

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,²⁷ and other asset-backed securities currently listed and traded on the NYSE.²⁸ 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 Act²⁹ 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,³⁰ 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.³¹

J. Lynn Taylor,

Assistant Secretary.

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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")¹ and rule 19b-4 thereunder,² 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.³ On September 17, 2002, CBOE submitted Amendment No. 2 to the proposed rule change.⁴ The proposed rule change, as amended, was published for comment in the **Federal Register** on October 11, 2002.⁵ 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 Circulars⁶ 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,⁷ 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

⁶ 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.

⁷ 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.

³⁰ 15 U.S.C. 78s(b)(2).

³¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

⁴ 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").

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

²⁷ See *supra* note 21.

²⁸ See, e.g., *supra* note 11.

²⁹ 15 U.S.C. 78f(b)(5) and 78s(b)(2).

significant issues of safety or security at the Exchange.

The Exchange also proposes to amend CBOE rule 17.50(g)(6) (Imposition of Fines for Minor Rules Violations—Violations of Trading Conduct and Decorum Policies) to reflect the incorporation into the fine policies of specified higher fine levels for “subsequent” offenses. For example, the amended provision would enable the imposition of the fine authorized for a Class A “subsequent” offense to be imposed for a first, second or third Class A offense, if such is deemed warranted under the circumstances in the view of two Floor Officials.⁸ Generally, however, the two Floor Officials will impose fines based upon the number of the offense that has occurred within a rolling 12-month period, except for Firm Quote violations, which will have a 24-month look back period.

Finally, the Exchange proposes to include in the proposed Regulatory Circular the fines that may be imposed under CBOE rule 17.50 for violations of CBOE rule 6.20.⁹ Any person against whom a fine is imposed pursuant to CBOE rule 17.50(g) may contest that fine before the applicable CBOE Committee.¹⁰

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange¹¹ and, in particular, the requirements of section 6 of the Act¹² and the rules and regulations thereunder. Specifically, the Commission finds that the proposed rule change is consistent with sections 6(b)(5)¹³ and 6(b)(7)¹⁴ of the Act because the proposed rule change should protect investors and the public interest by enhancing the effectiveness

⁸ The amended provision would also enable the imposition of the fine authorized for a Class B “subsequent” offense to be imposed for a first or second Class B offense, if such is deemed warranted under the circumstances in the view of two Floor Officials.

⁹ The proposed Regulatory Circular will supersede and replace current CBOE Regulatory Circular RG 98–123. The proposed Regulatory Circular does not include three types of offenses that were set forth in Regulatory Circular RG 98–123: Disruptive Announcements of Stock Prints, Failure to Abide by Floor Official Request for Information; and Book Priority Determinations. According to the Exchange, these offenses are either no longer necessary or covered by other rules.

¹⁰ See paragraph (4) of the proposed Regulatory Circular.

¹¹ In approving this proposed rule change, the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ 15 U.S.C. 78f(b)(7).

and fairness of the Exchange’s disciplinary procedures.

In particular, the Commission believes having the authority to temporarily exclude disruptive or potentially dangerous rule violators from the Exchange premises should assist the Exchange in defusing volatile situations, safeguarding trading floor personnel and facilities, and minimizing disruptions to the maintenance of fair and orderly markets. The Commission also believes the new Regulatory Circular sets forth appropriate fine levels for violations of Trading and Decorum Policies, which should deter violations of the Exchange’s rules.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR–CBOE–2002–39), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–46834; File No. SR–CHX–2002–27]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by the Chicago Stock Exchange, Incorporated Relating to the Listing and Trading of Fixed Income ETFs

November 14, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on September 26, 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 and II below, which Items have been prepared by the Exchange. On November 12, 2002, CHX submitted Amendment No. 1 to the proposed rule change.³ The

¹ 15 U.S.C. 78s(b)(2).

² 17 CFR 200.30–3(a)(12).

³ 15 U.S.C. 78s(b)(1).

⁴ 17 CFR 240.19b–4.

⁵ See letter Ellen J. Neely, Senior Vice President and General Counsel, CHX, to Nancy J. Sanow, Division of Market Regulation (“Division”), Commission, dated November 8, 2002 (“Amendment No. 1”). In Amendment No. 1, the

Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons, and to grant accelerated approval to the proposed rule change, as amended.

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

The Exchange proposes to amend CHX Article XXVIII, Rule 24, to permit the listing and trading of fixed income Exchange Traded Funds (“ETFs”), which are based on indices of fixed income securities. Additionally, the Exchange seeks approval to trade, pursuant to unlisted trading privileges, the following series of the iShares Trust: iShares 1–3 Year Treasury Index Fund, iShares 7–10 Year Treasury Index Fund, iShares 20+ Year Treasury Index Fund, iShares Treasury Index Fund, iShares Government/Credit Index Fund, iShares Lehman Corporate Bond Fund and iShares Goldman Sachs Corporate Bond Fund. The text of the proposed rule change is below; new text is italicized.

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Chicago Stock Exchange Rules

Article XXVIII

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Investment Company Units

RULE 24. The Exchange will consider for trading, whether by listing or pursuant to unlisted trading privileges, units of trading (“Units”) that meet the criteria of this Rule. A Unit is a security that represents an interest in a registered investment company (“Investment Company”) that could be organized as a unit investment trust, an open-end management investment company, or a similar entity.

(A) Original Unit Listing Standards

(1) The Investment Company must:

(a) Hold securities (*including fixed income securities*) comprising, or otherwise based on or representing an interest in, an index or portfolio of securities; or

(b) hold securities in another registered investment company that holds securities as described in (a) above.

An index or portfolio may be revised as necessary or appropriate to maintain the quality and character of the index or portfolio.

(2) The Investment Company must issue Units in a specified aggregate

Exchange added a representation relating to its surveillance procedures and explained why its rule prohibiting certain relationships between specialists and the issuer of a security did not apply to this rule filing.