complaints it received regarding the exemption.

The Commission has determined, on the basis of information reported by broker-dealers taking advantage of the exemption, which indicates that customers are using the exemption to access broker-dealers' financial information and that broker-dealers taking advantage of the exemption have received no written customer complaints regarding the exemption, that extending the exemption for six months is consistent with the public interest and the protection of investors. The Commission has today proposed a rule amendment for comment which, if adopted, would make the relief permanent (Exchange Act Release No. 46920; File No. S7–48–02).

A broker-dealer exempted under this Order must comply with each of the following requirements:

(1) The broker-dealer semi-annually sends its customers, at the times it otherwise would have sent its customers its balance sheet in accordance with Rule 17a–5(c), a statement which includes:

(a) The amount of the broker-dealer's net capital and its required net capital in accordance with Rule 15c3–1;

(b) To the extent required under Rule 17a–5(c)(2)(ii), a description of the effect on the broker-dealer's net capital and required net capital of subsidiaries consolidated pursuant to Appendix C of Rule 15c3–1 (jointly the ''Net Capital Disclosure''); and

(c) Any statements otherwise required by Rule 17a–5(c)(2)(iii) and (iv).[3]

(2) The above statement is given prominence in the materials sent to its customers and includes an appropriate caption stating that customers may obtain the broker-dealer's balance sheet (in the case of the annual balance sheet, audited and with the auditor's certification) at no cost, by accessing the broker-dealer's website or calling the broker-dealer's stated toll-free number. The statement must provide the specific Internet Uniform Resource Locator (URL) at which the broker-dealer's balance sheet is located.

(3) The broker-dealer publishes a balance sheet prepared in accordance with GAAP, including footnotes and the Net Capital Disclosure, accessible through each of the following Internet locations:

(a) The broker-dealer's website home page, containing a hyperlink providing a direct link to the broker-dealer's balance sheet;

(b) Each page at which a customer can log-on to the broker-dealer's website, containing a hyperlink providing a direct link to the broker-dealer's balance sheet; and

(c) If the websites for two or more broker-dealers can be accessed from the same home page, a hyperlink directing the Internet user to the home page of each broker-dealer. Upon reaching the broker-dealer's home page, the home page contains a hyperlink providing a direct link to the particular broker-dealer's balance sheet.

Each of the above hyperlinks is placed on the broker-dealer's website, in either textual or button format, as a separate, prominent link, in a manner that is clearly visible.[4]

(4) The broker-dealer maintains a toll-free number that customers can call to request a paper or electronic copy of its balance sheet.

(5) If a customer requests a paper or electronic copy of the broker-dealer's balance sheet, the firm sends it promptly at no cost to the customer.

(6) If the broker-dealer's net capital falls below the early warning levels of Rule 17a–11 and the broker-dealer fails to cure the relevant deficiency within 24 hours, or if the broker-dealer's auditors determine that a material inadequacy exists with regard to any of the financial disclosures contained in the audited financial statements or in the broker-dealer's internal controls, the firm returns to sending its balance sheet as required under Rule 17a–5(c), including footnotes, by the next date that financial disclosures are required, until the deficiency or material inadequacy is cured.

(7) The broker-dealer submits to the Commission, addressed to Division of Market Regulation, United States Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549–1001, no later than 60 days after each distribution of its published statement containing the Net Capital Disclosure:

(a) A report on the number of requests that the broker-dealer has received for copies of its balance sheet via its toll-free number and the number of times its balance sheet has been viewed on its website. The report contains the number of requests received in the month following its website publishing of its recent balance sheet and, except in the case of the first website publishing, in the preceding six months; and

(b) Written investor complaints regarding the exemption received by the broker-dealer in the preceding six months.

Accordingly,

It is ordered, under Exchange Act Section 17(e)(l)(C) and Rule 17a–5(l)(3), that the exemption from Exchange Act Section 17(e)(1)(B) and Rule 17a–5(c) granted in Exchange Act Release No. 42222 and extended in Exchange Act Release No. 45179 is extended to June 30, 2003.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

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[3] A broker-dealer may comply with this requirement by: (a) Delivering the statements to its customers in paper copy form or (b) transmitting the statements to its customers electronically.

[4] This Order exempts certain firms from the delivery requirement under Rule 17a–5(c), in part, based on the protections afforded by the Commission's financial responsibility rules. The condition that a broker-dealer makes its balance sheet available on its website is not an alternative method of delivering this information to customers under Rule 17a–5(c).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–46857; File No. SR–Amex–2001–06]

Self-Regulatory Organizations; American Stock Exchange LLC; Order Approving a Proposed Rule Change and Amendment Nos. 1, 2 and 3 Thereto Relating to Relief and Temporary Specialists

November 21, 2002.

On February 14, 2001, the American Stock Exchange LLC (''Amex'' 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 to require specialists units consisting of fewer than three members to arrange for the registration of one or more relief specialists,[3] and to revise the Exchange's rules regarding the appointment of temporary specialists. The Exchange also proposed allowing specialist units with less than three persons six months (or such longer time as the Chief Executive Officer of the Exchange may determine is appropriate) from the date of approval of the proposed rule change to obtain Exchange approval of their relief specialist arrangements. The Exchange

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The Exchange identified that specialists units with more than three persons may also arrange for relief specialists pursuant to this proposed rule. Telephone conversation among William Floyd-Jones, Assistant General Counsel, Amex, Terri Evans, Assistant Director, and Lisa N. Jones, Attorney, Division, Commission, dated May 30, 2002.

submitted Amendment Nos. 1,[4] 2,[5] and 3[6] to the proposed rule change, respectively. The proposed rule change, as amended, was published in the **Federal Register** on October 22, 2002.[7] The Commission received no comments on the proposed rule change. This order approves the proposed rule change, as amended.

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 exchange.[8] In particular, the Commission finds that the proposal, as amended, is consistent with Section 6(b)(5) of the Act,[9] which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

Specifically, the Commission believes requiring specialists units consisting of fewer than three members to arrange for the registration of one or more relief specialists, approved by the Exchange's Committee on Floor Members Performance, helps to ensure that there is no interruption of service when the Exchange is open for business. Similarly, the Commission believes that it is appropriate for a temporary specialist to be appointed by the Exchange in the event of an emergency or other unusual situations in which the regular or relief specialist would be unable to adequately manage the volume or business in a particular stock or stocks to ensure adequate staffing on the Exchange floor. The Commission notes that relief specialists and temporary specialists, to the extent that no regular or relief specialist is present, will be subject to the same responsibilities for the maintenance and stabilization of the market as regular registered specialists. Further, the Commission notes that these arrangements are similar to arrangements already allowed by the New York Stock Exchange, Inc.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change (SR–AMEX–2001–06), as amended, is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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[4] *See* letter from William Floyd-Jones, Jr., Assistant General Counsel, Amex, to Nancy Sanow, Assistant Director, Division of Market Regulation (''Division''), Commission, dated August 17, 2001 (''Amendment No. 1'') (replacing the original filing in its entirety).

[5] *See* letter from William Floyd-Jones, Jr., Assistant General Counsel, Amex, to Nancy Sanow, Assistant Director, Division, Commission, dated September 30, 2002 (''Amendment No. 2'') (replacing the original filing in its entirety).

[6] *See* letter from William Floyd-Jones, Jr., Assistant General Counsel, Amex, to Nancy Sanow, Assistant Director, Division, Commission, dated October 7, 2002 (''Amendment No. 3'') (replacing the original filing in its entirety).

[7] *See* Securities Exchange Act Release No. 46655 (October 11, 2002), 67 FR 64940.

[8] In approving this proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–46872; File No. SR–CSE–2002–04]

Self-Regulatory Organizations; Cincinnati Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Amendment Nos. 1 and 2 Thereto Relating to the Introduction of Order Delivery and Automated Response

November 21, 2002.

I. Introduction

On April 22, 2002, the Cincinnati Stock Exchange, Inc. (''CSE'' 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 related to the introduction of order delivery and automated response. The proposed rule change was published for comment in the **Federal Register** on May 10, 2002.[3] On September 13, 2002, the CSE filed Amendment No. 1 to the proposed rule change[4] and on September 17, 2002, filed Amendment No. 2 to the proposed rule change.[5] The proposed rule change, as amended by Amendment Nos. 1 and 2, was republished in its entirety for comment in the **Federal Register** on October 11, 2002.[6] No comments were received on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

The Exchange proposes to amend its rules to increase the flexibility of CSE execution systems to accommodate member needs. Specifically, CSE proposes to modify CSE's execution functionality within the CSE System from a process of automatically matching and executing like-priced displayed orders and quotes to an optional process of delivering orders to quoting CSE members and requiring automated responses from such members back to the CSE System. CSE is proposing this modification to facilitate a diverse membership base while promoting a fair and orderly market. CSE members that operate as electronic communications networks (''ECNs'')[7] or alternative trading systems (''ATSs'') subject to SEC Regulation ATS,[8] as well as members that act as Designated Dealers or specialists on CSE will have the option of selecting the type of centralized execution system that best fits their business model.

Currently, CSE's NSTS functions solely in an automatic execution mode. In an automatic execution system like NSTS, a Designated Dealer's quotation is held in NSTS, and NSTS executes any like-priced contra-side order against the dealer's quotation. NSTS then informs the Designated Dealer and the contra-side CSE member that the quotation and the order have been executed by delivering execution messages to both parties.

With the advent of ECN/ATS trading on CSE, members have expressed concern that CSE's automatic execution system exposes them to significant multiple execution liability. Given the speed with which ECN/ATSs operate, it is likely that displayed quotations will be subject to internal matches at the same time as another CSE member attempts to execute against the same displayed quotations. When faced with a similar dilemma, the Nasdaq Stock

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 45873 (May 3, 2002), 67 FR 31856.

[4] *See* letter from Jennifer M. Lamie, CSE, to Katherine England, Assistant Director, Division of Market Regulation (''Division''), Commission (September 12, 2002). In Amendment No. 1, the CSE deleted proposed rule language in Paragraph 11.9(i)(2)(a) regarding price/time and agency/principal priorities, which was inadvertently included in the original proposal.

[5] *See* letter from Jennifer M. Lamie, CSE, to Katherine England, Assistant Director, Division, Commission (September 16, 2002). In Amendment No. 2, the CSE expanded the proposed order delivery and automated response alternative to all securities traded through the Exchange's National Securities Trading System (''NSTS'' or ''System''), rather than simply Nasdaq National Market Securities. In addition, Amendment No. 2 made certain non-substantive grammatical changes.

[6] *See* Securities Exchange Act Release No. 46599 (October 4, 2002), 67 FR 63484.

[7] ECNs are defined in SEC Rule 11Ac1–1(a)(8), 17 CFR 240.11Ac1–1(a)(8), as any electronic system that widely disseminates to third parties orders entered therein by an exchange market maker or OTC market maker, and permits such orders to be executed against in whole or in part.

[8] 17 CFR 242.300–303.