

disclose to its customers that the included size is an approximation of the actual size, and that the actual size is available on OPRA's full quotation service.

Finally, Attachment A to the proposed revised Vendor Agreement is OPRA's current fee schedule, revised only to reflect changes in terminology without any changes in the nature or amount of the fees themselves.

The text of the proposed new Vendor Agreement, Fee Schedule, Form of Electronic subscriber Agreement, Form of Hardcopy Subscriber Agreement, and Conditions for Use of Electronic Subscriber Agreement, is available at the principal offices of OPRA, Commission's Public Reference Room, and on the Commission's Internet website (<http://www.sec.gov/rules/sro/shtml>).

## II. Implementation of Plan Amendment

OPRA proposes to begin to use the revised Vendor Agreement as soon as it has been approved by the Commission. Existing vendors would be expected to sign the revised Vendor Agreement to replace their existing Agreements with OPRA, but would continue to be able to act as vendors under their existing Vendor Agreements. Existing vendors that wish to take advantage of the provision of the revised Agreement that allows them to satisfy their obligation to provide consolidated options market information by furnishing only last sale information and the BBO would be required to sign the revised Agreement. All new vendors would be required to sign the revised Agreement. Existing customers of vendors that have previously entered into nonprofessional subscriber agreements or dial-up customer agreements with their vendors would not be required to re-sign the new form of subscriber agreement.

## III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed OPRA Plan amendment 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, and all written statements with respect to the proposed plan amendment that are filed with the Commission, and all written communications relating to the proposed plan amendment between the Commission and any person, other than those 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 the filing will also be available at the principal offices of OPRA. All submissions should refer to File No. SR-OPRA-2002-03 and should be submitted by December 12, 2002.

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

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 02-29593 Filed 11-20-02; 8:45 am]

**BILLING CODE 8010-01-U**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46835; File No. SR-Amex-2002-70]

### Self Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange LLC Relating to Trust Certificates Linked to a Basket of Investment Grade Corporate Debt

November 14, 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 28, 2002, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in items I and II below, which items have been prepared by the Exchange. On October 16, 2002, the Amex filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons and is approving the proposal on an accelerated basis.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to approve for listing and trading under Section 107A of the Amex Company Guide ("Company Guide"), trust certificates linked to a basket of investment grade

fixed income corporate debt instruments.

#### 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 Amex 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 III below. The Amex 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

Under section 107A of the Company Guide, the Exchange may approve for listing and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.<sup>4</sup> The Amex proposes to list for trading under section 107A of the Company Guide, asset-backed securities (the "ABS Securities") representing ownership interests in the Select Income Trust 2002-1 (the "Trust"), a special purpose entity to be formed by Structured Obligations Corporation ("SOC"),<sup>5</sup> and the trustee of the Trust pursuant to a trust agreement, which will be entered into on the date that the ABS Securities are issued. The assets of the Trust will consist primarily of a basket or portfolio of up to approximately twenty-five investment-grade fixed-income securities (the "Underlying Corporate Bonds").

The issuance of the ABS Securities will be a repackaging of the Underlying Corporate Bonds with the obligation of the Trust to make distributions to holders of the ABS Securities depending solely on the amount of distributions received by the Trust in the Underlying Corporate Bonds. At the time of issuance, the ABS Securities will receive an investment grade rating from a nationally recognized securities rating organization (an "NRSRO"). Due to the pass-through and passive nature of the ABS Securities, the Exchange intends to

<sup>5</sup> 17 CFR 200.30-3(a)(29).

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

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

<sup>3</sup> See letter from Jeffrey P. Burns, Assistant General Counsel, Amex, to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), Commission, dated October 15, 2002 ("Amendment No. 1"). Amendment No. 1 replaces Amex's original proposal in its entirety.

<sup>4</sup> See Securities Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8626 (March 8, 1990) (order approving File No. SR-Amex-89-29).

<sup>5</sup> SOC is a wholly-owned special purpose entity of J.P. Morgan Securities Holdings Inc. and the registrant under the form S-3 Registration Statement (No. 333-70730) under which the securities will be issued.

rely on the assets and stockholder equity of the Underlying Corporate Bonds rather than the Trust to meet the requirement in section 107A of the Company Guide. The distribution and principal amount/aggregate market value requirements found in sections 107A(b) and (c), respectively, will otherwise be met by the Trust as issuer of the ABS Securities.<sup>6</sup> Thus, the ABS Securities will conform to the initial listing guidelines under section 107A<sup>7</sup> and continued listing guidelines under sections 1001–1003<sup>8</sup> of the Company Guide, except for the assets and stockholder equity characteristics of the Trust.

The basket of Underlying Corporate Bonds will not be managed and will generally remain static over the term of the ABS Securities. Each of the Underlying Corporate Bonds provides for the payment of interest on a semi-annual basis, but the ABS Securities will provide for monthly or quarterly distributions of interest. The Exchange represents that, to alleviate this cash flow timing issue, the Trust will enter into an interest distribution agreement (the “Interest Distribution Agreement”) as described in the prospectus supplement related to the ABS Securities (the “Prospectus Supplement”).<sup>9</sup> Principal distributions

<sup>6</sup> Telephone Conversation between Jeff P. Burns, Assistant General Counsel, Amex, and Florence Harmon, Senior Special Counsel, Division, Commission, on November 13, 2002.

<sup>7</sup> The initial listing standards for the ABS Securities require: (1) A minimum public distribution of one million units; (2) a minimum of 400 shareholders; (3) a market value of at least \$4 million; and (4) a term of at least one year. However, if traded in thousand dollar denominations, then there is no minimum holder requirement. In addition, the listing guidelines provide that the issuer have assets in excess of \$100 million, stockholder's equity of at least \$10 million, and pre-tax income of at least \$750,000 in the last fiscal year or in two of the three prior fiscal years. In the case of an issuer which is unable to satisfy the earning criteria stated in section 101 of the Company Guide, the Exchange will require the issuer to have the following: (1) Assets in excess of \$200 million and stockholders' equity of at least \$10 million; or (2) assets in excess of \$100 million and stockholders' equity of at least \$20 million.

<sup>8</sup> The Exchange's continued listing guidelines are set forth in sections 1001 through 1003 of part 10 to the Exchange's Company Guide. Section 1002(b) of the Company Guide states that the Exchange will consider removing from listing any security where, in the opinion of the Exchange, it appears that the extent of public distribution or aggregate market value has become so reduced to make further dealings on the Exchange inadvisable. With respect to continued listing guidelines for distribution of the ABS Securities, the Exchange will rely, in part, on the guidelines for bonds in section 1003(b)(iv). Section 1003(b)(iv)(A) provides that the Exchange will normally consider suspending dealings in, or removing from the list, a security if the aggregate market value or the principal amount of bonds publicly held is less than \$400,000.

<sup>9</sup> Pursuant to the Interest Distribution Agreement, shortfalls in the amounts available to pay monthly

on the ABS Securities are expected to be made on dates that correspond to the maturity dates of the Underlying Corporate Bonds. However, some of the Underlying Corporate Bonds may have redemption provisions and in the event of an early redemption or other liquidation (e.g. upon an event of default) of the Underlying Corporate Bonds, the proceeds from such redemption (including any make-whole premium associated with such redemption) or liquidation will be distributed pro rata to the holders of the ABS Securities. Each Underlying Corporate Bond will be issued by a corporate issuer and purchased in the secondary market.

Holders of the ABS Securities generally will receive interest on the face value in an amount to be determined at the time of issuance of the ABS Securities and disclosed to investors. The rate of interest payments will be based upon prevailing interest rates at the time of issuance and made to the extent that coupon payments are received from the Underlying Corporate Bonds. Distributions of interest will be made monthly or quarterly. Investors will also be entitled to be repaid the principal of their ABS Securities from the proceeds of the principal payments on the Underlying Corporate Bonds. The payout or return to investors on the ABS Securities will not be leveraged.

The ABS Securities will mature on the latest maturity date of the Underlying Corporate Bonds. Holders of the ABS Securities will have no direct ability to exercise any of the rights of a holder of the Underlying Corporate Bonds; however, holders of the ABS Securities as a group will have the right to direct the Trust in its exercise of its rights as holder of the Underlying Corporate Bonds.

The Exchanges states that the proposed ABS Securities are similar to equity linked notes (“ELNs”), previously approved by the Commission, except that the cash flow from the proposed ABS Securities will come from a basket of investment-grade corporate bonds as compared to a single equity, basket of equity securities or equity index in the case of an ELN.<sup>10</sup> In

addition, ELNs may or may not pay interest while the ABS Securities will pay interest monthly or quarterly based on the pass-through nature of the structure. Also, publicly issued asset-backed securities that repackage a single underlying corporate debt obligation are currently listed and traded on the New York Stock Exchange, Inc. (“NYSE”).<sup>11</sup> The proposed ABS Securities are similar to those repackaging transactions, except that the Trust will own more than one corporate debt obligation and, in the single repackaging transactions, there is no need for an Interest Distribution Agreement because the timing of the payment of interest on the underlying debt obligation matches the obligation to distribute interest on the repackaged securities. Accordingly, the Exchange proposes to provide for the listing and trading of the ABS Securities where the Underlying Corporate Bonds meet the Exchange's Bond and Debenture Listing Standards set forth in section 104 of the Amex Company Guide. The Exchange represents that all of the Underlying Corporate Bonds in the proposed basket will meet or exceed these listing standards.

<sup>10</sup> See, e.g., Securities Exchange Act Release Nos. 44483 (June 27, 2001) 66 FR35677 (July 6, 2001) (approving the listing and trading of non-principal protected exchangeable notes linked to the Institutional Holdings Index); 44437 (June 18, 2001), 66 FR 33585 (June 22, 2001) (approving the

listing and trading of non-principal protected exchangeable notes linked to the Industrial 15 Index); 44342 (May 23, 2001), 66 FR 29613 (May 31, 2001) (approving the listing and trading of non-principal protected exchangeable notes linked to the Select Ten Index); 42582 (March 27, 2000), 65 FR 17685 (April 4, 2000) (approving the listing and trading of notes linked to a basket of no more than twenty equity securities); 40956 (January 20, 1999), 64 FR 4480 (January 28, 1999) (approving the listing and trading of notes linked to Select Sector SPDRs); 37533 (August 7, 1996), 61 FR 42075 (August 13, 1996) (approving the listing and trading of the Top Ten Yield MITTS); and 32343 (May 20, 1993), 58 FR 30833 (May 27, 1993) (listing and trading of equity linked securities). See also Securities Exchange Act Release No. 41334 (April 27, 1999), 64 FR 23883 (May 4, 1999) (Bond Index Term Notes).

additionally, the Exchange's Bond and Debenture Listing Standards in section 104 of the Company Guide provide for the listing of individual bond or debenture issuances provided the issue has an aggregate market value or principal amount of at least \$5 million and any of: (1) The issuer of the debt security has equity securities listed on the Exchange (or on the NYSE or on the Nasdaq

<sup>11</sup> See, e.g., Structured Asset Trust Unit Repackagings (SATURNS), CSFB USA Debenture Backed Series 2002–10, 1,330,000 of 7.00% Class A Callable Units, dated August 15, 2002, and trading under the symbol “MKK”; 1,380,000 PreferredPlus 8.375% Trust Certificates, underlying 7.05% Debentures of Citizens Communications Company, dated August 24, 2001, and trading under the symbol “PIY”; and 1,980,000 Corporate Backed Trust Certificates, Royal & Sun Alliance Bond Backed Series 2002–2, underlying securities 8.95% subordinated guaranteed bonds issued by Royal & Sun Alliance Insurance Group plc, dated February 11, 2002, and trading under the symbol “CCS.”

National Market ("Nasdaq")<sup>12</sup>; (2) an issuer of equity securities listed on the Exchange (or on the NYSE or on Nasdaq) directly or indirectly owns a majority interest in, or is under common control with, the issuer of the debt security; (3) an issuer of equity securities listed on the Exchange (or on the NYSE or on Nasdaq) has guaranteed the debt security; (4) a NRSRO has assigned a current rating to the debt security that is no lower than an S&P Corporation "B" rating or equivalent rating by another NRSRO; or (5) or if no NRSRO has assigned a rating to the issue, an NRSRO has currently assigned (i) an investment grade rating to an immediately senior issue or (ii) a rating that is no lower than a Standard & Poor's Corporation ("S&P") "B" rating or an equivalent rating by another NRSRO to a pari passu or junior issue.

In addition to the Exchange's Bond and Debenture Listing Standards, an Underlying Corporate Bond must also be of investment grade quality as rated by a NRSRO and at least 75% of the underlying basket is required to contain Underlying Corporate Bonds from issuances of \$100 million or more. The maturity of each Underlying Corporate Bond is expected to match the payment of principal of the ABS Securities with the maturity date of the ABS Securities being the latest maturity date of the Underlying Corporate Bonds. Amortization of the ABS Securities will be based on: (1) The respective maturities of the Underlying Corporate Bonds; (2) principal payout amounts reflecting the pro-rata principal amount of maturing Underlying Corporate Bonds; and (3) any early redemption or liquidation of the Underlying Corporate Bonds.

Investors will be able to obtain the prices for the Underlying Corporate Bonds through Bloomberg L.P. or other market vendors, including the broker dealer through whom the investor purchased the ABS Securities. In addition, the Bond Market Association provides links to price and other bond information sources on its investor Web site at

<http://www.investinginbonds.com>. Transaction prices and volume data for the most actively-traded bonds on the exchanges are also published daily in newspapers and on a variety of financial websites. The National Association of Securities Dealers, Inc. ("NASD") Trade

<sup>12</sup> The Exchange inadvertently omitted the reference to Nasdaq in its description of Amex's section 104 Bond and Debenture Listing Standards. Telephone Conversation between Jeff P. Burns, Assistant General Counsel, Amex, and Sapna C. Patel, Attorney, Division, Commission, on November 4, 2002.

Reporting and Compliance Engine ("TRACE") will also help investors obtain transaction information for most corporate debt securities, such as investment grade corporate bonds.<sup>13</sup> For a fee, investors can have access to intraday bellwether quotes.<sup>14</sup> Price quotes are also available to institutional investors via proprietary systems such as Bloomberg, Reuters and Dow Jones Telerate. Valuation prices<sup>15</sup> and analytical data may be obtained through vendors such as Bridge Information Systems, Muller Data, Capital Management Sciences, Interactive Data Corporation and Barra.

The prices of the Underlying Corporate Bonds generally will be determined by one or more market makers in accordance with applicable statutory rules, self-regulatory organization rules and generally accepted accounting principles regarding the valuation of securities.

The ABS Securities will be listed in \$1,000 denominations with the Exchange's existing debt floor trading rules applying to trading. First, pursuant to Amex rule 411, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the ABS Securities.<sup>16</sup> Second, the ABS Securities will be subject to the debt margin rules of the Exchange.<sup>17</sup> Third, the Exchange will, prior to trading the ABS Securities, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the ABS Securities and highlighting the special risks and characteristics of the ABS Securities. With respect to suitability recommendations and risks, the Exchange will require members, member organizations and employees thereof recommending a transaction in the ABS Securities: (1) To determine

<sup>13</sup> See Securities Exchange Act Release No. 43873 (January 23, 2001), 66 FR 8131 (January 29, 2001). Investors are able to access TRACE information at <http://www.nasdbondinfo.com/>.

<sup>14</sup> Corporate prices are available at 20-minute intervals from Capital Management Services at <http://www.bondvu.com/>.

<sup>15</sup> "Valuation Prices" refer to an estimated price that has been determined based on an analytical evaluation of a bond in relation to similar bonds that have traded. Valuation prices are based on bond characteristics, market performance, changes in the level of interest rates, market expectations and other factors that influence a bond's value.

<sup>16</sup> Amex rule 411 requires that every member, member firm or member corporation use due diligence to learn the essential facts, relative to every customer and to every order or account accepted.

<sup>17</sup> See Amex rule 462.

that such transaction is suitable for the customer, and (2) to have a reasonable basis for believing that the customer can evaluate the special characteristics of, and is able to bear the financial risks of such transaction.

The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the ABS Securities. Specifically, the Amex will rely on its existing surveillance procedures governing debt, which have been deemed adequate under the Act. In addition, the Exchange also has a general policy, which prohibits the distribution of material, non-public information by its employees.

## 2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent with section 6 of the Act<sup>18</sup> in general and furthers the objectives of section 6(b)(5)<sup>19</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, 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.

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

The Exchange did not receive any written comments on the proposed rule change.

## III. 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, 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

<sup>18</sup> 15 U.S.C. 78f(b).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

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 File No. SR-Amex-2002-70 and should be submitted by December 12, 2002.

#### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of section 6(b)(5) of the Act.<sup>20</sup> The Commission finds that this proposal is similar to several approved equity-linked instruments currently listed and traded on the Amex,<sup>21</sup> as well as to asset-backed securities listed and traded on the NYSE.<sup>22</sup> Accordingly, the Commission finds that the listing and trading of the ABS Securities is consistent with the Act and will promote just and equitable principles of

trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, protect investors and the public interest consistent with section 6(b)(5) of the Act.<sup>23</sup>

As described more fully above, the ABS securities are asset-backed securities and represent a repackaging of the Underlying Corporate Bonds, subject to certain distribution of interest obligations of the Trust. The ABS Securities are not leveraged instruments. The ABS Securities are debt instruments whose price will still be derived and based upon the value of the Underlying Corporate Bonds. The Exchange represents that the value of the Underlying Corporate Bonds will be determined by one or more market makers, in accordance with Exchange rules and generally accepted principles of accounting regarding the valuation of securities. Investors are guaranteed at least the principal amount that they paid for the Underlying Corporate Bonds. In addition, each Underlying Corporate Bond will pay interest on a semi-annual basis, while the ABS securities themselves will pay interest on a monthly or quarterly basis, pursuant to the Interest Distribution Agreement. In addition, the ABS securities will mature on the latest maturity date of the Underlying Corporate Bonds.<sup>24</sup> However, due to the pass-through nature of the ABS Securities, the level of risk involved in the purchase or sale of the ABS Securities is similar to the risk involved in the purchase or sale of traditional common stock. The Commission notes that asset-backed securities that repackage a single underlying debt instrument are currently listed and traded on the NYSE. However, because the ABS Securities are asset-backed securities that repackage a basket of Underlying Corporate Bonds, instead of a single underlying corporate bond, there are several issues regarding the

trading of this type of product that the Exchange must address.

The Commission notes that the Exchange's rules and procedures that address the special concerns attendant to the trading of hybrid securities will be applicable to the ABS Securities. In particular, by imposing the hybrid listing standards, suitability, disclosure, and compliance requirements noted above, the Commission believes the Exchange has addressed adequately the potential problems that could arise from the hybrid nature of the ABS Securities. Moreover, the Commission notes that the Exchange will distribute a circular to its membership calling attention to the specific risks associated with the ABS Securities.

The Commission notes that the ABS Securities are dependent upon the individual credit of the issuers of the Underlying Corporate Bonds. To some extent this credit risk is minimized by the Exchange's listing standards in section 107A of the Company Guide which provide that only issuers satisfying asset and equity requirements may issue securities such as the ABS Securities. In addition, the Exchange's "Other Securities" listing standards further provide that there is no minimum holder requirement if the securities are traded in thousand dollar denominations.<sup>25</sup> The Commission notes that the Exchange has represented that the ABS Securities will be listed in \$1000 denominations with its existing debt floor trading rules applying to the trading. In any event, financial information regarding the issuers of the Underlying Corporate Bonds will be publicly available.<sup>26</sup>

Due to the pass-through and passive nature of the ABS Securities, the Commission does not object to the Exchange's reliance on the assets and stockholder equity of the Underlying Corporate Bonds rather than the Trust to meet the requirement in section 107A of the Company Guide. The Commission notes that the distribution and principal amount/aggregate market value requirements found in sections 107A(b) and (c), respectively, will otherwise be met by the Trust as issuer of the ABS Securities. Thus, the ABS Securities will conform to the initial listing guidelines under section 107A and continued listing guidelines under sections 1001-1003 of the Company Guide, except for the assets and stockholder equity characteristics of the Trust. At the time of issuance, the Commission also notes that the ABS

<sup>20</sup> *Id.*

<sup>21</sup> See Securities Exchange Act Release Nos. 45160 (December 17, 2001), 66 FR 66485 (December 26, 2001) (approving the listing and trading of non-principal protected notes linked to the Balanced Strategy Index) (File No. SR-Amex-2001-91); 44483 (June 27, 2001), 66 FR 35677 (July 6, 2001) (approving the listing and trading of non-principal protected notes linked to the Institutional Holdings Index) (File No. SR-Amex-2001-40); 44437 (June 18, 2001), 66 FR 33585 (June 22, 2001) (approving the listing and trading of non-principal protected notes linked to the Industrial 15 Index) (File No. SR-Amex-2001-39); 44342 (May 23, 2001), 66 FR 29613 (May 31, 2001) (accelerated approval order for the listing and trading of Select Ten Notes) (File No. SR-Amex-2001-28); 42582 (March 27, 2000), 65 FR 17685 (April 4, 2000) (accelerated approval order for the listing and trading of notes linked to a basket of no more than twenty equity securities) (File No. SR-Amex-99-42); 41546 (June 22, 1999), 64 FR 35222 (June 30, 1999) (accelerated approval order for the listing and trading of notes linked to a narrow based index with a non-principal protected put option) (File No. SR-Amex-99-15); 39402 (December 4, 1997), 62 FR 65459 (December 12, 1997) (notice of immediate effectiveness for the listing and trading non-principal protected commodity preferred securities linked to certain commodities indices) (File No. SR-Amex-97-47); 37533 (August 7, 1996), 61 FR 42075 (August 13, 1996) (accelerated approval order for the listing and trading of the Top Ten Yield Market Index Target Term Securities ("MITTS")) (File No. SR-Amex-96-28); 33495 (January 19, 1994), 59 FR 3883 (January 27, 1994) (accelerated approval order for the listing and trading of Stock Upside Note Securities) (File No. SR-Amex-93-40); and 32343 (May 20, 1993), 58 FR 30833 (May 27, 1993) (accelerated approval order for the listing and trading of non-principal protected notes linked to a single equity security) (File No. SR-Amex-92-42).

<sup>22</sup> See, e.g., *supra* note 11.

<sup>23</sup> 15 U.S.C. 78f(b)(5). In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>24</sup> The Commission notes, however, that the Exchange has represented that the Underlying Corporate Bonds may drop out of the basket upon maturity or upon payment default or acceleration of the maturity date for any default other than payment default. See Prospectus for a schedule of the distribution of interest and of the principal upon maturity of each Underlying Corporate Bond and for a description of payment default and acceleration of the maturity date. Telephone Conversation between Jeff P. Burns, Assistant General Counsel, Amex, and Sapna C. Patel, Attorney, Division, Commission, on November 4, 2002.

<sup>25</sup> See Company Guide section 107A.

<sup>26</sup> The ABS Securities will be registered under section 12 of the Act.

Securities will receive an investment grade rating from a nationally recognized securities rating organization (an "NRSRO").

The Commission also believes that the listing and trading of the ABS Securities should not unduly impact the market for the Underlying Corporate Bonds or raise manipulative concerns. As discussed more fully above, the Exchange represents that, in addition to requiring the issuers of the Underlying Corporate Bonds meet the Exchange's section 107A listing requirements, the Underlying Corporate Bonds will be required to meet or exceed the Exchange's Bond and Debenture Listing Standards pursuant to section 104 of the Amex's Company Guide, which among other things, requires that underlying debt instrument receive at least an investment grade rating of "B" or equivalent from an NRSRO. Furthermore, at least 75% of the basket is required to contain Underlying Corporate Bonds from issuances of \$100 million or more. The Amex has also represents that the basket of Underlying Corporate Bonds will not be managed and will remain static over the term of the ABS securities. In addition, the Amex's surveillance procedures will serve to deter as well as detect any potential manipulation.

The Commission notes that the investors may obtain price information on the Underlying Corporate Bonds through market vendors such as Bloomberg, L.P., or through Web sites such as <http://www.investinbonds.com>.

The Commission finds good cause for approving the proposed rule change, as amended, prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Amex has requested accelerated approval because this product is similar to several other equity-linked instruments currently listed and traded on the Amex,<sup>27</sup> and other asset-backed securities currently listed and traded on the NYSE.<sup>28</sup> The Commission believes that the ABS Securities will provide investors with an additional investment choice and that accelerated approval of the proposal will allow investors to begin trading the ABS Securities promptly. Additionally, the ABS Securities will be listed pursuant to Amex's existing hybrid security listing standards as described above. Based on the above, the Commission believes that there is good cause, consistent with sections 6(b)(5) and 19(b)(2) of the Act<sup>29</sup> to approve the

proposal, as amended, on an accelerated basis.

## V. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,<sup>30</sup> that the proposed rule change (SR-Amex-2002-70), as amended, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>31</sup>

**J. Lynn Taylor,**

*Assistant Secretary.*

[FR Doc. 02-29539 Filed 11-20-02; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46823; File No. SR-CBOE-2002-39]

### Self-Regulatory Organizations; Order Approving Proposed Rule Change and Amendment Nos. 1 and 2 Thereto by the Chicago Board Options Exchange, Inc. to Make Certain Changes Pertaining to the Enforcement of Trading Conduct and Decorum Policies

November 13, 2002.

On July 15, 2002, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change relating to the enforcement of trading conduct and decorum policies. On August 30, 2002, CBOE submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> On September 17, 2002, CBOE submitted Amendment No. 2 to the proposed rule change.<sup>4</sup> The proposed rule change, as amended, was published for comment in the **Federal Register** on October 11, 2002.<sup>5</sup> The Commission received no comments on the amended proposal. This order approves the proposed rule change, as amended.

The Exchange proposes to amend CBOE rule 6.20(c) (Admission to and Conduct on the Trading Floor—Fines

Imposed by Floor Officials) to authorize two Floor Officials, in consultation with a designated senior executive officer of the Exchange, to summarily exclude a member or person associated with a member from the Exchange premises for not longer than the remainder of the trading day for any violation of the Exchange's trading conduct and decorum policies that is classified as a Class A offense, except for those Class A offenses specified by Exchange Regulatory Circulars<sup>6</sup> as not qualifying the offender for summary exclusion. The proposed rule will enable an excluded member or associated person to request reinstatement to the Trading Floor from Floor Officials after a sufficient "cooling off period" has elapsed.

Class A offenses are the most serious offenses regarding trading conduct and decorum policies, including but not limited to, violations such as physical violence (e.g., shoving or fighting), unbusinesslike conduct,<sup>7</sup> harassment, failure to abide by a floor official determination, or property damage. Most Class A offenses affect the safety or security of personnel and/or property on the Exchange in ways that may be ameliorated by temporarily excluding the offender from Exchange premises. The Exchange also proposes that members be summarily excluded from Exchange premises for enabling or assisting a suspended member or associated person to gain improper access to the floor, and failing to supervise a visitor. As specified in the proposed Regulatory Circular, the Exchange proposes to distinguish three Class A offenses as not qualifying the offender for summary exclusion. These are (1) Failure to Attend Exchange Mandated Educational Training; (2) Effecting or Attempting to Effect a Transaction with No Public Outcry; and (3) Violation of CBOE Rule 8.51 (Firm Quote). According to the Exchange, it did not classify these offenses as qualifying for summary expulsion because it believes that, unlike the other Class A offenses, they do not raise

<sup>6</sup> Currently, only the proposed Regulatory Circular specifies which Class A offenses do, and which Class A offenses do not qualify the offender for summary exclusion. CBOE will file any additional Regulatory Circulars that specify which Class A offenses do or do not qualify the offender for summary exclusion with the Commission as a proposed rule change. Telephone call between Christopher R. Hill, Attorney II, Legal Division, CBOE, and Jennifer Lewis, Attorney, Division, Commission, on November 13, 2002.

<sup>7</sup> In general, "unbusinesslike conduct" is conduct, other than harassment, that disrupts trading. Telephone call between Christopher R. Hill, Attorney II, Legal Division, CBOE, and Jennifer Lewis, Attorney, Division, Commission, on September 30, 2002.

<sup>30</sup> 15 U.S.C. 78s(b)(2).

<sup>31</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.

<sup>3</sup> See form 19b-4 received on August 30, 2002 ("Amendment No. 1").

<sup>4</sup> See letter from Christopher R. Hill, Attorney II, Legal Division, CBOE, to Nancy Sanow, Division of Market Regulation ("Division"), Commission, dated September 16, 2002 ("Amendment No. 2").

<sup>5</sup> See Securities Exchange Act Release No. 46600 (October 4, 2002), 67 FR 63480.

<sup>27</sup> See *supra* note 21.

<sup>28</sup> See, e.g., *supra* note 11.

<sup>29</sup> 15 U.S.C. 78f(b)(5) and 78s(b)(2).