

needs or accommodations is appreciated.

**Daniel C. Schnieder,**  
Advisory Committee, Management Officer.  
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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47733; File No. 4-208]

### Intermarket Trading System; Order Granting Approval of the Twentieth Amendment to the ITS Plan Relating to the Recognition of the Use by the Chicago Board Options Exchange, Inc. of the Regional Computer Interface and the Description of Commitment Acceptance Applicable to Specialists of the Boston Stock Exchange, Inc.

April 24, 2003.

On March 14, 2003, the Intermarket Trading System Operating Committee ("ITSOC") submitted to the Securities and Exchange Commission ("Commission"), pursuant to section 11A of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 11A3a3-2 thereunder,<sup>2</sup> a proposed amendment ("Twentieth Amendment") to the restated ITS Plan.<sup>3</sup> The proposed amendment recognized the use by the Chicago Board Options Exchange, Inc. ("CBOE") of the Regional Computer Interface ("RCI"); and revised the description of commitment acceptance applicable to specialists of the Boston Stock Exchange, Inc. ("BSE"). Notice of the proposed amendment appeared in the *Federal Register* on April 3, 2003.<sup>4</sup> The Commission received no comments on the proposed amendment. This order approves the proposed amendment.

The Commission finds that the proposed amendment is consistent with the Act and the rules and regulations thereunder applicable to the ITS and, in particular, Sections 11A(a)(1)(C)(ii) and

(D) of the Act,<sup>5</sup> and Rule 11A3-2(c)(2) thereunder,<sup>6</sup> which require among other things, that a plan amendment must be necessary or appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, and shall remove impediments to, and perfect the mechanisms of, a national market system. Specifically, the Commission believes that the plan amendment should enable the CBOE to use the communications network that links all the Participant markets. Further, the Commission believes that the proposed amendment clarifies in the ITS Plan those instances where an ITS transaction will be represented by one or more BSE Registered specialists.

*It is therefore ordered*, pursuant to section 11A(a)(3)(B) of the Act,<sup>7</sup> that the proposed Twentieth Amendment be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47753; File No. SR-CBOE-2001-60]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendments No. 1, 2, 3, 4, 5, 6, 7, and 8 by the Chicago Board Options Exchange, Inc. To Initiate a Pilot Program That Allows the Listing of Strike Prices at One-Point Intervals for Stocks Trading Under \$20

April 29, 2003.

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 December 12, 2001, the Chicago Board Options Exchange, Inc. ("CBOE" 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 Amendments No. 1, 2, 3, 4, 5, 6, 7, and 8 to the proposed rule change on March 13, 2002,<sup>3</sup> June

21, 2002,<sup>4</sup> December 6, 2002,<sup>5</sup> March 7, 2003,<sup>6</sup> March 25, 2003,<sup>7</sup> April 16, 2003,<sup>8</sup> April 24, 2003,<sup>9</sup> and April 25, 2003,<sup>10</sup> respectively. The Commission is publishing this notice, as amended, 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 CBOE proposes to initiate a one-year pilot program that would allow the listing of strike prices at one-point intervals where the underlying stock trades under \$20 ("\$1 Strike Pilot Program" or "Pilot Program"). The text of the proposed rule change appears below. Additions are in *italics*. Deleted text is in [brackets].

\* \* \* \* \*

Market Regulation ("Division"), Commission, dated March 12, 2002 ("Amendment No. 1"). In Amendment No. 1, the Exchange provides additional information on the proposal, including information regarding Options Price Reporting Authority ("OPRA") capacity.

<sup>4</sup> See letter from James M. Flynn, Attorney II, Legal Division, CBOE, to Elizabeth King, Associate Director, Division, Commission, dated June 20, 2002 ("Amendment No. 2"). Amendment No. 2 discusses the need for \$1 strikes and provides information regarding market data vendor capacity.

<sup>5</sup> See letter from Steve Youhn, Attorney, Legal Division, CBOE, to Deborah Flynn, Assistant Director, Division, Commission, dated December 5, 2002 ("Amendment No. 3"). In Amendment No. 3, the Exchange proposed to reduce the number of underlying stocks included in the pilot program to 25 and list only \$1 strikes that fall within a \$5 range of the underlying stock price.

<sup>6</sup> See letter from James M. Flynn, Attorney II, Legal Division, CBOE, to Deborah Flynn, Assistant Director, Division, Commission, dated March 6, 2003 ("Amendment No. 4"). In Amendment No. 4, the Exchange proposed to: (1) Reduce the number of underlying stocks included in the pilot program to five stocks; (2) list \$1 strike prices on options classes include in the \$1 strike price program of other options exchanges; and (3) provide that the CBOE would not list Long Term Equity Option Series ("LEAPS") in equity option classes at \$1 strike price intervals.

<sup>7</sup> On March 25, 2003, the Exchange filed Amendment No. 5, which supercedes the original filing and Amendments No. 1, 2, 3, and 4 in their entirety.

<sup>8</sup> See letter from James M. Flynn, Attorney II, Legal Division, CBOE, to Deborah Flynn, Assistant Director, Division, Commission, dated April 15, 2003 ("Amendment No. 6"). In Amendment No. 6, the Exchange made a correction to the proposed rule text and to the purpose section of the proposal.

<sup>9</sup> See letter from James M. Flynn, Attorney II, Legal Division, CBOE, to Deborah Flynn, Assistant Director, Division, Commission, dated April 22, 2003 ("Amendment No. 7"). In Amendment No. 7, the Exchange submitted a revised Exhibit A to the proposed rule change, which replaces all previous versions of Exhibit A.

<sup>10</sup> See letter from James M. Flynn, Attorney II, Legal Division, CBOE, to Deborah Flynn, Assistant Director, Division, Commission, dated April 25, 2003 ("Amendment No. 8"). In Amendment No. 8, the Exchange submitted a revised Exhibit A to the proposed rule change, which replaces all previous versions of Exhibit A.

<sup>1</sup> 15 U.S.C. 78k-1.

<sup>2</sup> 17 CFR 240.11Aa3-2.

<sup>3</sup> The ITS is a National Market System plan, which was designed to facilitate intermarket trading in exchange-listed equity securities based on current quotation information emanating from the linked markets. See Securities Exchange Act Release No. 19456 (January 27, 1983), 48 FR 4938 (February 3, 1983).

The ITS Participants include the American Stock Exchange LLC ("Amex"), BSE, CBOE, the Chicago Stock Exchange, Inc. ("CHX"), the Cincinnati Stock Exchange, Inc. ("CSE"), the National Association of Securities Dealers, Inc. ("NASD"), the New York Stock Exchange, Inc. ("NYSE"), the Pacific Exchange, Inc. ("PCX"), and the Philadelphia Stock Exchange, Inc. ("Phlx") (collectively, "Participants").

<sup>4</sup> See Securities Exchange Act Release No. 47578 (March 26, 2003), 67 FR 16319.

<sup>5</sup> 15 U.S.C. 78k-1(a)(1)(C)(ii) and (D).

<sup>6</sup> 17 CFR 240.11A3-2(c)(2).

<sup>7</sup> 15 U.S.C. 78k-1(a)(3)(B).

<sup>8</sup> 17 CFR 200.30-3(a)(29).

<sup>9</sup> 15 U.S.C. 78s(b)(1).

<sup>10</sup> 17 CFR 240.19b-4.

<sup>3</sup> See letter from Steve Youhn, Attorney, CBOE, to Deborah Flynn, Assistant Director, Division of