

to endorse a Trigger trade manually when appropriate.⁶ The typical situation that was envisioned by the Exchange that would result in a DPM manually endorsing a Trigger trade to a crowd member is when the DPM noticed that a crowd member was in the process of verbally initiating a trade with the book. In this situation, the DPM could decide to utilize the manual endorsement functionality to award the Triggered trade to that particular crowd member as opposed to endorsing it to the RAES wheel because that crowd member was first to bid (offer) for the book order.

As Trigger has been rolled out to the trading floor, the Exchange has observed that while it is possible for the book staff to know exactly when a crowd member initiated a trade with the book, it is not possible to know exactly when a Trigger activation occurred. When there is a crowd member claiming to have traded with the book first and the book staff is uncertain which came first, the crowd member's bid or offer or the Trigger, the DPM (OBO) practice has been to endorse the Trigger trade to the RAES wheel.

The Exchange proposes to interpret Rule 6.8(d)(v) to require a DPM (OBO) to manually endorse a Triggered book order to a crowd member not only in the situation when it is known a crowd member was bidding (offering) for a book order prior to Trigger activation, but also to a crowd member who bids (offers) for a Triggered book order prior to the time the book staff announces the Triggered order to the crowd. In these instances, the DPM (OBO) will manually endorse the order to the crowd member(s) who is bidding (offering) for the booked order that was Triggered as opposed to endorsing the order to the RAES wheel.⁷ The Exchange believes this interpretation is appropriate for the reason that it provides a clear reference point for determining the priority of a member's bid or offer in regards to a Triggered book order. The proposed interpretation will enable a market maker to trade against a Triggered book order in the instance where a market maker initiated the procedure to trade with the Triggered book order before it is announced to the trading crowd.

The general rule will be that if the book staff does not receive any bids (offers) from a crowd member for a

Triggered book order by the time the book staff announces the Triggered order to the crowd, the book staff will endorse the trade to the RAES wheel.

2. Statutory Basis

The proposed rule change is consistent with and furthers the objectives of Section 6(b) of the Act⁸ in general and furthers the objectives of Section 6(b)(5)⁹ in particular in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

CBOE does not believe that the proposed rule change will impose any burden on competition 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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act,¹⁰ and subparagraph (f)(1) of Rule 19b-4 thereunder because it is designated as a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule.¹¹ 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 furtherance of the purposes of the Act.¹²

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 CBOE. All submissions should refer to File No. CBOE-2002-12 and should be submitted by June 25, 2002.

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. 34-45988; File No. SR-CHX-2002-16]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated To Eliminate CHX Rule Provisions Governing Stop Order Bans

May 28, 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 May 24, 2002, the Chicago Stock Exchange, Incorporated ("CHX" 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 Exchange filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(6)⁴ thereunder, which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6). The CHX provided the Commission written notice of its intent to file the proposal on November 21, 2001. The Exchange has asked the Commission to waive the 30-day operative delay to allow the proposal to be effective and operative upon filing with the Commission.

⁶ 66 FR at 34495.

⁷ As with any trade that takes place at the DPM's previously established principal bid or offer, the DPM would be entitled to participate in a percentage of the trade with the book order pursuant to Rule 8.87 and would manually endorse that portion of the order to himself.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(1).

¹² See supra note 3.

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 Article IX of the CHX Rules to eliminate CHX Rule 10B, which governs imposition of a stop order ban during periods of extraordinary market volatility. The text of the proposed rule change is below. Proposed deletions are in brackets.

Article IX

Trading Rules

* * * * *

[Stop Order Ban Due to Extraordinary Market Volatility

Rule 10B. If the New York Stock Exchange ("NYSE") institutes a stop and stop limit order ban pursuant to NYSE Rule 80A, no member or member organization shall enter any stop order or stop limit order in Dual Trading System issues traded both on the NYSE and the Exchange for the remainder of the trading day, except that a member or member organization may enter such a stop order or a stop limit order of 2,099 shares or less for the account of an individual investor pursuant to instructions received directly from the individual investor.

* * * * *

Interpretations and Policies:

.01 Whenever the NYSE implements a stop order ban pursuant to NYSE Rule 80A, the Exchange will also ban such orders as follows:

(i) Upon notice, from the NYSE that all new stop and stop limit orders in all stocks are banned for the remainder of the day (except for orders up to 2099 shares for the account of an individual investor), the Exchange will announce to its floor and MAX customers that a stop order ban in all Dual Trading System issues traded both on the NYSE and the Exchange is in effect for the remainder of the day, except for such orders up to the 2099 shares for the accounts of individual investors.

(ii) The entry of such stop and stop limit orders (other than orders up to 2099 shares for the accounts of individual investors) will be banned on the Exchange for the remainder of the day. Such a stop or stop limit order received in the MAX system will be rejected and the message "stop not accepted-ban in effect" will be sent back to the entering firm unless the order includes the "I" designator, is for the

account of an individual investor and is for 2099 shares.]

* * * * *

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 CHX included statements concerning the purpose of and basis for its proposal and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX 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 CHX proposes to eliminate the CHX Rule that bans the receipt of stop orders during periods of extraordinary market volatility (CHX Article IX, Rule 10B—Stop Order Ban Due to Extraordinary Market Volatility).

In its current form, this CHX Rule bans acceptance or execution of stop orders by the CHX for the remainder of the trading day whenever the New York Stock Exchange ("NYSE") implements a "circuit breaker" stop order ban pursuant to NYSE Rule 80A (and sends notice of such ban to the CHX).

In 1999, the NYSE eliminated NYSE Rule 80A.⁵ Because the CHX stop order ban rule is contingent on a primary market ban imposed pursuant to NYSE Rule 80A, in effect, elimination of NYSE Rule 80A rendered the corresponding CHX rule superfluous. To preclude any possible confusion, the Exchange believes the Rule should nevertheless be formally eliminated from the CHX Rules.

2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).⁶ In particular, the CHX believes the proposal is consistent with Section 6(b)(5) of the Act⁷ in that it is designed to promote just and equitable

⁵ See Securities Exchange Act Release No. 41041 (February 11, 1999), 64 FR 8424 (February 19, 1999) (SR-NYSE-98-45) (order approving amendments to NYSE Rule 80A).

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

principles of trade, to remove impediments to, and to perfect the mechanism of, a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

Because the foregoing proposed rule change does not:

- (i) Significantly affect the protection of investors or the public interest;
- (ii) Impose any significant burden on competition; and
- (iii) Become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6) thereunder.⁹ 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 furtherance of the purposes of the Act.

The Exchange has requested that the Commission accelerate the operative date. The Commission finds good cause to designate the proposal both effective and operative upon filing with the Commission because such designation is consistent with the protection of investors and the public interest. Acceleration of the operative date will allow the CHX to eliminate CHX Rule 10B and the corresponding Interpretation and Policy from the CHX Rules immediately. The Commission finds no legitimate reason to delay the operation of this proposed rule change for 30 days. For these reasons, the Commission finds good cause to designate that the proposal is both effective and operative upon filing with the Commission.¹⁰

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ For purposes only of accelerating the operative date of this proposal, the Commission has

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 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 CHX. All submissions should refer to file number SR-CHX-2002-16 and should be submitted by June 25, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 02-13868 Filed 6-3-02; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45989; File No. SR-DTC-2001-16]

Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to Technical Language Changes to Certain DTC Rules

May 28, 2002.

On August 31, 2001, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-2001-16) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposed rule change was published in the **Federal Register** on March 18, 2002.² No comment letters

considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 45540 (March 12, 2002), 67 FR 12070.

were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

I. Description

The proposed rule change expands the term "procedures," as defined under Rule 1, to include service guides and regulations. The proposed rule change deletes references to "Executive Vice President" and "Senior Vice President" as officers of DTC because these titles are obsolete as no longer used at DTC and adds references to "Managing Director" to Rule 18, which allows certain DTC officers and directors to waive or suspend rules and procedures, and to Rule 28 which allows certain officers and directors to act under delegated authority from the board of directors on behalf of DTC. Rule 27 is amended to allow the board of directors to delegate authority to any DTC officer referenced in the board's delegation resolution.

II. Discussion

Section 17A(b)(3)(F)³ of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The rule change allows DTC's rules to accurately reflect its current management structure. Updating Rules 1, 18, 27, and 28 will provide the appropriate officers of DTC with the ability to carry out their responsibilities. Therefore, the Commission finds that the rule change is consistent with DTC's obligation under Section 17A to have rules that are designed to promote the prompt and accurate clearance and settlement of securities transactions.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular 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-DTC-2001-16) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 02-13872 Filed 6-3-02; 8:45 am]

BILLING CODE 8010-01-P

³ 15 U.S.C. 78q-1(b)(3)(F).

⁴ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45985; File No. SR-ISE-2002-14]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the International Securities Exchange LLC Amending Exchange Rule 722 To Adopt Procedures for Executing the Stock Legs Portion of Stock-Option Orders

May 24, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4² thereunder, notice is hereby given that on May 21, 2002, the International Securities Exchange LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission (the "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 adopt procedures for the trading of Stock-Option orders.

The text of the proposed rule change appears below. New text is in italics.

Rule 722. Complex Orders

* * * * *

Supplementary Material to Rule 722

.01 No Change.

.02 *A bid or offer made as part of a stock-option order, as defined in (a)(5) above, is made and accepted subject to the following conditions: (1) the stock-option order must disclose all legs of the order and must identify the price at which the non-option leg(s) of the order is to be filled; and (2) concurrent with the execution of the options leg of the order, the initiating member and each member that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to a non-Exchange market(s) for execution. Failure to observe these requirements will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 400.*

A trade representing the execution of the options leg of a stock-option order

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.