0.6) will be permitted, but a one-to-three ratio (which is equal to 0.33) will not.

Currently, there is only one ratio between 100% and 50% allowed under the Rule—two- to three (67%). However, ISE members have indicated that their trading and hedging models often produce inexact ratios, and that the rule is unnecessarily restrictive in an electronic trading environment. As the ISE trading system has the capability to accept all ratios, the Exchange believes it is arbitrary to restrict which ratios may be entered between 100% and 50%. Moreover, ISE believes that there is no regulatory reason why a two-to-

<sup>1</sup> 15 U.S.C. 78s(b)(1).  
<sup>2</sup> 17 CFR 240.19b-4.  
<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).  
<sup>4</sup> 17 CFR 240.19b-4(f)(6).

three ratio should be permitted, while a six-to-ten should not. ISE also believes that limiting complex orders to such "traditional" ratios simply does not reflect the advancement of trading and hedging strategies that are common in the market today, the migration to decimal trading, or the advancement in exchange trading systems that allow such orders to be executed with ease.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>5</sup> that an exchange have rules that are 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.

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

The Exchange has designated the foregoing rule change as effecting a change that: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30 day from the date of filing. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five days prior to the filing date. Accordingly, the proposed rule change has become effective pursuant to section 19(b)(3)(A) of the Act<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup> At any time within 60 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 Exchange 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the ISE. All submissions should refer to File No. ISE-2002-03 and should be submitted by March 21, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**J. Lynn Taylor,**  
Assistant Secretary.

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BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45462; File No. SR-NYSE-2002-08]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Changes to Audit Trail Account Identification Codes

February 20, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 23, 2002, the New York Stock Exchange, Inc. ("NYSE" 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 NYSE. 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 introduce a new identification code/audit trail account type, "Q," to indicate a proprietary trade by a member to cover the member's own error pursuant to Exchange Rule 134. The text of the proposed rule change is available at the Office of the Secretary, the NYSE, and 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

NYSE Rule 134 requires a member or member organization who acquires or assumes a security position resulting from an error transaction to clear such error transaction in the member's or his or her member organization's error account, or in the error account established for a group of members.<sup>3</sup> Pursuant to Rule 132,<sup>4</sup> the Exchange is proposing to expand the use of the audit trail account type field to require designation of the identifier "Q" to indicate a proprietary trade by a member on the Floor which results in a position being established in the member's error account, or in the liquidation of a position in the member's error account. The Exchange believes that this new account

<sup>3</sup> See Securities Exchange Act Release No. 44769 (September 6, 2001), 66 FR 47710 (September 13, 2001). (SR-NYSE-99-25).

<sup>4</sup> Rule 132.30(9)-(10) requires each clearing member organization to submit trade data elements to the Exchange that specify whether the account for which the order was executed was that of a member or member organization or of a non-member or non-member organization, and such other information as the Exchange may from time to time require.

<sup>5</sup> 15 U.S.C. 78f(b)(5).

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.