

thereunder,<sup>2</sup> to withdraw its Common Stock, \$.01 par value ("Security"), from listing and registration on the Pacific Exchange, Inc. ("PCX" or "Exchange").

The Issuer stated in its application that it has met the requirements of the PCX governing an issuer's voluntary withdrawal of a security from listing and registration and has complied with all applicable laws in effect in the State of Delaware, in which it is incorporated.

The Board of Directors ("Board") of the Issuer approved a resolution on August 22, 2002 to withdraw the Issuer's Security from listing on the PCX. In making the decision to withdraw its Security from the PCX, the Board notes that the Security is held by less than three hundred (300) persons. In addition, there is low trading volume in the Security, and the extent and nature of the Security is erratic and thin. The Board states that it is not in the best interest of the Issuer to continue to be subject to the limitations and cost associated with maintaining the listing requirements for its Security. The Issuer's application relates solely to the Security's withdrawal from listing on the PCX and from registration under section 12(b) of the Act,<sup>3</sup> and shall not affect its obligation to be registered under section 12(g) of the Act.<sup>4</sup>

Any interested person may, on or before October 11, 2002, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the PCX and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Jonathan G. Katz,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Issuer Delisting; Notice of Application of KBK Capital Trust I To Withdraw Its 9.50% Trust Preferred Securities, From Listing and Registration on the American Stock Exchange LLC, File No. 1-14152

September 20, 2002.

KBK Capital Trust I, a Delaware corporation ("Issuer"), has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to section 12(d) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 12d2-2(d) thereunder,<sup>2</sup> to withdraw its 9.50% Trust Preferred Securities ("Security"), from listing and registration on the American Stock Exchange LLC ("Amex" or "Exchange").

The Issuer stated in its application that it has met the requirements of Amex Rule 18 by complying with all applicable laws in effect in the state of Delaware, in which it is incorporated, and with the Amex's rules governing an issuer's voluntary withdrawal of a security from listing and registration.

The Board of Directors ("Board") of the Issuer approved a resolution on August 22, 2002 to withdraw the Issuer's Security from listing on the Amex. In making the decision to withdraw its Security from the Amex, the Board notes that the Security is held by less than three hundred (300) persons. In addition, there is low trading volume in the Security, and the extent and nature of the Security is erratic and thin. The Board states that it is not in the best interest of the Issuer to continue to be subject to the limitations and cost associated with maintaining the listing requirements for its Security. The Issuer's application relates solely to the Security's withdrawal from listing on the Amex and from registration under section 12(b) of the Act,<sup>3</sup> and shall not affect its obligation to be registered under section 12(g) of the Act.<sup>4</sup>

Any interested person may, on or before October 11, 2002, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the Amex and what terms, if any, should be imposed by the Commission for the protection of

investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Jonathan G. Katz,**

*Secretary.*

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**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46515; File No. SR-PCX-2002-53]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to New Order Types Called "Midpoint Cross Order" and "Midpoint Directed Fill" and a New Interpretation Under PCXE Rule 7.6(a)

September 19, 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 August 5, 2002, the Pacific Exchange, Inc. ("PCX" 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 PCX. 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

PCX, through its wholly-owned subsidiary PCX Equities, Inc. ("PCXE"), proposes to amend its rules governing the Archipelago Exchange, the equities trading facility of PCXE, by: (1) Adopting two new order types—a Midpoint Crossing Order and a Midpoint Directed Fill; and (2) adding interpretive language to the Trading Differentials under PCXE Rule 7.6 to provide for separate minimum trading differentials for these new order types. The Exchange's proposed rule change would permit the aforementioned order types to receive an execution under specified circumstances at price increments finer than the minimum trading differential permitted under the

<sup>2</sup> 17 CFR 240.12d2-2(d).

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

<sup>4</sup> 15 U.S.C. 78l(g).

<sup>5</sup> 17 CFR 200.30-3(a)(1).

<sup>1</sup> 15 U.S.C. 78l(d).

<sup>2</sup> 17 CFR 240.12d2-2(d).

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

<sup>4</sup> 15 U.S.C. 78l(g).

<sup>5</sup> 17 CFR 200.30-3(a)(1).

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

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

Exchange's current rules for other transactions on the Archipelago Exchange. The text of the rule change is available at the Office of the Secretary of the Exchange and at 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 PCX 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 PCX 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 Archipelago Exchange trading facility ("ArcaEx") commenced operations on March 22, 2002, replacing the PCXE's traditional trading floor facilities.<sup>3</sup> As part of its continuing effort to enhance participation in its electronic auction market, the Exchange proposes to adopt two new order types called a "Midpoint Cross Order" and a "Midpoint Directed Fill," which would permit Equity Trading Permit ("ETP") Holders<sup>4</sup> and Sponsored Participants<sup>5</sup> (collectively "Users") to receive executions priced between the NBBO at price increments finer than the minimum trading differential permitted under the Exchange's current rules.

The Exchange proposes to add PCXE Rule 7.31(y) to define a Midpoint Cross Order. A Midpoint Cross Order is a Cross Order<sup>6</sup> that is priced at the midpoint of the NBBO. If at the time of order entry a locked or crossed market exists in the security, the ArcaEx trading system would reject the Midpoint Cross Order. The Exchange also proposes to add PCXE Rule 7.31(z) to define a Midpoint Directed Fill. A Midpoint

Directed Fill is a Directed Fill<sup>7</sup> that is priced at the midpoint of the NBBO. When a locked or crossed market exists in the security, the inbound Directed Order would bypass the Directed Order Process<sup>8</sup> and immediately enter the Display Order Process for execution.<sup>9</sup> In the Directed Order Process, the User's Directed Order would be executed against a Directed Fill, which is the order of the User's designated market maker. Specifically, for a market maker to interact with incoming Directed Orders, the market maker must submit a standing instruction to ArcaEx for the parameters of a Directed Fill, including, but not limited to, the size of the order, the Users who may send such market maker a Directed Order, the price improvement algorithm and the period of time the instruction is effective. The proposed Midpoint Directed Fill would be an additional feature of the ArcaEx system's price improvement algorithm, which would enable market makers to match automatically against incoming Directed Orders at the midpoint price between the NBBO.

The Exchange's current rules governing minimum price variations and minimum price improvement increments ("MPII")<sup>10</sup> for securities traded on the ArcaEx are set forth in PCXE Rule 7.6. The PCXE's current minimum price variation and MPII is \$0.01. The proposed rule change provides an exception to PCXE Rule 7.6 that would permit Midpoint Cross Orders and Midpoint Directed Fills to receive executions at price increments finer than the minimum trading differential permitted under the Exchange's rules. In order to implement these new order types, the Exchange is proposing to add interpretive language to address situations where the

midpoint of the NBBO bid/ask differential is a subpenny price (*e.g.*, the midpoint of an NBBO of \$20-\$20.03 is \$20.015). In such circumstances, the proposed rule would permit Midpoint Cross Orders and Midpoint Directed Fills to be executed and reported in increments as small as one-half of the minimum price variation (*i.e.*, as \$0.005).<sup>11</sup> Furthermore, in situations where the NBBO bid/ask differential is one minimum price variation (*i.e.*, \$0.01), Midpoint Cross Orders and Midpoint Directed Fills may be executed in increments of one-half of the minimum price variation (*i.e.*, as \$0.005), as an exception to the MPII as prescribed in current PCXE Rule 7.6(a), Commentary .06.

The Exchange is also making minor technical changes to Rule 7.6(a), Commentary .05 by eliminating obsolete references and making changes to the text so that the rule will conform to a parallel rule as set forth in Rule 7.6(a), Commentary .03. Users of ArcaEx have requested a midpoint-pricing mechanism for Cross Orders and Directed Fills so that a midpoint trade can take place in odd-spread markets and \$0.01 markets, as described above.<sup>12</sup> To achieve this, the PCX proposes to allow such order types designated for midpoint pricing to be executed at finer trading differentials than \$0.01. The PCX believes that a finer trading differential for executions of Midpoint Cross Orders and Midpoint Directed Fills will facilitate enhanced order interaction and foster price competition. Accordingly, the Exchange believes that the proposal promotes a more efficient and effective market operation, and enhances the investment choices available to investors over a broad range of trading scenarios.

The Exchange notes that the proposal to trade at finer price increments applies only to Midpoint Cross Orders and Midpoint Directed Orders. The rule change is not intended to permit Users to generally display quotes, enter orders, or execute trades in price increments less than \$0.01. In other words, trades resulting from the midpoint-pricing mechanism may be executed on the basis of \$0.005 increments; however, it will still not be possible to enter orders, bids, or offers in \$0.005 increments.

<sup>3</sup> See Securities Exchange Act Release No. 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001), File No. SR-PCX-00-25 (ArcaEx Approval Order).

<sup>4</sup> See PCXE Rule 1.1(n).

<sup>5</sup> A "Sponsored Participant" means "a person which has entered into a sponsorship arrangement with a Sponsoring ETP Holder pursuant to [PCXE] Rule 7.29." See PCXE Rule 1.1(tt).

<sup>6</sup> A Cross Order is defined as a two-sided order with instructions to match the identified buy-side with the identified sell-side at a specified price (the cross price), subject to price improvement requirements. See PCXE Rule 7.31(s).

<sup>7</sup> See PCXE Rule 7.31(j) (definition of "Directed Fill").

<sup>8</sup> The Directed Order Process is the first step in the ArcaEx execution algorithm. Through this Process, Users may direct an order to a Market Maker with whom that they have a relationship and the Market Maker may execute the order. To access this process, the User must submit a Directed Order, which is a market or limit order to buy or sell that has been directed to a particular market maker by the User. See PCXE Rule 7.37(a) (description of "Directed Order Process").

<sup>9</sup> The Display Order Process is the second step in the ArcaEx execution algorithm. In this process, the ArcaEx system matches an incoming marketable order against orders in the Display Order Process at the display price of the resident order for the total size available at that price or for the size of the incoming order. See PCXE Rule 7.37(b) (description of "Display Order Process").

<sup>10</sup> The minimum price improvement increment ("MPII") on ArcaEx is equal to \$0.01 or 10% of the NBBO spread, whichever is greater. See PCXE Rule 7.6(a), Commentary .06. Under current PCXE rules, the MPII requirements must be satisfied in the execution of Cross Orders and Directed Orders. See PCXE Rules 7.31(j) and (s).

<sup>11</sup> See proposed PCXE Rule 7.6(a), Commentary .07.

<sup>12</sup> Users that use indexation strategies are particularly interested in using the midpoint-pricing feature. Also, the Exchange believes that the quotation spreads (the difference between the highest bid quotation and the lowest offer quotation) in the most liquid Nasdaq securities are \$0.01 for a substantial majority of the trading day.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)<sup>13</sup> of the Act, in general, and further the objectives of Section 6(b)(5),<sup>14</sup> in particular, because it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments and perfect the mechanisms of a free and open market and to protect investors and the public interest. In addition, the Exchange believes that the proposed rule change is consistent with provisions of Section 11A(a)(1)(B) of the Act, which states that new data processing and communications techniques create the opportunity for more efficient and effective market operations.

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

The PCX believes that 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*

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 date of 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 self-regulatory organization 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 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 also will be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-2002-53 and should be submitted by October 17, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## DEPARTMENT OF STATE

### [Public Notice 4139]

### **Bureau of Educational and Cultural Affairs Request for Grant Proposals: Bosnia and Herzegovina Undergraduate Development Program**

*Summary:* The Office of Academic Exchange Programs of the Bureau of Educational and Cultural Affairs announces an open competition for the Bosnia and Herzegovina Undergraduate Development Program. Public and private non-profit organizations meeting the provisions described in Internal Revenue Code section 26 U.S.C. 501(c)(3) may submit proposals to administer the placement, monitoring, evaluation, follow-on, and alumni activities for the FY 2003 Bosnia and Herzegovina Undergraduate Development Program. Once cooperative agreement will be awarded to administer the program. Proposals should include provisions for the recruitment and selection of FY 2003 participants. Organizations with less than four years of experience in conducting international exchange programs are not eligible for this competition.

## Program Information

The Bosnia and Herzegovina Undergraduate Development Program (herein referred to as the BUDP Program) provides scholarships for one-year, non-degree study at U.S. institutes of higher education to outstanding students of Bosnia and Herzegovina. Scholarships are available in the fields of agriculture, American studies, business administration, criminal justice studies, economics, environmental resource management, journalism/communication, and political science. Scholarships are granted to students who have completed at least two years of study at an accredited university in Bosnia and Herzegovina. Students must be citizens of Bosnia and Herzegovina. BUDP participants will be enrolled in one-year, non-degree programs at four-year colleges and universities. Students will enhance their academic education with participation in community service and an internship. Interested organizations should read the entire **Federal Register** announcement for all information prior to preparing a proposal. Programs must comply with J-1 Visa regulations. Please refer to the Solicitation Package for further information. Pending the availability of funds, it is anticipated that this grant awards will begin in January 2003.

## Budget Guidelines

The Bureau anticipates awarding one grant of approximately \$400,000 under this grant competition. Bureau grant guidelines require that organizations with less than four years of experience in conducting international exchanges be limited to \$60,000 in Bureau funding. Therefore, organizations that cannot demonstrate at least four years experience in conducting international exchanges are ineligible to apply under this competition. Applicants must submit a comprehensive budget for the entire program. The level of funding for FY 2003 is uncertain, but is anticipated to be approximately \$400,000. Based on this figure, applicant organizations should submit a budget which will fund 10-15 participants. ECA anticipates awarding one grant under this competition. Applicant organizations are encouraged, through cost sharing and other methods, to provide for as many scholarships as possible based on approximated funding. There must be a summary budget as well as breakdowns reflecting both administrative and program budgets. Applicants may provide separate sub-budgets for each program component, phase, location, or activity to provide clarification. Please

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> 17 CFR 200.30-3(a)(12).