

NYSE-2002-37 and should be submitted by January 17, 2003.

IV. Discussion

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁸ Specifically, the Commission believes the proposed rule change is consistent with section 6(b)(5) of the Act,⁹ which requires among other things, that the rules of the Exchange are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to perfect the mechanism of a free and open market and national market system, and in general to protect investors and the public interest. The Commission believes that including Investment Company Units and Trust Issued Receipts in the Direct + pilot is a reasonable expansion of the Direct + pilot. The Commission believes that this allows customers who value speed and certainty of automatic executions to participate in Direct +. The Commission also believes that the expansion of the maximum order size for these products is reasonably designed to permit the exchange to attract additional order flow and potentially increase the depth and liquidity of the exchange's market to the benefit of investors.

The Commission finds good cause for accelerating approval of Amendment No. 1 because it merely clarifies the standard the NYSE would use in determining whether to increase the Direct + order size, coordinates the pilot termination date with the date of the NYSE Direct + pilot, and makes no substantive changes to the proposal. Accordingly, pursuant to section 19(b)(2) of the Act,¹⁰ the Commission finds good cause to approve Amendment No. 1 prior to the thirtieth day after notice of the Amendment is published in the **Federal Register**.

V. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹¹ that the proposed rule change (SR-NYSE-2002-

37) is approved, and Amendment No. 1 is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

J. Lynn Taylor,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47018; File No. SR-OC-2002-03]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by OneChicago, LLC Relating to Block Trades

December 18, 2002.

Pursuant to section 19(b)(7) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-7 under the Act,² notice is hereby given that on November 7, 2002, OneChicago, LLC ("OneChicago") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change described in Items I and II below, which Items have been prepared by OneChicago. On December 12, 2002, OneChicago filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. OneChicago also filed the proposed rule change with the Commodity Futures Trading Commission ("CFTC"). OneChicago filed written certifications with the CFTC under Section 5c(c) of the Commodity Exchange Act⁴ on November 6, 2002 and December 12, 2002.

I. Self-Regulatory Organization's Description of the Proposed Rule Change

OneChicago is proposing to amend OneChicago Rule 417, relating to block trades, in the following respects: (i) Paragraph (c) is amended to provide that the parties to a block trade must report specified information regarding such trade to OneChicago "without delay," rather than "promptly"; (ii) paragraph (d) is amended to add that clearing members and, if applicable, exchange

members and access persons (as such terms are defined in the OneChicago rulebook) may execute orders for a non-discretionary customer account by means of a block trade only if the relevant customer has previously consented thereto; and (iii) paragraphs (e) and (f) are amended to clarify that a natural person who is associated with a clearing member, exchange member or access person is restricted from engaging in transactions for any account that he or she controls when he or she has knowledge of a pending block trade of the clearing member, exchange member or access person with which he or she is associated.

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

OneChicago has prepared statements concerning the purpose of, and statutory basis for, the proposed rule, burdens on competition, and comments received from members, participants, and others. The text of these statements may be examined at the places specified in Item IV below. These statements are set forth in Sections A, B, and C below.

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

1. Purpose

The proposed rule change is designed to: (i) Clarify the timeframe within which information related to a block trade must be reported; (ii) make it clear that clearing members, exchange members and access persons must obtain a customer's consent prior to executing orders for a non-discretionary account by means of a block trade; and (iii) apply the restrictions on engaging in certain transactions related to a block trade to natural persons associated with a clearing member, exchange member or access person, and to clarify that the restriction on trading extends to any account that such natural person controls.

The proposed change to paragraph (c) of OneChicago Rule 417 is meant to remove any ambiguity with respect to the timeframe within which market participants are required to report information related to block trades. OneChicago believes that obligating market participants to report block trades "without delay" is warranted by the important price discovery function that it expects its markets for security futures products will serve. Given that all trading on OneChicago will be conducted electronically, OneChicago

⁸ The Commission has considered the proposed rules' impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ *Id.*

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(7).

² 17 CFR 240.19b-7.

³ See letter dated December 12, 2002 from C. Robert Paul, General Counsel, OneChicago, to Division of Market Regulation, Commission.

⁴ 7 U.S.C. 7a-2(c).

does not foresee that market participants will encounter practical difficulties in complying with this strict reporting requirement.

The proposed change to paragraph (d) is intended to protect customers with non-discretionary accounts by making it clear that the clearing members, exchange members and access persons maintaining such accounts must obtain their customers' consent prior to executing customer orders by means of a block trade. OneChicago believes that customer protection in this area is warranted because block trades may be executed at prices that differ from those prevailing in the corresponding contract markets at the time.

The proposed changes to paragraphs (e) and (f) of OneChicago Rule 417 are intended to clarify that the restrictions on engaging in certain transactions related to a block trade prohibit all natural persons associated with market participants, including access persons, from taking advantage of non-public information with respect to a block trade, by entering orders for execution through OneChicago for any account that he or she controls if such orders relate to the same underlying securities as the block trade in question.

2. Statutory Basis

OneChicago has filed this proposed rule change pursuant to section 19(b)(7) of the Act.⁵ OneChicago believes that the proposed rule change is authorized by, and consistent with, section 6(b)(5)⁶ of the Act because it is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade.

B. Self-Regulatory Organization's Statement on Burden on Competition

OneChicago believes that the proposed rule change is inherently pro-competitive as it is designed to ensure that: (i) Relevant market information becomes available to the public as expeditiously as possible; (ii) customers with non-discretionary accounts are protected from unauthorized block trades; and (iii) natural persons associated with market participants are prevented from taking advantage of any non-public information with respect to block trades.

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

Comments on the proposed rule change have not been solicited.

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

Pursuant to section 19(b)(7)(B) of the Act,⁷ the proposed rule change, as filed with the Commission on November 7, 2002, became effective on that date. Amendment No. 1 to the proposed rule change became effective on December 13, 2002. Within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of section 19(b)(1) of the Act.⁸

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rules conflict with the Act. Persons making written submissions should file nine copies of the submission with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Comments also may be submitted electronically to the following e-mail address: rule-comments@sec.gov. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rules that are filed with the Commission, and all written communications relating to the proposed rules 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 these filings will also be available for inspection and copying at the principal office of OneChicago. Electronically submitted comments will be posted on the Commission's internet Web site (<http://www.sec.gov>). All submissions should refer to File No. SR-OC-2002-03 and should be submitted by January 17, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

J. Lynn Taylor,

Assistant Secretary.

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⁷ 15 U.S.C. 78s(b)(7)(B).

⁸ 15 U.S.C. 78s(b)(1).

⁹ 17 CFR 200.30-3(a)(75).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47036; File No. SR-PCX-2002-53]

Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Approving Proposed Rule Change Relating to New Order Types

December 19, 2002.

I. Introduction

On August 5, 2002, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change regarding new order types. On September 26, 2002, the Exchange's rule proposal was published for comment in the *Federal Register*.³ The Commission received no comment letters on the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

PCX, through its wholly-owned subsidiary PCX Equities, Inc. ("PCXE"), proposes to amend its rules governing the Archipelago Exchange ("ArcaEx"), the equities trading facility of PCXE, to: (i) Adopt two new order types—a Midpoint Crossing Order and a Midpoint Directed Fill; and (ii) add minimum trading differentials for these new order types separate from other orders types.

The two new order types would allow Equity Trading Permit ("ETP") Holders and Sponsored Participants (collectively "Users") to receive executions priced between the national best bid and offer ("NBBO") at price increments finer than the minimum trading differential permitted under the Exchange's current rules.

A Midpoint Cross Order would be a Cross Order⁴ that is priced at the midpoint of the NBBO. If at the time of order entry a locked or crossed market exists in the security, the ArcaEx trading system would reject the Midpoint Cross Order. A Midpoint Directed Fill would be a Directed Fill⁵ that is priced at the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 46515 (September 19, 2002), 67 FR 60709.

⁴ A Cross Order is defined as a two-sided order with instructions to match the identified buy-side with the identified sell-side at a specified price (the cross price), subject to price improvement requirements. See PCXE Rule 7.31(s).

⁵ See PCXE Rule 7.31(j) (definition of "Directed Fill").

⁵ 15 U.S.C. 78s(b)(7).

⁶ 15 U.S.C. 78f(b)(5).