

options is referred to the Performance Committee for consideration of reallocation or other remedial action based upon poor market share in one or more options. The Exchange may change the minimum market share criteria used to evaluate specialists from time to time as warranted by market conditions. The Exchange would notify specialists of any changes to the market share criteria prior to implementation. The Exchange also would notify specialists of their market share.

The market share evaluation program for options specialists would be separate from the performance ratings system. Thus, for example, an option specialist with performance ratings that would not trigger remedial action could be referred to the Performance Committee for consideration of reallocation or other action based upon sub-standard market share in one or more options.

The Performance Committee reviews proposed transfers of specialist registrations between specialists to ensure that the institutional interests of the Exchange are protected. The Performance Committee, accordingly, will consider the performance ratings and market share of both the acquiring and transferring specialists in determining whether to approve a proposed transfer.

Under the proposed specialist evaluation procedures, performance reviews can result from (1) complaints or surveillance reviews, (2) low scores under the specialist performance ratings systems, or (3) low market share in one or more options classes. A performance review can result in a variety of possible actions, including recommendations for performance improvement, a determination not to permit a firm to seek new allocations, or a reallocation of one or more options classes from a specialist unit. The Performance Committee is not precluded from reallocating options based on a single instance of deficient performance or a single quarter or poor ratings or low market share. Conversely, the Performance Committee is not required to take such actions. Rather, the Exchange believes that the purpose of the rules and processes is to identify circumstances that warrant review by the Performance Committee. The nature of the appropriate remedial actions is necessarily a subjective matter, dependent on such matters as the options being traded, competition on other exchanges, personnel and systems changes, and other factors. Accordingly, such determinations are left to the expertise, discretion and judgment of the Performance Committee.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b)(5) of the Act<sup>10</sup> in general, and furthers the objectives of section 6(b) of the Act<sup>11</sup> in particular, in that the proposal is designed to promote just and equitable principles of trade and protect investors and the public interest by encouraging good performance and competition among specialists.

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

The Exchange believes that the proposed rule change will impose no burden on competition; rather, it will enhance and encourage competition both within the Exchange, and, more significantly, between and among the Exchange and other exchanges and markets by establishing incentives for superior performance and thereby ensuring the maintenance of quality markets at the Exchange. In this respect, the Exchange believes that it is critical to recognize that the most important level of competition occurs not among specialists of the same exchange to obtain a particular listing, but rather among specialists of different exchanges trading in the same security and actively competing for the business of the investing public. The Exchange notes that the Commission has expressly recognized that the procedures set forth in the proposed rule change for reviewing the performance of specialists and taking remedial action where appropriate are necessary to ensure quality markets and thereby attract buyers and sellers to the Exchange.<sup>12</sup>

### *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

Within 35 days of the 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 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, as amended, is 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 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-Amex-2001-95 and should be submitted by April 22, 2002.

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

For the Commission, by the Division of Market Regulation, pursuant to the delegated authority.<sup>13</sup>

[FR Doc. 02-7780 Filed 3-29-02; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45642; File No. SR-CSE-2002-03]

### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Cincinnati Stock Exchange, Inc. Relating to Changes in Transaction Fees and Establishing a Pilot Revenue Sharing Program for Trading in Nasdaq National Market Securities**

March 26, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on March 25, 2002, the Cincinnati Stock Exchange, Incorporated ("CSE" or "Exchange") filed with the Securities and Exchange Commission

<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> See note 6, *supra*.

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

(“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CSE. The Commission is publishing this notice to solicit comment 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 hereby proposes to amend the Exchange’s schedule of transaction fees and to establish a pilot revenue sharing program to reflect recent developments in competitive business strategy. The text of the proposed rule change is below. Additions are in italics, and deletions are in brackets.

*The Cincinnati Stock Exchange, Incorporated*

\* \* \* \* \*

Chapter XI

Trading Rules

Rule 11.10 National Securities Trading System Fees

A. Trading Fees (No Change to Text)

(e) (1) (No Change to Text)

(2) *Tape “C” Transactions. Tape “C” Transactions are defined as transactions conducted in Nasdaq securities pursuant to unlisted trading privileges (“UTP”). Members will be charged a per share fee for Nasdaq securities based upon the following schedule:*

Number of shares traded (In a single day)	Fee per share
0–5 million .....	\$0.001
5 million one+ .....	0.000025

(1) [Tape “C” Transactions. Tape “C” Transactions are defined as transactions conducted in Nasdaq securities pursuant to unlisted trading privileges (“UTP”). Members will be charged \$0.001 per share per side (\$1.00/1000 shares), with a maximum charge of \$37.50 per firm per side, for Tape C Transactions.]

*Tape “C” Transaction Credit. Members will receive a 75 percent pro rata credit on revenue generated by transactions in Tape “C” securities.*

[(l)] (m) (No Change in Text)

[(m)] (n) (No Change in Text)

[(n)] (o) (No change in Text)

[(o)] (p) (No change to text)

[(p)] (q) (No change to text)

\* \* \* \* \*

**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 CSE 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 CSE has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange is proposing two amendments to its Rules governing transaction fees and market data revenue credits in keeping with recent trends in the securities industry. The first amendment adds subsection (2) to Rule 11.10(A)(e), (“Crosses and Meets”). Subsection (2) establishes a fee schedule for transactions in The Nasdaq Stock Market, Inc. (“Nasdaq”) National Market (“NNM”) securities.

The second change filed by the Exchange creates a pilot program as an incentive to Members to trade NNM securities on the Exchange and will be codified as Rule 11.10(A)(l) (Tape “C” Transaction Credit). The Exchange believes the credit is a logical next step in its efforts to provide competitive exchange services to members trading NNM securities. Under the program,<sup>2</sup> member firms will receive a 75 percent (75%) pro rata transaction credit on all Nasdaq Tape C market data revenue generated by member trading activity. The pilot program runs for 90 days and is set to expire June 28, 2002, if not renewed.

2. Statutory Basis

The proposed rule change is generally consistent with section 6(b)<sup>3</sup> of the Act. The proposed rule change also furthers the objectives of Section 6(b)(5),<sup>4</sup> particularly, in that the proposed rule change is designed to promote just and equitable principles of trade, to foster cooperation and coordination with

<sup>2</sup> Nasdaq securities will be traded on CSE pursuant to Section 12(f) of the Act, 15 U.S.C. 78l(f), as well as the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation, and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis (“Nasdaq-UTP Plan”).

<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

persons engaged in regulating, clearing, 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 market system; and in general, to protect investors and the public interest. The proposal also is consistent with section 6(b)(4)<sup>5</sup> in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Exchange members by crediting members on a pro rata basis.

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

The CSE 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 solicited or received in connection with the proposed rule change.

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

The foregoing rule change has become effective pursuant to section 19(b)(3)(A)<sup>6</sup> of the Act and paragraph (e) of Rule 19b-4<sup>7</sup> thereunder. At any time within sixty 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 Act.

**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

<sup>5</sup> 15 U.S.C. 78f(b)(4).

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

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

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 Exchange. All submissions should refer to File No. SR-CSE-2002-03 and should be submitted by April 22, 2002.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02-7782 Filed 3-29-02; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45648; File No. 600-30]

### Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing and Order Approving a Request for an Extension of Temporary Registration as a Clearing Agency

March 26, 2002.

Pursuant to section 19(a) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 27, 2002, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") a request that the Commission extend EMCC's temporary registration as a clearing agency.<sup>2</sup> The Commission is publishing this notice and order to solicit comments from interested persons and to extend EMCC's temporary registration as a clearing agency through March 31, 2003.

On February 13, 1998, pursuant to sections 17A(b) and 19(a)(1) of the Act<sup>3</sup> and Rule 17Ab2-1 promulgated thereunder,<sup>4</sup> the Commission granted EMCC's application for registration as a clearing agency on a temporary basis until August 20, 1999.<sup>5</sup> By subsequent orders, the Commission extended EMCC's registration as a clearing agency through March 31, 2002.<sup>6</sup>

EMCC was created to facilitate the clearance and settlement of transactions in U.S. dollar denominated Brady Bonds.<sup>7</sup> Since it began operations, EMCC has added certain sovereign debt to the list of eligible securities that may be cleared and settled at EMCC.<sup>8</sup> EMCC began operating on April 6, 1998, with ten dealer members.

As part of EMCC's initial temporary registration, the Commission granted EMCC temporary exemption from section 17A(b)(3)(B) of the Act because EMCC did not provide for the admission of some of the categories of members required by that section.<sup>9</sup> To date, EMCC's rules still only provide membership criteria for U.S. broker-dealers, United Kingdom broker-dealers, U.S. banks, and non-U.S. banks. As the Commission noted in the Registration Order, the Commission believes that it is appropriate for EMCC to limit the categories of members during its initial years of operations because to date no entity in a category not covered by EMCC's rules has expressed an interest in becoming a member.<sup>10</sup> Accordingly, the Commission is extending EMCC's temporary exemption from section 17A(b)(3)(B).

The Commission also granted EMCC a temporary exemption from sections 17A(b)(3)(A) and 17A(b)(3)(F) of the Act to permit EMCC to use, subject to certain limitations, ten percent of its clearing fund to collateralize a line of credit at Euroclear used to finance on an intraday basis the receipt by EMCC of eligible instruments from one member that EMCC will redeliver to another member.<sup>11</sup> The Registration Order limited EMCC's use of clearing fund deposits for this intraday financing to the earlier of one year after EMCC commenced operations or the date on which EMCC begins its netting service. On April 2, and May 17, 1999, the Commission approved rule changes that permitted EMCC to implement a netting service and that extended EMCC's

<sup>7</sup> Brady bonds are restructured bank loans that were first issued pursuant to a plan developed by then U.S. Treasury Secretary Nicholas Brady to assist debt-ridden countries restructure their sovereign debt into commercially marketable securities. The plan provided for the exchange of bank loans for collateralized debt securities as part of an internationally supported sovereign debt restructuring. Typically, the principal and certain interest of these bonds is collateralized by U.S. Treasury zero coupon bonds and other high grade instruments.

<sup>8</sup> Securities Exchange Act Release Nos. 40363 (Aug. 25, 1998), 63 FR 46263 (Aug. 31, 1998) and 41618 (July 14, 1999), 64 FR 39181 (July 21, 1999).

<sup>9</sup> Registration Order at 8716.

<sup>10</sup> EMCC has represented to the staff that it will modify its rules to provide admission criteria for other entities that wish to become EMCC members.

<sup>11</sup> Registration Order at 8720.

ability to use clearing fund deposits for intraday financing at Euroclear until all EMCC members are netting members.<sup>12</sup> Because not all of EMCC's members have become netting members, the Commission is extending EMCC's temporary exemption from Section 17A(b)(3)(A) and (F).

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application. Such written data, views, and arguments will be considered by the Commission in granting registration or instituting proceedings to determine whether registration should be denied in accordance with section 19(a)(1) of the Act.<sup>13</sup> Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549-0609. Copies of the amended application for registration and all written comments will be available for inspection at the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC 20549. All submissions should refer to File No. 600-30 and should be submitted by April 22, 2002.

*It is therefore ordered,* pursuant to section 19(a) of the Act, that EMCC's registration as a clearing agency (File No. 600-30) be and hereby is temporarily approved through March 31, 2003.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45647; File No. SR-GSCC-2001-15]

### Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Regarding Certain Highly Leveraged Members

March 26, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on October 16, 2001, the Government

<sup>12</sup> Securities Exchange Act Release Nos. 41247 (Apr. 2, 1999), 64 FR 17705 (Apr. 12, 1999) and 41415 (May 17, 1999), 64 FR 27841 (May 21, 1999).

<sup>13</sup> 15 U.S.C. 78s(a)(1).

<sup>14</sup> 17 CFR 200.30-3(a)(16).

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

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

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

<sup>2</sup> Letter from Merrie Faye Witkin, Assistant Secretary, EMCC (February 27, 2002).

<sup>3</sup> 15 U.S.C. 78q-1(b) and 78s(a)(1).

<sup>4</sup> 17 CFR 240.17Ab2-1.

<sup>5</sup> Securities Exchange Act Release No. 39661 (Feb. 13, 1998), 63 FR 8711 (Feb. 20, 1998) ("Registration Order").

<sup>6</sup> Securities Exchange Act Release Nos. 41733 (Aug. 12, 1999), 64 FR 44982 (Aug. 18, 1999); 43182 (Aug. 18, 2000), 65 FR 51880 (Aug. 25, 2000); and 44707 (Aug. 15, 2001), 66 FR 43941 (Aug. 21, 2001).