on September 24, 2002, October 1, 2002, October 9, 2002, November 6, 2002, and November 26, 2002, the International Stock Exchange, Inc. (''ISE''), the Pacific Exchange, Inc. (''PCX''), the Chicago Board Options Exchange, Inc. (''CBOE''), the Philadelphia Stock Exchange, Inc. (''Phlx''), and the American Stock Exchange LLC (''Amex'') (collectively, the ''Participants''), respectively, filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') an amendment (''Joint Amendment No. 4'') to the Options Intermarket Linkage Plan (''Linkage Plan'').[3]

In proposed Joint Amendment No. 4, the Participants propose to limit the liability for trade-throughs for the last seven minutes of the trading day to the filling of 10 contracts per exchange, per transaction. The proposed Linkage Plan Amendment also would: (1) Decrease the time period a member must wait after sending a linkage order to a market before that member can trade through that market from 30 seconds to 20 seconds; (2) prohibit linkage fees for executing satisfaction orders; and (3) make other nonsubstantive revisions to the Linkage Plan. The Commission is publishing this notice to solicit comments from interested persons on proposed Joint Amendment No. 4 to the Linkage Plan.

I. Description and Purpose of the Proposed Amendment

The primary purpose of proposed Joint Amendment No. 4 is to effect three substantive changes to the Linkage Plan. In addition, the proposed amendment corrects a typographical error in the Linkage Plan, makes a technical change to the requirements for Linkage orders, changes the name of one Participant and the address of another Participant.

First, the proposed amendment would establish special provisions for filling Satisfaction Orders (as defined in the Linkage Plan) during the final seven minutes of the trading day. The Participants represent that as they have worked towards implementing the Linkage, members of various exchanges have raised concerns regarding their obligation to fill Satisfaction Orders (which result after a trade-through) at the close of trading in the underlying security. Specifically, these members are concerned that they may not have time to hedge the positions they acquire.[4] Thus, the Participants propose to limit liability for trade-throughs for the last five minutes of the trading day in the underlying security to the filling of 10 contracts per exchange, per transaction. The Participants believe this proposal will protect small customer orders, yet establish a reasonable limit for their members' liability. The Participants represent this proposal will not affect a member's potential liability under an exchange's disciplinary rule for engaging in a pattern or practice of trading through other markets under Section 8(c)(i)(C) of the Linkage Plan.

Second, the proposed amendment would reduce the amount of time a member must wait after sending a Linkage order to a market before that member can trade through that market. Specifically, the Participants propose to decrease this time period from 30 seconds to 20 seconds. The Linkage Plan will retain the requirement that a Participant respond to a Linkage order within 15 seconds of receipt of that order.[5]

Finally, the Participants propose to establish a general prohibition against Linkage fees for executing Satisfaction Orders. While each Participant will be able to propose non-discriminatory fees for Principal and Principal Acting as Agent Orders (as defined in the Linkage Plan), the Participants do not believe it would be appropriate to charge a fee for Satisfaction Orders. An exchange will receive a Satisfaction Order only when it has traded through customer orders on another exchange. The Participants see no basis to allow an exchange that traded through another market to impose a fee on the aggrieved party to satisfy that party's customers.

II. Implementation of the Plan Amendment

The Participants propose to make the proposed amendment to the Linkage Plan reflected in this filing effective when the Commission approves the amendment.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed Linkage 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 submissions, all subsequent amendments, all written statements with respect to the proposed Linkage Plan amendment that are filed with the Commission, and all written communications relating to the proposed Linkage Plan amendment 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 filings will also be available for inspection and copying at the principal offices of the Amex, CBOE, ISE, Phlx, and PCX. All submissions should refer to File No. 4–429 and should be submitted by January 17, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

J. Lynn Taylor,

Assistant Secretary.

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[3] On July 28, 2000, the Commission approved a national market system plan for the purpose of creating and operating an intermarket options market linkage (''Linkage'') proposed by Amex, CBOE, and ISE. *See* Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000). Subsequently, Phlx and PCX joined the Linkage Plan. *See* Securities Exchange Act Release Nos. 43573 (November 16, 2000), 65 FR 70850 (November 28, 2000) and 43574 (November 16, 2000), 65 FR 70851 (November 28, 2000). On June 27, 2001 and May 30, 2002, respectively, the Commission approved amendments to the Linkage Plan. *See* Securities Exchange Act Release Nos. 44482 (June 27, 2001), 66 FR 35470 (July 5, 2001) and 46001 (May 30, 2002), 67 FR 38687 (June 5, 2002).

[4] *See* letter from Michael Simon, Senior Vice President and General Counsel, ISE, to Annette Nazareth, Director, Division of Market Regulation, Commission, dated November 19, 2002.

[5] However, because the Linkage is highly automated and an exchange should receive a response to a Linkage Order within a second after it is sent, the Participants do not believe it is necessary to wait 15 seconds for such a response. Especially in fast-moving markets like the options market, the Participants believe that waiting five seconds for the response will provide an opportunity for the transmittal of responses to orders, while also allowing their members to execute orders on their own exchanges in a timely manner.

[6] 17 CFR 200.30–3(a)(29).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–47061; File No. 600–19]

Philadelphia Depository Trust Company; Notice of Request for Comment and Order Granting Request for Withdrawal from and Cancellation of Registration as Clearing Agency

December 20, 2002.

On September 23, 1983, pursuant to Section 17A of the Securities Exchange Act of 1934 (Exchange Act) [1] and Rule 17Ab2–1,[2] the Securities and Exchange Commission (Commission) registered

[1] 15 U.S.C. 78q–1.

[2] 17 CFR 240.17Ab2–1.

the Philadelphia Depository Trust Company (Philadep) as a clearing agency.[3] Philadep is a wholly-owned subsidiary of the Philadelphia Stock Exchange, Inc. (Phlx). As a regional depository facility and limited purpose trust company organized under the laws of Pennsylvania, it offered its participants, among other services, automated, book-entry transfer of securities positions, vault facilities, and securities lending services.[4]

On June 18, 1997, Philadep, Phlx, the Stock Clearing Corporation of Philadelphia (SCCP),[5] the National Securities Clearing Corporation (NSCC) and The Depository Trust Company (DTC) entered into an Agreement in connection with Philadep's withdrawal from the securities depository business and SCCP's restructured and limited clearance and settlement business. In the Agreement, Philadep and SCCP agreed to certain provisions, including that: (i) Philadep would cease providing securities depository services; (ii) SCCP would make available to its participants access to the facilities of one or more other organizations providing depository services; (iii) SCCP would make available to SCCP participants access to the facilities of one or more other organizations providing securities clearing services; and (iv) SCCP would transfer to the books of such other organizations the CNS system open positions of SCCP participants on the books of SCCP. On August 11, 1997, the Commission instituted public administrative and cease-and-desist proceedings pursuant to Sections 19(h) and 21C of the Exchange Act against Philadep and SCCP (Administrative Order).[6] On December 11, 1997, the Commission approved a proposed rule change which gave effect to the Agreement and which reflected Philadep's withdrawal from the depository business and SCCP's restructured and limited clearance and settlement business.[7]

In a letter dated October 1, 2002, Philadep requested that the Commission permit Philadep to withdraw its registration as a clearing agency.[8] Philadep stated that its request for withdrawal of its clearing agency registration was being made pursuant to the remedial sanctions imposed in the Order Instituting Administrative Proceedings. Philadep requested that its withdrawal as a registered clearing agency be made effective as of December 31, 2002, in order to coincide with its dissolution as a trust company under the laws of the Commonwealth of Pennsylvania.

As a condition of Philadep's withdrawal as a registered clearing agency, Phlx represents that it will ''maintain all documents, books and records in Philadep's possession as required by Rule 17a–1 under the Exchange Act for a period of 5 years following the Effective Date [of the cancellation of Philadep's registration as a clearing agency].'' [9] In addition, Phlx represents that all known outstanding claims against Philadep as of the effective date of its withdrawal will have been researched and, where appropriate, paid.[10]

Philadep represents that it has been diligent and thorough in researching and where appropriate has paid, all known outstanding claims. Philadep has represented that it has sent letters to all former Philadep participants and known creditors giving notice of its dissolution and that notice of the dissolution was published in the Philadelphia Daily News and the Legal Intelligencer.[11]

Section 19(a)(3) of the Exchange Act provides in part that a self-regulatory organization may ''withdraw from registration by filing a written notice of withdrawal with the Commission.'' Section 19(a)(3) also provides that in the event any self-regulatory organization is no longer in existence or has ceased to do business in the capacity specified in its application for registration, ''the Commission, by order, shall cancel its registration.'' Based upon representations made by Philadep to the Commission and based upon the undertakings discussed herein, the Commission has determined that granting Philadep's request for withdrawal from registration would be consistent with the requirements of the Act. Furthermore, because Philadep has ceased to do business in the capacity specified in their registration application, the Commission is canceling its registration effective December 31, 2002.

The Commission believes that it is appropriate as a part of this registration cancellation to require Phlx to comply in substance with the recordkeeping provisions of Rule 17a–1(a) with respect to the records of Philadep.[12] Specifically, Phlx, as it has consented to do, will maintain all documents, books, and records (collectively records) which are required to be maintained under Rule 17a–1(a) and which are in Philadep's possession, will produce such records at the request of any representative of the Commission, and will maintain such records for a period of 5 years from the effective date of the cancellation of Philadep's registration as a clearing agency.

The Commission believes that it would be appropriate and consistent with the policies expressed in Section 19 to notify interested persons about and to solicit public comment concerning the cancellation of Philadep's registration as a clearing agency. To assist the Commission in determining whether it should allow the cancellation to become effective as set forth in this order or whether it should modify this order, interested persons are invited to submit, until December 30, 2002, written data, views, and arguments concerning this order and the undertakings discussed herein. Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC

[3] Securities Exchange Act Release No. 20221 (September 23, 1983), 48 FR 45167 (October 3, 1983).

[4] *Id.* at 45173.

[5] SCCP is also a wholly-owned subsidiary of the Phlx. It is also registered as a clearing agency with the Commission.

[6] Among other things, the Administrative Order required Philadep to file a Section 19(b) proposed rule change describing its withdrawal from the securities depository business and to file with the Commission a request to withdraw its clearing agency registration. Securities Exchange Act Release Nos. 38918 (August 11, 1997), (Administrative Proceeding File No. 3–9360); 39644 (February 11, 1998), (Administrative Proceeding File No. 3–9360) (Order modifying August 11, 1997, Order).

[7] Securities Exchange Act Release No. 39444 (December 11, 1997), 62 FR 66703 (December 19, 1997).

[8] Letter from Meyer S. Frucher, Chairman, Philadep, and Chairman, Phlx, to Jerry Carpenter, Assistant Director, Division of Market Regulation, Commission. (October 1, 2002).

[9] *Id.*

[10] In connection with Philadep's voluntary plan of dissolution, Philadep and Phlx entered into an Assumption and Guarantee Agreement dated February 21, 2001, whereby Phlx assumes certain obligations and liabilities of Philadep. As part of Philadep's request for withdrawal as a registered clearing agency, Phlx has reaffirmed to the Commission its undertakings under the Assumption and Guarantee Agreement.

[11] E-mail from Murray L. Ross, Vice President and Secretary, Philadep, SCCP, and Phlx, to Jerry Carpenter, Assistant Director, Division of Market Regulation, Commission. (December 12, 2002).

[12] Exchange Act Rule 17a–1 requires a clearing agency to: (1) ''Keep and preserve at least one copy of all documents, including all correspondence, memoranda, papers, books, notices, accounts, and other such records as shall be made or received by it in the course of its business as such and in the conduct of its self-regulatory activity;'' (2) ''keep all such documents for a period of not less than five years, the first two years in an easily accessible place;'' and (3) ''upon request of any representative of the Commission, promptly furnish to the possession of such representative copies of any documents required to be kept and preserved by it. * * *'' 17 CFR 240.17a–1.

20549–0609. Comments may also be submitted electronically at the following e-mail address: *rule-comments@sec.gov.* All comment letters should refer to File No. 600–19. This file number should be included on the subject line if e-mail is used. Comment letters will be available for public inspection and copying in the Commission's Public Reference Room, 450 5th Street, NW, Washington, DC. Electronically submitted comment letters also will be posted on the Commission's Web site (*http://www.sec.gov*).[13]

It is therefore ordered that:

(1) Effective December 31, 2002, Philadep's registration as a clearing agency under Section 17A of the Exchange Act and Rule 17Ab2–1 thereunder is terminated and

(2) Phlx for a period of 5 years from the effective date of the termination of Philadep's registration as a clearing agency will maintain all the records required to be maintained pursuant to Rule 17a–1(a) which are in Philadep's possession and will produce such records upon the request of any representative of the Commission.

By the Commission.

J. Lynn Taylor,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–47017; File No. SR–Amex–2002–96]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange LLC To Permit Limited Side-by-Side Trading and Integrated Market Making of Certain iShares Lehman Treasury Index Exchange-Traded Fund Shares and Their Related Options

December 18, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and rule 19b–4 thereunder,[2] notice is hereby given that on November 20, 2002, the American Stock Exchange LLC (''Amex'' 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 Exchange. The Exchange filed Amendment No. 1 to the proposed rule change on December 3, 2002.[3] 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 proposes to amend Exchange rules 175, 900 and 958 to permit the trading of the iShares Lehman 1–3 Year Treasury Bond Fund (the ''1–3 Year Bond Fund''), the iShares Lehman 7–10 Year Treasury Bond Fund (the ''7–10 Year Bond Fund''), the iShares Lehman 20+ Year Treasury Bond Fund (the ''20+Year Bond Fund'') (collectively, the ''iShares Lehman Treasury Index ETFs''),[4] and any other exchange-traded fund shares (''ETFs'') approved by the Commission, and their related options contracts by the same specialist unit and registered options traders (''ROTs'') and the approved persons of such specialist unit or ROT without informational or physical barriers. The text of the proposed rule change appears below. New text is in *italics.*

Specialist Prohibitions

Rule 175

(a)–(b) No change.

(c) No specialist or his member organization or any member, limited partner, officer, or approved person thereof shall act as an options specialist or function in any capacity involving market making responsibilities in any option as to which the underlying security is a stock in which the specialist is registered as such. Notwithstanding the foregoing:

(1) A specialist member organization or an approved person of a specialist registered in a stock admitted to dealings on an unlisted basis may act as a specialist, Registered Options Trader or other registered market maker in the related option provided that such persons have established and obtained Exchange approval for procedures restricting the flow of material, non-public corporate or market information between them pursuant to Exchange rule 193, and

(2) A specialist, specialist member organization or approved person of a specialist or specialist member organization registered in an Exchange Traded Fund Share or Trust Issued Receipt that meets the criteria set forth in Commentary .03(a) to Amex rule 1000 or Commentary .02(a) to Amex rule 1000A *or approved by the Securities and Exchange Commission for trading arrangements under this paragraph and rule 958(e)* may act as a specialist, Registered Options Trader or other registered market maker in the related option without implementing procedures to restrict the flow of information between them and without any physical separation between the underlying Exchange Traded Fund Share or Trust Issued Receipt and the related option. In addition, paragraph (b) of this rule and the Guidelines to this rule are inapplicable to a specialist or specialist member organization registered in an Exchange Traded Fund Share or Trust Issued Receipt that meets the criteria set forth in Commentary .03(a) to Amex rule 1000 or Commentary .02(a) to Amex rule 1000A *or approved by the Securities and Exchange Commission for trading arrangements under this paragraph and rule 958(e)* and the approved persons of such specialist or specialist member organization.

* * * * *

Applicability, Definitions and References

Rule 900

A. (a) No change.

(b) Definitions—The following terms as used in the Rules of this Chapter shall, unless the context otherwise indicates, have the meanings herein specified:

(1) through (37). No change.

(38) Paired Security—The term ''Paired Security'' means a security which is the subject of securities trading on the Exchange and Exchange option trading, provided, however, that the term ''Paired Security'' shall not mean an Exchange-Traded Fund Share or Trust Issued Receipt which is the subject of securities trading on the Exchange and Exchange option trading if the Exchange-Traded Fund Share or Trust Issued Receipt meet the criteria

[13] We do not edit personal, identifying information such as names, or e-mail addresses, from electronic submissions. Submit only information you wish to make publicly available.

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

[2] 17 CFR 240.19b–4.

[3] *See* letter from Jeffrey P. Burns, Assistant General Counsel, Amex, to Kelly McCormick Riley, Senior Special Counsel, Division of Market Regulation, Commission, dated November 27, 2002 (''Amendment No. 1''). In Amendment No. 1, the Exchange revised the rule text of the proposal to clarify that the Commission must approved integrated market making and side-by-side trading in Exchange Traded Fund (''ETF'') or Trust Issued Receipt (''TIR'') that does not meet the criteria set forth in Commentary .03(a) or Amex rule 1000 or Commentary .02(a) to Amex rule 1000A.

[4] *See* Securities Exchange Act Release No. 46252 (July 24, 2002), 67 FR 49715 (July 31, 2002), (''iShares Treasury Index ETF Approval''). *See also* Investment Company Act Release Nos. 25622 (June 25, 2002), (approval0; and 25594 (May 29, 2002), 67 FR 38681 (June 5, 2002), (notice) (Trust, Advisor and Distributor of the funds applied and received a Commission order exemption the funds from various provisions of the Investment Company Act of 1940 (''1940 Act'')).