

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-46956; File No. SR-DTC-2002-15]

**Self-Regulatory Organizations; The Depository Trust Company; Order Granting Accelerated Approval of a Proposed Rule Change To Eliminate the FAST Certificates-on-Demand Service**

December 6, 2002.

**I. Introduction**

On September 4, 2002, The Depository Trust Company filed with the Securities and Exchange Commission ("Commission") a proposed rule change File No. SR-DTC-2002-15 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on November 12, 2002.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

**II. Description**

Currently, DTC's FAST COD service allows participants to request for same day availability a physical certificate in the participant's or its nominee's name for issues which are held in DTC's nominee name, Cede & Co., at the transfer agent under DTC's FAST program. After consultation with the largest users of the service, DTC has decided to eliminate the FAST COD service due to decreasing demand for the service. Currently, there is an average of approximately five FAST COD requests per day. In the place of FAST COD, participants may continue to use the Rush Withdrawals-by-Transfer ("RWT") service<sup>3</sup> or the Deposit/Withdrawal at Custodian ("DWAC") service.<sup>4</sup> RWT allows participants to quickly obtain physical certificates, which can be registered in either the participant's name or its customer's name. Using DWAC,

participants can request certificates in client name directly from the transfer agents.

**III. Discussion**

Section 17A(b)(3)(F) requires that the rules of a clearing agency be designed to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.<sup>5</sup> By eliminating a duplicative and infrequently used service such as FAST COD, the rule change allows DTC to better allocate the resources used on FAST COD toward other needed programs or improvements. An improved distribution of resources should assist DTC in removing impediments to and perfecting the national system for the prompt and accurate clearance and settlement of securities transactions. Furthermore, DTC has other services, RWT and DWAC, that it participants can use in place of FAST COD. Accordingly, the Commission believes the proposed rule change is consistent with the Act and specifically with Section 17A(b)(3)(f) of the Act.

DTC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication because this will allow DTC to eliminate the FAST COD service and reallocate those resources to other projects scheduled for completion by the end of the year.

**IV. Conclusion**

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with the requirements of Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-2002-15) be and hereby is approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Jill M. Peterson,***Assistant Secretary.*

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[Release No. 34-46959; File No. SR-ISE-2002-27]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the International Securities Exchange, Inc., Relating to the Repeal of Limitations on Orders**

December 6, 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 November 21, 2002, the International Securities Exchange, Inc. ("ISE" or "Exchange"), 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 by the ISE. 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 Exchange is proposing to repeal the provision in Rule 717 that prohibits Electronic Access Members ("EAMs") from sending in more than one order every 15 seconds for the same beneficial owner in options on the same underlying security. Below is the text of the proposed rule change. Proposed deletions are in [brackets].

\* \* \* \* \*

**Rule 717. Limitations on Orders**

\* \* \* \* \*

[(h) Multiple Orders for the Same Beneficial Account.

Members shall not cause the entry of more than one order every fifteen (15) seconds for the account of the same beneficial owner in options on the same underlying security; provided, however that this shall not apply to multiple orders in different series of options on the same underlying security if such orders are part of a spread.]

\* \* \* \* \*

**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 ISE 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

<sup>1</sup> 15 U.S.C. 78s(b)(1).<sup>2</sup> Securities Exchange Act Release No. 46772, (November 5, 2002, 67 FR 68709, 2002).<sup>3</sup> For more information about the RWT service, see Securities Exchange Act Release Nos. 30505 (March 20, 1992) [SR-DTC-91-23] (order approving implementation of the RWT service on permanent basis); 27518 (December 7, 1989) (order granting temporary extension of the RWT service); 26960 (June 23, 1989) [SR-DTC-89-11] (order granting approval of the RWT service procedures); 27052 (July 21, 1989) [SR-DTC-89-1] (order granting temporary approval of the RWT service).<sup>4</sup> For more information about the DWAC service, see Securities Exchange Release No. 30283 (January 23, 1992) [SR-DTC-91-16] (order granting approval of the DWAC service).<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).<sup>6</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.

may be examined at the places specified in Item IV below. The ISE has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The purpose of the rule filing is to repeal the ISE's "15-second speed bump." This rule prohibits EAMs from sending in more than one order every 15 seconds for the same beneficial owner in options on the same underlying security. The ISE adopted this speed bump in 2000 to protect ISE market makers from exposure across multiple series of options if they receive orders in many series at the same time.<sup>3</sup> However, since adopting this rule, more sophisticated risk management tools have been developed, permitting market makers to limit risk on a market-wide basis. Accordingly, this rule is no longer necessary. Also, eliminating this restriction on trading will provide EAMs and their customers with enhanced access to the ISE.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under section 6(b)(5)<sup>4</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for 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 proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the ISE. All submissions should refer to File No. SR-ISE-2002-27 and should be submitted by January 6, 2003.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-46976; File No. SR-ISE-2002-26]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by International Securities Exchange, Inc., Relating to Payment-for-Order-Flow and Marketing Fees**

December 9, 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 November 20, 2002, the International Securities Exchange, Inc. ("ISE") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which the ISE has prepared. 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 ISE is proposing: (1) To reduce its payment-for-order-flow fee from \$.65 a contract to \$.55 a contract; (2) to lower the cap on each payment-for-order-flow fund from \$650,000 to \$550,000; and (3) to extend the waiver of the marketing fee from December 31, 2002 to June 30, 2003. The text of the proposed rule change is available at the ISE and at the Commission.

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

In its filing with the Commission, the ISE included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it had received. The text of these statements may be examined at the places specified in Item IV below. The ISE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of those statements.

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

The ISE operates a payment for order flow program as approved by the Commission.<sup>3</sup> This program is currently

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

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

<sup>3</sup> See Securities Exchange Act Release No. 43833 (January 10, 2001), 66 FR 7822 (January 25, 2001).

<sup>3</sup> See Securities Exchange Act Release No. 44017 (February 28, 2001), 66 FR 13820 (March 7, 2001).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

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