

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-49203; File No. SR-CHX-2002-09]

Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change and Amendment Nos. 1 and 2 by the Chicago Stock Exchange, Incorporated, Adding Certain Rules to the CHX Minor Rule Violation Plan

February 6, 2004.

On April 11, 2002, the Chicago Stock Exchange, Incorporated ("CHX" 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 that would add to the CHX Minor Rule Violation Plan ("Plan") certain violations of Rule 11Ac1-1 under the Act³ ("Firm Quote Rule"), as well as violations of CHX Article XX, Rule 37(a) ("BEST Rule") and CHX Article XX, Rule 37, Interpretation and Policy .04 ("Ability to Switch MAX to Manual Execution" procedures). The CHX amended the proposed rule change on December 17, 2003, and again on December 22, 2003.⁴ Notice of the proposed rule change, as amended, was published for comment in the **Federal Register** on January 6, 2004.⁵ The Commission received no comments on the proposal.

The Commission has reviewed the proposed rule change, as amended, and finds that it is consistent with the Act and the rules and regulations promulgated thereunder applicable to a national securities exchange and, in particular, with the requirements of section 6(b).⁶ Specifically, the Commission finds that approval of the proposed rule change is consistent with

section 6(b)(5)⁷ 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. Additionally, the Commission finds the proposal is consistent with Rule 19d-1(c)(2) under the Act,⁸ which governs minor rule violation plans. For these reasons, the Commission finds that the proposed rule change is consistent with the provisions of the Act, in general, and with section 6(b)(5)⁹ in particular.

The Commission believes that the proposed rule change should enable the Exchange to appropriately discipline its members and others associated with its members for violation of these rules. In approving this proposed rule change, the Commission in no way minimizes the importance of compliance with these rules, and all other rules subject to the imposition of fines under the Plan. The violation of any self-regulatory organization's rules, as well as Commission rules, is a serious matter. However, in an effort to provide the Exchange with greater flexibility in addressing certain violations, the Plan provides a reasonable means to address rule violations that do not rise to the level of requiring formal disciplinary proceedings. The Commission expects that the Exchange will continue to conduct surveillance with due diligence, and make a determination based on its findings whether fines of more or less than the recommended amount are appropriate for violations of rules under the Plan on a case by case basis, or if a violation requires formal disciplinary action.

In addition, the Commission notes that the rules that the CHX is adding to the Plan through the proposed rule change relate to specialists' market making obligations. The Commission believes that only the most technical and non-substantive violations of a specialist's market making obligations should be handled pursuant to the Plan.¹⁰

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹¹ that the proposed rule change (SR-CHX-2002-09), as amended, be and hereby is approved.

⁷ 15 U.S.C. 78f(b)(5).

⁸ 17 CFR 19d-1(c)(2).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ See, e.g., Securities Exchange Act Release No. 27878 (April 14, 1990), 55 FR 13345 (April 10, 1990) (SR-NYSE-89-44).

¹¹ 15 U.S.C. 78s(b)(2).

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-49196; File No. SR-EMCC-2003-06]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Admission Criteria for Members

February 5, 2004.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 22, 2003, Emerging Markets Clearing Corporation ("EMCC") 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 primarily by EMCC. 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 proposed rule change amends EMCC's Rule 2, Section 6, Admission Criteria for Members.

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

In its filing with the Commission, EMCC 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. EMCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.11Ac1-1.

⁴ Each amendment completely replaced and superseded the previous filing.

⁵ Securities Exchange Act Release No. 49004 (December 29, 2003), 69 FR 00709.

⁶ 15 U.S.C. 78f(b). In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).