

Institution and settlement of administrative proceedings of an enforcement nature;  
Formal orders of investigation; and  
Adjudicatory matter.

The subject matter of the open meeting scheduled for Thursday, December 13, 2001, will be:

The Commission will consider the Nasdaq Stock Market, Inc.'s request that the Commission interpret Section 28(e) of the Securities Exchange Act of 1934 to apply to riskless principal transactions in certain Nasdaq securities in light of recent amendments to Nasdaq's trade reporting rules.

For further information, please contact Catherine McGuire or Joseph Corcoran, Division of Market Regulation, at (202) 942-0073.

The subject matters of the closed meeting scheduled for Thursday, December 13, 2001, will be:  
Institution and settlement of injunctive actions;

Institution and settlement of administrative proceedings of an enforcement nature;  
Formal orders of investigation; and  
Opinion.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: December 3, 2001.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45119; File No. SR-ISE-2001-33]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the International Securities Exchange LLC To Amend the Original Criteria for Underlying Securities Contained in ISE Rule 502

November 30, 2001.

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 November 19, 2001, the International Securities Exchange LLC ("ISE" 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 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

Currently, paragraph (b)(5) of ISE Rule 502, "Criteria for Underlying Securities," provides that the market price per share of a security underlying an option must have been at least \$7.50 for the majority of business days during the three calendar months preceding the date of the selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days. The ISE proposes to amend ISE Rule 502(b)(5) to provide an alternative listing requirement for underlying securities that satisfy all of the initial listing requirements in ISE Rule 502 other than the \$7.50 per share requirement. Specifically, the ISE proposes to amend ISE Rule 502(b)(5) to permit the ISE to list options on securities that satisfy all of the initial listing requirements other than the \$7.50 per share requirement so long as: (1) The underlying security meets the guidelines for continued approval in ISE Rule 503, "Withdrawal of Approval of Underlying Securities;" (2) options on such underlying security are traded on at least one other registered national securities exchange; and (3) the average daily volume for such options over the last three calendar months preceding the date of selection has been at least 5,000 contracts.

The text of the proposed rule change appears below. New text is in *italics*.

#### Rule 502. Criteria for Underlying Securities

\* \* \* \* \*

(b) In addition, the Exchange shall from time to time establish guidelines to be considered in evaluating potential underlying securities for Exchange options transactions. There are many relevant factors which must be considered in arriving at such a determination, and the fact that a particular security may meet the guidelines established by the Exchange does not necessarily mean that it will be selected as an underlying security. Further, in exceptional circumstances an underlying security may be selected by the Exchange even though it does not meet all of the guidelines. The Exchange may also give consideration to

maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the forgoing, however, absent exceptional circumstances, an underlying security will not be selected unless:

\* \* \* \* \*

(b) *Either:*

(i) The market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days; or

(ii) *The underlying security meets the guidelines for continued approval in Rule 503; options on such underlying security are traded on at least one other registered national securities exchange; and the average daily volume for such options over the last three calendar months preceding the date of selection has been at least 5,000 contracts.*

#### 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 Exchange 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. The Exchange 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

ISE Rule 502 contains the criteria that an underlying security must meet before the Exchange may initially list options on that security. The ISE states that these criteria are uniform among the five options exchanges. The ISE notes that after an exchange lists options on an underlying security, the underlying security must continue to meet another set of uniform, but somewhat less stringent, requirements for the exchange to list additional series of options on the security (the "continued listing requirements").

The ISE believes that although the continued listing requirements are uniform among the five options exchanges, the application of these

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

<sup>2</sup> 17 CFR 240.19b-4.

standards in the current market environment has had an anticompetitive effect on the ISE. Specifically, the Exchange states that it cannot list several of the more actively-traded options classes because the price of the underlying securities has fallen below the initial listing requirement since the time the options were listed on the other exchanges. Because the underlying securities remain above the continue listing criteria, the other options exchanges may continue to trade options on these securities—and list additional series—while the ISE cannot begin listing any options on these securities.<sup>3</sup>

To address this situation, the Exchange proposes an alternative listing requirement solely with respect to the underlying security's price during the three calendar months preceding listing. Specifically, ISE Rule 502(b)(5) currently provides that the market price per share of the underlying security must have been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection for listing. The ISE proposes to amend ISE Rule 502(b)(5) to provide that, for underlying securities that satisfy all of the initial listing requirements other than the \$7.50 per share price requirement, the ISE would be permitted to list options on the securities so long as: (1) The underlying security meets the guidelines for continued approval contained in ISE Rule 503; (2) options on such underlying security are traded on at least one other registered national securities exchange; and (3) the average daily trading volume for such options over the last three calendar months preceding the date of selection has been at least 5,000 contracts.

The ISE states that it has narrowly drafted the proposed rule change to address the circumstances where an actively-traded options class is currently ineligible for listing on the ISE. The ISE notes that when an underlying security meets the continued listing requirements and at least one other exchange trades options on the underlying security, the options already are available to the investing public. Therefore, the ISE notes that the current proposal will not introduce any additional listed options classes.

The ISE notes that it has limited the proposed rule change to options that are actively-traded by requiring that the

average daily trading volume for the options be at least 5,000 contracts over the last three calendar months. Thus, the ISE maintains that the proposed alternative listing standard would be limited to options with volume in the top half of all options, indicating that there is widespread investor interest in the options. Because these options are actively-traded in other markets, the ISE believes that there would be no investor protection concerns with listing the options on the ISE. In addition, the ISE believes that listing these options on the ISE would enhance competition and benefit investors.

#### (2) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements under section 6(b)(5) of the Act<sup>4</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the Exchange consents, the Commission will:

(A) by order approve such proposed rule change; or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### **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 filings will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-ISE-2001-33 and should be submitted by December 21, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-30274 Filed 12-5-01; 8:45 am]

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## **DEPARTMENT OF TRANSPORTATION**

### **Federal Aviation Administration**

#### **Approval of Noise Compatibility Program for Hilo International Airport, Hilo, HI**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Notice.

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**SUMMARY:** The Federal Aviation Administration (FAA) announces its findings on the Noise Compatibility Program submitted by the State of Hawaii, Department of Transportation under the provisions of Title I of the Aviation Safety and Noise Abatement Act of 1979 (Pub. L. 96-193) and Title 14, Code of Federal Regulations, Part 150 (FAR part 150). These findings are made in recognition of the description of Federal and nonfederal responsibilities in Senate Report No. 96-52 (1980). On November 28, 2000, the FAA determined that the noise exposure maps submitted by the State of Hawaii, Department of Transportation under FAR Part 150 were in compliance with applicable requirements. On

<sup>3</sup> According to the Exchange, two of the 50 most actively traded securities, Lucent and Northern Telecom, currently fall into this category. The Exchange asserts that the only reason they fail to meet the initial listing criteria is that they do not meet the \$7.50 per share stock price test.

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> 17 CFR 200.30-3(a)(12).