

provided for execution of odd-lot orders at the adjusted ITS BBO. Under the version of the rule that was approved, the adjusted ITS BBO was defined to exclude the quotation of another ITS market center if the quotation is 100 shares or less.⁴

In testing the systems functionality that would execute odd-lot orders at the adjusted ITS BBO, the CHX determined that exclusion of 100-share quotations disseminated by the primary market in an issue could result in inferior executions on the CHX, a result not fully anticipated. Accordingly, the CHX seeks approval to modify Interpretation and Policy .01, in order to permit inclusion of 100-share primary market quotations when calculating the adjusted ITS BBO. The CHX believes that the proposed rule change is amply warranted, as it will in many cases result in a superior execution price for the investor.

Because the proposed rule change will modify the execution system change previously approved by the Commission, the CHX has disengaged the adjusted ITS BBO execution algorithm until such time as the algorithm can be reprogrammed to include primary market 100-share quotations.⁵ The CHX estimates that this reprogramming can be concluded within a relatively short time frame, in less than 30 days. If the reprogramming effort is not concluded within this 30-day period, the CHX represents that it will seek further relief from the Commission.

2. Statutory Basis

The CHX believes that the proposed rule change is consistent with section 6(b) of the Act,⁶ generally, and section 6(b)(5) of the Act,⁷ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of 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 Exchange believes that no burden will be placed on competition as a result of the proposed rule change.

⁴ See Article XXXI, rule 9, Interpretation and Policy .01.

⁵ While the adjusted BBO algorithm is being reprogrammed, the CHX will execute odd-lot orders under the previous version of Article XXXI, rule 9, which required execution of such orders at the national best bid or offer disseminated pursuant to SEC rule 11 Ac1-1, 17 CFR 240.11Ac1-1.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

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

No written comments were solicited or received.

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

Because the proposal effects a change in an existing order-entry or trading system of the Exchange that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not have the effect of limiting the access to or availability of the system, it has become effective pursuant to section 19(b)(3)(A) of the Act⁸ and subparagraph (f)(5) of rule 19b-4⁹ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 CHX. All submissions should refer to File No. SR-CHX-2003-09 and should be submitted by April 11, 2003.

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(5).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 03-6829 Filed 3-20-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47494; File No. SR-NSCC-2002-10]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to the Modification of Fixed Income Transaction System in Preparation for the Implementation of Real Time Trade Processing

March 13, 2003.

On November 5, 2002, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934¹ proposed rule change File No. SR-NSCC-2002-10. Notice of the proposal was published in the **Federal Register** on January 31, 2003.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

NSCC will modify its Trade Comparison Service rules to enhance its Fixed Income Transaction System ("FITS") in order to begin the move to real time trade matching processing ("RTTM") for fixed income securities that are eligible for processing by NSCC.

RTTM was implemented by the Government Securities Clearing Corporation ("GSCC"), an NSCC affiliate, in the fourth quarter of 2000 for the processing of government securities. It was designed with a vision to also use the platform for other fixed income securities. Once RTTM was deployed for government securities, GSCC and MBS Clearing Corporation ("MBSCC") worked together to adapt RTTM to support the requirements of mortgage-backed securities. MBSCC implemented RTTM on September 27, 2002. NSCC believes that the next logical extension of RTTM is to further adapt it for fixed income securities that are eligible for processing by NSCC. NSCC currently

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 47206 (Jan. 16, 2003), 68 FR 5067 (Jan. 31, 2003).

plans to implement RTTM for corporate bonds, municipal bonds, and Unitary Investment Trusts ("UIT") in the fourth quarter of 2003. RTTM will eventually replace NSCC's current FITS.

One of NSCC's main objectives will be to ensure an orderly transition to RTTM. In order to prepare participants for the new RTTM functionality, NSCC proposes that certain modifications be made to FITS during March 2003. These modifications will enable participants to become familiar with RTTM-type processing. In addition, some lesser-utilized FITS functionality that will not be incorporated into RTTM will be eliminated from FITS. The modifications have been endorsed by the RTTM Working Group, which consists of representatives of participants that hold key positions in The Bond Market Association, the Securities Industry Association, and the Regional Municipal Operations Association.

The following is a summary of the modifications to FITS:

- FITS will automatically compare a trade even if the counterparties submit data on the trade in different pieces, a process known as "trade summarization."³
- Except for trades where the settlement date is the same business day as or the business day after the trade date,⁴ FITS will be modified to accept (instead of reject) trade submissions with a contractual settlement date of the day of input or of prior dates and will automatically assign a settlement date of the next business day to the trades.
- Corporate bond trades in quantities of other than multiples of a thousand (round-lots) must be divided into separate data submissions of the round lot quantity and the odd-lot quantity (multiples of less than one thousand).

The following is a summary of functions that NSCC proposes to eliminate from FITS:

- Demand As Of processing.⁵

³ For example, Firm A submits one trade for \$30 million and Firm B "breaks down" the trade into three \$10 million pieces. Alternatively, Firm A and Firm B may execute five separate trades each worth \$10 million. Firm A submits each trade separately while Firm B "bunches" the five trades into one \$50 million piece. In both of these examples, the trades will be compared.

⁴ NSCC will continue to reject trades where the settlement date is the same business day as or the business day after the trade date regardless of the date of submission.

⁵ The As Of capability will still be available to compare trades that do not initially compare in FITS. The As Of capability requires the submission by each counterparty of data that matches in all respects whereas the Demand As Of capability permitted a trade to be "force compared" on the submitter's terms even if the counterparty did not respond.

- One Sided Deletes for compared, secondary market municipal security trades. In order to delete these trades, both counterparties will be required to submit Withholds that match in all respects.⁶

- Trade Submit and Carry Forward Totals will not be reported on the Supplemental and Added Trade Contracts.

- Regular Way Extended Settlement Carry Forward Totals.⁷

Along with these changes, NSCC will change the current cutoff time for trade date submission from midnight to 8 p.m. and will require the submission of certain additional trade data.⁸ Finally, NSCC will make a technical correction to the use of the term "business day" in its rules. During the preparation of this filing, NSCC realized that the use of upper and lower case letters for the term is inconsistent in the rules. In order to carry out the intention of the drafters of the rules, NSCC will use the term "business day" (lower case) throughout its rules as is specified in the definition of that term in NSCC Rule 1-1.

II. Discussion

The Commission finds that NSCC's proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of section 17A(b)(3)(F)⁹ of the Act. Section 17A(b)(3)(F) requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission finds that NSCC's rule change meets this requirement because it will enable NSCC to prepare its participants for the new RTTM functionality that will eventually enable NSCC to process trades in a more efficient and timely manner. By effecting an orderly transition to RTTM, NSCC's participants should become familiar with RTTM-type processing and thereby enable NSCC to continue to promote the prompt and accurate clearance and settlement of securities transactions.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the

⁶ One Sided Deletes functionality will be retained for syndicate takedown transactions and for uncomparable municipal bond, corporate bond, and UIT trades.

⁷ Carry Forward Totals will be retained on New Issue Contracts.

⁸ The details for these technical changes can be found in NSCC's Important Notice No. A5487 (October 7, 2002).

⁹ 15 U.S.C. 78q-1(b)(3)(F).

Act and in particular with the requirements of section 17A 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-NSCC-2002-10) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 03-6830 Filed 3-20-03; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3482]

State of Kentucky

As a result of the President's major disaster declaration on March 14, 2003, I find that Breathitt, Carter, Clarke, Fayette, Floyd, Greenup, Johnson, Knott, Leslie, Letcher, Lewis, Martin, Owsley, Perry and Pike Counties in the State of Kentucky constitute a disaster area due to damages caused by severe winter ice and snow storms, heavy rain, flooding, tornadoes, and mud and rock slides occurring on February 15 through February 26, 2003. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on May 13, 2003, and for economic injury until the close of business on December 15, 2003, at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308.

In addition, applications for economic injury loans from small businesses located in the following contiguous counties may be filed until the specified date at the above location: Bell, Bourbon, Boyd, Clay, Elliott, Estill, Fleming, Harlan, Jackson, Jessamine, Lawrence, Lee, Madison, Magoffin, Mason, Menifee, Montgomery, Morgan, Powell, Rowan, Scott, Wolfe and Woodford in the State of Kentucky; Adams, Lawrence and Scioto counties in the State of Ohio; Buchanan, Dickenson and Wise counties in the Commonwealth of Virginia; and Mingo and Wayne counties in the State of West Virginia.

The interest rates are:

For Physical Damage

Homeowners with credit available elsewhere: 5.875%

¹⁰ 17 CFR 200.30-3(a)(12).