

new Rule 123D.<sup>6</sup> No new substantive requirements are proposed to be adopted.

The Exchange is also proposing to codify its Specialist Combination Review Policy in new Rule 123E.<sup>7</sup> No new substantive requirements are proposed to be adopted.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of section 6(b)(5) of the Act,<sup>9</sup> in particular. Section 6(b)(5) of the Act requires, among other things, that an exchange have rules that are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms 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 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 neither solicited nor received written comments on the proposed rule change.

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

The proposed rule change has been filed by the Exchange as a "non-controversial" rule change pursuant to section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder.<sup>11</sup> Because the foregoing proposed rule change: (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 days after the date of this filing, or such shorter time as the Commission may designate, and the Exchange has provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date, it has become effective pursuant to section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)(iii)<sup>13</sup> thereunder. 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.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The NYSE has requested that the Commission waive the 30-day pre-operative waiting period, which will allow the proposed administrative rule changes and codification of Exchange policies to take effect immediately. According to the NYSE, the proposed filing consists of formal codification of several Exchange policies previously approved by the Commission and the reordering of several other Exchange rules. Therefore, the Exchange believes that the proposed rule change is non-controversial, addresses the administration of Exchange rules, and should take effect immediately. In light of these considerations, the Commission, consistent with the protection of investors and the public interest, has determined to designate the proposed rule change as operative immediately.<sup>14</sup>

## 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 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 the File No. SR-NYSE-2002-31 and should be submitted by October 30, 2002.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02-25672 Filed 10-8-02; 8:45 am]

BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46593; File No. SR-OCC-2002-23]

### **Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Physically-Settled Futures on Narrow-Based Stock Indexes**

October 2, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on September 30, 2002, The Options Clearing Corporation ("OCC") 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 primarily by OCC. 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 proposed rule change would amend OCC's by-laws and rules to provide for the clearance and settlement of transactions in physically-settled futures on narrow-based stock indexes.

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

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

<sup>6</sup> This policy was last amended in SR-NYSE-93-19, approved by Securities Exchange Act Release No. 32890 (September 14, 1993), 58 FR 48916 (September 20, 1993).

<sup>7</sup> This policy was last approved in SR-NYSE-94-46, Securities Exchange Act Release No. 35343 (Feb. 8, 1995), 60 FR 8437 (Feb. 14, 1995). The last proposed amendment to this policy was made in SR-NYSE-2000-11 (March 2, 2000) (not yet approved).

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>14</sup> For the purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rules impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

#### Introduction

The proposed amendments would provide for the clearance and settlement of physically-settled futures on narrow-based stock indexes under the same basic rules and procedures recently approved by the Commission for the clearance and settlement of other security futures contracts.<sup>3</sup> Delivery of the constituent securities of an underlying narrow-based index would be effected pursuant to the same rules and procedures currently applicable to the clearance and settlement of stock options and physically-settled stock futures.

#### Background and Brief Product Description

As amended by the Commodity Futures Modernization Act of 2000 ("CFMA"), section 3(a)(55) of the Act defines the term "security future" to include "a contract of sale for future delivery of \* \* \* a narrow-based security index, including any interest therein or based on the value thereof." CFMA does not specify or restrict the means by which a narrow-based security index future can be settled. OneChicago LLC ("ONE") has proposed to include physically-settled index futures among the contracts listed for trading through its facilities and has asked OCC to provide clearing and settlement services for those contracts. OCC's existing rules for clearing security futures contracts, which were approved by the Commission in 2001, provide for the clearance of cash-settled stock futures and index futures and for the clearance of physically-settled stock

futures. They do not, however, provide for physically-settled index futures.<sup>4</sup> The purpose of the present rule change is to amend those rules as necessary to provide for clearance and settlement of this additional type of security future.

ONE proposes to trade physically-settled narrow-based index futures that would allow a participant to take a position in defined economic sectors such as airlines, computers, investment banking, and semiconductors. These futures contracts will require the seller at maturity of the contract to deliver to the buyer a specified number of shares (to be set initially at 100 shares or multiples thereof, subject to adjustments to reflect certain corporate events such as stock splits) of each of the constituent securities in the index. The number of deliverable shares of each security will essentially define the index.

ONE intends that the constituent stocks will be represented in an index under an approximate equal-dollar weighting formula. OneChicago will rebalance the index periodically to account for relative price changes of the constituent securities. ONE may also change constituent securities from time to time so that the index better reflects the particular industry sector. New classes of contracts will be opened after each rebalancing or change in the composition of the index. Existing contracts will be unaffected by these rebalancing changes and will continue trading until expiration.

#### Overview of OCC's Proposed Rule Changes

OCC has determined that physically-settled index futures may be readily settled in a manner similar to physically-settled stock futures. As is the case with stock futures and stock options, delivery of the underlying would ordinarily be made through the National Securities Clearing Corporation ("NSCC") with OCC's broker-to-broker settlement procedures as a fallback in the event that a deliverable security is ineligible to be settled through NSCC. ONE has determined to set the final settlement price against which delivery will be made based on the price of the future rather than using the cash prices of the constituent stocks. The prices that OCC would provide to NSCC with respect to each underlying constituent security would be determined by allocating the final futures settlement price to each constituent security in proportion to its weighting in the index. This would be essentially the same way that OCC currently handles the settlement of equity options that have

multiple deliverables as a result of corporate events.

The following discussion describes revisions to particular by-laws or rules that are of particular significance or appear to require explanation. Where special provisions for physically-settled narrow-based index futures are needed, they are proposed to be added primarily in either the basic rules in Articles VI of the By-Laws, Clearance of Exchange Transactions, or to the rules governing security futures generally, which are in Article XII of the By-Laws, Futures and Futures Options, and Chapter XIII of the Rules, Futures and Futures Options. Chapter IX of the Rules, Delivery of Underlying Securities and Payments, governing settlement of delivery obligations with respect to underlying stocks also would be amended slightly. Many other proposed changes are not discussed individually because they are merely conforming changes, constitute minor, nonsubstantive changes to existing by-laws and rules, or are otherwise self-explanatory.

#### New and Amended Definitions

OCC proposes to define several additional terms applicable to physically-settled narrow-based index futures and to include those terms in Article I of the By-Laws, Definitions, because they are used throughout the by-laws and rules. The new definitions are mostly self-explanatory, but a few terms that are of particular significance are described below.

The term "aggregate purchase price" would be amended to identify the total price against which all of the deliverable securities would be delivered at maturity of a physically-settled narrow-based index future. For purposes of settlement, that aggregate purchase price will then be apportioned among the constituent securities of the underlying index (as described in "Amendments to Chapter IX of the Rules" below).

The amendment to the definition of "final settlement price" would provide that the final settlement price of a futures contract could be determined by reference to the value of the underlying or, as ONE proposes in the case of physically-settled narrow-based index futures, by reference to the final settlement price of the futures contract itself.

The term "class" would be amended to clarify that only physically-settled narrow-based index futures that have identical constituent securities and identical weightings of such securities in the index underlying such future belong to the same "class." This amendment reflects OCC's intention to

<sup>2</sup> The Commission has modified parts of these statements.

<sup>3</sup> E.g., Securities Exchange Act Releases No. 44434 (June 15, 2001), 66 FR 33283 [File No. SR-OCC-2001-05 and 44727 (August 20, 2001), 66 FR 45351 [File No. SR-OCC-2001-07].

<sup>4</sup> *Id.*

treat a class of physically-settled narrow-based index futures contracts that has been rebalanced as a separate class of futures contracts.

The new term “deliverable security” would be defined broadly to include any security that might be deliverable with respect to any physically-settled cleared contract. This term would be created primarily to avoid possible confusion from use of the term “underlying security” to mean a particular constituent security in an underlying index. Similarly, the term “deliverable amount” is used to refer to the number of shares or other units of a particular constituent security that is deliverable with respect to a single contract.

The term “physically-settled narrow-based index future” would be added to distinguish these products from cash-settled narrow-based index futures. The definition of “narrow-based index future” would be amended to encompass both cash- and physically-settled narrow-based index futures, and the definition of “security future” would be amended to include a specific reference to stock futures and narrow-based index futures.

#### Amendments to Article VI of the By-Laws

Article VI, Clearance of Exchange Transactions, sets out the basic terms of option contracts and the general rules for the clearance of exchange transactions. These basic rules apply to stock options, and except where they are replaced or modified by the by-laws in later articles specifically applicable to other products, they apply to those other OCC cleared products. An amendment to section 10(d) would be added to clarify the mechanism for determination of the deliverable amount with respect to each constituent security in a series of physically-settled narrow-based index futures. Section 19 previously addressed shortages of “underlying” securities. The title would be modified to refer to the new term “deliverable securities.” Section 19 would be modified generally to provide for contracts, including but not limited to physically-settled narrow-based index futures, which may call for delivery of multiple securities. This could also be the case, for example, where a stock option or stock future has been adjusted as the result of a special distribution or other corporate event. As proposed, section 19 would provide for the partial settlement of contracts that may have multiple deliverable securities, not all of which are affected by the shortage. Various conforming changes would be made in the

remainder of the section and in the interpretations and policies following the section. Subparagraphs (2)–(4) of section 19(a), which are substantively identical but dealt with different types of contracts, would be consolidated into new subparagraph (2). Section 19(c) would be redrafted for clarity and would not effect substantive changes to the treatment of contracts previously addressed by that section. Item 7 under Interpretation and Policy .02 to section 19 would no longer be necessary and would be deleted in its entirety.

#### Amendments to Article XII of the By-Laws

Article XII, Futures and Futures Options, sets out the basic provisions for futures and futures options. Section 2(a), which sets forth the general rights and obligations of buyers and sellers of futures and futures options, would be amended to set out the general rights and obligations of buyers and sellers of physically-settled narrow-based index futures. A new sentence would be added to section 3(a) clarifying that determinations of adjustments required to reflect certain events with respect to the constituent securities of the index underlying a physically-settled narrow-based index futures contract would be made by the exchange or security futures market on which such futures are traded. It is anticipated that the exchange or security futures market on which such futures are traded would determine the deliverable amount for each constituent security in the index, and that this would effectively define the index. Accordingly, OCC believes that adjustments should be made by the market (as the source of the index) rather than by OCC.

#### Amendments to Chapter IX of the Rules

As noted above, the Rules in Chapter IX, Delivery of Underlying Securities and Payment relating to delivery of and payment for underlying securities would be modified to apply to the constituent securities in an index underlying a physically-settled narrow-based security future. The proposed changes have been drafted more generally, however, to cover other situations where there may be multiple deliverables as in the case of certain adjustments to options and futures on single stocks as referred to above. The allocation of an aggregate purchase price among multiple deliverables is necessary so that each security can be settled against its own purchase price in case delivery of all the deliverable securities is not simultaneous. The price would be allocated in proportion to recent market prices for the deliverable

securities. This allocation would be made by OCC in consultation with ONE in the case of physically-settled narrow-based index futures traded on that market. In the adjustment situation, the allocation is made solely by OCC. The precise allocation among the deliverable securities is ordinarily not material because any overpayment for one deliverable will result in an underpayment for another.

#### Amendments to Chapter XIII of the Rules

Chapter XIII of the Rules, Futures and Futures Options, governs, *inter alia*, variation payments and delivery obligations for futures and futures options. Variation payments for physically-settled narrow-based index futures would be determined under the existing rules with no change except to the definition of “final settlement price” as described above. Rule 1302, Delivery of Deliverable Securities, would be amended by adding a new subparagraph (b) to provide that at maturity of a physically-settled narrow-based index future, the seller and buyer of such a future would be obligated, respectively, to deliver and receive the deliverable amount of each constituent security of the index underlying the future.

OCC believes that the proposed rule change is consistent with the purposes and requirements of Section 17A of the Act because it provides for the efficient clearance and settlement of physically-settled narrow-based index futures by adapting existing OCC rules that have been approved as effective in promoting the prompt and accurate clearance and settlement of both single stock futures and cash-settled narrow-based index futures.

#### (B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose any burden on competition.

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

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

Within thirty five 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 ninety 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 the 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 Section, 450 Fifth Street NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the File No. SR-OCC-2002-23 and should be submitted by October 24, 2002.

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

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

[FR Doc. 02-25674 Filed 10-8-02; 8:45 am]  
BILLING CODE 8010-01-P

**SMALL BUSINESS ADMINISTRATION**  
**[Declaration of Disaster #3450]**

**State of Georgia**

Fulton County and the contiguous counties of Carroll, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth and Gwinnett in the State of Georgia constitute a disaster area due to damages caused by heavy rains and localized flooding that occurred on September 21 and 22, 2002. Applications for loans for physical

damage as a result of this disaster may be filed until the close of business on December 2, 2002, and for economic injury until the close of business on July 3, 2003, at the address listed below or other locally announced locations:

U.S. Small Business Administration,  
Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308.

The interest rates are:

	Percent
For Physical Damage:	
Homeowners With Credit Available Elsewhere .....	6.625
Homeowners Without Credit Available Elsewhere .....	3.312
Businesses With Credit Available Elsewhere .....	7.000
Businesses and Non-Profit Organizations Without Credit Available Elsewhere .....	3.500
Others (Including Non-Profit Organizations) With Credit Available Elsewhere .....	6.375
For Economic Injury: Businesses and Small Agricultural Co-operatives Without Credit Available Elsewhere .....	3.500

The number assigned to this disaster for physical damage is 345006 for Georgia and for economic injury is 9R8700.

Dated: October 3, 2002.  
(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

**Hector V. Barreto,**  
*Administrator.*

[FR Doc. 02-25687 Filed 10-8-02; 8:45 am]

BILLING CODE 8025-01-P

**SMALL BUSINESS ADMINISTRATION**

**[Declaration of Disaster #3451]**

**State of Mississippi**

As a result of the President's major disaster declaration on October 1, 2002, I find that Amite, Hancock, Harrison, Jackson, Pearl River, Pike and Stone Counties in the State of Mississippi constitute a disaster area due to damages caused by Tropical Storm Isidore occurring on September 23, 2002, and continuing. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on December 2, 2002 and for economic injury until the close of business on July 1, 2003 at the address listed below or other locally announced locations:

U.S. Small Business Administration,  
Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308.

In addition, applications for economic injury loans from small businesses located in the following contiguous counties may be filed until the specified date at the above location: Forrest, Franklin, George, Lamar, Lincoln, Marion, Perry, Walthall and Wilkinson in the State of Mississippi; Mobile County in the State of Alabama; and East Feliciana, St. Helena, St. Tammany, Tangipahoa and Washington Parishes in the State of Louisiana.

The interest rates are:

	Percent
For Physical Damage:	
Homeowners With Credit Available Elsewhere .....	6.625
Homeowners Without Credit Available Elsewhere .....	3.312
Businesses With Credit Available Elsewhere .....	7.000
Businesses and Non-Profit Organizations Without Credit Available Elsewhere .....	3.500
Others (Including Non-Profit Organizations) With Credit Available Elsewhere .....	6.375
For Economic Injury: Businesses and Small Agricultural Co-operatives Without Credit Available Elsewhere .....	3.500

The number assigned to this disaster for physical damage is 345111. For economic injury the number is 9R8800 for Mississippi; 9R8900 for Alabama; and 9R9000 for Louisiana.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: October 2, 2002.

**Herbert L. Mitchell,**  
*Associate Administrator for Disaster Assistance.*

[FR Doc. 02-25689 Filed 10-8-02; 8:45 am]

BILLING CODE 8025-01-P

**SMALL BUSINESS ADMINISTRATION**

**[Declaration of Disaster #3448; Amendment #1]**

**State of Texas**

In accordance with a notice received from the Federal Emergency Management Agency, dated September 30, 2002, the above numbered declaration is hereby amended to establish the incident period for this disaster as beginning on September 6, 2002, and continuing through September 30, 2002.

All other information remains the same, *i.e.*, the deadline for filing applications for physical damage is November 25, 2002, and for economic injury the deadline is June 26, 2003.

<sup>5</sup> 17 CFR 200.30-3(a)(12).