(84–5875)—NAVCAP Securities Inc.
(84–5647)—Penn Street Advisors, Inc.
(84–5834)—Reserve General Escrow Company
(84–682)—Swiss Chalet, Inc.
(84–191)—Texaco Inc.
(84–986)—The Troy Investment Fund
(84–1947)—Vermont Fund Advisors, Inc.

[FR Doc. 03–27309 Filed 10–29–03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–48680; File No. SR–CHX–2003–30]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Interpretation by the Chicago Stock Exchange, Incorporated Relating to Execution of Limit Orders for OTC Securities

October 22, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 6, 2003, the Chicago Stock Exchange, Incorporated (''CHX'' or ''Exchange'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule interpretation as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 submitting an interpretation of existing CHX Article XX, Rule 37(a)(3), which provides for execution of resting CHX customer limit orders for Nasdaq/NM (''OTC'') securities, when the quotation of a Designated Market (as defined below) locks or crosses the limit price.

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 CHX included statements concerning the purpose of and basis for the proposed rule interpretation and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in Sections A, B and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange is proposing an interpretation of existing CHX Article XX, Rule 37(a)(3), which provides for execution of resting CHX customer limit orders for OTC securities, when the quotation of a Designated Market locks or crosses the limit price.

In June of 2003, the Commission noticed a proposal submitted for immediate effectiveness, which amended CHX Article XX, Rule 37(a)(3), to add a provision that would permit a CHX specialist to enable a functionality that would automatically execute designated limit orders for OTC securities when the quotation of a Designated Market locked or crossed the limit price.[3] The rule change defined ''Designated Market'' as ''the market center designated by the CHX specialist, and approved by the Exchange.''

The rule change was intended by the Exchange to provide OTC specialists with a long-standing functionality available to limit orders for listed securities; such limit orders generally are entitled to a fill at the limit price if a price penetration (*i.e.*, trade-through) or certain other conditions occur in the primary market. Because there is no primary market for OTC securities, however, the CHX proposed a rule change that would permit designation of particular OTC market center(s) as the basis for the CHX specialist's limit order protection.

As set forth in submission SR–CHX–2003–05, initially, all CHX specialists designated the NASDAQ Stock Market as the ''Designated Market'' for purposes of amended CHX Article XX, Rule 37(a)(3). After initial implementation of the OTC limit order protection functionality, the Exchange's OTC specialist community has elected to designate additional OTC markets as Designated Markets. Specifically, the Exchange's OTC specialists wish to expand their designation to include all current UTP Plan Participants[4] and the Alternative Display Facility operated by the National Association of Securities Dealers. These OTC markets would be considered Designated Markets, along with the NASDAQ Stock Market. The Exchange believes that identification of additional OTC markets as ''Designated Markets'' is appropriate, because it will result in the automatic execution of more limit orders on the CHX, to the benefit of the investing public.

In the Notice of Filing and Immediate Effectiveness for SR–CHX–2003–05,[5] the CHX represented that if all CHX specialists made a different or additional designation for all securities traded on the Exchange, the Exchange would file those changes with the Commission. The Exchange submitted this rule interpretation in accordance with that representation.[6]

2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).[7] The CHX believes the proposal is consistent with Section 6(b)(5) of the Act[8] in that it is designed to promote just and equitable principles of trade, to remove impediments to and 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 of Burden on Competition

The Exchange does not believe that the proposed rule interpretation will impose any inappropriate burden on competition.

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

No written comments were either solicited or received.

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 48014 (June 11, 2003), 68 FR 35923 (June 17, 2003) (File No. SR–CHX–2003–05).

[4] The ''Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis'' (the ''UTP Plan'') defines its Participants to include the American Stock Exchange, Boston Stock Exchange, Chicago Stock Exchange, Cincinnati Stock Exchange, National Association of Securities Dealers, Pacific Exchange and Philadelphia Stock Exchange. Not all of these Participants currently trade OTC securities or disseminate quotations for OTC securities. To the extent that they commence trading OTC securities in the future, the CHX plans to include such market centers as Designated Markets.

[5] *See* note 3, *supra*.

[6] Telephone conversation between Kate Boege, Associate General Counsel, CHX, and Katherine A. England, Assistant Director, Division of Market Regulation, Commission, on October 21, 2003.

[7] 15 U.S.C. 78(f)(b).

[8] 15 U.S.C. 78f(b)(5).

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

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act [9] and Rule 19b–4(f)(1) thereunder [10] because it constitutes a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing rule. At any time within 60 days of the filing of the proposed rule interpretation, the Commission may summarily abrogate such rule interpretation 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 proposal 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 interpretation that are filed with the Commission, and all written communications relating to the proposed rule interpretation 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–2003–30 and should be submitted by November 20, 2003.

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

Margaret H. McFarland,

Deputy Secretary.

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[9] 15 U.S.C. 78s(b)(3)(A).

[10] 17 CFR 240.19b–4(f)(1).

[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–48689; File No. SR–FICC–2003–03]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend the Criteria Used To Place Members on Surveillance Status

October 24, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on March 20, 2003, the Fixed Income Clearing Corporation (''FICC'') filed with the Securities and Exchange Commission (''Commission'') and on June 3 and 18, 2003, amended the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by FICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FICC is seeking to amend the criteria it uses to place members on surveillance status.

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

In its filing with the Commission, FICC 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 may be examined at the places specified in Item IV below. FICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.[2]

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

Under the current rules of both the Government Securities Division (''GSD'') and the Mortgage-Backed Securities Division (''MBSD'') of FICC, management has the ability to place a member in a surveillance status class depending on whether the member satisfies one or more of the enumerated financial and operational criteria in the specific class. Once placed on surveillance status, FICC closely monitors the member's condition. The current criteria for placing members on surveillance status are broadly written and capture many FICC members that pose minimal financial or operational risk to FICC. This creates administrative burdens for FICC staff who must more closely monitor these members that pose minimal risk.

To remedy this problem, FICC has developed new criteria for placing members on surveillance. Specifically, all domestic broker-dealers and banks [3] that are GSD netting members and/or MBSD clearing members will be assigned a rating that is generated by entering financial data of the member into a matrix (''Matrix'') developed by credit risk staff.[4] Those members with a ''weak'' rating or deemed to pose a relatively higher degree of risk to FICC will be placed on an internal ''watch list'' and monitored more closely by credit risk staff.[5] The consequences of being put on the ''watch list'' will be the same as is currently the case with surveillance status in the GSD's rules and include possibly requiring the member on ''watch list'' status to submit additional financial reports and data and/or make additional clearing or participants fund deposits.[6]

All other categories of netting and clearing members, including non-US netting members and comparison-only members, will not be included in the Matrix process because these members possess characteristics that prohibit the Matrix from effectively evaluating their risk to FICC. However, these members will be monitored by credit risk staff using financial criteria deemed relevant

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

[2] The Commission has modified the text of the summaries prepared by FICC.

[3] The following categories of GSD members will receive ratings: Category 1 and 2 Dealer Netting Members, Category 1 and 2 Inter-Dealer Broker Netting Members, and Bank Netting Members. In the MBSD, Comparison and Clearing System Participants that are either banks or broker-dealers will be rated. Domestic broker-dealers and domestic banks are the only member types to which the Matrix will be applicable because (i) they represent the majority of the members of FICC and (ii) their financial reports contain information that lends them to the Matrix approach.

[4] FICC's approach to the analysis of members will be based on a thorough quantitative analysis. A broker-dealer member's rating on the Matrix will be based on factors including size (*i.e.*, total excess net capital), capital, leverage, liquidity, and profitability. Banks will be reviewed based on size, capital, asset quality, earnings, and liquidity.

[5] Members will also be evaluated based on their compliance with certain ''parameter breaks'' which will be determined based on applicable monthly and/or quarterly exception reports generated by credit risk staff. A member may be placed on the ''watch list'' for failure to fall within, for example, prescribed excess net capital, excess liquid capital, aggregate indebtedness, leverage ratio, or financial membership requirement parameters.

[6] The MBSD's rules do not currently provide for surveillance status, but the MBSD has the right under certain circumstances to require additional financial reports and increased participants fund.